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PROSPERITY FUND ASEAN LOW CARBON ENERGY PROGRAMME

Special Issue Newsletter

Integrating Gender & Climate Investing in the ASEAN Region

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Content

Smita Biswas
Gender & Inclusion Lead

Gilles Pascual
Programme Director

Dear friends of the ASEAN Low Carbon Energy Programme,

We are delighted to welcome you to this special edition of our newsletter dedicated to the gender-climate investing nexus for the ASEAN region. With the ongoing COVID-19 pandemic as well as the effects of climate change disproportionately impacting gender equality, this is a critical time to be intentional in terms of building in a gender lens across all investing decisions.

Our programme has taken strategic steps to place the intersection of climate and gender at the core of our work on Green Finance and Energy Efficiency. We recognise that gender-smart investing and climate finance needs to go hand in hand in order to deliver a Just Transition to a low carbon economy.

To that end, in November 2020, we delivered ASEAN LCEP's first regional Gender and Inclusion webcast: "Opportunities for Integrating Gender and Climate Finance" which featured key thought leaders in the field of gender and climate change. H.E. Kara Owen, British High Commissioner to Singapore, kindly opened the event, confirming that "the intersection of gender and green finance has the potential to deliver for business, women and the world, including by advancing the UN Sustainable Development Goals."

Within the full PDF newsletter attached, we have included a summary of the event, a link to its recording as well as insights from the valuable feedback received from participants. The responses highlight that although a wide range of gender lens investing metrics and tools exist, most participants require a deeper understanding of these tools and designing integrated gender and climate financing instruments requires tailored advice on designing metrics to achieve and report on both in a pragmatic way.

Content

We are very pleased to be able to offer technical assistance to any corporate or organisation in ASEAN LCEP's focus countries, who may be interested in mainstreaming gender responsive tools across their investments or corporate governance or pioneering the first ever integrated gender and climate bond or loan instrument in the ASEAN region. Please get in touch.

Finally, this special edition ends with a compelling article contribution from our technical partner, The International Institute for Sustainable Development. It builds the case for integrating gender and green investing, includes examples of how this can be achieved along with emerging case studies of innovations in this space.

Happy reading and best wishes to you and your family for the new year.

Kind regards,

Smita and Gilles

Smita Biswas
Gender & Inclusion Lead

Gilles Pascual
Programme Director

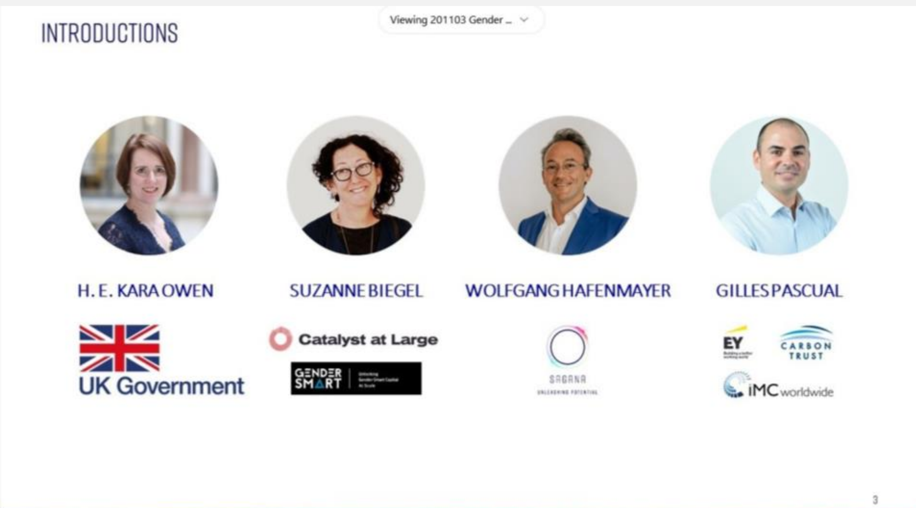
WEBCAST ON OPPORTUNITIES FOR INTEGRATING GENDER AND CLIMATE FINANCE

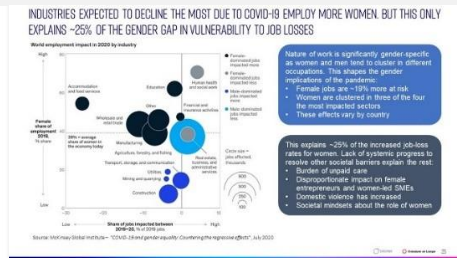
04 November 2020

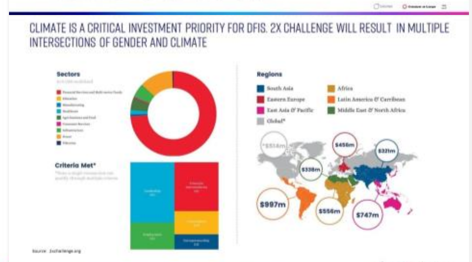
124 participants

Virtual event

27% 73%







On 04 November 2020, the ASEAN LCEP, in collaboration with Suzanne Biegel (GenderSmart Initiative) and Wolfgang Hafenmayer (Sagana) delivered the programme's first G&I webcast titled "Opportunities for Integrating Climate and Gender Finance." This was the first regional event on this innovative topic delivered by the programme.

