Inclusive gender and climate finance

Centring frontline, underrepresented and underserved communities in investment

February 2023

Acknowledgments

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2X Global would like to thank contributors to their **Gender & Climate Investment Working Group** for their support for this work. In particular we want to highlight those who participated by lending us their insights through our consultations, interviews and by contributing case studies including:

Adaora Ogbue
Equality Fund

Carey Bohjanen
The Rallying Cry

Ishita Shah
Align Impact

Tara Murphy Forde
Global Partnerships

Bridget Burns
Women's Environment & Development Organization

Shalaka Joshi
International Finance Corporation

Patricia Farrar-Rivas
Veris Wealth Partners

Susan Gibbs
Wallace Global Fund

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Ascenda

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22 Fund

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BlueOrchard Finance

Kellan Hays
Good Nature Agro

Sharron McPherson
The Green Jobs Machine

This work was made possible by the generous support of our funders: **The Wallace Global Fund**, **Laudes Foundation**, **Children's Investment Fund Foundation** (CIFF), and the **Roy and Patricia Disney Foundation** (RPDFF) and in collaboration with our content partner for the *Gender and Climate Investment Working Group*, **Kite Insights**.

About 2X Global

2X Global (formerly GenderSmart and 2X Collaborative) is a global membership and field-building organisation for investors, capital providers, and intermediaries working in public and private finance, across both developed and emerging markets. Our vision is global sustainability and equal opportunity, powered by inclusive, equitable, and gender-smart systems of finance. We build capacity through knowledge, partnerships and tools that deepen investor commitment, advance and align standards to increase the impact and effectiveness of investment strategies, and shift markets through strategic advocacy and engagement.

GenderSmart and the 2X Collaborative became 2X Global on 1 January 2023. The GenderSmart *Gender & Climate Investment Working Group* (now *Gender & Climate Finance Community of Practice*) was launched in early 2020 with the goal of unlocking the potential of applying a gender lens to climate finance, and vice versa. The group tapped into the collective wisdom and experience of more than 100 investment pioneers, with the aim of driving positive outcomes for women and the world.

GLOBAL
Unlocking gender-smart capital at scale.

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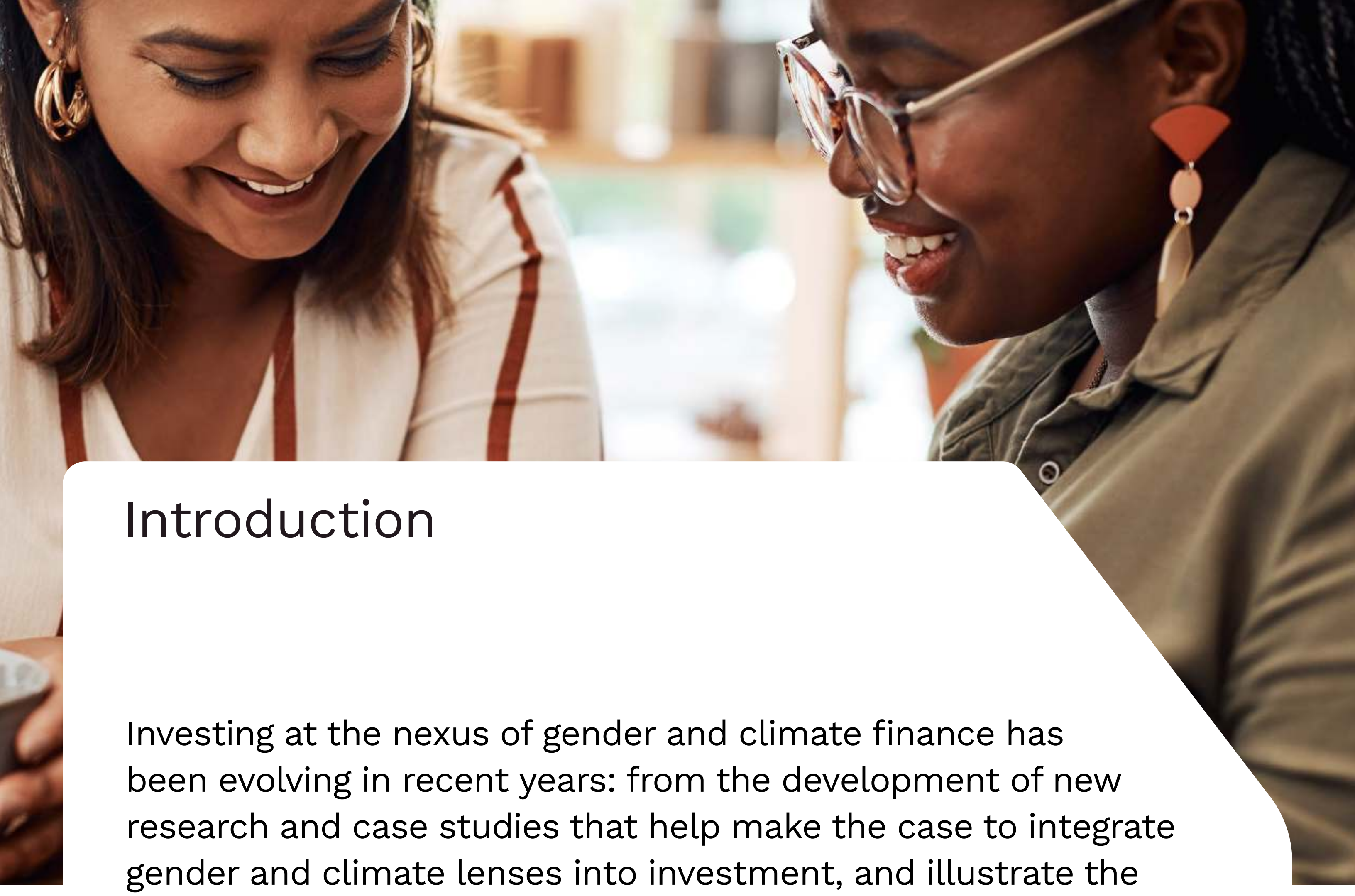


Introduction

Investing at the nexus of gender and climate finance has been evolving in recent years: from the development of new research and case studies that help make the case to integrate gender and climate lenses into investment, and illustrate the benefits of doing so, to the emergence of tools to support investors in adopting an integrated approach. Yet few of these examples and tools have engaged intentionally with the full breadth of intersections between climate action, gender and a broader inclusive and JEDI lens in the investment community. This is even true of our own working group's foundational report, *Gender & Climate Investment: A strategy for unlocking a sustainable future*,[1] which makes the case for *breaking down silos between gender and climate in investment approaches* to identify and mitigate risk, re-envision, and fulfil fiduciary duty and uncover new investment opportunities, all while driving long term value and amplifying social impact. For simplicity, in this report, we refer to an integrated approach to these investment themes that centres frontline underrepresented and underserved communities as *inclusive* gender and climate finance.

Key definitions

Combining these lenses and taking an integrated approach to identifying opportunities at their intersections has the potential to unlock more just and effective processes and outcomes across talent, innovation, markets, products and services, value chains and governance. In the next section of this guide, *'What can it look like to invest in inclusive gender and climate finance: Finding the right approach'*, we explore different entry points investors might approach this from, and some tools they might leverage to support them in their journeys.

CLIMATE FINANCE seeks to transition financial markets and the real economy to a sustainable and resilient net zero future, by directing Paris Agreement aligned capital to providers of solutions for adaptation and mitigation. The United Nations Framework Convention on Climate Change (UNFCCC) Finance – Climate Action Pathway aims at a future where "Climate justice, equity and intergenerational fairness are now cornerstones of (the) financial system".[2]

JUSTICE, EQUITY, DIVERSITY AND INCLUSION (JEDI) INVESTING seeks to promote learning, innovation, creativity, flexibility, equity and human dignity, alongside financial returns by considering who is investing, who receives investment, what results occur, how investments/investment terms are structured and how those decisions are made. It covers gender, racial and ethnic diversity, as well as other forms of diversity and social exclusion and under-representation at the ownership level, in governance, leadership, decision making, employment, value chains, and products, services, and customers. It is also about power dynamics and engagement.[3]

GENDER LENS INVESTING integrates gender-based factors such as women's (and all people with gender differentiated experiences) ownership, leadership, employment or consumption into investment strategy and analysis in order to increase returns and impact, and move towards a more equitable world for all. It can help investors spot market opportunities or risks where others might miss them, while simultaneously addressing gender equality in various ways. It is relevant in public and private markets and across all asset classes, themes, and geographies.[4]

IMPACT INVESTORS seek to "generate positive, measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending on investors' strategic goals. The growing impact investment market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, microfinance, and affordable and accessible basic services including housing, healthcare, and education".[5]

Today, many urgent conversations are being driven by activists in climate and racial justice movements. At the same time, calls are being made for sustainable investing to be more nuanced and substantive in the way that it operates at the nexus of environmental, social and governance (ESG) considerations. In light of these, as well as the increasing prominence of dialogues and commitments around Just Transition and loss and damage at successive United Nations Climate Change Conferences, contributors to the working group highlighted a need to build on this work to ask which principles, processes and practices for centring frontline, underrepresented, and underserved communities in gender and climate finance might best support actions and commitments from investors working in this space.

> In this guide we characterise *four entry points*, underpinned by a set of rationale, to better support investors in approaching *inclusive* gender and climate finance ... and propose *five foundational reasons* investors should explore relevant approaches.

At its heart, this guide aims to influence investors to move more capital, more intentionally, and with more impact, with these lenses. Conservative estimates suggest that US$5tn annually is needed for adaptation and mitigation by 2030 to achieve Paris alignment.[6] This represents an increase of 590%, with the furthest to go in funding the adaptation needed for frontline community resilience. Just 14% of public sector finance flows to developing economies goes towards adaptation.[7] And just $1bn or less than 1% of private climate finance, goes towards supporting adaptation efforts. How much more powerful would even this existing capital be if deployed for climate action with a combined JEDI and gender lens? And how much more effective might new capital that's deployed be rendered, by taking this approach?

To support investors in reflecting about how they might introduce or strengthen their approach in their own portfolios, in this guide we characterise four entry points, underpinned by a set of rationale, to better support investors in approaching *inclusive* gender and climate finance. We highlight some existing resources that are already available to investors and propose five foundational reasons investors should explore relevant approaches. These include:

- Enhancing resilience among low-income, frontline communities;
- Recognising and revaluing the talent, innovation, insight and leadership of those in frontline, underrepresented and underserved communities;
- Leveraging frontline communities' untapped wisdom to design innovative solutions that benefit everyone
- Unlocking the multiplier effect of bringing in new types of capital, and modifying capital structures and instruments;
- Remedying inequities within the financial system and beyond.

Finally, we explore some non-exhaustive characteristics of investments at this intersection alongside illustrative case study examples surfaced through our consultations – across sectors like construction, food and agriculture, renewable energy, and transport.

This is not a definitive guide. As Criterion Institute notes, fundamental shifts are needed in the power dynamics of our investment ecosystem to build the field at this nexus of climate finance, justice and gender.[8] Many believe that truly achieving climate justice will require foundational economic and political systems change. And one perspective is that western systems of finance are fundamentally colonialist. Another is that looking at climate justice and gender together from a global perspective risks conflating the goals of United States based environmental, racial and gender justice with the needs of those in the global south and detracts from the most important conversations for those communities. Talking about investing in climate justice can be very sensitive, and may not always be appropriate. For many in frontline communities, this is a conversation about survival. In fact, some subject matter experts in our network have advised those in their zone of influence not to incorporate climate justice into their investment policy statements until there is a deeper understanding about what climate justice is all about. Confluence Philanthropy[9] is a key investment network and field building organisation to follow on this work.

We recognise that in opening up this conversation to a broader church of actors than are currently engaged in this space, we might not get everything right. Nevertheless, we believe that investors today have the power to be intentional and create positive disruptions that can progress us towards these goals, including by nudging those in their zones of influence to go further than they might do otherwise. So, this report instead represents a starting point for us to bring together the work we're seeing in our networks, to seed ideas and encourage a broader range of investors to engage meaningfully in reflecting about what their contribution might be.

Investors are at different stages in their journeys towards considering climate, gender and JEDI together in their work. Some may be yet to engage meaningfully at these intersections, others aware of the need to start thinking about introducing this into their work and actively working to find the right way to do so. More experienced JEDI and gender lens allocators and intermediaries seeking transformational impact may also be going further to look at how they might adopt a systems lens in their work to move from extractive to regenerative investment practices. For example, by evaluating the investment process through the lens of privilege and power dynamics, uncovering ways to meaningfully address the systemic barriers which keep underrepresented and underserved groups from accessing capital and which reinforce structures perpetuating the status quo.[10] Our aim is for this report to guide reflection and kick start conversations across all of these audiences.

Given the need for further work to identify the role that investment should play in delivering climate justice, we have chosen instead to focus in this guide on the role that inclusive and intentional approaches to gender and climate finance can play in centring frontline, underrepresented and underserved communities in investments. Nevertheless, there are some important foundational lessons to be taken from existing work on climate justice from the outset. Definitions of climate justice, as well as dynamics related to JEDI and gender considerations vary depending on context, geography and focus.

Broadly, climate justice considers unequal patterns of responsibility, impact, and capacity to adapt to climate change to ensure that action is rooted in and led by those who are most impacted. Climate Just approaches also importantly put people at the heart of climate action and prioritise equity in the transition towards a more sustainable and regenerative economy, centring context specific political economy considerations and structural barriers that need to be overcome to achieve these goals. We suggest that *inclusive* gender and climate finance shares many of these tenets.

> Gender inequality is a core consideration of inclusive climate finance, in recognising that women are *powerful agents of change*, while also being disproportionately impacted by climate change.

Gender inequality is a core consideration of inclusive climate finance, in recognising that women are powerful agents of change, while also being disproportionately impacted by climate change. Women's voices and leadership at all levels and stages are crucial to ensure that increasing investment flows efficiently and effectively address climate change, while addressing multiple, intersecting forms of inequality to unlock the power of women across value chains. As such, and while gender and climate investment itself is a relatively nascent field (something that is even truer of investment approaches that prioritise climate, JEDI and gender together), we believe that building understanding and a community of advocacy, learning and practice at these intersections is a valuable exercise. Our work here is therefore intended as a starting point, which we hope will inspire further research and action with the potential to de-risk investments while amplifying impact across climate, gender, and JEDI outcomes.

Amplifying important work in this space

In recent years, a number of organisations and initiatives have written powerful work focusing to varying degrees on the intersection of investment in JEDI, gender and climate. To name just a few, these include:

'Disrupting Fields: Addressing Power Dynamics in the Fields of Climate Finance and Gender Lens Investing', published by Criterion Institute,[11] which examines power dynamics in the development of climate finance and gender lens investing, driven by the thesis that this can enable more intentional design of field building efforts to address inequities in systems of finance.

