GENDER-RESPONSIVE CLIMATE GOVERNANCE AND THE ROLE OF WOMEN LEADERS

RESEARCH BRIEF

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ACRONYMS

D&I	Diversity and inclusion
DEI	Diversity, equity, and inclusion
DFI	Development finance institution
ESG	Environment, social, and governance
EMDEs	Emerging market and developing economies
FCS	Countries in fragile and conflict situations
MSMEs	Micro, small, and medium enterprises
UNFCCC	United Nations Framework Convention on Climate Change

EXECUTIVE SUMMARY

This study explores the intersection between climate governance and gender diversity and inclusion (gender D&I) in companies based in emerging market and developing economies (EMDEs). It expands the emerging research field of gender-responsive climate action by starting to fill a critical knowledge gap: how businesses in EMDEs are engaging with the gendered dynamics of climate change in their governance practices, policies, and actions. The study uncovers ways in which women leaders are or could be shaping businesses' climate action. It unveils insights into good practices and guidance for board members, senior managers, and other relevant stakeholders, including stock exchanges and market regulators operating in EMDE contexts. Importantly, given this emerging area of exploration, the study also identifies pathways for future research and development of practical tools to support action.

The study is grounded in a literature review of existing evidence on the climate and gender nexus in business practices and the role of women business leaders in driving progress. Findings are based on a survey of over 600 business leaders including more than 400 from EMDEs, information gathered from focus groups, and interviews and focus groups with more than 30 experts and business practitioners in both EMDE and global contexts.

The findings highlight that, while many EMDE-based companies are increasingly focused on climate and gender-related issues, they view them through separate lenses. Few take an intentional approach to integrating gender in their climate-related activities, in part because they may not understand the complex ways in which gender dynamics interact with the climate crisis. The risk is that such siloed approaches could result in misaligned strategies and policies, reduced impact potential, or unintended and counterproductive outcomes—potentially leaving women even more vulnerable to the impacts of climate change.

One reason for this lack of integration could be that many EMDE businesses have not formalized their climate governance. Having in place this strategic underpinning could enable a coordinated and comprehensive approach that addresses gender-differentiated needs—**particularly if the climate governance framework is intentionally overlaid with a gender perspective.**

The study also found that EMDE-based businesses with **higher proportions of women in senior management and on boards appeared more likely to have more formalized climate governance commitments** than companies with fewer women in leadership. Gender-diverse leadership can accelerate climate action and improve climate governance and gender-equality outcomes in EMDE-based companies, but more awareness and action are needed.

Among the important insights emerging from the survey, interviews, and focus groups: **adapting gender-responsive climate governance is a journey,** and there are multiple steps companies—as well as other stakeholders—can take to advance progress.

The report offers extensive recommendations on ways to embed a gender lens into climate governance and incentivize actions for the range of stakeholders involved in promoting inclusive and sustainable development in EMDEs, each of which has an important role to play. These recommendations can be found beginning on page 4.

Fewer EMDE-based companies have formal climate polices and strategies to govern their climate actions than those in developed economies...

52% of large EMDE enterprises surveyed said they have formal commitments or policies related to climate risks and opportunities, compared to 72% based in developed economies

10% of large EMDE enterprises in the survey sample said they have completely integrated climate action into their business strategies

...BUT many engage extensively with climate risks and opportunities even without formal climate governance.

33% of large EMDE enterprises surveyed undertake climate action but don't have formal policies

47% of EMDE-based MSMEs in the survey sample undertake climate action but don't have formal policies

Gender diversity and inclusion (D&I) and climate are the most frequently cited issues that EMDE-based companies are addressing as part of their ESG activities...

77% of large EMDE companies with ESG activities in the survey sample said they are addressing gender D&I

72% of the same group said they are addressing climate change

...and a majority said they have D&I policies and practices in place...

71% of large EMDE companies

66% of MSMEs in EMDEs

...BUT most consider climate action and gender action separately.

- Among the companies surveyed, very few said they are intentionally connecting climate and gender or bringing a gender lens to their environmental sustainability activities
- Many indicated a lack of clarity on what an integrated approach would look like

Women may be more likely to consider ESG issues as a corporate responsibility than men, so EMDE-based businesses with more women in senior management and on boards may be more likely to have formalized climate governance commitments.

61% of female respondents said they "strongly agree" that companies have an obligation to minimize their negative environmental and social impacts

48% of male respondents said they "strongly agree" that companies have an obligation to minimize their negative environmental and social impacts

This research contributes to the growing body of evidence signaling that a stronger emphasis on gender-responsive climate governance could drive a more intentional approach, greater integration of climate and gender action, and more effective outcomes.

