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GESI Story of Change – Case Study

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Gender and Social Inclusion (GESI) Case Study

1. The changes

The “Mainstreaming climate risk assessment in credit operations of Brazilian development banks” project is focused on raising awareness and creating capacity to empower Brazilian Development Banks (DBs) to improve decision-making. It will achieve this goal by integrating climate-related risks and opportunities into credit operations, effectively supporting the promotion of a greener, low-carbon, and more resilient future aligned with the country's NDC. BNDES (National Bank for Economic and Social Development) and BDMG (Minas Gerais Development Bank) are the DBs to be piloting the project.

With an infrastructure deficit that subtracts 10−15% from Brazil’s GDP and an estimated GDP growth potential of USD 535 bi by 2030 by choosing a low carbon transition path, the Brazilian financial sector will play a key role on the country green recovery. In this context, the lack of climate risk management in the country’s financial system jeopardizes its economic and sustainable development since climate risk is a systemic risk.

The selection of development banks as targeted beneficiaries is a key pillar to drive the project’s gender & inclusion impacts. Historically, DBs in Brazil are the main financial agents for development. Over the course of the DBs history, its operations have evolved in accordance with the Brazilian socio-economic challenges and were an important tool used by the Brazilian government as a countercyclical response to financial crisis. In addition to the selection of primary beneficiaries with significant potential to impact marginalized groups, the consortium has performed a literature review on the impacts of climate change on marginalized groups in Brazil. This effort is fundamental to include data on social and gender disparities throughout the project's outputs, aligned with the challenges identified by the Greening Financial Systems (GFS) Theory of Change, such as limited access to green finance from marginalized groups, and lack of awareness from financial systems.

By developing a framework and tool to assess climate-related risks in DBs credit operations, the project contributes to the problems identified in the GFS Theory of Change, by providing means for DBs to manage and monitor climate risks, and by assessing the different impacts of climate change on vulnerable groups. During the development of the project, priority sectors that have significant representation of the DBs’ loan book were selected to pilot the climate-risk assessment tool, and more specific data on GESI barriers and opportunities were assessed through a desk review and included in the project’s framework.

As the focus groups found in the GESI Assessment, women and LGBTQIA+ engagement within the implementing team and direct beneficiaries aims at the empowerment level. Assessments of women representation were made for the implementing team and direct beneficiaries – with women representing 66% of the implementing team, and 57,14% of beneficiary focal points, while LGBTQIA+ represent 22% of the implementing team.

For context, current census[1] shows that Brazilian population is composed of 51.8% of women, and estimates point that around 10% of Brazilians identify themselves as LGBTQIA+. Other than GESI entry points in every project presentation and stakeholder engagement initiative, all the project development, management, and decision-making involve this diverse and equitable team.

A comprehensive desk review was made to identify GESI-related elements connected to the three sectors of the pilot tool of the project: Agriculture and livestock, Energy, and Transformation industry. The main elements found are detailed in the "Climate-risk assessment framework for credit operations", including barriers and challenges of gender equality and social inclusion for each sector. Furthermore, a significant limitation in data prevents GESI elements to be analysed quantitatively, and further improvements of data collection and integration in climate-risk assessment tools will be recommended on the Framework and could possibly be part of an Output on a next grant round.

Development banks' exposure to climate related risks and opportunities are different from those of commercial banks, for reasons such as the mandate of public interest to be associated with investment decisions. In Brazil, the National Development System (SNF) represents the network of public and private financial institutions whose mission is to promote the country's development and includes public federal banks, such as BNDES, and development banks controlled by federation units, such as BDMG.

The SNF institutions invest in broad economic sectors, serving not only to provide financial market access to operations and activities of public interest, but also to provide investments towards the execution of public policies. According to a study published in 2019 by the Brazilian Association of Development (ABDE), 67% of national development finance institutions (DFIs) operate in sustainable segments, and over 50% had at least one specific product for sustainable development[2].

To illustrate how the role of development institution is associated with a particular mandate that differentiates from traditional commercial institutions, BNDES' mission is "Facilitating solutions that contribute with investments for the sustainable development of the Brazilian nation", and its purpose is "Transforming the lives of generations of Brazilians by promoting sustainable

[1] IBGE. Censo Demográfico. 2010

[2] ABDE. Sistema Nacional de Fomento. 2019

development”[3]. This translates not only in internal policies, but also in lines of financing and products linked to the 2030 Agenda[4], as well as diverse financing lines focused on industrial modernization, small and medium enterprises (SMEs) loans, among others.

Aiming to increase the project’s impact and further contribute to the potential GESI impact of the project, the project received an expansion of the original proposed outputs. In the expansion, three new deliverables became part of the project: the first consists in including 5 new sub-sectors in the Climate risk assessment tool (roads, airports, coastal harbors, wind energy generation, and sanitation).

The second new output is focused on assisting BNDES to establish eligibility criteria for carbon projects. As national legislation points to an increasingly foreseeable regulated market, BNDES' engagement on the topic is relevant, as is the bank's necessity to build internal capacity to assess the quality of the credits and projects it receives. This technical input from the implementing partner was essential to provide the context and information of best practices and standards on the subject, but also to share knowledge within BNDES, through technical notes that can be further shared, as well as through the criteria itself, that can be applied to multiple projects in the future, as it was applied for the first public notice that directed BRL 10 million to the selected project, further demonstrating the timeliness of the output's delivery.