'Catalysing Investment to Scale Gender and Climate Solutions in Africa: A Call to Action', published by The Rallying Cry,[12] which makes the case for investment in gender and climate in Africa and more inclusive climate leadership – spotlighting how women business leaders are developing powerful climate solutions already today, and exploring how their collaborative and equitable approaches might inform global change from the ground up. Moving from analysis and engagement to implementation, their follow up **'Accelerate transformation: Invest in African Women leading Climate Action'** explores new ways to bring women led agribusiness and capital together to grow and scale climate solutions.[13]

'Investing for Climate Justice: An Intersectional Approach', published by Cambridge Associates,[14] which establishes that climate change is a social justice issue, and proposes ways in which investors, including those pursuing net zero, can apply an intersectional approach to climate justice in portfolios – across themes and asset classes.

'Leading with Justice: Net Zero Investing & Conversations on Climate Justice', published by GEM and the Intentional Endowments Network (IEN),[15] which provides a background and working definition of climate justice in the United States; argues that climate justice is central to reaching net-zero goals; and provides practical methods to implementing climate justice in this context.

'A Feminist Agenda for People and Planet: Principles and Recommendations for a Global Feminist Economic Justice Agenda', published by The Women's Environment and Development Organization (WEDO), The Women's Working Group on Financing for Development (WWG-FFD), The African Women's Development and Communication Network (FEMNET) and the Pan-African Climate Justice Alliance (PACJA).[16] This report, led by the co-leads of two of Generation Equality Forum's action coalitions on economic justice and climate justice, argues for a decolonial green new economy – one that prioritises human rights and the planet's wellbeing over growth and GDP. Its recommendations also include an equitable and just global trade order, an economy that redistributes wealth and resources, promotes debt justice and a new structure of sovereign debt, and democratic global economic governance.

While such publications represent important building blocks of an emerging imperative field of practice, today's investment literature, processes, and practices far too rarely consider risks and opportunities at the intersection of climate, JEDI and gender together.

Embarking on this project we reached out to our collective networks and community to take a snapshot of work already being done around these themes. We also sought to build on insights from the work of GenderSmart's parallel working group on Justice, Equity, Diversity and Inclusion (JEDI) and the recent toolkit[17] designed to help allocators and investment influencers incorporate a gender lens alongside a wider diversity lens, starting with racial and ethnic justice across the investment process, as a first foray. This work underscored the importance of an intersectional approach that goes beyond counting women, to considering the full spectrum of gender, identity, and broader socio-economic factors together in investments. In doing so, we aimed to understand how investors are already approaching this in their work today, as well as what might best guide others like them in adopting or strengthening their approaches.

We found investors thinking about and engaging in this space in a variety of different ways. From commercial developed market investments in Black, Indigenous, and People of Color (BIPOC)[18] women entrepreneurs offering climate-smart products and services, and good green jobs for women of colour; to blended-finance investments with a gender and climate lens that centre women in marginalised or previously under-invested communities; and those focused on adaptation and resilience in emerging markets and the Global South who are really centring community voice and ownership. Moreover, we found that organisations interpret concepts such as Just Transition differently, with some focusing solely on ensuring that those in high-polluting sectors find decent employment as industries are phased out, and others, recognising that environmental and social considerations are intrinsically connected, broadening this to include considerations around race and gender.

Our focus in this report therefore includes all green investments that are restorative or reparative (with many of the inequities discussed in this guide stemming from years of colonisation or other forms of power dynamics that have systemically placed these communities on the back foot), or which otherwise centre communities experiencing the impacts of injustice across developed and emerging markets, sectors, and different types of investment, and are made with a gender lens. Such investments can integrate principles around voice, agency, design, governance, racial and ethnic justice, ownership of solutions, and equitable access to capital and job creation.

> *Inclusive* gender and climate finance is *urgent and important*. It is crucial if we are to address the closely interlinked twin crises of climate change and inequity.

While there is unlikely to be a one-size-fits-all approach that meets the objectives of all investors, we nevertheless found that those already working in this space at different stages of their journeys have important lessons to learn from one another. One thing that investors were clear about is that considering these imperatives together does not dilute focus, but rather strengthens the outcomes they strive for. And that in one form or another, these lenses are relevant for many investors.

Inclusive gender and climate finance is urgent and important. It is crucial if we are to address the closely interlinked twin crises of climate change and inequity. We hope that this guide will prompt reflection and equip actors from across the investment ecosystem to take action through their portfolios and their influence.

18. Throughout this report, we have chosen to retain US styles when spelling out the constituent parts of this acronym, to reflect its context specificity. This term is defined in the GenderSmart 'JEDI Investing Toolkit: Glossary' as follows, "BIPOC: An acronym for Black, Indigenous, and People of Color, used to acknowledge that forms of racial oppression differ for different groups, and to acknowledge the unique oppression of Black and Indigenous people in the United States."

What can *inclusive* gender and climate finance look like?

Four entry points for investors

There are many different ways of approaching *inclusive* gender and climate finance, depending on investors objectives and entry points. Everyone is at different stages and on different journeys. Some will approach this space from multiple entry points.

These are four entry points to help investors reflect about where opportunities might lie, to introduce or strengthen this approach in their portfolios:

CLIMATE FINANCE INVESTOR

`Prioritises climate action`

Starts with climate then integrates a JEDI lens, gender lens, and the returns profile or business case that is right for them.

JUSTICE, EQUITY, DIVERSITY AND INCLUSION (JEDI) INVESTOR

`Prioritises social justice and impact in frontline communities`

Starts with JEDI and then integrates a climate action lens, gender lens, and the returns profile or business case that is right for them.

GENDER-SMART INVESTOR

`Prioritises gender lens`

Starts with a gender and then integrates a climate action lens, JEDI lens, and the returns profile or business case that is right for them.

ALL OTHER IMPACT INVESTORS

`Priority motivation is another impact thematic (such as health, education, job opportunities, or economic well-being)`

Starts with their primary impact motivation and then integrates a climate action lens, JEDI lens, gender lens, and the returns profile or business case that is right for them.

Finding the right approach

By engaging in this reflection, we encourage investors to explore opportunities to break down silos between investment approaches and examine risks and opportunities at the intersection of investment themes. However, standardisation and alignment is also needed to facilitate the data collection and reporting needed to make the case for these investment approaches and to build these fields. To support this objective and guide them in applying new lenses, investors can leverage resources such as **GenderSmart Investing's JEDI DDQs**,[19] **DDQ 2.0**'s Questionnaire Template, Due Diligence Questionnaire and Diversity Metrics Template,[20] **Adasina Social Capital**'s Social Justice Lending Criteria[21] and the **2X Climate Finance Taskforce**'s screening and due diligence checklists by sector.[22]

In determining the climate action component of an investment, investors may benefit from considering factors such as Paris alignment (contribution to mitigation or adaptation) alongside an assessment of physical climate risks and transition risks in line with the Task Force on Climate-Related Financial Disclosures.[23] Alongside this, the justice component of an investment can be interrogated through an impact assessment with a JEDI and human rights lens. Both risk and impact assessments can include a strong focus on who (which demographic groups and frontline communities) would be impacted by climate change in the context addressed by the investment, and in which ways the investment might address the needs specifically of those communities.

A gender and JEDI lens assessment of the investment is best applied throughout the investment process to encompass everyone affected – from the investor's own organisation to investee entrepreneurs and leaders, their employees and suppliers, consumers and end users. Not every form of *inclusive* gender and climate finance will be right for every investor. For example, community ownership or reparations-oriented investments may feel right to one investor. But another may prefer to back climate entrepreneurs from frontline communities who are innovating solutions that are right for those communities, without a full community ownership model. Engaging in this exercise of interrogating processes and outcomes will enable investors to identify the investments most relevant for them.

5 reasons to centre *frontline, underrepresented* and *underserved* communities in gender and climate investments

To address the pressing and intersecting challenges of the climate crisis and social inequity, it is imperative that investment approaches and solutions explore opportunities at the intersection of climate action, JEDI and gender. As the Task Force on Inequality-related Financial Disclosures (TIFD) (an organisation which aims to bring civil society and academic work on inequity together in corporate and investors' disclosure and risk management frameworks) notes, inequality is a systemic risk.[24] Reimagining current systems and acting at this nexus is not simply a matter of scaling positive impact for people and planet – it is a powerful way for investors to participate in shaping a greener, more inclusive economy that continues to drive value and address risk, for everyone.

In 2022 the Intergovernmental Panel on Climate Change (IPCC) issued an urgent call for increased investment to address the climate crisis, highlighting the need to accelerate financial support to developing countries and address barriers within the financial sector (pg. 51, E.5.3). Following on from its acknowledgement earlier in the year of the crisis' roots in historical and ongoing patterns of inequity, such as colonialism (pg. 1 B2),[25] the IPCC acknowledged the need to 'integrate considerations of equity, gender equality and justice' (pg. 47, D.3.2).[26]

The science is catching up with what frontline communities, activists, and a small number of donors and investors have long recognised: these crises are linked and demand holistic solutions, fast. Contrary to misconceptions that broadening focus may dilute impact, treating climate, gender and JEDI together in investments strengthens approaches by zeroing in at the nexus to unlock solutions that reflect the reality and urgency of those most negatively affected and whose leadership and insights are imperative.

While 2030 targets call on businesses, governments, and investors to address the future impacts of climate change, the crisis is already a deeply destructive reality for the world's most vulnerable. Looking at this vulnerability, the need for a combined and inclusive gender and climate lens is evident.

> Treating *climate, gender and JEDI* together in investments strengthens approaches by zeroing in at the nexus to *unlock solutions* that reflect the reality and urgency of those most negatively affected and whose leadership and insights are imperative.

The majority of the world's poor are women,[27] who are 14 times more likely to die during an extreme weather event.[28] Globally women have access to only 3% of bank loans,[29] limiting women's ability to adapt to climate change and develop innovative solutions across sectors. This inequity is further deepened by racial disparities in investment: in 2020, VC funding for United States Women-Led start-ups fell to just 2.3%,[30] while Black women and Latina entrepreneurs received less than 1% of venture capital.[31] Over the past decade in the UK, only 0.02% of VC has gone to black women founders.[32] This is equally clear in the green investment space; with female founders of clean technology businesses raising $26.1m in 2021, compared to $10bn by male founders.[33]

Existing inequalities – from racial disparity and income inequality, to disability and age – are exacerbated by climate change for women around the world, in both developing and developed countries. Despite the value of lived-experience in leadership, frontline women's voices are underrepresented in decision making and solutions that leverage this are consistently undervalued by investors. Centring such voices in investments, including through fit for purpose capital, blended and innovative finance solutions, can unlock the solutions needed to reach global goals at the pace and scale needed.

Building more inclusive and equitable investment processes will help unlock the potential of investing in gender and climate by bringing to light under-recognised opportunities to support every one of the 17 United Nations Sustainable Development Goals. To uncover the investable opportunities needed to drive this transformation, and for such investments to be effective, they must put people at their core and look beyond an artificially narrowed pool of the world's population and potential that excludes women, and especially women of colour.

Centring frontline, underrepresented and underserved communities in climate investments can bring inclusive and equitable solutions to light, reveal risks, and enable opportunities for both socio-economic and ecological transformation from the ground up. If investors don't act to promote *inclusive* gender and climate finance, they will be leaving opportunities on the table; from overlooking black, indigenous, women of colour-led and designed solutions, to missing the benefits that those solutions could bring women in the communities they'll serve as workers, distributors, and customers, to the impacts of otherwise avoidable risks. Embracing this approach is a significant opportunity for investors to engage meaningfully in effective, equitable climate action, while mitigating risks to investment portfolios, society, and the environment.

Our consultations surfaced five reasons to invest in *inclusive* gender and climate finance:

01 Enhance resilience among low-income, frontline communities

The urgency is in frontline communities, and investors need to step up to partner with these communities for mutual resilience.

The urgency to reach global targets and build resilience is increasing. Frontline communities, those hit 'first and worst' by climate change, are facing increasingly severe climate impacts. At the same time, investors face a host of emerging climate risks, from acute disruptions like floods and wildfires to long-term ones like labour migration. To address these challenges, mitigate risks, and build resilience across value chains, investors need to partner with frontline communities. Applying climate, JEDI and gender lenses together can ensure investments benefit a broad range of stakeholders and build more resilient portfolios and communities – in both the short, and long term – through partnership with those at the forefront of the crisis.

Currently up to 3.6 billion people live in contexts that are highly vulnerable to climate change,[34] with low income and frontline communities in the Global South and underserved frontline communities in developed markets lacking adequate funding to adapt and build resilience. Frontline communities' resilience is inextricably linked to the resilience of investments along the value chain; inevitably the risks facing frontline communities trickle through supply chains and into investor portfolios. For example, as agricultural supply chains are disrupted by extreme weather events – from flooding and drought to wildfires – the capacity of frontline communities to adapt and manage is a decisive risk factor. As such, each year, roughly 21.5 million people flee extreme weather events or climate change impacts,[35] while 80% of climate refugees are women.[36]

> Frontline communities' resilience is *inextricably linked* to the *resilience of investments* along the value chain; inevitably the risks facing frontline communities trickle through supply chains and into investor portfolios.

Increased investment at pace will be key if we are to reach global climate goals in time to prevent further ecological and social destruction. Conservative estimates suggest US$5tn annually[37] is needed for adaptation and mitigation by 2030 to be aligned with Paris goals. Although climate finance is gradually growing, an increase of 590% in annual climate finance is needed to meet these global climate objectives.[38] While delivering on Nationally Determined Contributions (NDCs) has an important role to play in meeting this, more and better engagement from the private sector and blended finance is also needed to bridge the gap.[39]

Adaptation finance is crucial for building resilience to the increasingly severe and unequally distributed impacts of the climate crisis, yet it lags even further behind funding for mitigation. With estimated annual adaptation costs in developing economies ranging from US$155-330bn within the 2030 timeline, adaptation finance is in need of acceleration: public sector finance, of which 14% is adaptation finance, represents the bulk of total financial flows.[40]

Climate resilience and financial resilience go hand in hand.[41] If communities aren't economically stable, they won't be prepared for climate disaster, whether that means access to well-built green homes, being insured against climate disasters or having safe and accessible water and energy in the event of an emergency. And if communities aren't climate resilient, they won't be economically resilient in an increasingly climate-uncertain world. Diversified supply chains that include women from Global Majority underrepresented and economically disadvantaged communities can be more climate resilient, while also enabling frontline communities to build long-term economic resilience through investment.[42]

Applying climate, JEDI and gender considerations to investments can reveal risks and unlock opportunities for partnership to build collective resilience. Although investors often consider risks separately, there is evidence that Environmental, Social and Governance (ESG) risk compounds as a result of overlapping and intersecting consequences.[43] Segmented approaches appear to expose portfolios to unseen and increased risk, as they fail to recognise and quantify the complex ways in which social and environmental risks are correlated.

> Investors can *engage meaningfully* with frontline, underserved and underrepresented communities in a host of ways, including through civil society, social movements and intermediaries.