BARRIERS TO INTEGRATED CLIMATE-GENDER ACTION

Lack of knowledge or training on the climate-gender intersection can reduce organizations' ability to engage meaningfully, while raising strategy development costs, since these efforts may require outsourcing.

Silos between environmental and social development teams in large companies separate responsibility for interconnected topics.

Funding and budget constraints prevent investment in important initiatives such as collecting, analyzing, and reporting on sex-disaggregated data.

Low awareness and understanding of the business and impact case for integrated approaches to gender-responsive climate action prevent the allocation of sufficient support.

THE RESEARCH REVEALED REASONS FOR LACK OF PROGRESS ON GENDER-RESPONSIVE CLIMATE ACTION

Complex disclosure and engagement processes often require gender and climate to be treated separately. Given the high costs of meeting compliance and reporting demands, companies might not want to pursue integrated approaches.

Lack of context-appropriate tools and frameworks can prevent effective implementation in EMDEs. Most available guidance and tools on climate governance are tailored to advanced economies.

Low levels of climate and gender-lens literacy can limit leaders' ability to identify and act on gender-responsive climate priorities**.**

RECOMMENDATIONS: TOWARDS GENDER-RESPONSIVE CLIMATE GOVERNANCE IN EMDE COMPANIES

1. *A proposed framework*

Those interviewed suggested the development of a framework to assess maturity levels, measure progress, and provide guidance in gender-responsive climate governance, building on ***IFC's Climate Governance Progression Matrix and Tip Sheet.***

Progression toward gender-responsive climate governance.

Advanced Stage

Weaving gender-responsive climate governance and related actions, including performance measurement and reporting, into business strategy and recognizing them as material topics.

Mid-Advanced Stage

Integrating gender-responsive climate considerations, including performance measurement into many parts of the business.

Early-Mid Stage

Considering climate issues with a gender lens and taking some uncoordinated action.

Early Stage

Considering the connections between gender D&I and climate but not yet taking action.

Preliminary Stage

Not currently considering or addressing issues at the nexus of climate and gender.

2. *Actions for stakeholders*

Participants in the interviews and focus groups noted that progress will require effort across the market ecosystem, as well as commitment from the range of stakeholders—each of which has an important role to play.

Boards and governance bodies of EMDE companies: Making gender and climate integral to a company's governance structure by weaving both into their strategy and providing critical direction.

Senior leadership of EMDE companies: Influencing corporate culture from the top, while implementing and shaping strategic policy decisions.

Regulators and policymakers: Creating a supportive legal and regulatory environment that encourages and facilitates integrated private sector climate and gender action in EMDEs.

IFC and other development finance institutions (DFIs): Building enabling environments and supporting innovative financial products, such as sustainable finance instruments that include gender and climate key performance indicators, to incentivize gender-responsive climate action by EMDE companies.

Stock exchanges and other market intermediaries: Leveraging their role in promoting the business case, allocating capital and resources to influence change on a broader scale.

Investors: Driving the mainstreaming of robust gender-responsive climate governance by incorporating it into due diligence, analysis, and investment decision-making.

The recommendations that follow are divided by their applicability to various stakeholders. Some will repeat, given their relevance across multiple stakeholder groups.

FOR BOARDS AND GOVERNANCE BODIES OF EMDE-BASED COMPANIES

> **Raise awareness on the business case for gender-responsive climate action:** Conducting and sharing research, as well as drawing connections with existing objectives, challenges, and environmental and social impacts, can encourage advanced action, as can making gender-responsive climate action a strategic agenda item for senior leadership and board meetings.

> **Develop strategies and policies for gender-responsive climate governance:** Start by assessing where you are in your climate governance and gender D&I journey, using tools and frameworks such as IFC's Climate Governance Progression Matrix. Consider your business model, governmental or regulatory policies, and existing social and environmental impacts in shaping strategies. Develop appropriate short-, medium-, and long-term actions to take.

> **Set targets for women's leadership in positions that support climate governance and action:** This includes targets for positions with direct responsibility for climate action and sustainable transformation, like ESG committee roles. Appoint women with expertise in climate and environmental sustainability issues. Measure progress toward targets.

> **Evaluate physical climate and transition risks and opportunities with a gender lens:** Assess the physical climate risks on operations and communities throughout the value chain, while considering gender-specific vulnerabilities. **Create gender and climate indicators and conduct regular audits.**

FOR SENIOR LEADERSHIP OF EMDE-BASED COMPANIES

> **Collect and disclose sex-disaggregated data for climate-related activities:** Improving processes for sex-disaggregated data collection and reporting will be vital. Use quantitative and qualitative assessments of impact, incorporating women's voices to ensure accurate evaluation.