The webcast aimed to explore the fundamentals of gender-smart investing and its importance, the potential of integrating it with climate finance to drive positive outcomes, introduced a range of reporting tools and frameworks and presented case studies from around the world.

H.E. Kara Owen - British High Commissioner to Singapore delivered the opening address, where she emphasised the need to ***"construct an economic recovery from COVID-19 to place Climate and Gender at its core, delivering a sustainable, resilient future that delivers for women, society and the planet".***

The webcast was well attended by 124 participants from a diverse range of stakeholders and leaders, including government regulators, the private sector including impact investors, banks, development finance institutions, donors and NGOs.

WEBCAST ON OPPORTUNITIES FOR INTEGRATING GENDER AND CLIMATE FINANCE

We received positive feedback from participants, with **96%** reporting that the webcast was **"Useful"** or **"Very Useful"** in increasing their understanding of Gender-Smart Investing. Several participants responded that they would change how they do their work as a result of this webcast by **"discussing and applying the gender responsive tools across our programmes and green finance investment projects"** and **"include a gender lens to our corporate governance activity."**

We plan to build on the momentum of this introductory event to offer tailored technical assistance (TA) support to pilot the design and implementation of integrated gender and climate investing activities in the ASEAN region.

We are pleased to be able to share with you the recording of the event which can be accessed through the below link:

https://eyenterprise.webex.com/eyenterprise/lsr.php?RCID=a54cd66dda8eb5e98f96d3bc710417d8

The password for the file is ***WebcastRecording2020***

The following pages contain summary feedback from the 124 participants from a range of private, public and NGO sectors who attended the G&I webcast event and Q&A. It provides a valuable snapshot of the positive response to integrating a gender lens with climate investing and the wide range of gender frameworks and tools available to do so.

Conversely, it highlights that the majority of participants said they require tailored advice on tool selection and application and accompanying data to build their specific business case for integrating gender targets in their work.