Investors can engage meaningfully with frontline, underserved and underrepresented communities in a host of ways, including through civil society, social movements and intermediaries. Some examples include Adasina's Social Justice All Cap Global ETF,[44] which is actively managed and tracks the Asasina Social Justice Index. The index supports Adasina in its objective to act as a bridge between public financial markets and social justice movements, by bringing together public equities across all major asset classes, and screened for extractive harms and social justice criteria that directly impact underserved and underrepresented communities alongside traditional ESG criteria. Another example is Thousand Currents's Buen Vivir Fund,[45] which practises participatory governance, "disrupts exploitative power dynamics" and aims to be a tool to support the transition to the next economy. Its practices include a members assembly, where investors and frontline communities are equal voting members in decisions, investor assumed risk where loan terms shift risk away from grassroots groups; and a two-way flow of upskilling where learning is just as important for investors as it is for investees and beneficiaries.[46]

02 Learn from frontline communities

Investors have an opportunity to recognise and revalue the talent, innovation, insight and leadership of frontline and indigenous communities.

Frontline communities have unique talent, insight, and innovative approaches to problem solving and leadership. While this is underrecognised and undervalued by investors at present, the wisdom of frontline and indigenous communities can benefit everyone if given the opportunity to scale.

The inequities in our current financial system – rooted in systemic factors including racism, gender inequality and colonialism – have translated into the field of green investment. If these biases and inequities are not intentionally addressed with intersectional approaches, they will continue to define finance flows and cascade inequality throughout new, green investments. This takes work, but is absolutely central if we're to achieve more just processes and outcomes.

> Frontline communities have unique *talent*, *insight*, and *innovative approaches* to problem solving and leadership ... the wisdom of frontline and indigenous communities can *benefit everyone* if given the opportunity to scale.

Reaching the UN Sustainable Development goals represents a $12tn opportunity,[47] for companies and investors to fund transition to Net Zero and shape a new sustainable economy. However, there is also the risk that existing inequalities are perpetuated and exacerbated if the approaches to transition do not intentionally integrate and address climate, gender and JEDI.

Persistent structural barriers and obstructive mindsets within the investment ecosystem mean that solutions, companies, and funds led by and benefitting women and frontline communities are consistently undervalued or overlooked. Narratives around these investments include perceptions of high levels of risk and a lack of opportunities. Investment processes themselves can exclude women in frontline communities, as high reporting burdens and a lack of access to tools prevent many from attracting the capital needed for sustainable growth and to build resilience.

An inclusive approach to gender and climate finance is important to embed at every stage of investment to start addressing these barriers. This ensures that investment approaches are led by the voices of frontline communities, especially women of colour, and those that are grounded in local context. These lenses bring unique talents, insights and perspectives to the fore. The experiences of frontline women in urban centres will differ from those in rural areas; women working in different sectors will have different adaptation needs and solutions; and women in developed countries, such as the United States where environmental and racial justice for BIPOC (Black, Indigenous, and People of Color) women are the primary concerns, may have different approaches than those in emerging economies. Taking these diverse contexts into account can highlight local opportunities to build resilience, while revealing potential harms related to the transition which may be missed by those who lack local knowledge. These specific, contextualised approaches can also improve implementation efficiency, as opposed to one-size-fits-all approaches.

The Rallying Cry

The Rallying Cry is a small and growing global initiative to catalyse private sector investment in gender and climate. It is currently focused on agribusinesses in Africa, in the pilot countries of Kenya and Zambia. The ecosystem-based initiative is led by a collaborative of women business leaders and climate, gender, and development finance professionals and institutions. The Rallying Cry has two pillars of focus:

01 shifting capital toward gender and climate smart enterprises in its network; and

02 shifting narratives around women and climate in Africa – from women as victims of climate change to leaders of climate action and transformation.

The initiative has released two thought leadership reports making the case for investment in gender and climate in Africa and more inclusive climate leadership which can be found here[48] and here.[49] It convenes a network of African Women Business Leaders, some of whom have been representative speakers at COP-26, elevating the voices of those on the frontlines of climate change in Africa. The Rallying Cry seeks to amplify the collective wisdom, creativity and resourcefulness from ground level required to inspire global change and drive real climate action.

03 Leverage frontline communities' untapped wisdom and innovative solutions

Improve and accelerate climate mitigation, adaptation, resilience, loss and damage recovery, nature based and biodiversity solutions.

Women are often stewards of the natural environments in which they work and live. Women's lived-experience, voices and agency are crucial to building the solutions needed to face and adapt to climate change.

Research has highlighted frontline women's efficacy in creating and implementing solutions to increase sustainable livelihoods,[50] while also being faster to adopt climate-smart approaches than men.[51] For example, African women agri-business leaders find innovative solutions that economically empower women throughout value chains by providing green jobs; mitigate climate change through emissions reduction and nature-based solutions, such as carbon negative fertiliser; and promote adaptation through regenerative agriculture practices, producing drought-resistant crops, and conserving forests and biodiversity to prevent floods.[52] Research has also found that investing in Indigenous communities is the single most efficient way to protect forests, while also mitigating emissions.[53] Indigenous women are traditionally responsible for providing food, and are often at the forefront of adaptation and mitigation efforts.[54]

> Research has highlighted frontline women's efficacy in creating and implementing solutions to increase *sustainable livelihoods*,[55] while also being faster to adopt *climate-smart* approaches than men.[56]

While this lived experience is systemically undervalued, proximity to peoples' experiences, challenges, and solutions can paint a clearer picture of both the urgency to act and the need for action to be guided by those at the frontlines.[57] By centring these voices in investment processes, solutions and outcomes, investors can benefit from that proximity in strengthening their analysis and strategies. This includes enhancing research capabilities and accelerating the adoption of gender analysis and expertise within investments; as the Advancing Research and Investment Standards for Equity (ARISE)[58] project aims to do.

Building this resilience and these solutions requires investment. However, access to capital remains a major barrier for women[59] – particularly in low-income frontline communities – which, left unresolved, increases the risk that women will be left behind in the green transition, deepening existing inequalities and leaving crucial solutions on the table.

04 Unlock the multiplier effect of bringing in new types of capital, and modifying capital structures and instruments

Enabling the ecosystem approach that is needed to achieve collective goals and create a better world for all.

An ecosystem approach is necessary to achieve a Just Transition. While policy, development capital and grant-making all play important roles in this – we will not get there without both public and private capital, or without exploring new approaches to capital structures and instruments.

Investing proactively to build long term resilience is a critical way to move away from reactive and largely ineffective crisis management strategies, which have seen an average of $55bn per year of insurance losses following catastrophic events in developed countries.[60] Of the $133bn of international aid distributed between 2010-2019, 90.1% went towards emergency response, 5.8% towards reconstruction relief and rehabilitation; and just 4.1% went toward disaster prevention and preparedness,[61] illustrating the short term focus that characterises crisis management at the expense of long term resilience. Moreover, just $1bn (less than 1% of tracked private climate finance) goes towards supporting adaptation efforts.[62]

The inefficacy of these reactive strategies is reinforced by insufficient investment toward climate adaptation and mitigation more broadly. To meet commitments, increased flows of capital are needed from both public, private and development finance institutions.

> Of the $133bn of international aid distributed between 2010-2019, … just 4.1% went toward *disaster prevention and preparedness,*[63] illustrating the short term focus that characterises crisis management at the expense of *long term resilience.*

While organisations need to continue providing emergency development and climate finance, public and private finance have different, complementary roles to play: directing finance towards adaptation and resilience building can help avert the risk that vulnerable communities and low income countries will miss out on development opportunities, should development aid be diverted to climate finance.[64] Today, while private funding is being mobilised throughout economically advanced regions, emerging economies rely predominantly on public sector funding: in 2017-18, only 20.5% of climate related development finance went to least developed countries, and only 3% to small island developing states.[65]

> There is a need for *both private and public* actors to meet their commitments by scaling up climate finance, with a particular focus on *adaptation* to build resilience.

There is a need for both private and public actors to meet their commitments by scaling up climate finance, with a particular focus on adaptation to build resilience. The 2009 commitment from developed countries to raise $100bn a year to support least developed countries to adapt to climate change and mitigate further damage has still not been met,[66] despite current estimates of needs counting in the trillions. In 2021 three-quarters of global climate investments went to East Asia and Pacific (81% concentrated in China), Western Europe and North America.[67] It is clear that the geographical disparities, debt biases, an overemphasis on climate mitigation and sectoral preferences that have historically characterised global climate finance flows continue to limit progress.

Moreover, historically climate finance and mitigation have not been set up to enable benefits to accrue to frontline communities. How might new capital structures and instruments, like carbon markets play a role in delivering benefits to women in frontline communities?

It is important to note that climate change interacts with existing inequalities in developed, as well as developing countries. From Los Angeles to Oakland to East Palo Alto, New York, Detroit, Baltimore, New Orleans, injustice is pervasive. For example, in the United States institutional racism and economic inequality, among other factors, mean that indigenous communities and people of colour face outsized climate risks and impacts, while lacking the resources to adapt.[68]

Mobilising both private and public funding is crucial to address the crisis at pace and scale. For strategies to be effective, they must proactively address gaps in finance to meet frontline communities' adaptation needs. Taking into account international, national and local disparities – as well as the intersecting dynamics of inequity intertwined within them – in an integrated way can ensure investments work towards meeting collective goals at the nexus of climate, gender and JEDI.

05 Remedy inequities

Realise opportunities to transform power dynamics within the financial system – and beyond.

Enduring historical dynamics – from colonialism and racism to sexism – are causing lasting damage to communities around the world. These injustices are intersecting with climate change to disproportionately harm communities already facing systemic marginalisation.

The transformation required to transition to a green economy is also an opportunity to address global inequality, acknowledge and redress past wrongs and rebuild systems rooted in more balanced power dynamics. Increasingly, frontline communities, governments and activists are calling for a Just Transition: a transition to Net Zero that prioritises both environmental sustainability and inclusion, to ensure that no one is left behind.[69] Transition approaches that fail to consider these imbalances risk exacerbating existing inequities and excluding Global Majority underrepresented and economically disadvantaged communities from new opportunities.

For many, achieving a Just Transition does not simply mean ensuring equitable access to *future* opportunities – it also requires us to look at past injustices. The United States is responsible for 25% of historical emissions and the 28 countries of the European Union are responsible for 22%; in contrast, the African continent and South America are each responsible for less than 3%.[70] Climate and racial justice groups are concerned with the imbalance between responsibility for the climate crisis, and those bearing its consequences. This work is closely connected with the ongoing impacts of colonialism on societies and the environment, including within the financial system: in which marginalised communities are ignored, while facing underinvestment and disinvestment. Investors who want to engage have an opportunity to address these concerns by shifting voice, agency, ownership and governance throughout investment products and processes.

> *Inclusive* gender and climate finance ensures that investment processes *systematically consider racial justice* in a comprehensive way that accounts for the complex ways race intersects with gender and climate, among other factors.

Some investors in *inclusive* gender and climate solutions strongly believe that it is not enough to be engaged in diversity and inclusion, but that one must be explicitly anti-racist: actively opposing racism by identifying, challenging, and changing the values, structures and behaviours that perpetuate racism.[71] This can include recognition of the power and influence investors exert over markets, as well as awareness of the ways in which racial inequality is entrenched within the financial system: through diversity (or lack thereof) within financial institutions, imbalanced finance flows, and the impact of investments. *Inclusive* gender and climate finance ensures that investment processes systematically consider racial justice in a comprehensive way that accounts for the complex ways race intersects with gender and climate, among other factors.

> Centring frontline communities can help uncover *restorative and reparative* investments that address past and current injustice, while paving the way to *future equality*.

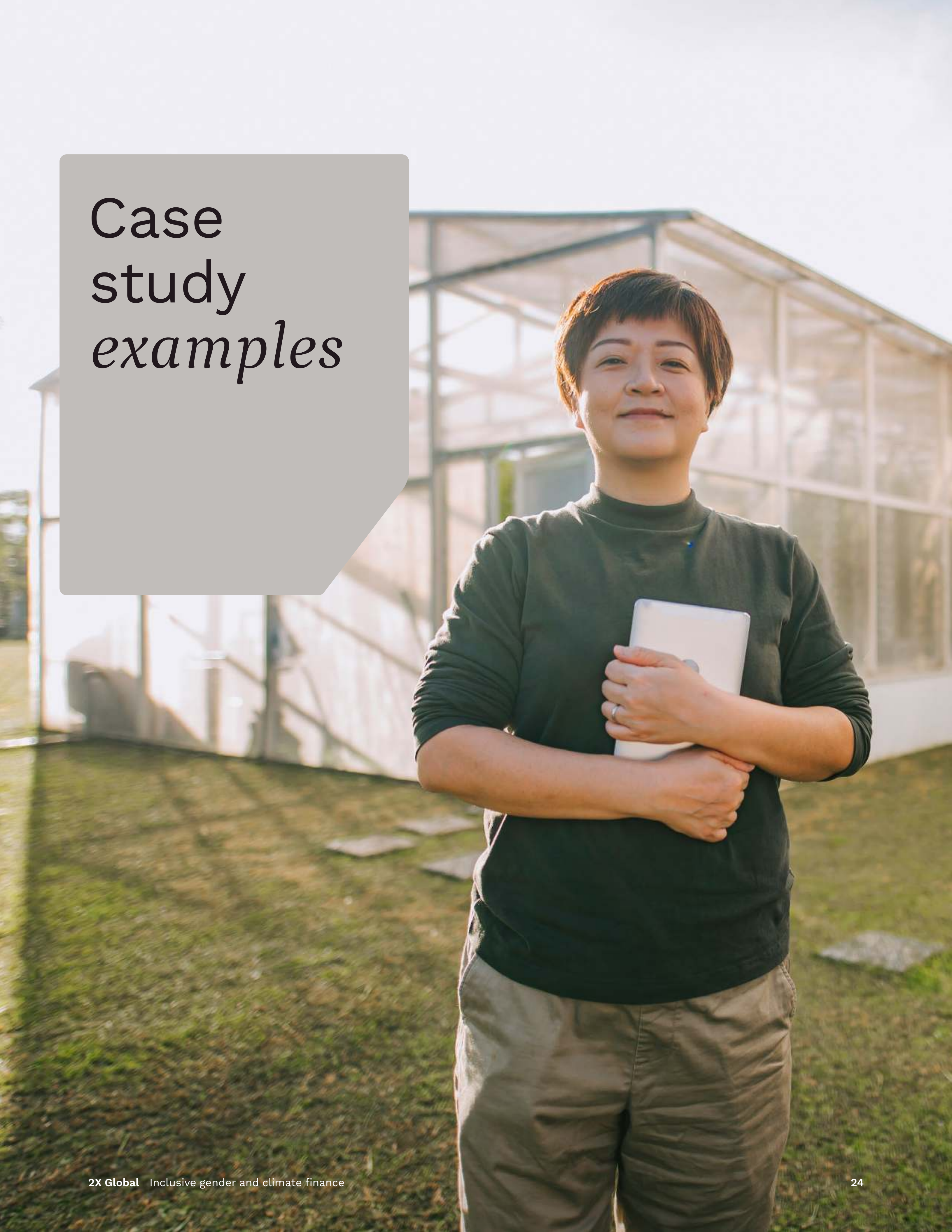
Further, centring frontline communities can help uncover restorative and reparative investments that address past and current injustice, while paving the way to future equality. Recent dialogues and commitments around loss and damage reveal routes to this. As agreed in Article 8 of the Paris Agreement, loss and damage includes three pillars: averting climate change by mitigating emissions; minimising impact by promoting adaptation; and addressing loss and damage to support people who have experienced impacts.[72] In the last 20 years, over 4 billion people have been directly harmed by climate disasters[73] and the world's most climate vulnerable countries have lost an estimated $525bn to climate change impacts.[74] These numbers and the need for financing to match them will only keep increasing, requiring investment in mitigation, adaptation and to address loss and damage – as reflected by its presence on the official agenda at COP27 for the first time, and the resulting agreement to create a specific fund aimed at addressing this.[75]

In the public markets, one fund who is working to remedy inequities and transform power dynamics is Adasina Social Capital:

Adasina Social Capital

Adasina Social Capital (Adasina) is an investment and financial activism firm that bridges financial markets and social justice movements. In December 2020 Adasina announced the launch of the Adasina Social Justice All Cap Global ETF. The ETF excludes companies whose practices impede the advancement of equitable systems.