> **Provide training and capacity building for board members, senior managers, and the wider workforce:** Training should highlight the business case for connecting gender D&I and climate governance efforts, showcasing companies that have taken a gender-inclusive approach to climate governance. Cultivating in-house expertise on climate and gender can inform broader upskilling initiatives.

> **Apply a gender lens to existing climate governance policies, tools, and frameworks:** This might include analyzing gender-differentiated climate-related risks and opportunities as part of materiality assessments.

> **Include gender-specific targets and reporting on sustainability goals and projects:** This can ensure the integration of gender perspectives throughout a project lifecycle. Suggestions include setting minimum percentages/numbers for women in decision-making and dialogue, and for women-led organizations in the delivery of climate programs.

- **Break down organizational barriers between teams addressing climate and gender equality:** Introducing regular touchpoints or fully integrating teams can reveal crucial interdependencies and opportunities for action. Improving connections between leadership, DEI, sustainability, ESG, and human resources teams can help draw out interconnections between climate and gender in different initiatives.

- **Design sustainable products and services to better serve the diverse needs of women,** who make 80 percent of household purchasing decisions worldwide.[1] This also speaks to the intersectional importance of a gender-balanced workforce and gender-diverse leadership, since involving women in the research and development, design, production, marketing, and sales processes will ensure that products and services truly meet women's needs while meeting the company's sustainability and business goals.

- **Engage employees, suppliers, and stakeholders throughout the value chain on gender and climate policies and initiatives:** Extending training to suppliers, encouraging the adoption of gender/climate KPIs and targets, and implementing requirements for climate and gender governance can incentivize adoption from both existing and potential suppliers.

FOR REGULATORS AND POLICYMAKERS

- **Design innovative gender and climate policies that consider local context:** Policymakers can signal the need for gender-inclusive climate action by integrating gender considerations into climate policies and integrating climate into gender policies.[2] These policies can trickle down to companies' own target settings.[3] Accounting for local conditions can improve the effectiveness, uptake, and impact of policies.

- **Create gender-inclusive climate frameworks and tools applicable for the range of company maturity levels:** Tailor compliance and reporting requirements to the size, resources, and maturity of companies. Simplifying disclosure and engagement processes and providing training and practical tools can improve engagement.

- **Embed mandatory reporting on gender, climate, and their nexus:** New legislation could require companies to disclose gender and climate-related data, actions, impacts, and outcomes in annual reports. This might include indicators such as the number or proportion of women working on or impacted by climate action initiatives and integrated gender and climate action plans for new projects. Regulators should prioritize definition-setting when developing future gender and climate reporting frameworks.

- **Offer incentives and recognition:** Recognition of companies that demonstrate exemplary efforts in implementing a gender-responsive approach to climate governance raises awareness, encourages competition, and motivates positive actions. Specific tax incentives, grants, and awards for MSMEs, or in sectors most in need of transformation, can drive change while accounting for varying levels of maturity.

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1 Silverstein, M.J. & Sayre, K. (2009) The Female Economy. Harvard Business Review. Accessed ***here***.

2 While such policies are still in their infancy, the United Nations Framework Convention on Climate Change already requires member countries to mainstream gender in their nationally determined contributions to reduce emissions. United Nations Framework Convention on Climate Change (2022). Accessed ***here***.

3 In Nigeria, the UNFCCC's legally binding policy has translated into the country's 2021 National Action Plan for Gender and Climate Change, the creation of a national climate change fund, and a climate finance working group, which encourages public- and private-sector financial institutions to act at the gender-climate nexus. Federal Republic of Nigeria (2020). National Action Plan on Gender and Climate Change for Nigeria. Accessed ***here***.