The final output is focused on providing assistance in developing BNDES' inclusive climate neutrality strategy. This output involved a number of different topics that are central to the climate discussions in Brazil, such as financed emissions and decarbonization, establishment of Science-Based Targets for financial institutions, adaptation, engagement and stewardship, and integration with a just transition perspective. During the strategy's development, the implementing team had access to the bank's leadership, and had the opportunity to provide input to the BNDES' overall climate strategy. This was a valuable opportunity to align the delivery of the project with the bank's internal discussions and high-level decisions. Some of the results achieved include: (i) Workshops with directors from the bank to discuss the SBTi's methodology for different sectors, and discuss PCAF's (Partnership for Carbon Accounting Financials) methodology; (ii) In-depth assessment of financed emissions and decarbonization curves for key sectors in BNDES' credit and equity portfolio; (iii) Just transition assessment considering strategy and implementation, tackling topics of inequality (including aspects of race and ethnicity, region, employment, gender and more); engagement of clients and other stakeholders to improve climate-risk management and emissions reporting; (iv) Discussions on the impacts of divestment on productivity and labor creation, and compared results to opportunities to reallocate capital towards cleaner sectors and activities, as well as inducing good practices in carbon intensive sectors.

[3] BNDES. Missão, Visão e Valores. 2022

[4] BNDES. Painel ODS. 2022

2. Analysis

Climate risk assessment tool and framework for credit operations

The considerations in the "Climate risk assessment framework" include a broad desk review of GESI-related issues associated with each of the 3 sectors and 9 sub-sectors currently assessed in the project's climate-risk assessment tool, including specific challenges and opportunities to further develop and integrate GESI elements in climate risk assessments and enhance capabilities in development banks. The main finding of a desk review focused on GESI aspects conducted by the implementing team is the lack of data itself - especially for the Brazilian context. These findings were included in the framework, so that future projects can direct focused efforts to create datasets containing such data and integrating it to climate-risk assessment tools.

Not only is this lack of data an impediment to GESI-related information being integrated into climate risk assessment models, the barriers to this integration are also related to the purpose of the tool, the project's planning, and the complexity of building the climate risk index. Therefore, it is important to provide context on the project's climate-risk analysis methodology.

The project's Climate-risk assessment tool encompasses two types of climate risks: (1) the physical ones, which consists in climate-related impacts such as acute risks of extreme weather events and other climate-related natural disasters, and chronic risks arising from long-term and gradual shifts in climate patterns; and (2) the transition ones, that regards policy and regulatory risks driven by the introduction of stringent climate policies to help countries achieve carbon-neutrality and affect the cost of doing business and the returns on domestic assets, increasing the likelihood of carbon-intensive assets becoming stranded. To arrive at a climate risk index, especially one combining both physical and transition risks, the quantitative analysis is built through the following components:

- **Scenario**: the "shock" or hazard describing the climate risk (typically defined through a climate scenario);
- **Data**: the "characteristic" of the asset exposed to the shock and the nature by which it responds to or is affected by the shock (the exposure or vulnerability);
- **Model**: the "model" that translates, describes, and ultimately processes the relationship between the shock and the characteristic into an output.

Given the nature and impact channels of each type of risk, gender and social inclusion variables are considered to be more directly associated with physical risks (e.g., due to how extreme impacts can disproportionately affect regions with socially and economically vulnerable populations). With that said, climate scenarios start from assumptions to delineate potential future climate behavior, from how the world will warm without a climate policy, to less extreme

warming that will occur with significant cuts in GHG emissions. The scenarios also consider future trajectories of economic growth, population, and climate feedbacks. Scenarios are often used in pairs or larger sets to contrast different futures and choices.

The analysis of the physical risk starts from a relationship between threats (hazards related to extreme weather events), exposure (composed of the assets) and their vulnerabilities (sensitivity and the lack of capacity to adapt) to threats. After calculating the threat, exposure and vulnerability index, climatic risk is obtained for each of the threats, through the equation ($R = A \times E \times V$). To ease interpretation, the final risk indicator can be divided into five qualitative classes categorized as: extremely low (0 to 20 %), low (21 to 40%), moderate (41 to 60%), high (61 to 80%) and extremely high (81 to 100%).

Considering this methodology, the tool's results feed from a database of climate-risk indexes, disaggregated by municipality level, and disaggregated by each climate hazard weighted by each sub-sector included in the tool. Along the development of the GESI Assessment Plan, the project committed to performing research to evaluate feasibility of including GESI data in the tool, while stating that this inclusion was out of scope because it would demand developing another methodology that could integrate not only physical and transition risk but also GESI. Therefore the described desk review was developed to understand the challenges involved in arriving at the conclusion that there are currently two input barriers that prevent GESI integration in the tool to be feasible: i) no such granularity of data to feed either a baseline or a future climate scenario including GESI aspects, such as the proportion of women or men affected by extreme events; ii) no available country-wide (disaggregated by municipality) climate vulnerability indexes considering female-led families, low-income families, or other GESI related aspects.

In summary, during all project presentations, GESI aspects were highlighted as a project-wide topic, in an effort to raise awareness of specific GESI impacts of climate change for both direct and indirect beneficiaries of the project. The GESI considerations in the framework include a broad desk review of GESI-related issues associated with each of the 14 sub-sectors assessed in the project's climate-risk assessment tool, including specific challenges and opportunities to further develop and integrate GESI elements in climate risk assessments and enhance capabilities in development banks. These findings are publicly available for beneficiaries, enabling further developments and contributions from the banks.