G&I Webcast Questions and Answers

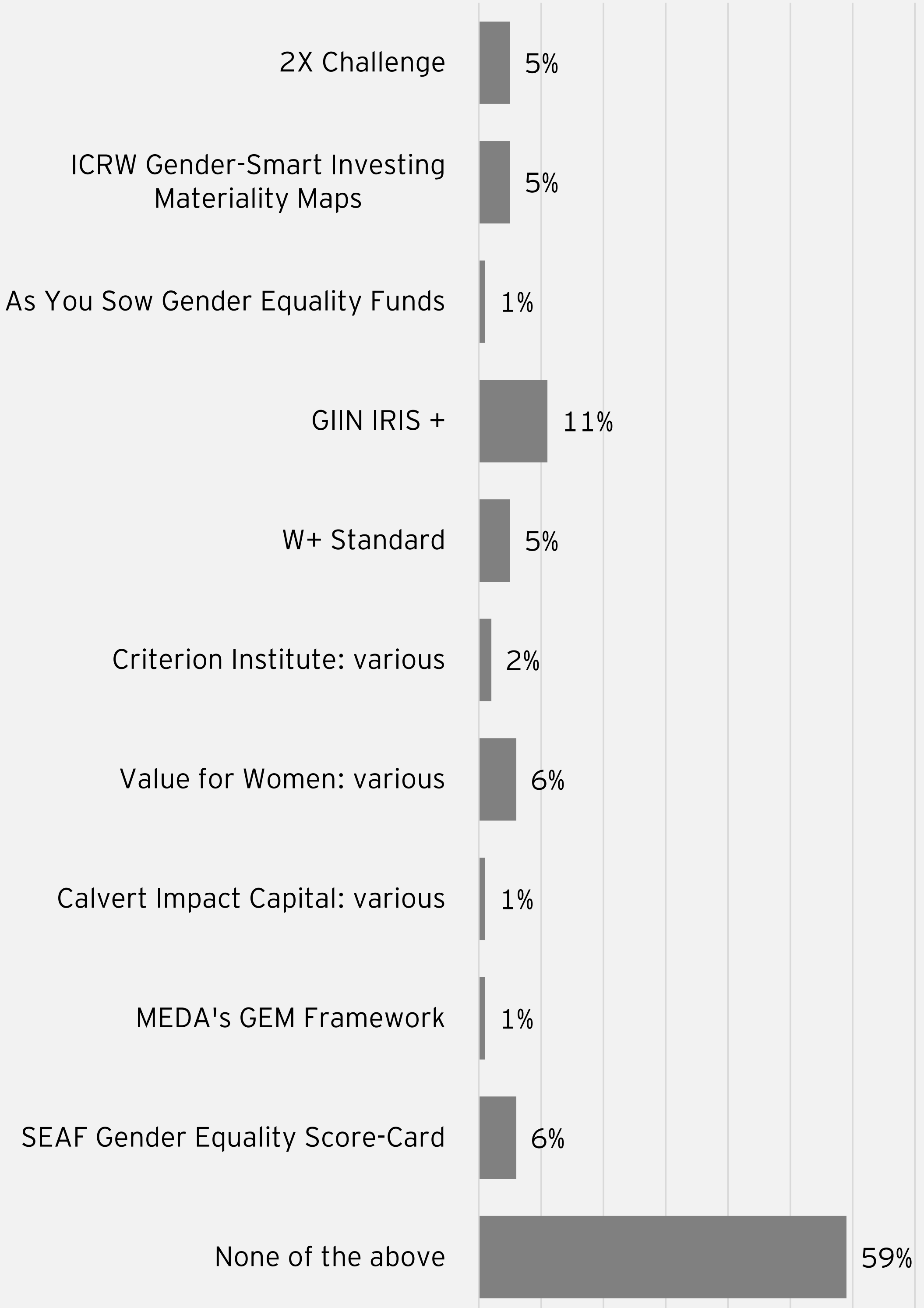
What would qualify a fund to be recognised as having adopted a gender-smart investment process?	Gender-smart investing integrates gender-based factors into investment strategy and analysis to increase returns and move towards gender equality. This can be achieved in a variety of ways There is no global standard for qualification for a fund to be considered gender-smart. Fund managers, and the investors in funds, will generally look at who is managing the fund, is it a gender-balanced team, and where do the investment decisions lie; whether it is in public or private markets vehicle. They will look at how fund managers are looking at their own investment thesis, and then their processes will vary tremendously whether it is a public markets vehicle or a private market vehicle. For public markets vehicles it then goes to company selection, what data are they looking at and how is that analysis being performed, are they engaging as shareholders, and how are they reporting. For private market funds this would include sourcing, screening, delicensing, the terms, the negotiation, impact management and measurement and metrics, and exits. It might also include looking at how the fund manager supports their portfolio companies from a gender lens investing perspective. The 2X Challenge has set out criteria for funds to be considered in their pipeline. There are many tools and resources in the market to help fund managers on this journey. Many published resources are on gendersmartinvesting.com, and there are excellent consulting teams to help fund managers on their journey.
What is the average ROI and IRR for gender-smart investing funds?	Gender-smart investment vehicles are diverse and include public market investment vehicles, private market investment vehicles and gender bonds and hence have varying ROIs and IRRs. Below are some reports that cover the performance of gender-smart investment vehicles. ***Public market gender-smart investment vehicles:*** *https://blogs.cfainstitute.org/investor/2020/11/16/gender-lens-funds-ups-and-downs-forwomen-in-the-workforce/* *https://parallellefinance.com/latest-quarter-gender-lens-funds-performance/* *https://parallellefinance.com/gender-lens-funds-performance/* https://www.cambridgeassociates.com/insight/gender-lens-investing-impact-opportunitiesthrough-gender-equity/ ***Private market gender-smart investment vehicles:*** https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/gender+at+ifc/resources/gender-balance-in-emerging-markets