FOR IFC AND OTHER DEVELOPMENT FINANCE INSTITUTIONS

- **Mainstream climate and gender equality considerations in strategy and operations:** Integrating climate and gender as core objectives at both strategic and operational levels can ensure that the topics are embedded in decision-making and reduce the risk that they are marginalized. This can include developing comprehensive policies and frameworks—or strengthening existing ones—with clear targets and indicators to measure progress.
- **Develop the business case and lead research on gender-responsive climate governance and action:** IFC, other ESG advisory, and academic institutions should continue to focus research efforts on the intersection between women's leadership, climate action, and climate governance to assess progress over time.
- **Provide training and capacity building for employees in EMDE and FCS companies:** IFC, along with ESG advisory and capacity-building institutions, can design and deliver training on gender-inclusive climate governance for employees at all levels in EMDEs and FCS, with a particular focus on sharing legal and financial expertise. Where possible, free resources and training should be made available to SMEs and companies in less-advanced markets. DFIs also should invest in building the capacity of their own staff, as well as partners and clients. DFIs can also identify and promote common approaches to inform collective actions.
- **Support the collection, analysis and reporting of gender-disaggregated data related to climate:** DFIs can collect, analyze and report on critical data to inform evidence-based policymaking and policy design, while encouraging clients to do the same.
- **Provide dedicated financing for initiatives focused on advancing climate and gender governance:** Targeted funding through loans and equity can help businesses with innovative and ambitious strategies overcome practical barriers to implementation, while motivating others to start developing strategies and actions.
- **Collaborate with diverse stakeholders and organizations to advance climate and gender governance:** IFC and other institutions have a strong platform to act as global conveners, bringing together other DFIs, governments, civil society, and the private sector to leverage resources, share knowledge, and coordinate efforts in addressing climate and gender challenges. Emphasis should also be placed on engaging with local communities, including women and marginalized groups.

FOR STOCK EXCHANGES AND OTHER MARKET INTERMEDIARIES

- **Raise awareness on financial instruments that advance action on climate change and gender D&I:** The variety of financial instruments that support sustainability and could advance integrated climate and gender action includes green, gender, and social bonds, and sustainability-linked loans and bonds, among others. Companies are deploying such instruments to finance climate projects, and some have begun to include gender KPIs.[4] Stock exchanges can inform their listed companies that such products are available and encourage them to engage by sharing case studies and examples where issuers have combined gender diversity and inclusion and climate governance in their financing decisions. In addition, offer educational resources and training for investors and companies on climate and gender to promote new instruments and attract new investors.

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4 Nyhan Jones, V. and F. Cameron-Johannson. Six Reasons Why Social KPIs Matter in Sustainability-Linked Finance. IFC blog. March 3, 2023. Accessed ***here***.

- **Engage with boards and senior leadership of companies and investors, and/or introduce gender and climate disclosure requirements for companies trading on your exchange:** This can incentivize broader transformation, while potentially attracting a new set of innovative companies. Setting both gender and climate KPIs can encourage portfolio companies to break down the silos between gender and climate.

FOR INVESTORS

- **Incorporate evaluation of gender-responsive climate governance in investment analysis and stewardship activities:** The long-term rationality and effectiveness of a company's climate strategy depends on how well it is designed, implemented, and governed. Institutional investors should integrate tools for examining and evaluating the quality of the climate governance of portfolio companies into their valuation methodologies and investor stewardship practices.

- **Build expertise on financial instruments that advance action on climate change and gender:** Asset managers who stay informed of the latest developments in sustainable finance will be well placed to respond to potential demand from their clients—representing a strong business opportunity.

- **Engage with standard-setters:** Investors are key stakeholders on sustainability and climate reporting standards. To be actionable, the climate and gender reporting that investors rely on must be material, accurate, and comparable. Investors and their associations should actively engage with international and national climate and sustainability standard-setters to ensure the standards they issue remain fit for purpose.

FOR ALL STAKEHOLDERS

- **Implement gender-inclusive policies and foster a gender-inclusive company culture:** Reducing workplace barriers and creating a gender-inclusive culture—for example by putting in place anti-gender-based violence and harassment policies, flexible working options, on-site child-care provisions, and free transportation—can improve the retention of women employees and support women's contributions to climate action in the workplace, supply chains, and local communities. Fostering understanding and overcoming barriers to entry for women in male-dominated energy-transition sectors will be critical to ensuring that women have a seat at the decision-making tables in a new green economy.

- **Participate in multi-stakeholder collaboration and partnerships:** Stakeholders across sectors in EMDEs and vulnerable regions, including corporations, NGOs, and civil society groups can form coalitions and foster partnerships to jointly develop and implement strategies for addressing gender D&I and climate governance together. This encourages the sharing of challenges and best practices across sectors and amplifies voices for change. One notable example is the ***Champions of Change Coalition***, which focuses on gender equality, diverse leadership, and inclusive workplaces.

- **Consider different perspectives on the relationship between women's leadership and sustainable performance:** It is important that all stakeholders consider the varying perspectives, biases, and contextual nuances at play when working with EMDE-based companies to build awareness of the case for women's leadership in climate action and allow space to account for and embrace differences in perspective.

- **Highlight good practice examples in different sectors/industries:** Powerful storytelling and real-life examples that others can learn from will be crucial to advancing the goals, building confidence in the effectiveness of integrated climate-gender action, and accelerating uptake and transformation.

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