The main discussions on GESI aspects of the project were done in meetings, where members from BDMG, BNDES and other development banks and agencies, as well as other project stakeholders, expressed appreciation that such aspects are being considered, as integrating such aspects is recognized as a challenge for the institutions. However, the focal points already seem to understand and recognize that climate change poses specific challenges and can have greater impacts to vulnerable populations.

As identified in the Greening Financial Systems' Theory of Change, limited access to green finance from marginalized groups and lack of awareness from financial systems are significant barriers to a green and just transition. Therefore, for the direct beneficiaries, the project's long-term expected impact is, for climate-related risks, enable banks to create a deeper understanding of the specific climate aspects that impact borrowers in a quantitative manner, and for GESI, the long-term expected impact is to enable banks to create a clear understanding on GESI-related barriers and opportunities. With that, development banks could be better equipped to consider such aspects when evaluating credit risk or even investment strategies and product developments, and this understanding can be further matured as the data gaps are eventually filled in the long term, allowing for better future integration of qualitative and quantitative GESI-related data in day-to-day assessments.

Eligibility criteria for carbon projects

By including questionnaires aimed at investigating how gender equality and social inclusion are addressed by a certain company and/or project, it is possible to explore how social aspects are, in general, being impacted by such initiative – either in a positive or negative way. With this information, the GESI improvements needed for each company/project can be estimated and, consequently, recommendations can be provided in terms of increasing diversity and social inclusion. In the second phase of the project – more specifically at its second output – the inclusion of GESI aspects as eligibility criteria for carbon project was implemented, enabling the screening of potential projects through a diversity lens, and advising companies on how to better integrate diversity through their operations and supply chains.

At first sight, this practice seems like an immediate action only to select projects that are already somehow engaged in social inclusion and gender equality; however, it has some long-term implications not only in terms of providing recommendations for further improvements in the selected projects, but it can also serve as benchmark for other institutions (financial or not) to start engaging in this theme, possibly mainstreaming it in future operations.

Even though the results of this practice (implementing GESI assessments as eligibility criteria for projects selection) cannot yet be measured in terms of stakeholders engagement and positive impacts in vulnerable groups affected by the projects, awareness raising can already be considered a positive result and it is expected that, in the future, companies and projects selected through this GESI assessment can start implementing goals/targets for social aspects, as well as start measuring/tracking indicators in this sense so the impacts can be better estimated with proper metrics. Also, communication and transparency are key to not only disclose the company/project's results, but also influence other institutions as benchmark.

Inclusive carbon neutrality strategy

The Phase II of the project, more specifically its third output, explored the integration of diversity and social inclusion insights into investment processes as part of a just transition through the application of questionnaires to monitor GESI aspects during the credit granting process according to the company size and activity sector. The investigation of such aspects and the application of a social inclusion lens in investment processes can enhance the positive impacts that a more diverse and social inclusive project might have on vulnerable/minorized groups, since studies link gender diversity in leadership and the workforce to financial returns, lower risk, and sustainable growth, for example.

Also, by addressing Just Transition, this phase of the project highlighted aspects regarding workforce development/capacity building and job generation related to disinvestment in carbon-intensive sectors (such as Oil and Gas) and increased investments in "green sectors" (such as renewable energy), an important topic directly linked to social inclusion.

As well as observed in the second output of this phase of the project, even if the short-term results obtained by exploring GESI aspects throughout investment process might not yet be tangible, this initiative is able to raise awareness on the theme and not only be used as benchmark for other institutions, but also incentivize BNDES and other banks to develop and implement goals and metrics to be monitored regarding social aspects and even increase their actions to promote social inclusion and gender equality internally and along with other external stakeholders.