G&I Webcast
Questions and Answers

What sectors are gender-smart funds flowing into?	Gender-smart investment vehicles are diverse and cover a wider range of sectors. The below reports explore the different sectors covered by these investment vehicles. ***Private market gender-smart investment vehicles:*** https://socialimpact.wharton.upenn.edu/research-reports/reports-2/project-sage-3/ ***Public market gender-smart investment vehicles:*** https://info.equileap.com/2019genderequalityglobalreportandranking https://www.veriswp.com/research/gli-bending-arc-of-finance-women/
How do we measure the development impact of investing with and in women over time? Is there a particular tool for this?	A number of investment actors are working to explore the development impact of investing with and towards women over time. There is no one tool. The important factors to look at include: which women is the investment aiming to positively effect? In which geographies? With which strategies? If it is about access to capital for women entrepreneurs, that is very different than looking at women working in supply chains or looking at products and services benefitting women. Because there are so many different strategies that one can use to invest with a gender lens, one will look at different metrics and approaches to measurement for each. The 2X challenge has a set of starting indicators. The GIIN IRIS Plus dictionary of indicators has many gender indicators. If the investment is to address social issues which disproportionately negatively affect women, such as gender-based violence, there are other tools still. There are a number of published resources as well as consultants and NGOs who are able to help an investor to work on measurement and evaluation. But there is no "one size fits all."
How is the gender impact of alleviating lack of energy access measured?	Groups such as Energia, the Alliance for Clean Cookstoves, WOCAN, and others have all published on this question. Individual companies such as Frontier Markets, in India, have shared their insights in reports and presentations. In short – this is both at the household level as well as the energy for productive assets level. The linkages to access to livelihoods, access to education, access to productive assets, increased safety, deceased personal risk and increased personal and professional opportunity are all linked.

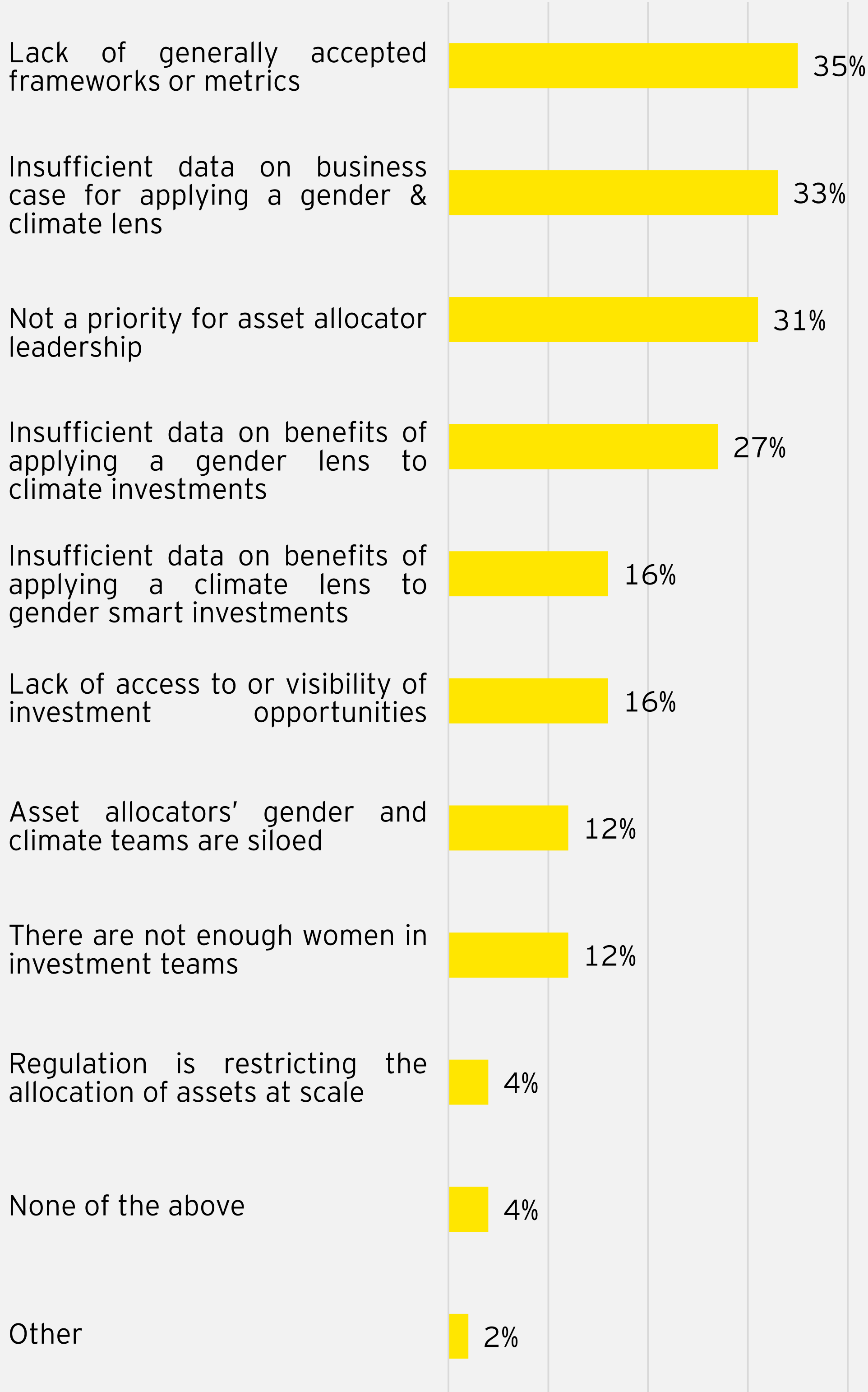
G&I Webcast Participant Feedback

Please select the toolkit/ frameworks/ sources of information that you have previously encountered from the below list



