

Scaling the Orange Bond Asset Class:

A Practical Toolkit for Investors, Issuers, and Advisors with
Legal Frameworks and Insights from the Women's Livelihood
Bond™ Series

SCALING
ORANGE



Gender Inequality in Southeast Asia

United Nations set SDG5 to achieve gender equality and empower all women and girls.

Gender equality has a positive correlation with other SDGs. Closing gender gaps can enhance productivity in agriculture to improve food security, the SDG2.

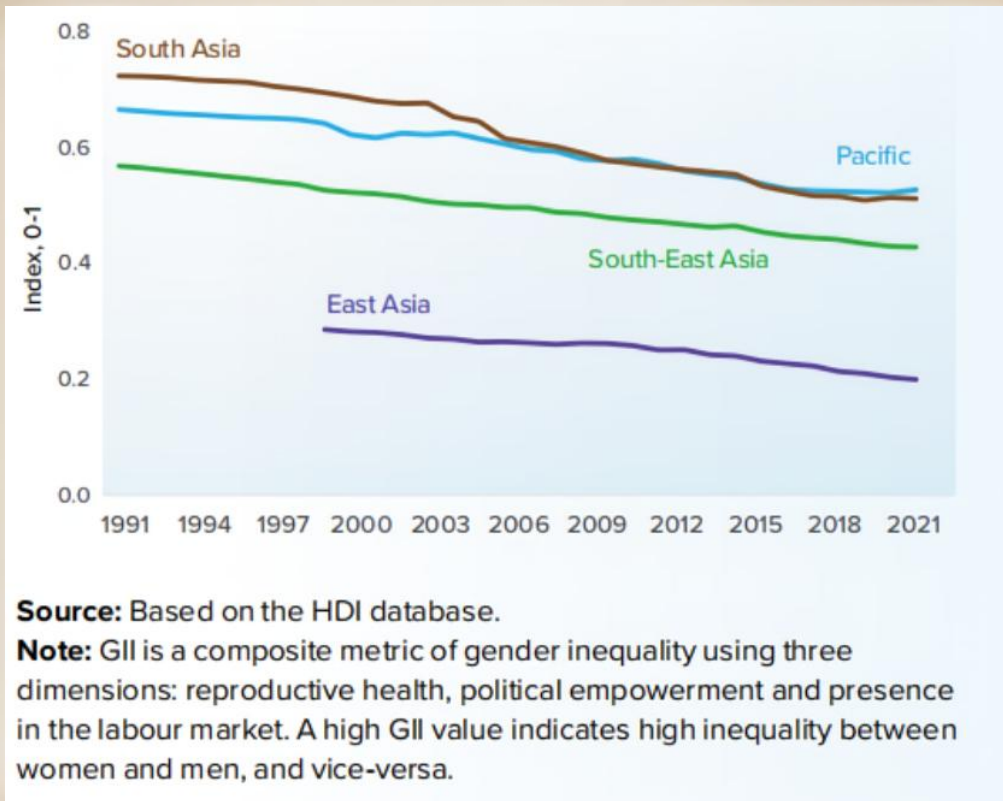
Gender equality supports health (SDG3) and education outcomes (SDG4).

Policies that target gender equality are less likely to create negative interactions with other SDGs.

Success in SDG5 leads to overall better development outcomes across various sectors, pushing the UN's 2030 agenda further.



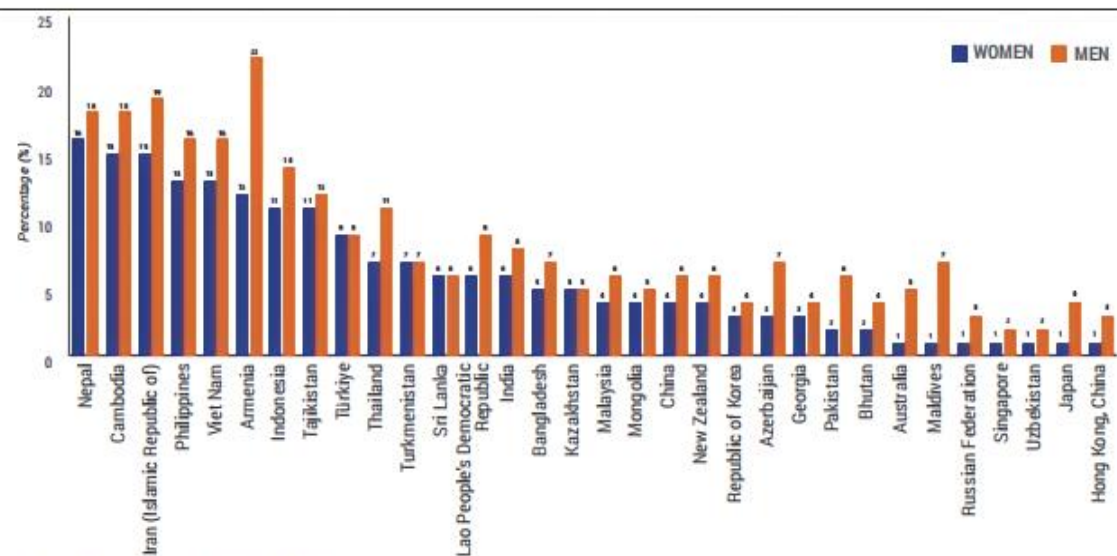
Gender Inequality in Southeast Asia



The Gender Inequality Index (GII) shows that Asia and the Pacific region improved their scores between 1991 and 2021. South Asia and Pacific still faces notable gender inequality

Gender Inequality in Southeast Asia

Percentage of adult population who borrowed to start, operate or expand a farm or business



Source: World Bank Gender Portal, World Bank Findex

Despite compelling empirical evidence highlighting the economic and social benefits of women's entrepreneurship, women's participation in business ownership still faces challenges.