Gender balance on the project's context

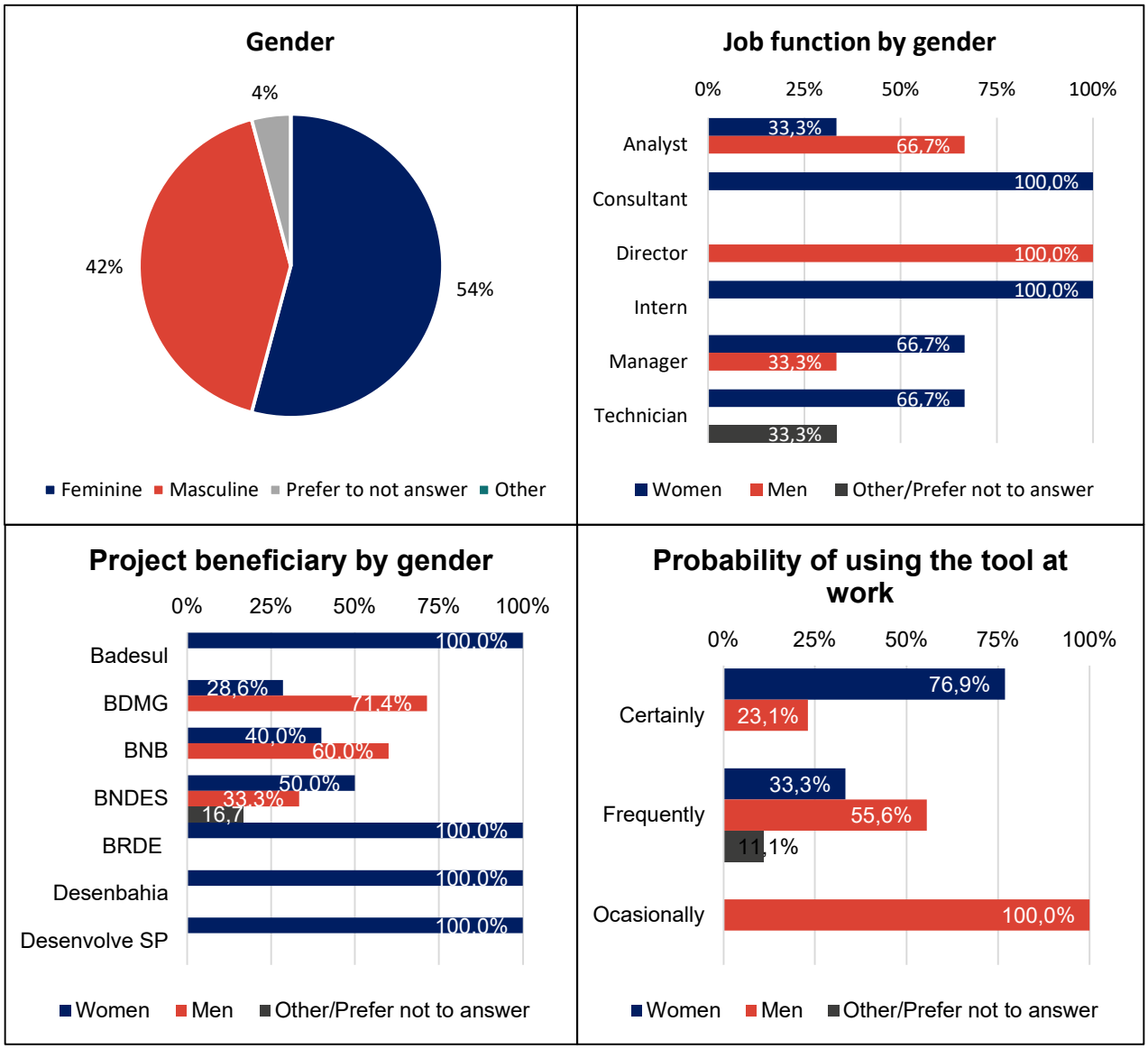
Throughout the development of the project, multiple development banks, development agencies and other stakeholders were engaged, through workshops, meetings, and Working Groups. Aiming at an equitable approach to its execution and decision making, the gender balance in such engagement initiatives was monitored, and the data is reported next. It is important to note that the data presented is focused on the development of the climate risk assessment tool and framework, as the expansion outputs are, by the time of this Story of Change's submission, in early development.

On the first phase of training sessions with beneficiaries to raise awareness and collect feedback on the use of the integrated climate risk assessment tool, a questionnaire was sent to all participants, summing up 24 respondents from the following institutions: Badesul, BRDE, Banco do Nordeste, Desenbahia, BDMG, BNDES and Desenvolve SP.

Job functions of respondents: credit analyst, risk management consultant, director, economist, engineer, intern, technician, Superintendent of Risk Management, Internal Controls and Compliance, Environmental Manager, Risk Control Manager, Financial Operations Manager,

Product and Services Manager, Executive Manager, Executive Operational Risk Management Manager.

Figure 1. Gender breakdown of direct and indirect beneficiaries engaged on the project