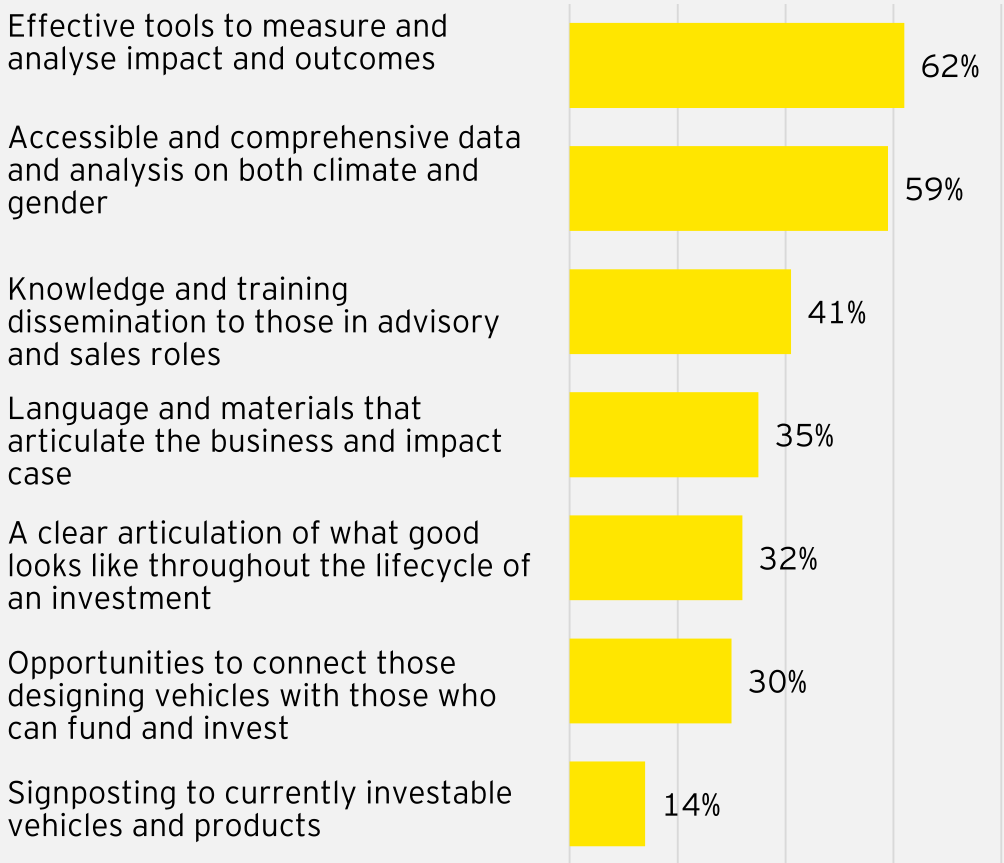
G&I Webcast Participant Feedback

What do you believe are the top 3 greatest barriers to widespread adoption of a gender and climate lens in investment today?



G&I Webcast Participant Feedback

What do you need to support your own work in gender and climate investment?



Article on Integrating a Gender Lens in Climate Investing

Integrating a Gender Lens in Climate Investing

Author: David Uzsoki
Senior Advisor, Sustainable Finance
International Institute for Sustainable Development

Note: This article was commissioned by the ASEAN LCEP from IISD - technical partner to the programme for the Malaysian Sustainable Finance Initiative

Where is gender lens investing today?

Sustainable investing has experienced an impressive growth in recent years, reaching USD 30.7 trillion[1] assets under management (AuM) in developed countries alone in 2018. Institutional investors with USD 103.4 trillion[2] AuM are signatories of the Principles of Responsible Investing (PRI), committing to incorporate ESG issues into their investment processes, among other sustainability objectives. At the same time, only a fraction of this amount, USD 7.7 billion[3], has gone into gender lens investing, a growing segment of sustainable investing that focuses on advancing gender equality.

