**Heading for Change Investment Criteria**

**CLIMATE, NATURE AND BIODIVERSITY LENS**
- >75% of investments in climate, nature and/or biodiversity-related investments, including but not limited to: Climate Tech, Food Systems and Sustainable Agriculture, Oceans and Water, Biodiversity and Forestry
  - Multi-thematic funds with <75% can be considered if they meet the following criteria:
    - >40% of investments in climate, nature and/or biodiversity AND
    - The fund applies a climate-lens to non-climate deals
- Preference for the use of climate, nature or biodiversity finance taxonomy or criteria, (i.e. The Paris Agreement, Project Drawdown, Sustainable Finance Disclosure Regulation).
- Emphasis on investments in: transformative solutions, scalable and replicable models and/or climate vulnerable and/or resilient communities.

**GENDER LENS**
- **Heading for Change** prioritizes investments in funds with an explicit gender lens, at both fund manager and portfolio company level, and in funds which apply a clear gender lens framework throughout their investment process
  - Exceptions may be made if the fund does not have an explicit gender lens but there is strong evidence of a commitment to gender and/or the omission of an explicit lens is a deliberate strategy in the face of market bias or shifts (i.e. the ESG backlash in the U.S.)
  - Funds will be assessed on quantitative as well as qualitative metrics, including but not limited to: representation, decision-making power, inclusive policies, employment opportunities and advancement, safe and flexible working environment, and pay equity.
- Fund Manager level: At least 30% founded or owned by women and 30% of the investment team are women. Strong preference for gender diversity on the Investment Committee.
- Portfolio Company level: At least 30% of the fund portfolio meets one of the 2X Criteria:
  - **Entrepreneurship**: 51% women ownership OR the business is founded by a woman
  - **Leadership**: 30% of women in senior leadership OR 30% women on the board or Investment Committee
  - **Employment**: 30% - 50% share of women in the workforce (depending on the sector) and one quality indicator beyond compliance
  - **Consumption**: Product(s) or service(s) that specifically or disproportionately benefit women
- Preference for:
  - Funds who also assess Resilience (women’s economic empowerment), Opportunity (equal access to opportunities) and Inclusion (addressing barriers that constrain employment or advancement) for women at Fund Manager and Portfolio Company level, per Gender ROI.
  - Funds who support portfolio companies to implement post-investment gender equity metrics, Gender Action Plans or other relevant gender-smart practices
INTEGRATION OF CLIMATE AND GENDER

■ Primary consideration: Women as Agents of Change
  - Funds must, to some degree, incorporate strategies and processes that bring women to the forefront of activating climate solutions as entrepreneurs, leaders, employees, across the supply chain and as consumers.

■ Secondary consideration: Improving women’s livelihoods and enhancing resilience
  - *Heading for Change* will also consider the ways in which funds are addressing gender-specific climate/nature risks and enhancing women’s resilience and capacity to adapt to climate and nature change.

■ Preference for funds with some degree of climate and gender integration at each stage in their investment process and in their fund management practices, i.e:
  - **Sourcing:** Are funds looking for deals that actively create opportunities for women as agents of change, and considering the implications of gender in climate solutions?
  - **Screening and Due Diligence:** Are funds evaluating the degree to which prospective investments are considering gender impacts and the ways in which women can be engaged as agents of change on their teams, in their supply chains and as consumers/end users of their products?
  - **Post-Investment Support:** Are funds supporting investee companies to engage women in their communities, and bring diverse voices into the design of climate solutions?

■ Funds that have yet to fully integrate a climate and gender lens into their process and practices will be evaluated on the potential for a more intentional strategy. We will also evaluate the fund managers’ interest in and receptivity to working with *Heading for Change* to deepen their approach to climate and gender integration.

SOCIAL JUSTICE AND JUST TRANSITION

■ Focus on diverse-founded and -led teams:
  - Evaluated at both the fund and portfolio company levels.

■ Commitment to local representation at fund management level:
  - *Heading for Change* will only invest if the fund teams are representative of the local communities the fund serves.

■ Funds must demonstrate a commitment to ensuring that the benefits of a transition to a green economy are widely shared and support adversely-affected communities.

FUNDRAISING

■ Funds must be targeting a minimum fund size of $10 million.
■ Funds should be actively fundraising, with line of sight to a first close, including a commitment from an anchor or set of investors.
■ Funds must have the ability and enthusiasm to accept a $100,000 investment ticket.

ADDITIONALITY

■ *Heading for Change* can make select investments into emerging funds that may be perceived as higher risk due to strategy, fund structure, fundraise status or fund size, but where there is high fit with *Heading for Change*’s investment criteria, strong conviction and the potential to create outsized impact.
■ The funds must still meet the majority of *Heading for Change*’s Investment Criteria.