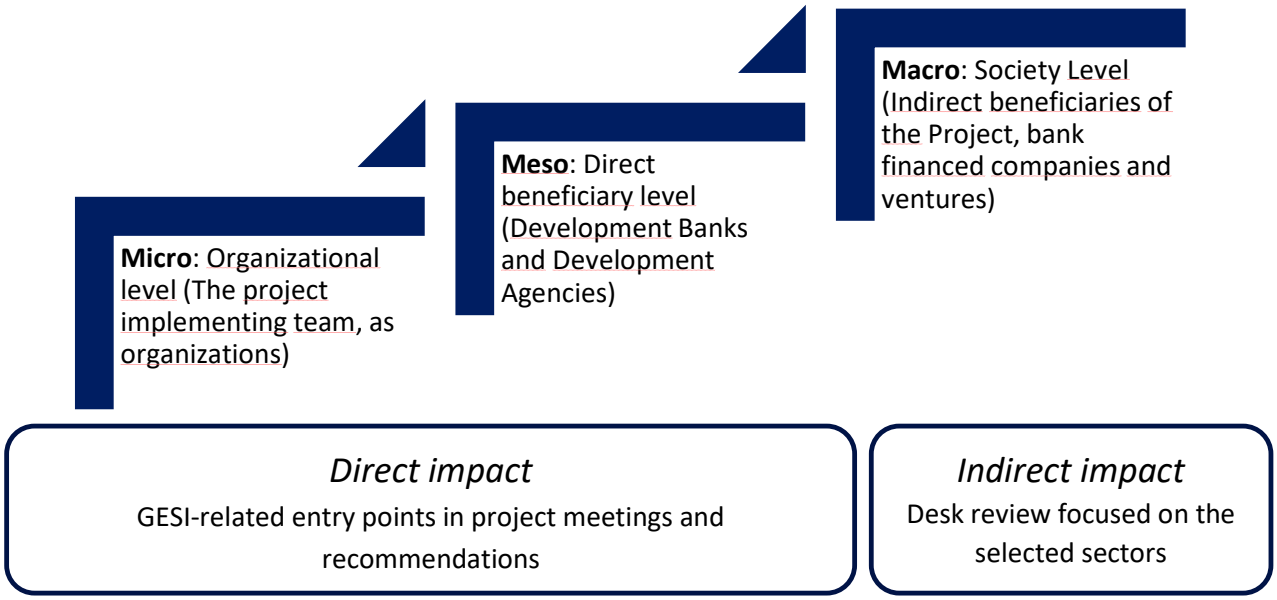


Source: authors

The second phase of the project also reunited a diverse technical team from WayCarbon in terms of gender and job functions, including 12 people – being 9 women and 3 men, 5 people from Sustainable Finance area, 2 from Climate Risk and Adaptation, 2 from Mitigation team, 1 from the Metrics team, 1 from ESG Strategy area and 1 senior manager. This sort of data was not gathered for BNDES implementation team because the project has multiple focal points, but gender diversification was guaranteed, as well as the participation of people from various areas in the bank (such as sustainability, energy, etc.).

Furthermore, it is relevant to highlight the nature of the project's impact and reach, as demonstrated in the following figure.

Figure 2. Project's GESI scope and impact framework



Source: authors

This framework is relevant to identify the approaches taken to mainstreaming the GESI topic project wide. Through the direct interactions with beneficiaries, the disproportionate impacts of climate change over vulnerable populations were highlighted, a notion that development institutions demonstrated to be aware of. The sector specific barriers and opportunities were shared, and as mentioned, the engagement initiatives aimed at a gender-balanced representativeness.

3. Lessons and recommendations

In addition to assessing physical and transition risks in credit operations, aspects of Gender Equality and Social Inclusion (GESI) are one of the project's pillars, which aims at a holistic analysis of how social, economic, and political factors affect socially excluded groups and minorities considering social, cultural, and economic regulations, rights, and norms, as well as values and beliefs.

Considering the transversal nature of this theme, it is essential, therefore, to emphasize the impacts of climate change on vulnerable populations. It is estimated that of the 10 countries most affected by extreme weather events from 1998 to 2017, eight were developing countries and the effects of climate change have been aggravating social inequality, exposing the low-income population to adverse impacts on health, food insecurity, energy poverty, loss of income, among others[5]. The greater frequency of occurrence of extreme events, such as cyclones and storms, can aggravate the situation of those who have fewer resources to deal with these impacts or who are still in the process of reconstruction.

Beyond social inequality exacerbated by climate change, gender inequality is also accentuated as a consequence of this change. This is because the different realities of women in Brazil are little or never recognized – female farmers, for example, receive fewer resources than men with the same function[6]; trans women and other members of the LGBTQIA+ community, on the other hand, tend to live in more precarious places and are less likely to have access to the same goods, resources and information as the general population; and due to potential for exclusion, they may not receive emergency help when natural disasters occur[7] [8]. Even in decision-making processes, women are still underrepresented – in Brazil, only 14% of the Chamber of Deputies is occupied by women[9] – and, when contributing to combating the worsening climate crisis, they receive little recognition.

Some impacts of climate change on women and members of the LGBTQIA+ community, as well as other vulnerable populations, can already be estimated, despite the lack of data in this topic, which requires for immediate measurements of such impacts to base action plans targeted at climate change adaptation and/or mitigation for minorized social groups.

Women are more vulnerable to climate change because their food and income are more likely to come from threatened land and natural resources, they tend to be responsible for securing water and food for cooking and face a high risk of violence during and after disasters from severe

[5] DW. Mudanças climáticas reforçam desigualdade no mundo. 2019

[6] CEPAL. A dimensão de gênero no Big Push para a Sustentabilidade no Brasil. 2021

[7] EmpoderaClima. Por que as Mudanças Climáticas são uma questão LGBTQIA+?. 2021

[8] Revista Galileu. Como a discriminação da comunidade LGBTQIA+ se associa à crise climática. 2021

[9] Observatório do Clima. Por que gênero e clima?. 2021

weather events[10]. Regarding agriculture, rural women are responsible for more than half of food production and play an important role in preserving biodiversity and ensuring food security, which is threatened by the estimated reduction of the arable area in Brazil in 11 million hectares by 2030[11], potentially leading to the disappearance of native animals and fruits and outbreak of non-common diseases[12].

Decreased rainfall and droughts would prevent "quilombola"[13] women, e.g., – that have a close relationship with their territory - from planting and increase the chances of eviction by land devastation[14]. Women are even more affected in this case than men because they remain in the territories with their children regardless of degradation, while the male population migrate looking for better jobs and environments[15].

In the energy sector, the construction and operation of barrages imply in higher impacts on women's human rights, which are most brutally violated because they are still subordinated to men in terms of lower salary – and can face a potential loss of income sources – and they suffer from the dissolving of community ties[16]. On the other hand, modern access to energy can reduce heavy workloads, improve well-being and free-up time for women and girls to pursue education and engage in income-generating activities. Also, the feminine population is also ideally placed to lead and support the provision of modern energy solutions in isolated areas of the grid, given their role as primary energy users within the home and in their social networks[17].

