

A call to action: Aligning gender lens investing and ESG

All environmental, social and governance reporting standards ought to be filtered through a gender lens



By Marypat Smucker

approach and how well do they do it?

The WIL investment philosophy is rooted in corporate leadership and related measures that promote inclusive gender diversity. That captures the governance aspect – the G in ESG – in relationships with internal stakeholders.

Some GLI funds also focus on supplier diversity and product safety, which applies an element of the social, or the S in ESG, with external stakeholders.

But what about the E? How are GLI equity funds performing on the environmental front? That is a critical question, given how starkly and disproportionately environmental crises impact women.

The unequal toll that weather disasters, rising sea levels, and other climate change-related events exact from women, particularly in developing countries, has been well researched. Women are more likely to live in poverty, less likely to own land, and more likely to lose out in terms of education and livelihoods because of climate crisis.

Discriminatory laws, lack of access to financial services, and the burdens of unpaid care-giving only add to the gender-unequal burden of climate change.

Women in climate leadership

One outgrowth of this is the larger role women play as agents of climate solutions. In developing economies, women are leading many community-based efforts to address local climate impacts.

Empowering women and girls has been ranked second among dozens of solutions to global warming. In developed markets, studies show that women are relatively more focused on climate change, and many eco-friendly products are marketed to women.

At least four of the 28 GLI equity funds are fossil fuel-free, which indicates their alignment with ESG's climate component. These include the PAX Ellevest Global Women's Leadership Fund, the Desjardins Socie-Terra Diversity Fund, and the Adasina Social Justice All-Cap Global exchange-traded fund (ETF).

In addition, Robeco, the manager of the RobecoSAM Global Gender Equality Impact Equities Fund, announced that all of its funds would be fossil fuel-free by the end of 2020. Five GLI equity fund managers recently pledged to align with the Paris Agreement's emissions targets.

GENDER lens investing (GLI) is a thematic environmental, social, and governance (ESG) strategy that is inspired by women in leadership (WIL) and related gender equality criteria.

The primary publicly traded GLI equity funds available to individual investors include 12 global and 16 regional funds that together closed out 2020 with US\$2.67 billion in assets under management (AUM). As a whole, they weathered the year's economic storms well, with only one fund closing and three new ones launching.

Indeed, GLI equity funds performed in line with the broader market. While there are no clear sector winners on gender equality, information technology and financial services are the top two, showed an AUM-weighted allocation analysis, despite their own well-documented gender equity gaps.

Country weightings are dominated by the United States at 58 per cent, followed by Canada and several Europe allocations.

Despite the ongoing demonstration of WIL benefits, progress has been painfully slow, particularly for women of colour. Gender equality must be inclusive of racial, ethnic, and socio-economic diversity.

Stakeholders have started to address the disappointing pace of change. In the United Kingdom, the government-backed target of one-third female board membership by the end of 2020 for all FTSE 350 companies has been met by the index constituents.

In the US, the Nasdaq stock exchange filed a groundbreaking Securities and Exchange Commission (SEC) proposal in December that would require board diversity for new listed companies.

How do GLI equity funds reflect the ESG

Gender lens investing: where clean energy stands

Clean and renewable energy firms in top 10 holdings of GLI equity funds, listed alphabetically

COMPANY	COUNTRY	DESCRIPTION	WOMEN IN LEADERSHIP POSITIONS?	FEMALE REPRESENTATION ON BOARD
Enbridge	Canada	Energy transportation provider and natural gas utility. Portfolio of renewable energy projects.	COO	36%
Enphase Energy	US	Energy technology provider. Global leader in solar micro-converters.	None	14%
First Solar	US	Leading global provider of solar power systems.	None	20%
Meridian Energy	New Zealand	New Zealand's largest generator of renewable energy from wind farms, hydro stations, and solar arrays.	None	50%
Orsted AS	Denmark	State-owned energy producer. 100% renewable, including wind, solar, and renewable hydrogen.	CFO Deputy Chair	22%
SolarEdge Technologies	Israel	Develops energy technology solutions for the residential, commercial, energy storage, and grid services markets.	None	14%
Vestas Wind Systems	Denmark	Designs, manufactures, installs, and services wind turbines globally.	CFO	33%

Source: Parallele Finance, as of December 31, 2020



A Yemeni woman cleaning solar panels at the Friends of the Environment Station, a solar panel station in Yemen's war-torn region of Abs. In developing economies, women are leading many community-based efforts to address local climate impacts. The station, one of three in the country, is the only one run by an all-female crew. PHOTO: AFP

the gender lens philosophy? After all, various ESG reporting standards are jostling for leadership in the space.

Whichever frameworks eventually prevail should feature comprehensive metrics on inclusive gender equality. Indeed, all ESG reporting standards and requirements ought to be filtered through a gender lens. The leading standards have tended to focus on the materiality of ESG metrics by company and industry.

That said, ongoing research into the benefits of gender-diverse leadership – and the costs of lagging behind – are not sector-specific.

ESG standards should measure all corporations on the G of internal inclusive gender equality, the S of diversity and equity in external relationships, and the E of addressing the gender-unequal effect of climate change and environmental crisis.

■ The writer is a research analyst and writer with a focus on gender lens and ESG investing at CFA.

Where are the opportunities for these funds to invest in women in climate leadership? Women hold an estimated 32 per cent of renewable energy jobs, compared to 22 per cent of total energy roles. But most of these positions are lower-paying administrative roles, rather than higher-paying jobs related to science, technology, engineering and mathematics (STEM).

But strong growth is forecast for jobs in the renewable energy sector in the decades ahead, so clean energy industries will have

the opportunity to promote inclusive gender equity and reap the rewards of diverse leadership.

The 28 GLI equity funds held 155 unique top 10 holdings at the end of the fourth quarter of 2020. The accompanying chart shows the clean energy companies within those ranks and their WIL data.

Sharpening the focus

Of course, there is another side of the equation: How are ESG investments incorporating