Its investment criteria are embedded in a data-driven set of investment standards determined by working closely with social justice movements to identify the issues most directly affecting their communities – with a particular focus on racial, gender, economic, and climate justice. The ETF tracks the Adasina Social Justice Index, which includes a global universe of public companies whose practices are in alignment with social justice values, and which is screened using both the Social Justice Investment Criteria and traditional ESG metrics. As a Black and women-owned investment firm, Adasina's experienced investment team is reflective of the communities most impacted by existing inequitable systems. The Adasina ETF is one part of a comprehensive investment strategy that aims to mobilise investors through campaigns and education, creating incentives for companies and governments to change their harmful practices and make positive, systemic change for people and the planet.



Case study *examples*

The illustrative case studies in this section have been tagged according to the following non-exhaustive *justice criteria* of investments that centre frontline, underrepresented and underserved communities in climate investments, as well as *gender criteria*, based on the 2X criteria (entrepreneurship, leadership, employment, consumption, investing in financial intermediaries) and *climate criteria* (mitigation, adaptation, resilience):

GENDER CRITERIA

- Entrepreneurship
- Leadership
- Employment
- Consumption
- Investing in financial intermediaries

CLIMATE CRITERIA

- Mitigation
- Adaptation
- Resilience

JUSTICE CRITERIA

- Restorative and reparative
- Voice and agency
- Just Transition
- Racial and ethnic justice

We have defined the inclusivity and justice criteria below, as we believe these are least familiar to our audience. However, if you would like to find out more about either gender or climate criteria, see Gender and Climate Investment: A strategy for unlocking a sustainable future.

RESTORATIVE AND REPARATIVE characteristics refer to an investment's climate and environmental action that seeks to repair the social injustices and inequity embedded within the same systems which have caused environmental degradation and destruction. In line with UN reparations guidelines[76] investments can act as restitution that restores environmental and socio-economic destruction; rehabilitation that provides services to address the impacts of injustice; compensation to address economic damage; satisfaction that publicly acknowledges harm and accepts responsibility to take reparative action; guarantees of non-repetition that restores ownership and agency to frontline communities. These actions address the interdependence of environment and social factors to ensure that climate actions benefit women and communities, and vice versa.

These can include adaptation measures that build women and frontline communities' resilience to climate change, such as providing women farmers in agricultural supply chains with low-cost green finance for climate-smart practices and engaging the wider farming community to shift social norms and improve these communities ability to cope with climate risks (such as floods and droughts).[77] Mitigation measures can be environmentally restorative; for example, protecting natural capital and biodiversity, reducing pollution or emissions reductions and sequestration. Applying a JEDI and gender lens to these mitigation actions can ensure that they positively impact women and frontline communities; for example, improving efficiency to enable consumers to reduce energy usage and cost, and introducing affordable, accessible alternatives to fossil fuels.

VOICE, AGENCY AND OWNERSHIP OF SOLUTIONS characteristics in this context refer to the participation and agency of women and frontline communities in different stages of a business and/or an investment lifecycle – from design to implementation and governance. This participation goes beyond representation to embed women and especially BIPOC (Black, Indigenous, and People of Colour) women's lived-experiences, knowledge, and needs at the centre of the business model.

These can include participation in decision making processes to promote agency and leadership; for example, policies to increase diversity on company boards, leadership, and investment committees and throughout functions in investee companies. This can also include the participation of stakeholders (impacted communities, customers, and employees) in the design processes to ensure that these perspectives shape the development of products and services that are responsive to needs, and in some cases might extend to ownership of solutions.

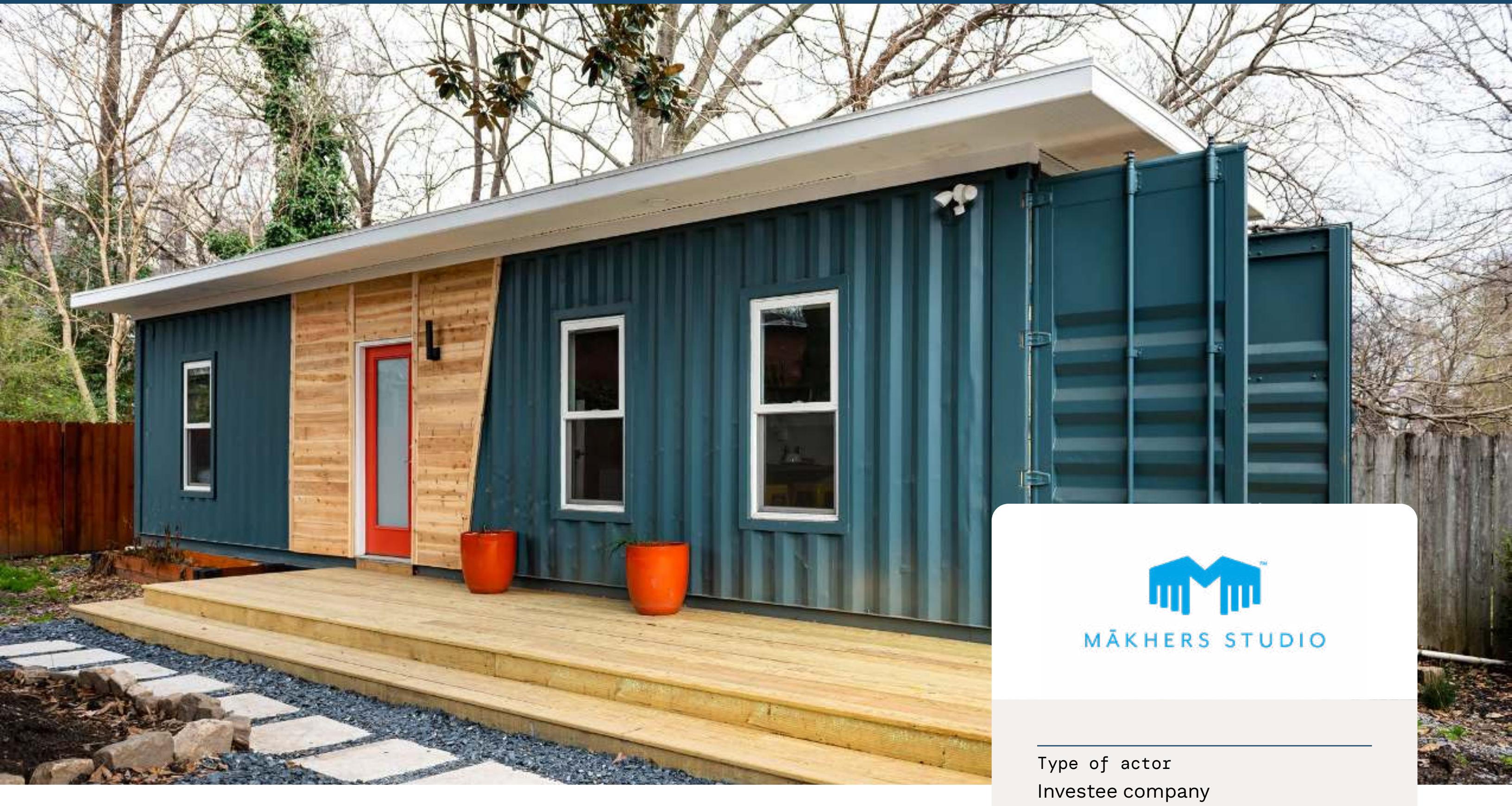
JUST TRANSITION characteristics refer to the actions within investments which seek to improve marginalised communities' access to opportunities presented by the green transition and mitigate negative social impacts. A Just Transition is a transition to Net Zero that prioritises both environmental sustainability and inclusion, to ensure that no one is left behind.[78] There are different ways of thinking about Just Transition characteristics. The original concept, incorporated in the 2015 Paris agreement, focuses solely on ensuring that those in high-polluting sectors find decent employment as their industries are phased out.[79] For example, reskilling and enhancing entrepreneurship for employees in these sectors. Since COP21, discussions around what a Just Transition would look like have broadened to include a recognition that environmental and social considerations are intrinsically connected.[80]

These characteristics address existing socio-economic inequalities so that marginalised communities benefit and thrive, while ensuring gaps are not widened in the process. They can include promoting equitable access to capital for women and frontline communities to own and scale solutions. Job creation promotes the adoption of useful skills for the green transition, improves access for women to previously exclusive industries, and enhances local economies and individuals' livelihoods. These can also include actions that improve the quality of employment, such as strong workplace safety and security policies, upskilling or reskilling initiatives, and fair compensation across supply chains.

While there is an emphasis on fossil fuel reduction, Just Transition considers how all sectors can transform in an inclusive way. Many of the sectors which are priorities for global sustainable transformation disproportionately include women, including agriculture: women make up over half of the agricultural sector in least developed countries, which are hardest hit by climate change.[81] Other sectors which must grow, such as designing and deploying sustainable technologies, are losing out on the skills and talents of women, especially those from BIPOC (Black, Indigenous, and People of Color) and low income communities, who are underrepresented in STEM fields.

RACIAL AND ETHNIC JUSTICE characteristics refer to actions that intentionally focus on addressing racial or ethnic inequity at the intersection of gender and climate. These actions aim to generate and leverage the experience of more diverse fund managers working in climate finance, reduce racial and ethnic wealth gaps to support climate resilience of frontline communities, alter capital allocation and support more inclusive value chains. Regional and cultural context influences the focus and intended impact of these actions.

Actions include those related to workplace equity (specific, flexible policies, inclusive cultures and diverse pipelines, addressing needs that are explicitly experienced by frontline communities), participation of racial and ethnic minorities and marginalised groups in decision making, inclusive policies and processes like recruitment, retention and succession, as well as actions to support these groups through their informing product or service design and implementation.



MĀKHERS STUDIO

Type of actor
Investee company

Investment type
Zero-interest debt finance, angel funding, crowdfunding

Operates in
Atlanta, Georgia, United States

Sectors
Sustainable construction / Modular housing / Manufacturing

Gender criteria
- Entrepreneurship
- Leadership
- Employment

Climate criteria
- Mitigation
- Resilience

Justice criteria
- Restorative and reparative
- Voice and agency
- Just Transition
- Racial and ethnic justice

Mākhers Studio and Coralus *(formerly SheEO)*

Scene set

Mākhers Studio is a for-profit green manufacturing and design-build firm that specialises in constructing customised modular spaces, or 'Plug In Pods™' using recycled steel shipping containers and renewable materials. Mākhers is a black female-owned and led business that was founded by Wanona Satcher in 2017, an Atlanta-based urban designer, landscape architectural designer, city planner and community engagement strategist.

The company has a small team: two full-time employees, three advisors (two of whom are female investors in the business) and sixteen subcontractors involved in the manufacturing of the Pods™. To date, Mākhers has raised US$525,000 in pre-seed funding through a combination of zero-interest debt funding from Coralus (formerly SheEO, led by Vicki Saunders) and RSF Social Finance, an impact investment firm; angel funding; and early crowdfunding. This mix of investments – and in particular the debt financing – has been critical in helping the organisation build its manufacturing facility and grow.

Mākhers has developed a suite of scaleable, green modular and prefab solutions in the built environment. Despite this, the startup has found it difficult to attract equity investment to scale, which mirrors broader trends in the United States and beyond where a microscopically small percentage of BIPOC-owned businesses receive investment to scale. For example, in the United States Black and LatinX women founders receive less than 1% in VC funding[82] and over the past decade in the UK, only 0.02% of VC has gone to black women founders.[83] Wanona believes their difficulty in attracting this kind of funding is also partly down to their focus on affordable housing. Instead, they have prioritised sourcing funding from majority women-owned non-dilutive investors whose values strongly align with theirs; these sources have enabled them to maintain full ownership of the business.

Approach

Mākhers Studio designs, builds and develops both commercial and residential real estate solutions for underserved communities, with a growing focus on developing affordable and climate-friendly multifamily housing. The organisation seeks to transform conventional building techniques through its 'Factories-In-A-Box': micro, neighbourhood manufacturing centres where subcontractors design, build and deploy their Plug In Pods™.

Built from recycled steel shipping containers via localised supply chains, Mākhers' Plug In Pods™ have a far lower carbon footprint than conventional building solutions. This is significant given that the building operations and construction industry account for nearly 40% of global energy-related CO_2 emissions.[84] As well as limiting the emissions associated with the manufacturing and transportation of their building materials, the organisation is in the process of developing a range of new retrofits to boost energy efficiency in older houses with embodied carbon emissions.

Equity, racial justice, community ownership of solutions, and equitable access to capital and job creation lie at the heart of Mākhers' sustainable construction approach. For Wanona, 'affordable housing is one of the most critical components of an equitable community' and the global housing crisis, fueled in part by gentrification, has meant that those typically on low incomes, the ageing population, and minority ethnic groups' housing needs are increasingly not being met. These vulnerable groups continue to be displaced from their communities as multi-family homes and public housing blocks are being destroyed.

> Affordable housing is one of the most critical components of an *equitable community*.
>
> — **Wanona Satcher**
> Founder of Mākhers Studio

Mākhers seeks to restore this injustice, by building sustainable, affordable housing for underserved communities. Instead of capitalising on 'destruction and extraction', Mākhers' model is grounded in principles of 'efficiency and regeneration', according to Wanona. Plug In Pods™ are built in residents' backyards and near offices, libraries, grocery stores and schools, ensuring vulnerable groups can maintain access to important community services. Unlike many of their competitors, Mākhers has a workplace development approach that supports a 'just' and green transition; the startup employs local veterans, women from ethnic minorities, LGBTQ tradesmen and women contractors to help them build their Pods, creating new jobs and building skills for underserved members of the community.