The LGBTQIA+ community, however, senses other impacts of climate change. Queer people, for example, are constantly victims of homelessness due to stigma around their sexual orientation or gender and when countries experience heat waves or extremely low temperatures, homeless people often face and endure these events more directly. The transgender population, however, is mostly concentrated in coastal cities, which puts them at great risk due to rising sea levels and storm surges and, when victims of such extreme weather events, their members are more likely to suffer discrimination in shelters, as was seen in Hurricane Katrina, in 2005, in the United States[18].

There is a huge gap in information about events linked to vulnerable populations in Brazil. Data is not collected associating LGBTQIA+ people and major environmental disasters, such as the

[10] ActionAid. Mulheres, mudanças climáticas e pobreza. 2019

[11] CEPAL. A dimensão de gênero no Big Push para a Sustentabilidade no Brasil. 2021

[12] Greenpeace. Mulheres indígenas debatem mudanças climáticas para garantir proteção territorial. 2019

[13] Quilombolas are the descendants of fugitive enslaved peoples who, between the XVI and XIX century, formed the quilombo communities. Currently, the quilombos are spread in Brazilian territory, with an estimate of 1209 registered quilombola communities.

[14] MANFRINATE, R. Fontes do imaginário e da educação ambiental: cartografia e justiça climática nas águas e sentidos das mulheres pantaneiras, quilombolas e mariscadoras. 2018

[15] Instituto Update. Racismo, gênero e clima. 2021

[16] Fórum Alternativo Mundial da Água. O modelo energético brasileiro e a violação dos direitos das mulheres. 2018

[17] Autossustentável. Energias Renováveis como caminho para a Igualdade de Gênero. 2020

[18] EmpoderaClima. Por que as Mudanças Climáticas são uma questão LGBTQIA+?. 2021

mining dam collapse in Brumadinho[19], or this information is not publicized, which contributes to the marginalization and precariousness of these individuals' lives. Despite this lack of data, it is known the need for urgent actions to avoid the exclusion of vulnerable groups and minorities when discussing climate-related risks and their respective adaptation/mitigation.

The abovementioned desk review on GESI aspects resulted in the following summary and is available for the DBs to consult on the Climate Risk Assessment Framework. It is a result of compiling data from 16 organizations, and 25 different sources, ranging from governmental websites and statistical databases, consultancies, companies, civil society organizations, many of which are led by women researchers and practitioners dedicated to filling the existing data gaps and providing valuable evidence of the importance of addressing gender equality and social inclusion in efforts to mitigate and adapt to climate change.

Figure 3. Summary of GESI Opportunities and Challenges for the selected sectors of the climate risk assessment tool

Sector	Subsector	GESI Opportunity/Challenge
Agriculture and Livestock	Cultivation: *soy, sugarcane, coffee*	**Opportunities:** • Maintenance of biodiversity (survival of native species) • Expansion of women's access to resources (financial, educational, labor, machinery) • Female capacity building and empowerment for independent production management **Challenges:** • Fluctuations in food prices • Reduction of the arable area (invasions, fires, droughts, etc.) • Outbreak of non-common diseases in the countryside
	Animal breeding: *poultry, bovine, pork*	
	Electricity generation: *solar and hydro*	**Opportunities:** • Female training for the workforce • Female empowerment to increase women's participation in deliberative spaces • Expanded access to energy so that women's work at home is less arduous • Democratization of access to energy **Challenges:** • Disaggregation of the local community during construction of the barrage • Prostitution and trafficking in women with the connivance of energy companies (ex.: prostitution house in Belo Monte with knowledge of Norte Energia and the Belo Monte Construction Consortium)[20]
	Transmission lines	
Transformation Industry	Alcohol and sugar manufacturing	**Opportunities:** • Female training for the workforce • Encouraging the solidarity economy to reduce discrimination at work, income inequality and precarious access to public services, as well as building a sense of belonging[21]
	Dairy manufacturing	
	Manufacture of vehicle parts and accessories	

Source: authors

[19] BBC. Vale dam disaster: $7bn compensation for disaster victims. 2022

[20] G1. Obras de Belo Monte incentivaram indústria de sexo no Pará, diz estudo. 2014

[21] Iberoamerica. Trabajo, género y modelos de economía solidaria. 2017

In this sense, measures to prevent, reduce or mitigate such impacts are essential for the protection of the population, as well as other mechanisms to help people relocate and learn new skills if they are harmed by extreme weather events. The management of climate risks in financial institutions, therefore, is not limited to the presence of transparent governance that includes actions aimed at environmental preservation, but goes beyond, including actions that contribute to gender equality, social inclusion, and protection of vulnerable populations. Particularly in banks, this climate governance is even more complex due to counterparty risk, which requires that banks' boards of directors be informed about where climate risks may arise in their portfolio.

At the Phase II of the project, that aimed at developing BNDES' Carbon Neutrality Strategy considering GESI aspects while ensuring that recommended decarbonization routes considers aspects of social inclusion and diversity that are important for the Brazilian context, it was observed that the main sectors of the bank's portfolio are associated with impacts on minorized groups[22], but also present improvement opportunities to expand diversity and social inclusion.