Despite gender equality receiving a lot of attention as a result of corporate diversity disclosures, gender lens investing is still at an early stage compared to other more developed sustainable investing themes, such as climate change, or even natural capital. While gender lens investing is expected to continue its rapid growth in the coming years, financing towards gender objectives could be scaled up significantly if gender indicators were integrated in all sustainable finance instruments and investment funds by default, irrespective of their thematic focus. Currently many ESG compliant funds use a basic negative screen that automatically excludes controversial sectors and companies, such as tobacco, coal, weapon manufacturing, from their investment universe. A similar approach could be taken for gender: companies that do not have a minimum level of "gender performance" should be excluded automatically. In case of sustainable finance instruments, gender considerations could be integrated in the eligibility criteria for the use of proceeds or by setting gender key performance indicators (KPIs).

[1]http://www.gsi-alliance.org/wp-content/uploads/2019/03/GSIR_Review2018.3.28.pdf
[2]https://www.unpri.org/pri
[3]https://www.spf.org/global-data/user53/20201001GLI.pdf

Article on Integrating a Gender Lens in Climate Investing

Why mainstream gender considerations?

Mainstreaming gender considerations in sustainable finance instruments and investment funds is important for several reasons. First, achieving gender equality is essential for a prosperous and sustainable world as it affects all aspects of sustainable development. The most pressing environmental and social challenges of our time impact women disproportionately. For example, women are particularly vulnerable to climate change as it can worsen structural gender-based inequalities and further increase existing gender disparities. Also, gender inequality is a key driver of poverty and one of the most common forms of discrimination. Therefore, addressing this issue should be a priority, especially for investors with a sustainability mandate. This would also bring significant economic benefits. Up to USD 28 trillion, or 26 percent, could be added to the global GDP in 2025 by closing the representation gap between men and women in the economy[4].

Another reason to mainstream gender considerations in sustainable investing is that companies with a gender diverse workforce are likely to outperform their peers. Gender equality helps businesses anticipate and meet customer and staff needs, and attract talent from an increasingly values-driven workforce. The correlation between gender and financial performance is especially strong in case of executive teams and boards. Based on a recent research covering more than 1000 companies from 15 countries, companies with gender diverse boards are 28% more likely to outperform their peers, while gender diversity in executive teams increases the chance of outperformance by 25%[5]. There is also a signification difference in financial performance between leaders and laggards. Companies with executive teams with more than 30% female members are 48% more likely to outperform companies with only 10% or less women in their executive teams[6]. Similarly, venture and private equity funds with gender balanced teams have 20%[7] higher returns than their peers.

A high gender score can also signal to investors that the company is taking a progressive stance towards gender inequality and manages well its reputation risk. Both aspects benefit the company's long-term growth and profitability and therefore its valuation. Indeed, several studies demonstrate that companies with good gender performance have higher market valuations compared to their peers[8].

All of this suggests that gender smart sustainable finance instruments and investment funds could generate higher investment returns than what would be the case if gender considerations were not taken into account.

[4]https://www.mckinsey.com/~/media/McKinsey/Industries/Public%20and%20Social%20Sector/Our%20Insights/How%20advancing%20womens%20equality%20can%20add%2012%20trillion%20to%20global%20growth/MGI%20Power%20of%20parity_Full%20report_September%202015.pdf

[5, 6] https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Diversity%20and%20Inclusion/Diversity%20wins%20How%20inclusion%20matters/Diversity-wins-How-inclusion-matters-vF.ashx

[7]https://www.ifc.org/wps/wcm/connect/e3cea47f-aa13-4ab3-b743-0d0e44c6710f/Exec+Summary_Moving+Toward+Gender+Balance+Final.pdf?MOD=AJPERES&CVID=mBmcOnZ

[8]https://www.hbs.edu/faculty/Publication%20Files/An%20Institutional%20Approach%20to%20Gender%20Diversity%20and%20Firm%20Performance_4c0479f3-9d13-4af8-82da-7f1713af940d.pdf

Article on Integrating a Gender Lens in Climate Investing

How to measure gender performance?

Gender indicators can vary depending on the type of entity being assessed. However, the "2X Challenge – Financing for Women"[9] provides a harmonised set of indicators that could be used broadly with only minor adjustments to reflect the specificities of the underlying entity. The indicators are organized across five categories.