At the core of Mākhers' strategy is also an acknowledgement of the injustices that women in these communities are facing, and a gender lens has been applied at every stage of the company's decision-making. Mākhers is black-female owned and its founder has been intentional about looking for predominantly female-owned and led investors. In addition, the company is committed to hiring women, including immigrant, Spanish-speaking single mothers who often face discrimination in their communities, giving them the tools to build the change they want to see, and in turn inspiring more women and girls to become community builders. The company has also incorporated a gender lens into who it builds its properties for, and focuses particularly on the ageing population – of which a disproportionate number are women – and single mothers with children, who make up a large proportion of domestic abuse victims in the United States with no safe space to live.

Wanona's own upbringing helped fuel her ambition to serve these members of the community in this way; she saw first hand the housing struggles her mother went through as a single parent, and had to travel a long way to access quality education as a child.

Impacts

Since inception, Mākhers has successfully recycled 40 tonnes of steel with each project and supported underserved residents with greener, safe and affordable housing.

Key takeaways

Mākhers Studio provides an excellent example of how the green transition in the construction sector can simultaneously build wealth in low-income neighbourhoods and unlock local economic potential, through a focus on creating localised supply chains, jobs, and citizen-led solutions.

From an investment perspective, this example also sheds light on the vital need for the finance community to think beyond conventional real estate solutions when identifying sustainable companies to invest in, and prioritise long term products that promote equality and access for the most vulnerable.

What's next?

Looking into the future, the organisation is committed to reducing the carbon footprint of its products through alternative materials and is currently working on building a new modular system using recycled steel and cross laminated timber, and prefabricated panels for residential retrofits. Their primary ambition is to expand geographically across the United States (Michigan and New York State initially) and globally, as well as boost their outreach to forge B2B collaborations with multinational companies like IKEA, and NGOs that support global economic development.

One key barrier for Mākhers to overcome concerns the underwriting and loan terms stipulated by many conventional banks. These tend to be overly complex for new construction methods like modular housing made from recycled materials, and many banks claim that as they have no experience underwriting these sorts of properties, they aren't able to do so. Wanona describes a number of circumstances, where veterans living in trailers have been informed by the authorities that the land underneath their trailer is being sold, and have then expressed an interest in getting one of their Pods™. These developments have never gone ahead however, as the banks contacted were unable to provide loans to underwrite the projects. It's clear therefore, that banks and alternative financiers must develop new and innovative forms of financing to effectively support equitable community development and innovations in cleaner, more durable construction.

Matriarch Revolutionary Fund

Type of actor
Investor

Investment type
Integrated capital investment fund

Operates in
United States

Sectors
Established /
Native-led businesses /
Women-led businesses

Gender criteria
- Entrepreneurship
- Leadership

Climate criteria
- Mitigation
- Resilience

Justice criteria
- Voice and agency
- Racial and ethnic justice

Scene set

The Matriarch Revolutionary Fund (MRF) is the first social impact integrated capital investment fund led and managed by and for Indigenous women across the United States. As part of *The Future is Indigenous Women*, an ecosystem initiative co-created by Native Women Lead, New Mexico Community Capital, and Roanhorse Consulting, LLC, the MRF will support and invest in the development and growth of established Native women entrepreneurs by providing access to patient capital that builds restorative, regenerative, and resilient communities.

Approach

MRF's investees are rooted in Indigenous principles that honour and inherently foreground climate justice through their business design, buying, intent, operations, and impact whether directly or tangentially. They also foreground the Seventh Generation principle[85] – the approach moves away from extractive forms of financing, and aims to eliminate subjective measures of creditworthiness. Geography- and sector-agnostic, the MRF will provide grant and debt capital to Native- and women-led ventures using tenets of character-based lending to address the systemic racism inherent in current underwriting criteria. The MRF will issue $50,000-$250,000 loans to Native women with a 3-5% interest rate. To do this, MRF is still in the process of fundraising from institutional partners. Currently, the MRF's target size is $10m, with $1m in loan loss reserves. The MRF seeks a mix of grant and debt capital from funders to capitalise the fund. The MRF hopes to deploy the capital in 3-5 years.

An investee that demonstrates the intersectionality of a gender and climate justice impact investment the MRF fund can catalyse is Tina Archuleta, owner of Itality Plant Based Foods. Tina launched her business after attending Native Women Lead's 2018 Inaugural Summit. Guided by her community's needs and her own ancestral plant knowledge, she decided to launch a Pueblo vegan food business to offer plant based, and locally sourced food to her community and customers. Tina understands the challenges of living in a food desert and has been determined to increase food sovereignty while addressing nutritional deficiencies and disease caused by the modern food diet and an inefficient food supply chain system to rural and tribal communities.

Since 2017, Tina has been bootstrapping to refine her strategy and access larger dollar investments to build her dream, a brick and mortar restaurant that can be an intentional food hub for the region. In 2020, Tina was only able to access microfinance through Native Women Lead's Matriarch Response fund and accessed additional technical assistance, mentorship, and coaching through Native Women Lead, Native Community Capital, and New Mexico Community Capital. She pitched a few times without winning but got the attention of Food Funded, a collaborative of investors focused on supporting food based entrepreneurs. Here, she was able to get an initial investment to begin building her storefront which recently opened, 10 October 2022. Tina will need additional funding as her business grows to scale, eventually getting her products on shelves in stores and convenience stores across the region.

Tina's impact is not yet known. However, through her business, she is able to increase visibility and awareness of accessibility to healthy foods, food deserts, and food sovereignty while underlining the need for innovative businesses that address climate change through food sourcing. As the primary breadwinner in her family, Tina's business growth and success will allow her to hire locally, buy locally, and close her racial wealth gap while offering healthy food options to communities with high diabetes and heart disease rates that ultimately have less environmental impact. This impact is both direct and tangential; however, the need for larger investment and follow-on dollars is critical to ensure social entrepreneurs like Tina have the time, space, and capacity to dream, design, and do. Tina could benefit from an investment from the MRF that meets her where she's at and works with her cashflow. To date, Tina has met and exceeded her monthly projections while trying to build capacity to meet future growth.

> The need for larger investment and follow-on dollars is critical to ensure social entrepreneurs ... have the time, space, and capacity to *dream*, *design*, and *do*.

Impact

Currently, Native women are overlooked by traditional investments for many reasons, most of which are invisibility, exclusion, and assumptions that they are too risky for investment. Through this impact investment fund, the MRF will prove that there is another way to measure a borrower's investability that does not rely on extractive practices, such as the 5 C's of Credit. Instead, the MRF will apply a new underwriting framework co-created by Native Women Lead and Roanhorse Consulting – the 5 R's of Rematriation: Relational, Rooted, Restorative, Regenerative, and Revolutionary.

The 5 R's were created because mainstream underwriting is prohibitive and extractive for the majority of founders and in particular, for Native women founders to access and utilise without putting their businesses and families in jeopardy. The 5 R's were created by Indigenous women for Indigenous women because relationships and understanding lived experience matter when assessing risk and return on investment.

Key takeaways

The MRF acknowledges that Native women are the backbones and stewards of our communities who create companies that are inherently designed to support themselves, their families, communities, and the lands around them. The structure of the MRF centres Indigenous women to be the decision-makers through its governance model that utilises the 5 R's and ensures Indigenous women are leading and caretaking the process for decision making on who receives the support and what particular wraparound supports are needed to come alongside these women founders appropriately and thoughtfully. The process of having lived experience centred so that power, ownership and control sit in the hands of those most impacted are how we address the inherent racial and gender bias experienced when seeking to activate capital. It is this very intentional governance design that also impacts the incredible challenges Indigenous people are facing as the climate crisis intensifies.

A United Nations report states that today, 80% of the Earth's remaining biodiversity is on Indigenous peoples' lands globally[86] and, as we see the push to address climate change by meeting a 2050 NetZero goal, we have to recognise that while Indigenous people are the last line to ensuring biodiversity and accountability with clear solutions on how to mitigate the climate crisis, there is a direct relationship between climate change and gender based violence. The work by Sovereign Bodies Insitute properly articulates the issues we face today with extractive industries and man camps and the direct impact related to the epidemic of Missing and murdered Indigenous Women and Relatives.

> The process of having *lived experience* centred so that power, ownership and control sit in the hands of those *most impacted* are how we address the inherent racial and gender bias experienced when seeking to activate capital.

Additionally, from the work of First Peoples Worldwide, there will be a need for the energy industry to move to renewable energy. This will require seeking the essential metals that are needed for this energy transition, however, MSCI found that among these key energy-transition metals, 97% of nickel, 89% of copper, 79% of lithium, and 68% of cobalt reserves and resources in the United States are located within 35 miles of Native American reservations.[87] This means tribal lands in the United States will be again at the centre of defending and ensuring we create protective protocols to access those metals while protecting our communities, natural resources, and ultimately investing in ourselves to develop new enterprises that centre our inherent interdependence, stewardship, and relationship with the Earth for generations to come.

What's next

Honouring and protecting Indigenous women's role as caretakers, stewards, innovators, and problem solvers opens the path for emerging social enterprises that will continue to support well being and economic justice for all people and planet.

KL Felicitas Foundation (KLF)

Scene set

The KL Felicitas Foundation (KLF) is a family foundation founded by Lisa and Charly Kleissner, global pioneers in impact investing for the past 20 years. In 2015, the Foundation transitioned its portfolio allocation to 100% impact while simultaneously seeking index-competitive, risk adjusted returns. This allowed the Foundation to invest in a way that aligns with the Founders' values and charitable purposes while also ensuring its ability to meet financial obligations. KLF's strategies include grant funding, advice, and advocacy to further their impact work. The Foundation's investments span the entire impact investing spectrum, from responsible investing (using ESG risks while prioritising competitive returns) to impact first investing (emphasising environmental or social gains with a potential financial trade-off). Beyond activating all the Foundation's investment assets, the KLF founders have been active ecosystem builders, co-creating accelerators for impact entrepreneurs and investors in India, Hawaii, and Austria as well as co-founding industry organisations, such as Toniic and Hawai'i Investment Ready.

KL Felicitas Foundation

Type of actor
Foundation

Investment type
Impact investment, grant funding

Operates in
Globally

Sectors
Clean energy / Green affordable housing / Environmental infrastructure / Sustainable agriculture / Natural resources / Green technology / Financial inclusion / Micro, small and medium enterprises (MSME) financing

Gender criteria
- Entrepreneurship
- Leadership
- Employment
- Investing in financial intermediaries

Climate criteria
- Mitigation
- Adaptation
- Resilience

Justice criteria
- Just Transition
- Racial and ethnic justice

Impacts

KLF's original impact mission was two-fold: to enable social entrepreneurs and enterprises worldwide to develop and grow sustainably, and to advocate their impact investing strategy. The specific output goals based on these objectives were to invest in entrepreneurs, enterprises and support organisations fostering inclusive economic development, financial services, energy access and excellence in environmental stewardship. Measurable indicators based on the IRIS system were applied from the onset to show impact creation for each of these goals. As of 2020, clean energy investments in the portfolio have supported offsets of over 5 million tons of carbon dioxide annually and produced almost 15 million MWh of clean power. With respect to economic development, the portfolio investment created almost 250,000 jobs in developing countries and created over 122,000 affordable rental units. Investments in the portfolio targeting financial inclusion have served over 12 million active borrowers through microfinance, 50% of which were female. Investments in the portfolio targeting environmental impacts cumulatively protected 215,376 acres of land and stored over 4 million tons of carbon in forestlands. With respect to advocating the foundation's impact investment strategy, the founders have shared their strategy globally through keynotes, webinars, workshops and publications as well as co-founding the global impact investor network, Toniic.

Approach

This year, 2022, KLF is in the process of restructuring its financial and impact objectives, as well as updating its mission statement. Part of this restructuring involved assessing the current portfolio and identifying which investments and grants were already aligned with the new mission objective. Going forward, the Foundation will drive asset allocation and return strategies based on a social justice investment and grant strategy with an integrated climate, gender and environmental lens. It will target geographies, individuals and communities who have historically been marginalised, including low-income people, people of color, indigenous populations, and women. This new focus acknowledges and addresses those who are disproportionally adversely affected by the negative effects of climate change. Any solution intending to address historical injustices must be environmentally sustainable and able to adapt to, or help mitigate, climate change.

> Any solution intending to address *historical injustices* must be *environmentally sustainable* and able to adapt to, or help mitigate, climate change.

In support of this new mission, working with its long-standing investment advisor, Sonen Capital, KLF established new guiding principles for its underwriting of the organisations it invests in and partners with. Each principle is broken down into a series of impact objectives and measurable IRIS+ indicators.

The seven guiding principles developed with the new mission statement are:

01 Invest in business ownership models that create opportunities for people whose options have historically been limited.

02 Advance a labour market system that creates meaningful, fairly compensated jobs and requires training that can support a family.

03 Work with communities and partners to create spaces for entrepreneurs who have systematically been left behind due to demographic, socioeconomic, and geographic barriers.

04 Support projects that increase access to affordable, adequate housing, ensuring that individuals and families have a stable place to live within their communities of choice.

05 Leverage policies and projects that ensure adequate land rights and resources to foster a sense of permanence and belonging in communities.

06 Prioritise investments that are engaged in movement building.

07 Select partners who demonstrate best practices in governance.

As demonstrated through the impact results generated by the portfolio, it is clear that gender, climate, and social justice considerations have been integral to the portfolio since its inception. Two recent investments, Aruwa and EWA Capital, demonstrate how the revised mission is taking root in the portfolio. Both funds are addressing the nexus between climate, social justice and gender.

Aruwa is a Lagos-based, female-founded, early-stage growth equity and gender lens fund. Aruwa addresses a capital gap in the African market by providing growth equity to fast growing small to medium sized businesses that are typically too big for traditional venture capital and too small for traditional private equity. The Fund invests across sectors with a commitment to climate justice. An example of this is an investment in a company that creates solar enabled freezers for those without access to electricity.

EWA is a female-founded and led GP that invests in early-stage companies in Colombia and other countries in the LatAm region. EWA's Fund II uses a gender lens to diligence companies with disruptive, innovative, and scalable business models using technology as an enabler to solve socioeconomic problems, including climate mitigation and adaptation. The Fund's pipeline includes businesses with a climate focus such as a construction tech company that has created eco-friendly products to replace single-use plastics in construction. One of the two C-suite leaders is a woman, and the company will work with EWA to increase gender diversity among its R&D staff as well as other initiatives to reduce the gender gap in a male-dominated field.

Key takeaways

The Foundation magnifies its potential for impact through finding intersectional investments that create solutions toward multiple issues. They complement their investment strategy with grant funding, advice, advocacy, and ecosystem building through co-creating accelerators and nonprofit organisations. Their field work with impact entrepreneurs and impact investors continues to inform their grantmaking and investment work. So it is no surprise that KLF is constantly reviewing, iterating and revising how they can best realise their mission in response to changes in the field of impact investing and the ever changing global challenges.