Also, through a diagnosis of BNDES' current practices and policies, it was noticed that indicators of social impacts related to employment and gender/racial equity, among others, are not yet monitored and/or consolidated, although the bank sees a moment of recycling mature investments and expanding the offer of credit funds for micro, small and medium enterprises, innovation and infrastructure – which aligns with the just transition[23], i.e. "*the idea that justice and equity must be an integral part of the transition to a low carbon world*".

Figure 4. Summary of GESI Opportunities and Challenges for key-sectors on BNDES' portfolio

	Energy	O&G	AFOLU	Industry	Transport
Impacts	• Disparity in distribution and access to low carbon solutions • Supply interruptions generate more negative impacts to minority groups	• Vulnerable groups around industries suffer negative impacts • Minorized groups more discriminated against and less heard (decision making)	• Illegal deforestation, reduction of arable area and exploitation of territories impact vulnerable groups • Environmental racism and intolerance of diversity	• Pay inequalities, biases in industry recruitment • Vulnerable groups suffer from the impact of industries around homes	• Lack of security, harassment and racism • Difficulty of access and low supply of better mobility solutions for the entire population

[22] Vulnerable groups that are not necessarily minorities in number, but are often belittled in decision-making processes, public policies, etc. In the context of this project, the minorized groups observed were women, the LGBTQIA+ community, traditional populations (such as indigenous peoples and quilombolas) and non-white people

[23] UNRISD. Mapping Just Transition(s) to a Low-Carbon World. 2018

Opportunities	• Empower minority groups to install, use and maintain clean energy systems • Expand the supply system to the most vulnerable communities	• Promote leadership, include minority groups in decision making • Invest in solutions that reduce negative impacts and/or promote positive impacts	• Offer female empowerment programs and raise discussions about diversity • Lines of credit for family farmers and traditional communities	• Encouraging social inclusion and equality in companies and the professional development of minority groups, especially in sectors predominantly occupied by men	• Promote social assistance actions to minority groups in bus terminals, eg. • Foster public policies sensitive to race, sexual orientation, gender, etc.

Source: authors

Lessons on a just transition to a low carbon economy

As previously mentioned, the expansion outputs are, by the time of this Story of Change's submission, in early development. Still, GESI aspects are intrinsically linked to the development of one of the expansion's deliverables, to assist BNDES in creating its neutrality strategy. In the project's context, the initiative is called Inclusive Neutrality Strategy. To provide BNDES with recommendations aligned with the most relevant literature and standards, the implementing team is aligning the work with the Science Based Targets Initiative's (SBTi) guidance for financial institutions, as well as the recommendations from the Partnership for Carbon Accounting Principles (PCAF) initiative.

The desk review focused on just transition and gender lens investing aims at achieving the same level of robustness and alignment with international commitments. Currently, an initial desk review on current literature was made, and provides insights not only for the project, but for a broader understanding of how the transition to a low carbon economy can be transformative, and the different approaches currently established.

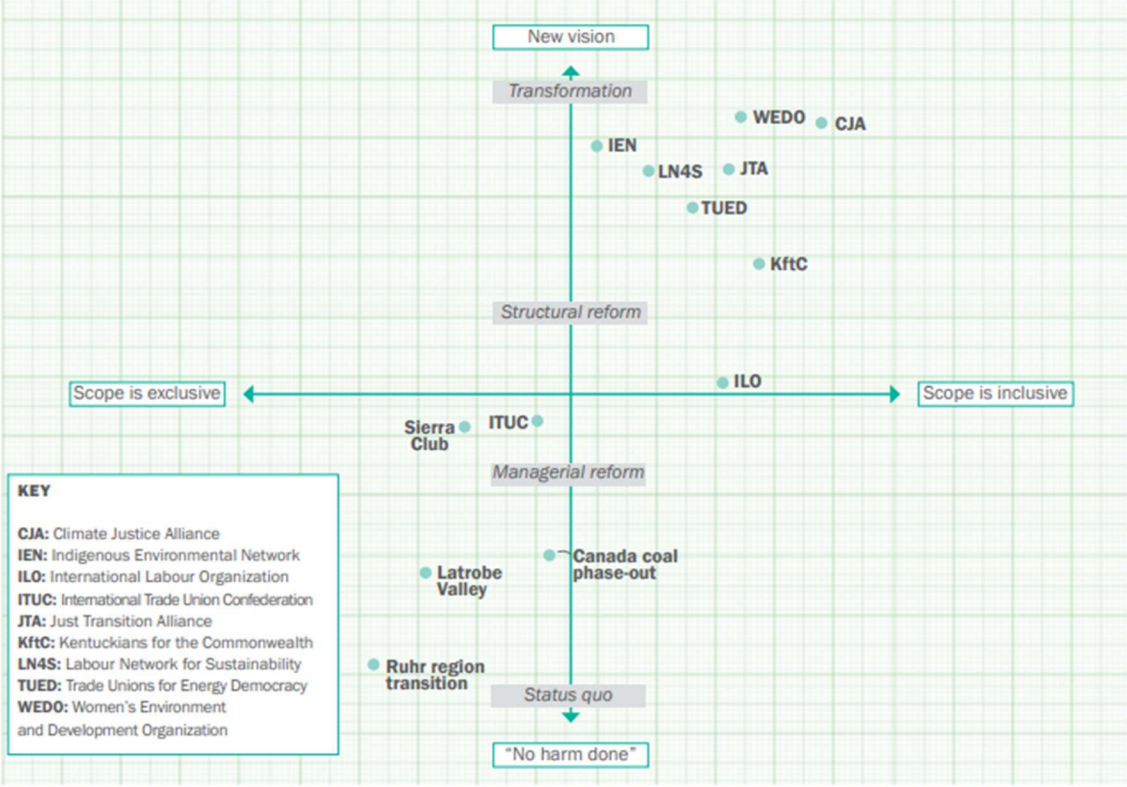
Just transition[24] can be defined as "the idea that justice and equity must be an integral part of the transition to a low carbon world" and is increasingly being addressed to combat the binary relationship between employability and the environment. While recognizing employment as a source of security and human dignity, debates on the topic also focus on a broader set of issues related to justice, such as the types of jobs and societies we envision and desire for the future: there are many sectors that cause negative impacts to the localities and populations in which they operate (or in the surroundings), consequently negatively impacting employability. With that, the Just Transition emerged from an American labor movement in the 1970s, escalating to other regions and social groups, reaching from national union movements to international organizations – particularly since its inclusion in the preamble of the Paris Agreement.