2X Challenge – Financing for Women

It is a major initiative of development finance institutions from the G7 countries to mobilize resources to advance gender equality and women's economic empowerment.

https://www.2xchallenge.org

1. Entrepreneurship
- Percent of female ownership
- Percent of company founder(s) who are female

2. Leadership
- Percent of senior management who are female
- Percent of Board who are female
- Percent of investment committee who are female

3. Employment
- Percent of full-time employees who are female
- Initiative in place to specifically advance women in the workforce (Y/N)

4. Consumption
- Product or service specifically or disproportionately benefits women (Y/N)
- Percent of customers who are female

5. Indirect Investments (investments through financial intermediaries)
- Share of financial intermediary's portfolio that meets at least one of the criteria above
- Share of fund's portfolio that meets at least one of the criteria above

These metrics can be used to determine the minimum level of gender performance of companies included in the investment universe of sustainable investment funds. They can also be used to define eligibility criteria for the use of proceeds for various sustainable finance instruments. Listed companies might already be disclosing gender data along these lines, as part of their sustainability reporting, although gender data is often aggregated together with other diversity indicators, such as race. For private equity or debt investments, gender data should be collected as part of the initial due diligence process and then monitored on an ongoing basis following a predetermined reporting schedule.

[9] https://assets.cdcgroup.com/wp-content/uploads/2020/03/16111901/How-to-measure-the-gender-impact-of-investments.pdf

Article on Integrating a Gender Lens in Climate Investing

What are the gender-smart financing instruments today?

As the benefits of gender diversity have become more widely recognised, investor demand for gender smart investment opportunities has increased considerably. This has led to the emergence of a variety of gender-focused financial products across asset classes. These products include gender lens funds, gender smart exchange traded notes (ETNs) and exchange traded funds (ETFs), certificate of deposits, gender bonds and, private equity and debt funds with a focus on gender equality. In 2019, there were at least 192 active investment vehicles globally, which is a 47 percent increase compared to 2018[10].

While the majority of these gender lens investment vehicles (80) are targeting the North American market, the investment destination of 33 investment vehicles is East and Southeast Asia with a total USD 1.3 billion assets under management[11]. At the same time, the number of sustainable finance instruments has been growing rapidly in recent years, reaching a total issuance of USD 2.1 billion[12] worth of green, social and sustainability bonds. The overwhelming interest of local investors in these instruments highlights the opportunity for scaling up gender lens investing in the ASEAN region.

Bank OCBC NISP's gender bond

- Issuer: Bank OCBC NISP - fourth oldest bank in Indonesia
- Size: IDR 2.75 trillion (about USD 200 million) – for both the gender and green bond tranche.
- Date of issue: March 2020
- Description: The proceeds from the gender bond were used to increase lending to women entrepreneurs and women-owned small and medium enterprises (SMEs). It was a private arrangement between Bank OCBC NISP and IFC.

Source: https://www.ocbcnisp.com/Groups/Tentang-OCBC-NISP/Press-Release-(2)/OCBCNISP-x-IFC-Sustainability-Bond.aspx?viewmode=0&devicename=&langobjectlifetime=request&loaddevice=1&lang=en-US

[10, 11] https://www.spf.org/global-data/user53/20201001GLI.pdf
[12] EY estimate

Article on Integrating a Gender Lens in Climate Investing

Globally, there are only a few examples of non-gender focused sustainable finance instruments that also integrate gender indicators. Perhaps unsurprisingly, most of them are in impact investing, which is a small, but vibrant, sustainable investment strategy with USD 444 billion AuM[13]. For example, WaterEquity[14], an asset manager, focuses on ending the global water and sanitation crisis, while applying a gender lens when selecting investments. Another example is Alanted[15], a venture capital fund, which invests in innovative companies that enable a sustainable future for apparel production and retail. At the same time, it seeks to have gender diversity when selecting the founders it backs.

Outside of impact investing, one notable example is the sustainability-linked subscription credit facility of the Swedish private equity firm, EQT. The interest margin of the facility is linked to the average performance of EQT's portfolio in renewable energy use (minimum 85 percent) and female board representation (minimum 40 percent)[16], committing to both a gender and an environmental KPI.

To date, more mainstream sustainable finance instruments, such as green bonds, ESG ETFs, do not include any gender considerations unless they have an explicit gender focus, like in the case of gender bonds. At the same time, there are some early ideas emerging, which may gain traction in the coming years. One notable example is the "Green+ Gilt" that was proposed to Her Majesty's Government in the UK with the support of 32 investors representing organizations with more than GBP 10 trillion AuM[17]. Green+ Gilts are sovereign bonds used to finance climate action, while addressing specific social objectives. These objectives could include creating high-quality employment and addressing income or potentially gender, inequality. Integration of gender considerations especially makes sense for climate finance instruments, like the Green+ Gilts, as climate change impacts women disproportionately.

Green+ Gilt

The main objective of Green+ Gilts is to provide financing to deliver the UK government's commitment to a resilient, net-zero economy. Green project categories include clean infrastructure, energy efficiency, green buildings, climate adaptation and natural capital.