What's next?

The impact marketplace has significantly evolved over the past two decades as it responds to pressing global challenges. And the Foundation too has evolved, informed by years of hands on learning and portfolio experimentation. The result is a novel impact investing approach, driven by a more enlightened understanding that portfolio returns (both financial and impact) are best targeted by impact opportunities while not constrained by traditional asset allocation and return metrics. This new approach has led the Foundation to work with its investment advisor to optimise for impact while not forcing portfolio allocations into traditional models of risk and return, benchmarks, and a single bottom line. While this new approach is still in its early days, by engaging with peers and networks with shared objectives, the Foundation has identified opportunities that are aligned with its new mission. By continuing to practice open and transparent collaboration within these likeminded communities, KLF intends to further learn, grow, and develop collaborative and open connections as it moves into this next phase of its journey.

SELF (*Solar and Energy Loan Fund*) and CNote

Scene set

Solar and Energy Loan Fund (SELF) is a non-profit certified community development financial institution (CDFI), with a mission to rebuild and empower underserved communities by providing access to affordable, innovative financing for sustainable property improvements.

Operating in the Southeast regions of the United States, SELF provides small, low-cost loans to homeowners, as well as larger financing for affordable housing landlords and developers. coupled with energy expertise and project management services. They focus on energy efficiency, renewable energy and building climate resilience in LMI (low-to-moderate income) neighbourhoods. In 2022, a publicly-traded corporation invested over $15m in a custom CNote promissory note to fund loans to community finance institutions to support racial equity and people with disabilities and their families. CNote's noteholders like this corporation generally expect a modest, impact-first return on such loans. CNote used part of the proceeds of this note to provide SELF with $2m in debt financing.

Type of actor
Non-profit certified community development financial institution (CDFI)

Investment type
Unsecured residential loans

Operates in
Southeast region, United States

Sectors
Energy efficiency / Renewable energy / Climate resilience

Gender criteria
- Employment
- Consumption

Climate criteria
- Adaptation
- Resilience

Justice criteria
- Voice and agency
- Just Transition
- Racial and ethnic justice

Approach

Under-resourced communities in the United States face significant barriers to building climate resilience in their homes and neighbourhoods. Alongside limited access to finance, challenges exist around accessing the appropriate expertise and the services necessary to adapt to the changing climate. As extreme weather becomes increasingly common and operating costs rise, individuals and families are seeking to protect their homes through adaptive improvements.

> SELF's fund for affordable and sustainable housing development seeks to advance the inclusion of *female and BIPOC developers* in the industry, and to invest in projects that preserve *affordability* and *cultural community identity.*

SELF helps people improve the health, safety, and quality of life in their homes while building climate resilience, lowering operating costs and reducing greenhouse emissions. They recognise that intersecting factors – including low credit scores, low incomes, and limited assets – restrict access to adaptive technology that allows people, including those with disabilities, to stay in their homes. As such, equitable access to capital is a primary focus for SELF; their proprietary underwriting program is based on a client's ability to comfortably repay, regardless of credit score or income.

SELF's fund for affordable and sustainable housing development seeks to advance the inclusion of female and BIPOC developers in the industry, and to invest in projects that preserve affordability and cultural community identity. This is accomplished by providing historically disadvantaged developers with technical assistance and flexible funding.

Through their vetted network of contractors and project management services, SELF also provides green employment opportunities and ownership of solutions. This makes it possible for contractors to expand their services into the LMI market, increasing their bottom lines while helping out their communities.

The organisation focuses on improving access to capital for women, among other underserved groups, who make up 51% of their borrowers. They also ensure that underserved voices are heard within the organisation: 61% of employees are women and 44% are persons of colour. Governance and the design of SELF's solutions also seeks to embed gender considerations, with women making up 67% of management and 29% of the board.

SELF's impact focus is rooted in serving underserved communities, building climate resilience and reducing destructive environmental impacts. This approach to impact demonstrates the interconnected nature of social and environmental interests. SELF currently has 24 public, private, and philanthropic funders, including female-led faith based organisations, bank CRA, and female-led impact investors.

Key takeaways

SELF magnifies their potential for positive social and environmental impact through their holistic approach to lending. In providing access to capital for those who need it most, they simultaneously ensure that these resources are applied effectively and in a manner that broadens green opportunities within the construction and home improvement sector. Action that considers a range of challenges – from limited capital to inaccessible expertise – can create climate-just solutions that address inequality from different angles.

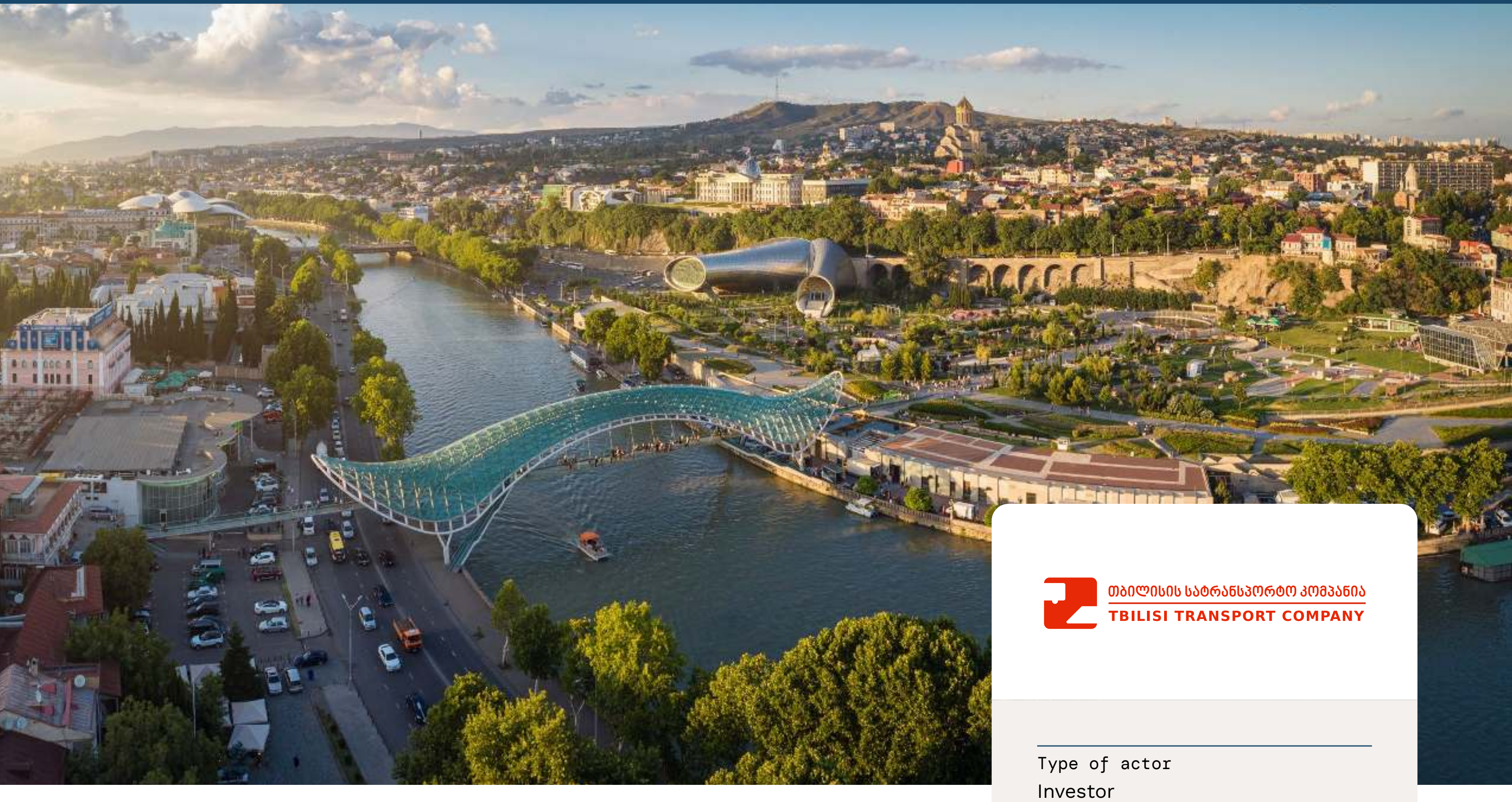
Action that considers a range of challenges – from limited capital to inaccessible expertise – can create *climate-just solutions* that address inequality from *different angles*.

Impacts

Since its inception, SELF has financed $28.3m in over 2,400 unsecured loans to homeowners. In 2022, SELF served 435 clients with 868 contractors affiliated with the programme. Of this group, 73% were low-to-moderate income, 51% were women. 29% people of colour and 14.1% people with disabilities. These clients saved an average of $297 on energy bills throughout the year, simultaneously serving both people and the planet. This focus goes hand-in-hand with SELF's environmental impact priorities: SELF also looks to reduce CO_2 emissions (701 metric tons in 2021). SELF generated $1.24m in wages last year by supporting green skills and employment through its network of contractors.

What's next?

Since its inception, SELF has cultivated strong relationships with local governments which helped fund their expansion into over 90 jurisdictions across Florida. SELF plans to continue expanding across the state and region through partnerships with local governments.



Tbilisi Transport Company and EBRD

Scene set

Under EBRD Green Cities, the Bank is working to accelerate the transition to low-carbon cities while promoting women and men's equal opportunities in the infrastructure sector. A notable set of investments are the engagements with Tbilisi in Georgia. EBRD is supporting the implementation of Tbilisi's Green City Action Plan (GCAP), which identified urgent action needed to address the city's priority environmental challenges, one of which is air quality, through an engagement with the Tbilisi Transport Company (TTC). In 2016, the EBRD collaborated with TTC to finance the purchase of low-emissions buses, with a project extension granted in 2019. In 2020 EBRD signed a new project with the Green Climate Fund (GCF) to invest in the modernisation of the Tbilisi metro system, consisting of a €75m sovereign loan, with €65m provided by the EBRD and €10m by GCF. The collaboration between EBRD and Tbilisi is an example of how a gender lens can be brought to green investments, and in particular how women's employment and skills development and gender-responsive considerations can be integrated into green infrastructure investment approaches and processes.

თბილისის სატრანსპორტო კომპანია
TBILISI TRANSPORT COMPANY

Type of actor
Investor

Investment type
Private market,
debt-based financing

Operates in
Georgia

Sectors
Infrastructure / Transport

Gender criteria
› Employment

Climate criteria
› Mitigation

Justice criteria
› Just Transition

> The focus on promoting gender equality followed the realisation that women represented an *untapped source of talent* for the urban infrastructure workforce.

With the social and economic fallout from the pandemic placing unprecedented pressure on cities in 2020, through the EBRD Green Cities programme, the Bank looked to support cities to maintain services and build back better. With continuous lead on with green outcomes, a more comprehensive approach was taken with expanded focus on gender equality, smart technologies, and risks and vulnerabilities of citizens and assets. The focus on promoting gender equality followed the realisation that women represented an untapped source of talent for the urban infrastructure workforce. In 2016, TTC employed approximately 5,789 people, about half of whom are in jobs related to public bus transport. Only 22% of them were women. The gender gap was the highest in managerial, technical and operational divisions, such as drivers' positions where the share of women is particularly low. Out of 1,441 staff employed as bus and metro train drivers in 2016, there was only one female bus driver. Among its 83 managers, only 13.2% were women. As well as tackling environmental challenges, EBRD sought to address these gaps through a set of specific initiatives as part of its investments.

Approach

With the first bus project, EBRD focused on supporting TTC to improve gender-inclusivity in its HR policies and standards. They introduced a tailored equal opportunities action plan to: (01) create better access to employment and training opportunities for female candidates and staff; (02) improve internal progression, (03) raise the number of women employed at the companies. The more recent projects demonstrate an even deeper commitment to gender equality; through an enhanced promotion of women's employment, and also a commitment to bringing a gender lens to support the development of an inclusive transport strategy for the city. For example, the metro project will provide commuters with a comfortable and environmentally friendly means of transport, encouraging residents to shift from private to public transport, and thus reducing air pollution. It will also promote safety for all in the metro and will provide specific training and support to the company for women to become respectively bus drivers and metro drivers.

Impact

Under the Green Cities Framework, EBRD is working to promote women and men's equal opportunities in the infrastructure sector, as well as accelerating the transition to low-carbon cities. A notable set of investments under this Framework are the engagements with Tbilisi in Georgia. EBRD is supporting the implementation of Tbilisi's Green City Action Plan (GCAP) which identified urgent action needed to address the city's main environmental challenges, one of which is air quality, through an engagement with the Tbilisi Transport Company (TTC). In 2016 the EBRD collaborated with Tbilisi Bus Company to finance the purchase of low-emissions buses, with a project extension granted in 2019. In 2020 EBRD signed a new project with the Green Climate Fund (GCF) to invest in the modernisation of the Tbilisi metro system, consisting of a €75m sovereign loan, with €65m provided by the EBRD and €10m by GCF. The collaboration between EBRD and Tbilisi is an example of how a gender lens can be brought to green investments, and in particular how women's employment and skills development can be integrated into green infrastructure investment approaches and processes.