The Just Transition debate brings together a wide range of stakeholders. For some, it may be at the heart of a powerful narrative of hope, tolerance, and justice, based on people's real-life experiences, guiding collective action. However, the growing popularity of the term in recent years has led to an expansion of worldviews and the change factors associated with it, and while most still agree that equity and justice must be considered in political discussions and decisions about low carbon development, the best way to achieve a Just Transition still generates debates with very different views. Despite this lack of consensus, such a debate raises a number of relevant questions that imply an in-depth discussion about the meaning of justice in the age of climate change, such as (i) defining what kind of transition we want, (ii) targeting the interests of who, and (iii) for what purpose.

[24] UNRISD. Mapping Just Transition(s) to a Low-Carbon World. 2018

Based on academic rankings and other stakeholders, UNRISD has identified four approaches to Just Transition, ranging from approaches that preserve existing policies to those that envision significantly different futures, namely: (1) status quo, (2) management reform, (3) structural reform, and (4) transformative approach. Each of these approaches can be differentiated depending on the more, or less inclusive scope of the transition. Assuming that all people eventually benefit from Just Transition initiatives (whose objective is to drive the change needed towards a low carbon future), the scope considers which actors or groups will be directly supported (in the form of some sort of resource allocation), ranging from exclusive (benefiting a specific group) to inclusive (benefiting society as a whole).

Figure 5. Approaches for a Just Transition



Source: UNRISD. Mapping Just Transition(s) to a Low-Carbon World. 2018

- With increasing awareness and recognition of the human influence on climate change, corporations and free market advocates are voicing concerns about the risks of inaction and emphasizing the business opportunities associated with the green economy. Status quo approaches can take the form of company-run retraining programs, pension schemes, and other forms of compensation for affected workers.

- A management reform approach to Just Transition is one that seeks greater equity and justice within the existing economic system and without challenging the existing hegemony – that is, certain existing rules and standards on access to employment, occupational safety and health are enforced. modified and new ones can be created without changing the economic model and the balance of power.
- The structural reform approach refers to one in which both distributive and procedural justice are guaranteed. Procedural justice implies an inclusive and equitable decision-making process guiding the transition, and collective ownership and management of the new decarbonized energy system by different stakeholders – rather than a single interest.
- The transformative approach implies reviewing the economic and political system seen as currently responsible for environmental and social crises. In addition to changing rules and modes of governance, its proponents also promote alternative development paths that undermine the dominant economic system built on continuous growth and imply different human-environment relationships.

The Just Transition theme is transversally connected to other aspects of a Carbon Neutrality Strategy and, specifically regarding the BNDES' impact on diversity and inclusion (Phase II of the project), this can be addressed in three strategic axes, which foster a transversal integration of the theme to the bank processes, namely: diversity in the organization, investment process (applying a lens of social inclusion and diversity) and supply of capital (with a broad lens on aspects of diversity). Implementation actions for the just transition can be integrated into the climate and biodiversity agendas, and the recommendations identified in the project.

- Funded emissions: (i) anticipate, analyze and address social risks and opportunities of the transition to a low carbon economy in different sectors; (ii) direct investments to projects and companies led by minority groups, which offer products and services with positive impacts for these groups, or are leaders in diversity; and (iii) consider, measure and act to mitigate socio-economic impacts resulting from divestment actions in order to achieve neutrality of the bank's financed issues.
- Climate adaptation: (i) direct investments that encourage increased adaptive capacity and reduced vulnerabilities of minority groups; (ii) identify and act on regional adaptation opportunities; and (iii) contribute to the development of just transition strategies for sectors, regions or cities that are economically exposed to sectors with high exposure to risks arising from climate change.
- Engagement: (i) monitor the performance of clients in aspects of socioeconomic inclusion and diversity, using the results of the indicators as drivers of engagement actions; (ii)

ensure the participation and partnership of affected stakeholders, with the involvement of groups commonly excluded from decision-making processes; and (iii) articulating with government spheres in the issue of public policies to promote the transition to carbon neutrality, structuring resilient projects and preventing deforestation.

Finally, it is worth noting that social inclusion and equity can be monitored through indicators that allow the BNDES to assess such aspects in potential clients and projects to be financed. In this sense, it is recommended to apply a questionnaire to monitor aspects of social inclusion and diversity, equity and inclusion in the process of evaluating new projects/companies.

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