Each eligible project would have at least one well defined and measurable social co-benefit, with a relevant social metric for each project category. These could include outcomes such as affordable housing and infrastructure, employment generation, access to essential services, skills development, and education as well as other aspects of socioeconomic advancement.

Source: https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2020/10/Green_Gilt_Proposal_October_2020.pdf

[13]http://www.gsi-alliance.org/wp-content/uploads/2019/03/GSIR_Review2018.3.28.pdf
[14]https://waterequity.org/performance/
[15]https://www.alantecapital.com/
[16]https://www.environmental-finance.com/content/news/green-and-sustainability-linked-loan-round-up-eqt-arroyo-energy-sistema-...-and-more.html
[17]https://www.greenfinanceinstitute.co.uk/green-plus-gilt/

What are the opportunities and challenges?

The exponential growth of sustainable investing offers a huge opportunity to advance gender equality. Assets under management with an ESG mandate are expected to reach USD 160 trillion[18] by 2035, which would mean the adoption of sustainable investing across the whole asset management industry. This demonstrates the size of the opportunity to scale up financing for gender diversity if gender indicators were to be integrated in all sustainable finance instruments and investment funds.

There are of course challenges to how this could be implemented across the different asset classes. For example, how would the introduction of an additional layer of sustainability indicators would impact the transaction costs and the general willingness of issuers to use sustainable finance instruments? Is the necessary gender data available across sectors for both public and private issuers? Would companies using sustainable-linked instruments find dual sustainable KPI structures too ambitious or even penalizing as failing any of the KPIs would increase their cost of financing? Also, what should be the minimum level of gender performance required? Would it be enough for a company to perform well for one gender indicator, but perform poorly for others? These are just some examples that need to be examined more closely if gender is to become an integral component of all sustainability instruments and investment mandates. Considering the societal and, of course, financial benefits of gender equality, it would be a worthwhile endeavour. At the end of the day, how can an ESG fund be considered sustainable if it ignores whether its investments are addressing the needs of the other 50% of our society?

[18]https://www.dbresearch.de/PROD/RPS_DE-PROD/PROD0000000000478852/Big_data_shakes_up_ESG_investing.pdf?undefined&realload=SqHXhdA3g4qTcam7wLCN/zOMIVSe1IqvU2HFMjvW3cDXqa8B7hwGkSId3f1qqqQmYaL3InuF6u4=

About the Programme

ASEAN LOW CARBON ENERGY PROGRAMME

Lack of access to affordable, reliable and clean energy is a key barrier to inclusive growth within Southeast Asia.

The ASEAN LCEP promotes inclusive economic growth in the region by aiding increased **green finance** flows for low carbon energy and improving **energy efficiency.** This is done by providing support on capacity building, market development, policy support and technical assistance.

HOW WE DO IT

Close collaboration with local and international entities from both the public and private sectors

Leveraging the UK's extensive and proven expertise

FOCUS AREAS

Green Finance

Energy Efficiency

3
years

Programme runs until Mar 2022

£15
million

Overseas Development Programme under the UK Government's Prosperity Fund

COUNTRIES INVOLVED

Programme is headquartered in Singapore, with interventions delivered at the ASEAN and regional levels, and in 6 countries: **Indonesia, Malaysia, Myanmar, Philippines, Thailand and Vietnam**

About the Programme

The programme focus on two main areas: **Green Finance** and **Energy Efficiency**.

Green Finance activities include but are not limited to:

- Developing **sustainable finance markets** through **policy advisory** and support to governments, provincial governments and corporates on **sustainable debt issuance**
- Supporting the establishment of cross-agency **Green Finance Taskforces**
- Capacity building for Central Banks, Financial Regulators and corporates on **climate change risks**, **stress-testing** and **disclosures**
- Developing **renewable energy** and **energy efficiency financing** solutions

Energy Efficiency activities include but are not limited to:

- Reviewing **national energy efficiency policy & regulation**
- Supporting the implementation of **Minimum Energy Performance Standards (MEPS), High Energy Performing Standards (HEPS)** and associated market transformation activities
- Developing a **pipeline of energy efficiency projects**, including delivery of pilot projects and innovative business models
- **Promoting energy efficiency** action and commitments by companies

Gender and Inclusion is a cross-cutting theme throughout the programme, where gender is **mainstreamed** across all interventions in order to strive for an overall '**empowerment**' level of ambition.

Contact Us For More Opportunities To Support:

Sustainable Loan / Bond Issuances	Energy Efficiency in F&B Sector	Integrated Gender & Climate Investing Activities

For questions and comments in relation to the ASEAN Low Carbon Energy Programme, please contact:

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