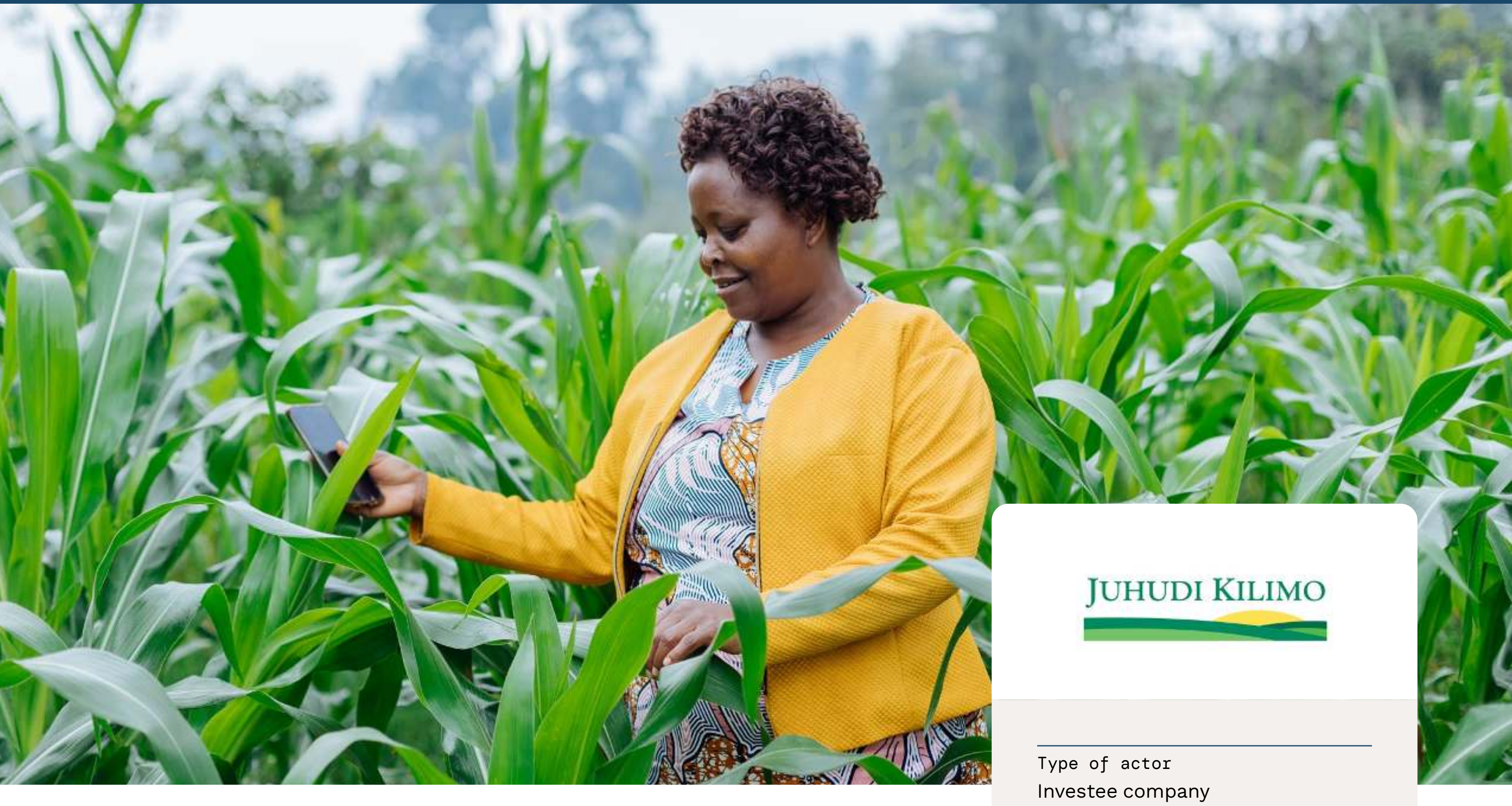
> The collaboration between EBRD and Tbilisi is an example of how a gender lens can be brought to green investments, and in particular how *women's employment and skills development* can be integrated into *green infrastructure investment* approaches and processes.

Key takeaways

Through contributing to the production and implementation of both Climate and Gender Action Plans, increasing equal opportunities in employment and improving infrastructure design, EBRD Green Cities programme and the engagement with TTC showcases how dual gender and climate outcomes can be prioritised and achieved in green infrastructure development. The projects were designed with robust baseline assessments allowing gender auditing, and a string of initiatives that enhanced training opportunities and contributed to a cultural shift at the TTC that has had ripple effects across the city of Tbilisi and the country of Georgia.

What's next?

The activities of the metro project have started in 2022 and are expected to end early 2024.



Juhudi Kilimo and BlueOrchard

Type of actor
Investee company

Investment type
Private market, debt finance

Operates in
Kenya

Sectors
Agriculture / Micro-finance

Gender criteria
› Entrepreneurship
› Employment

Climate criteria
› Adaptation
› Resilience

Justice criteria
› Voice and agency
› Just Transition

Scene set

Juhudi Kilimo was founded in 2004 as a simple agriculture micro-lending initiative to serve rural Kenyan farmers who could not access formal financing due to a number of economic, social and environmental barriers, including their remoteness (lack of infrastructure), limited market access, poor climatic conditions, lack of agronomic data, low literacy, lack of collateral or borrowing history, and poor or no financial records.

Later in 2009, Juhudi evolved into a credit organisation and, as of 2022, is one of Kenya's leading microfinance institutions, serving more than 49,000 households through 48 branches across the country. Their mission is to improve the livelihoods of rural smallholder farmers and micro entrepreneurs by providing wealth-creating financial solutions. As of 2022, their client base consists mainly of women (68%) living in rural areas of Kenya.

Juhudi offers a range of products through both group lending and individual loans, which account for 70% and 30% of their portfolio respectively. They support their clients by providing agribusiness working capital; crop and animal farming loans for farming inputs; asset finance, including farming equipment loans for tractors, motor vehicles and water plants;

and green energy financing products for biogas and solar water pump solutions, solar TVs, solar lighting, and energy-saving cook stoves.

Impact investor BlueOrchard provided its first debt financing to Juhudi in 2021 to help them further support their clients in the micro and SME segments. These funds were vital following the disruption of many of their clients' businesses in the wake of the COVID-19 pandemic.

Approach and impacts

Representing about 33% of Kenya's GDP, the agriculture sector employs more than 40% of the total population and 70% of the rural population.[88] Juhudi's work recognises that climate change is already causing devastating impacts on these people's livelihoods, through for instance, more frequent and severe droughts and irregular rainfall.

In addition to providing specialised financial products, Juhudi also provides business management, technical and financial literacy training to rural smallholder farmers and micro entrepreneurs. The company delivers technical training to 40 to 50% of their clients, helping them improve their farming capabilities. This includes training from technical specialists via dedicated training days covering which crops to plant in each season, how to use different farming inputs effectively, and specialist farming techniques to improve crop yield and resilience. Juhudi also collaborates with county governments and the private sector to design and deliver weather data and e-learning content for their farmers, and will soon have its own e-learning platform, helping them democratise access to learning across their entire client base.

At the core of Juhudi's approach is an acknowledgement of the challenges faced by Kenyan female small holder farmers and micro-entrepreneurs. The business is committed to addressing this injustice, and their products and services are designed to promote equitable access to capital for these female farmers as well as their ownership of solutions.

At the core of Juhudi's approach is an acknowledgement of the challenges faced by Kenyan female small holder farmers and micro-entrepreneurs ... their products and services are designed to promote *equitable access to capital* for these female farmers as well as their *ownership of solutions*.

Since women typically have limited or no access to collateral, the institution offers the majority of their loans through a 'group lending' methodology, similar to the Grameen model. The products offered aim to improve women's lives by saving them time and effort completing tasks they typically carry out due to societal gender norms: duties of family care, water and fuel collection. This includes for instance, the financing of water tanks for clean and safe water, reducing the burden on women to collect water for their families; energy saving cook-stoves, reducing the time women spend on collecting firewood (one of the main sources of deforestation in Africa); and solar lighting solutions, which help to reduce kerosene usage and support children's education.

Key takeaways

Juhudi Kilimo clearly demonstrates that there is value in – and a positive impact that can be derived from – considering the customer life cycle holistically, rather than focussing on a credit only perspective. The institution's approach is driven by both impact and commercial considerations, which are highly interlinked. Helping their clients succeed, for instance by upskilling them on specialist farming practices, not only positively impacts clients' livelihoods, but also leads to increased customer retention, referrals and lower default rates.

> Juhudi Kilimo clearly demonstrates that there is value in – and a *positive impact* that can be derived from – considering the customer life cycle *holistically*, rather than focussing on a credit only perspective.

What's next?

For the future, Juhudi has plans to expand their outreach to over 100,000 customers by 2025, growing their branch network to 55 (from an existing 48) and thereby firmly establishing themselves as a household name in Kenya. In the long term, the institution has ambitions to expand beyond the Kenyan market into other East African countries.

Juhudi is well aware of the challenges their clients face as a result of climate change and are constantly thinking about new products and services to improve their livelihoods. Future launches may include insurance products (such as crop insurance) and be supplemented by a build-out of the e-learning platform, enabling all clients to access learning on how to adopt climate-smart farming practices and adapt their business models in the context of climate change. This will increase their clients' ability to cope with future climate risks.

Type of actor
Investee company

Investment type
Seed funding, working capital loan

Operates in
Zambia and Malawi

Sectors
Agriculture

Gender criteria
› Entrepreneurship

Climate criteria
› Adaptation
› Resilience

Justice criteria
› Voice and agency
› Just Transition

Good Nature Agro and Global Partnerships

Scene set

Good Nature Agro (GNA) is a for-profit social enterprise that works with rural, small-scale farmers in Zambia and Malawi to supply the region with high-quality legume seed and commodities. GNA's model provides farmers with certified seeds and inputs on credit, in-depth technical assistance (TA), farmer-friendly financing, and guaranteed off-taking contracts.

Global Partnerships (GP) is an impact-first fund manager dedicated to expanding opportunities for people living in poverty. The Global Partnerships/Eleos Social Venture Fund, LLC (SVF), a GP-affiliated fund, first invested in GNA during the enterprise's seed equity round in 2018 with an investment thesis that centred on GNA's capacity to increase the incomes and enhance the well-being of small-scale farmers living in poverty.

GP's investment thesis hasn't changed, but over time, GP and GNA have sharpened their understanding of how climate and gender smart practices strengthen the enterprise's impact performance. With this, the SVF made an additional equity investment in GNA's Series A round in 2020. In 2021, another GP-affiliated fund, the Global Partnerships Social Investment Fund 6.0, LLC, provided GNA with a working capital loan to support continued growth and scale of impact.

Approach

GNA currently works with over 25,000 farmers who manage an average of three hectares each, cultivating crops for consumption alongside modest volumes of crops for sale at local markets. Maize is the predominant crop, which, in addition to fetching low prices, is sensitive to drought, and tends to deplete the soil due to low rotation and high agri-chemical use. Furthermore, the rain-fed farming season in Zambia is only once per year, putting additional pressure on farmers and their soils. With ongoing climate-related changes in the timing and volume of rainfall, GNA's farmers face increased risks of income volatility and loss.

GNA's female farmers, who constitute 37% of its producers, face heightened challenges to sustaining and growing their livelihoods. In the regions where GNA operates, land is primarily owned by men who have better access to financing and farming assets and are generally considered the head of the household. Women tend to work in labour-intensive, under-supported crops like groundnut and cowpeas, and they do so with limited access to resources and disproportionate domestic and community responsibilities. These disparities can increase the negative impact climate change can have on female vs male farm families.

GNA's model helps farmers diversify into legume markets which can provide upwards of 50% improved margins over maize. In addition to increasing farmer incomes, GNA fosters climate resilience by selecting legume seeds that are drought/pest/disease resistant, mature early, and have the added benefit of fixing nitrogen to replenish the soil. Through its high-touch TA model, GNA helps farmers incorporate adaptive and sustainable farming practices, helping farmers respond to both immediate and longer-term impacts of climate change, while promoting decreased reliance on high-cost chemicals. GNA is also investing in technology that will enhance information access and improve communication with farmers as they face changing and more severe weather patterns.

> With a grant from Comic Relief, GNA recently conducted a *farmer-focused gender study*, piloted several initiatives, and identified targeted ways for GNA to drive *stronger participation* of, and impact for, female farmers.

GNA has always looked to positively impact the female farmers it serves, but its efforts don't stop there. With a grant from Comic Relief, it recently conducted a farmer-focused gender study, piloted several initiatives, and identified targeted ways for GNA to drive stronger participation of, and impact for, female farmers. GNA's business plan now incorporates targeted gender-smart activities such as asset financing, pre-harvest payments to support household consumption/harvest preparation during lean months, and co-registering spouses to drive more equitable access to GNA's payment/saving programs, including digital banking, while enabling shared visibility and household dialogue around finances.

Impacts

GP and GNA recently collaborated on an impact assessment, known as Lean Data. The mobile-based surveying, conducted by 60 Decibels, Inc. was designed to gain deeper insight into the farmers served and outcomes enabled through GNA's model.

Results demonstrate that GNA's farmers (92% of whom live below the $5.50 per person/day international poverty line) are experiencing strong outcomes with strong gender parity. 79, 78 and 65% of farmers who have completed at least one harvest with GNA report increased income, savings, and food consumption respectively with consistent results when disaggregated by gender. Given the climate and gender-related challenges faced by farmers, GNA and GP recognise the company's climate and gender-smart practices as critical to enabling these results.

Key takeaways

There is much to learn from GNA's approach, including its commitment to collecting gender-disaggregated data on the impacts of its activities to inform future decision-making.

Similarly, this example highlights the importance for investors and investee companies to work together in assessing how climate and gender-just practices can strengthen the investee company's impact performance. This understanding can ensure that any future investments are channelled in a way that optimises outcomes from financial, environmental, and social perspectives.

What's next?

As GNA moves forward, climate resilience will remain core to its offering, as will gender-smart adaptations to its training, information, and leadership opportunities – both with farmers and with GNA employees.

InsuResilience

How the BlueOrchard managed InsuResilience Investment Fund is looking to improve access to climate insurance with a gender lens

The BlueOrchard managed InsuResilience Investment Fund (IIF) is the first of its kind to improve access to climate insurance across the developing world. The IIF's Debt Sub-Fund works with Microfinance Institutions that combine its loans to micro-entrepreneurs such as small-holder farmers with insurance products against extreme weather events and natural disasters, protecting vulnerable people such as rural farmers. The fund seeks to integrate gender-inclusive practices across its portfolio value chains and products by encouraging collection of sex-disaggregated data, provision of educational tools and resources, and by offering gender-responsive Climate Risk Insurance (CRI) schemes which recognise women and men's differentiated vulnerability to climate risks. The EIB announced its investment in the IIFs Debt SubFund in December 2020 along with a commitment to 2X Challenge Criteria in 40% of the Fund's investments. The IIF has already made six investments across emerging markets, helping to protect more than 20 million poor and vulnerable people from the effects of climate change, and has the potential to reach between 100 and 145 million beneficiaries by December 2025.

For more on this case study, see [Gender and Climate Investment: A strategy for unlocking a sustainable future].

InsuResilience InvestmentFund

Type of actor
Investor

Investment type
Private market

Operates in
Developing markets

Sectors
Agriculture

Gender criteria
› Investing in financial intermediaries

Climate criteria
› Adaptation
› Resilience

Justice criteria
› Restorative

Global Endowment Management

Scene set

Global Endowment Management (GEM) is a leading outsourced Chief Investment Office (OCIO) that provides institutional investment capabilities for endowments, foundations and other long-term investors. Through its impact investment approach, GEM partners with its clients to ensure investments are aligned with their values. This drives positive outcomes across the investment value chain, often at the intersection of climate, justice, and gender equity. Its integrated approach enables GEM to leverage its position in the investment value chain to serve its clients, and to drive more just, sustainable outcomes for communities and the planet.

> Through its *impact investment* approach, GEM partners with its clients to ensure investments are aligned with their values.

Type of actor
Investor, OCIO

Investment type
Institutional investments for endowments, foundations, and other long-term investors

Operates in
United States

Sectors
Venture capital / Buyout / Public equities / Technology / Consumer / Real estate / Agriculture / Energy storage

Gender criteria
- Entrepreneurship
- Leadership

Climate criteria
- Mitigation
- Adaptation
- Resilience

Justice criteria
- Restorative and reparative
- Voice and agency
- Just Transition
- Racial and ethnic justice

Approach

GEM considers and builds in climate and justice factors when assessing environmental impact, manager portfolios, and manager engagement. It recognises that frontline communities and women – Indigenous and Black women especially – experience disproportionately negative health outcomes and outsized harm from climate change. GEM also examines how these communities have many innovative solutions to the climate crisis that are often overlooked by investors, businesses, and policymakers.

GEM centres its approach to climate, justice and gender equity on representation from and investment in founders, managers, and community-led solutions from frontline communities. There is particular focus on Black and Indigenous communities. Examples include a Black-led venture capital firm that invests in startups that benefit the planet, and a woman-led fund that invests in women-led businesses that address challenges in women's health and unsustainable production and consumption patterns.

GEM considers the complexity of climate and justice in traditionally harmful sectors. For example, GEM invests with a sustainable mining manager that explicitly considers risks to Indigenous communities, as well as to air, water, and land, in its ESG approach. The manager invests in several companies that leverage Indigenous partnerships to drive better outcomes. One portfolio company engages significantly with Indigenous traditional landowners, leveraging land-share agreements, community-driven social development, stringent land oversight by community representatives, and a community-led oversight committee composed of Indigenous community members. The company then reports on some of these outcomes and initiatives to investors.

Impacts

GEM adapted the Impact Management Project (IMP) framework to apply to all the firm's investments. The firm invests primarily through third-party investment managers, and leverages a multistakeholder framework to measure impact in terms of:

01 the portfolio score to quantify the impact of portfolio companies on the five stakeholders, and

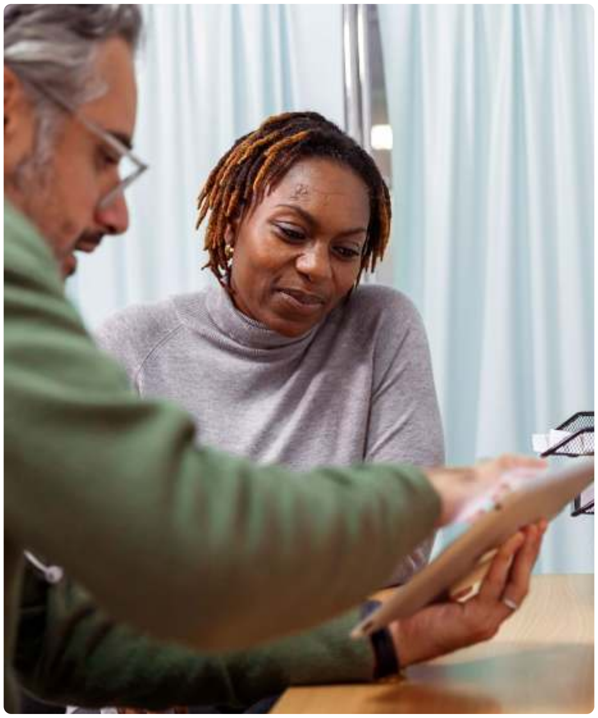
02 the manager score to quantify the investment manager's actions that contribute to positive outcomes and/or avoid negative outcomes for stakeholders.

> GEM's impact measurement practice includes three foundational issues, cutting across all impact themes: *Diversity*, *Equity*, and *Climate Change and Justice*.

GEM's impact measurement practice includes three foundational issues, cutting across all impact themes: Diversity, Equity, and Climate Change and Justice. In 2019, GEM began developing racial and social equity lens frameworks that examine how capital is allocated, and who reaps the rewards of its allocation. Today, these frameworks are applied to all the firm's investments. GEM's social equity lens includes a gender lens framework, which examines how investments affect opportunities and outcomes for women. This lens focuses on women's access to capital; investment in historically marginalised and excluded communities; and women's representation at all levels of ownership and decision-making.

Key takeaways

By taking a multi-stakeholder approach, GEM is able to paint a more accurate picture of impact. By leveraging specific themes, including Justice, the fund can capture nuances and identify impacts that may be overlooked by traditional measurement categories.



What's next?

GEM will continue to partner with its clients and with industry leaders to advance climate justice and gender and racial equity. For example, in 2022, GEM partnered with the Intentional Endowments Network (IEN) to publish *Leading with Justice: Net Zero Investing & Conversations on Climate Justice*. The paper does three things: provides a background and working definition of climate justice; argues that climate justice is central to reaching net-zero goals; and provides practical methods to implementing climate justice. GEM will continue to engage with like-minded organisations to serve its clients, advance equitable outcomes, and help drive a Just Transition.

> GEM will continue to partner with its clients and with industry leaders to advance *climate justice* and *gender and racial equity*.

Important Notes

The enclosed materials are being provided by Global Endowment Management, LP ("GEM") for informational and discussion purposes only and do not constitute investment advice, or a recommendation, or an offer or solicitation, and are not the basis for any contract to purchase or sell any security, or other instrument, or for GEM to enter into or arrange any type of transaction as a consequence of any information contained herein. Any such offer or solicitation shall be made only pursuant to a confidential private placement memorandum ("Memorandum"), which will describe the risks and potential conflicts of interest related to an investment therein and which may only be provided to accredited investors and qualified purchasers as defined under the Securities Act of 1933 and the Investment Company Act of 1940.

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GEM reserves the right to modify its current investment strategies, exposures and techniques based on changing market dynamics or client needs.

To select impact investments, GEM uses a model that incorporates Impact Management Project ("IMP") framework in several aspects of the model, including data inputs for each dimension, manager and strategy risk ranges, and dedicated impact risk considerations for managers during the impact underwriting process. For more information on the Impact Management Project, visit their website at https://impactmanagementproject.com.

References to specific securities and case studies are for illustrative and discussion purposes only and do not constitute investment recommendations.

Upaya Social Ventures

Type of actor
Non-profit impact investor

Investment type
Seed funding (equity and debt)

Operates from
Bangalore, Seattle

Sectors
Rural manufacturing / Agriculture / Skills development and employability / Textiles, apparel and handicrafts / Waste management and sanitation

Gender criteria
› Entrepreneurship
› Employment

Climate criteria
› Mitigation
› Adaptation
› Resilience

Justice criteria
› Just Transition

Scene set

Upaya Social Ventures was founded in 2011 on the premise that creating sustainable, dignified jobs for those in the poorest communities can lift millions out of extreme poverty while supporting the transition to a green economy. To help create these jobs, Upaya invests in early-stage entrepreneurs dedicated to employing at least 50% of their workforce from local communities living in extreme poverty, where fair-wage jobs with predictable income are needed most. These "missing middle" organisations tend to be too small to be targeted by commercial banks, venture capital, and other investors, and too large for microfinance institutions.

Upaya began by investing in four small businesses in rural India which created nearly a thousand jobs within three years. Today, Upaya's investments span 12 Indian states, with nearly half of their $1.13m invested in underserved states, and numerous sectors that include agriculture, handicrafts, and waste management.

Upaya supports its investee companies through a blend of capital provision (seed funding) and capacity building – both vital in helping entrepreneurs boost their ability to scale. More recently, Upaya has made investments through their pioneering concept of 'recycling philanthropy', which draws together philanthropic funds to create a pool of recoverable grants from which investments are made. Financial returns from these investments are returned back to the original donor with a capped premium of up to 5%.

Approach

Leading with a focus on dignified jobs generates impacts well beyond labour and employment. It supports families' and communities' financial stability and climate resilience, while creating opportunities for the most vulnerable, including women living in poverty, struck by both gender and economic discrimination.

Leading with a focus on *dignified jobs* generates impacts well beyond labour and employment. It supports families' and communities' *financial stability* and *climate resilience*, while creating opportunities for the most vulnerable, including women living in poverty …

Climate change's disproportionate impacts on those living in extreme poverty, and the increasing need for climate adaptation and mitigation in sectors like agriculture, will be central to Upaya's investment strategy going forward. Upaya follows the ABC framework (Avoid harm, Benefit stakeholders, Contribute to solutions) to screen companies at the pipeline stage, especially with regards to their relation with climate mitigation and/or adaptation work.

Recognising the unique and impactful solutions that women entrepreneurs in their communities are bringing, as well as the historical lack of investment going to women-owned businesses in India, Upaya has also increasingly incorporated a gender lens in their investment approach. Companies employing more than 30% women jobholders are scored higher during the pipeline assessment stage and are hence more likely to receive investment. In 2018, Upaya made a commitment to balance out the proportion of investment going to women-owned businesses in their portfolio, and to find and invest in more businesses focused on employing women. More recently, they have pledged to collect gender-disaggregated data as part of their impact analysis,

exploring the unique impacts of their investee companies' jobs on women and their families in an effort to make recommendations for these companies and their industries.

Impacts

In its first decade, Upaya's portfolio has created more than 27,000 sustainable, dignified jobs for families in India's marginalised communities. Through regular surveys, jobholders at portfolio companies report an average income increase of 81%. Fifty-eight percent of companies accelerated by Upaya through its specialised accelerator programme in the last three years are led by women, and nearly half of them are engaged in climate mitigation and/or adaptation work. Upaya's central commitment to dignified jobs for the poor has led to a number of investments in early-stage social enterprises that employ and train women in green alternatives to traditional agricultural or artisan work. For example, two of Upaya's portfolio companies, Greenwear and Resham Sutra, train the women they employ in solar-powered looms and other sewing machines for creating zero-emissions artisan products.

Upaya also tracks how well their investee companies are doing in terms of revenue, market value, and ability to attract more capital after their support – a particularly important metric, given that Upaya is the first institutional investor for more than half of the companies in their portfolio. Following Upaya's investment, these companies, on average, raise 10X in follow-on funding from other investors, reach revenue levels 26 times the amount of Upaya's initial investment, and grow their valuations by 6 times compared to their valuation at the time of the Upaya investment.

Key takeaways

Investors and international development professionals alike have much to learn from Upaya's approach. Two particular strategies stand out: the organisation's focus on leading with sustainable, dignified jobs as a core part of their impact thesis, and their innovative funding approach centred on recoverable grants. This form of 'recycled philanthropy' is still in its infancy across the global investment community, but Upaya has proven its financial and non-financial benefits for investors, investee companies, and the vulnerable communities that they serve.

Two particular strategies stand out: the organisation's focus on leading with *sustainable, dignified jobs* as a core part of their impact thesis, and their innovative funding approach centred on *recoverable grants*.

What's next?

Beyond continuing to strengthen their gender and climate justice strategy, Upaya is currently raising their second pool of recoverable grants. The $3m pool will expand the opportunity for philanthropists to recycle their grants while making a powerful impact on the ground, as Upaya seeks to create 50,000 new jobs through 12 to 16 new investments in the next three years. These recoverable grants will be repayable to the donors based on overall portfolio performance, up to a return of 5% above the original amount.

Other exciting upcoming initiatives for Upaya include the launch of their Dignified Jobs Index and associated learning lab to build capacities of investors and entrepreneurs in the Global South to invest in dignified jobs for the poor; a new mentorship program that will provide portfolio companies with direct consulting and support; and an ambitious goal to raise investment capital from India.

Conclusion

Imagine what the world will look like when we have *inclusive* gender and climate finance, which centres frontline, underrepresented and underserved communities at scale. Equitable access to good green jobs and gender responsive climate solutions in every market. Equitable and fit for purpose finance for green businesses in frontline communities. Greater and better climate mitigation, adaptation, resilience, nature-based solutions, and biodiversity, delivered alongside an increase in truly equitable solutions for loss and damage. Increased climate resilience along with economic and social resilience – for all communities. Food security. Increased wealth for women and men in low-income communities and especially low-income communities of colour. Increased physical and mental health and wellbeing for all. More resilient supply chains. Larger customer bases. And an increase in equitable financial returns for more stakeholders.

So, what's next for us to get there?

QUESTIONS THAT INVESTORS MIGHT ASK OF THEIR OWN PORTFOLIOS TO INTRODUCE OR STRENGTHEN THIS APPROACH

Who is leading this fund or company, what is their racial/ethnic/gender background, and what is their direct experience with these issues?

- Is there equity in this picture at the leadership and governance level?
- What is their motivation towards climate, JEDI and gender equity?
- What is their own experience or the experience of their teams in the problems and solutions they are investing in?
- What other lived experience and diversity are they bringing to the table that should be considered?

Who will benefit financially from this investment – is there anything here to ensure ownership, agency, financial benefit to owners/employees?

- Who are the targeted impacts towards – employees, supply chain, customers?
- Does this have an opportunity for racial/ethnic, class, and gender equity in employment?
- Does this investment address power dynamics in a constructive way between investors and investees?
- What are the unintended consequences of your investments? Who could they hurt?

What is the issue, challenge, or opportunity that this investment is solving for and how are they solving for it?

- If it is a fund manager/financial intermediary, how are they prioritising their investments and investment process?
- Do they have good process tools to make these kinds of investments?
- Does their team really embrace this approach?
- How proximate is the investment team to the issue, challenge, or opportunity? How much have they immersed themselves in the local context to bridge knowledge gaps?
- Is there an opportunity to include these proximate voices into the investment decision making process?

- Be intentional about exploring the potential for *inclusive* gender and climate finance in your portfolio. Ask yourself – are any of your climate action, JEDI, gender, or other impact lens investments, either looking back or looking forward, able to become more climate-just and gender-smart with your help?
- Consider the value of proximity and lived experience to your journey, returns and outcomes as an investor. And, consider what type of capital and value add you can bring to these investments. For example, through grants, debt, equity, working capital, access to lines of credit or production financing, access to additional training and capacity building resources as necessary, or access to markets and talent including on governance.
- If you are or could be an investor in these companies, intermediaries or funds, work to understand what this really means in terms of your sourcing, diligence, negotiation of terms, value creation, impact measurement, and portfolio management role to reinforce goals, both for the entrepreneur and for you as an investor in the relationship.
- Actively participate in sourcing additional capital for these investments as they are often underseen and under-invested. Amplify what you are doing, to normalise this approach in the investment community, and celebrate successes with your investee partners.
    - Where can you share your approach, questions, and emerging solutions with other investors?
    - How can you telegraph your intentions and commitments to potential investees?
    - Where can you share deal flow?
    - Where can you share diligence and impact measurement?
    - How can you influence more and larger pools of capital to invest?

How are they demonstrating that they are benefitting from the voice of lived experience amongst their target stakeholders in design, development, production and delivery of solutions?

- Do the founders/fund managers understand the specific barriers and constraints of the target stakeholders and how much can be addressed by investment versus is/must be addressed by other means?
- Are the communities affected validating that these solutions are desired and valued? How are these community voices integrated along the investment cycle and in post-investment support?

Where may this investment be reinforcing or counterbalancing extractive approaches environmentally and socially?

- What is their climate/nature/biodiversity approach and how much of a difference will it make directly and/or as a scaleable or replicable model?
- Are the return profiles realistic, rational, and fair for these investments?

What's stopping your organisation from doing this?

- What more does your organisation need to do internally to integrate this thinking into your work?
- Where can you recognise and highlight a sense of urgency around it?

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