Women Entrepreneurs Empowerment



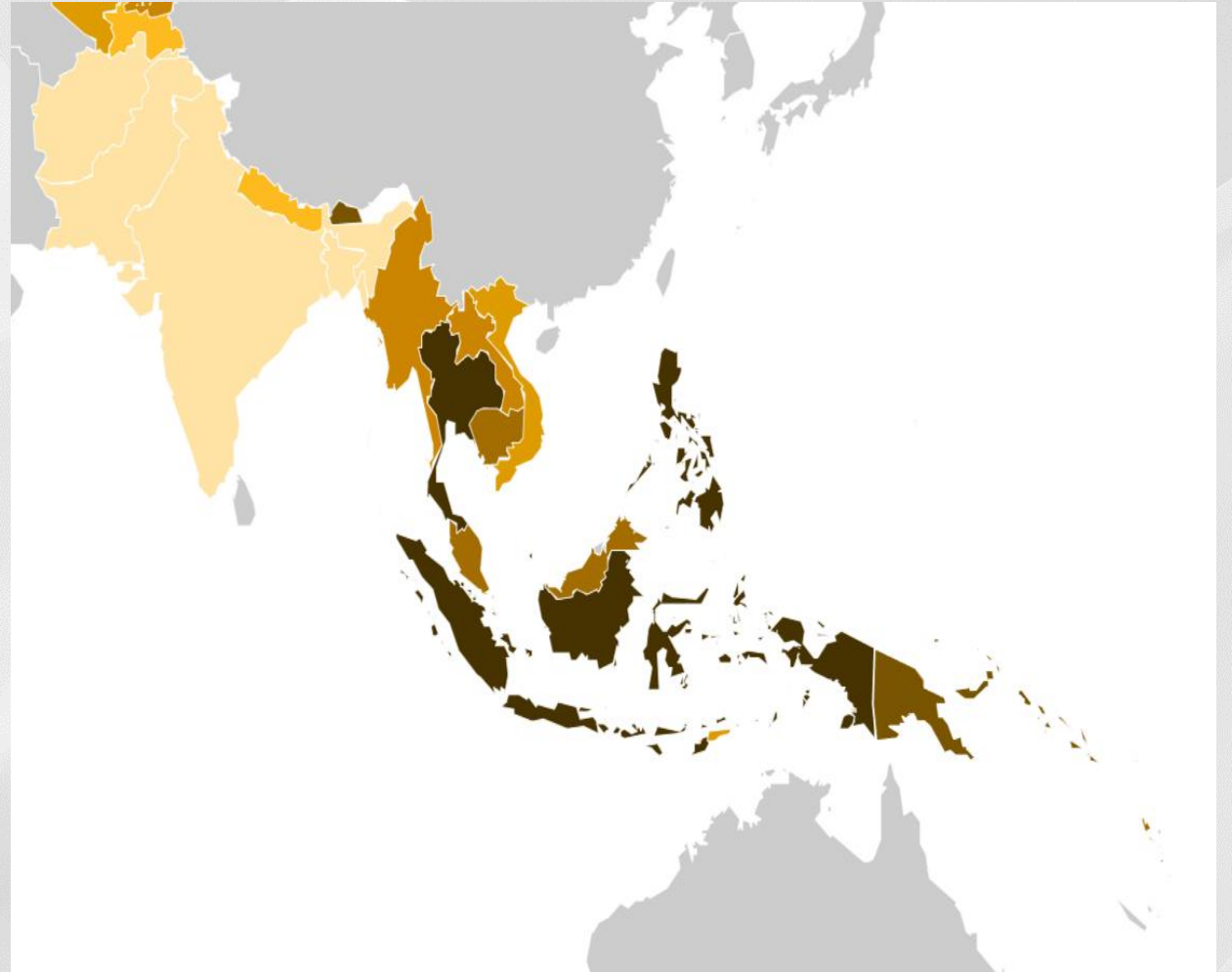
Promoting **women entrepreneurs** is a more sustainable way to address gender inequality.

Women entrepreneurs

can bring diversity of thought, indigenous knowledge, and innovation, extending benefits to their families and communities and becoming key drivers of economic growth.

/ Current progress in Southeast Asia

- As of 2023, 40.4% of Cambodian firms had female participation in their ownership. The statistics were 40.9% in Malaysia as of 2019.
- In contrast, this gender gap is still significant in other Southeast Asia countries. As of 2022, only 3.9% of Indian firms have female participation in their ownership. The statistic is 6.7% in Bangladesh as of 2022, 36.5% in Laos as of 2018, and 24.8% in Vietnam as of 2023.



Source: World Bank, Enterprise Surveys (<http://www.enterprisesurveys.org/>).

/ The world needs more progressive approaches



Gender equality in Southeast and South Asia still faces significant challenges.

Several limitations of gender bonds

1. small market size and low issuer participation,
2. the complexity of gender bonds structure and the lack of guidance,
3. high administration cost,
4. ineffective social impact measurement, and
5. limited private sector participation.

Orange Bonds - Impact Investment Exchange (IIX)



To further SDG5 and advance gender equality, Impact Investment Exchange (IIX) took the color “orange” representing SDG5, and initiated the Orange Movement™.

IIX is a global leader in sustainable finance working at the nexus of gender equality and climate action.



The Orange Movement™’s mission is to “mobilize US\$10 billion by 2030 to empower 100 million women, girls, and gender minorities to drive gender-transformative climate action, sustainable peace, and economic prosperity.”

IIX launched the Orange Bond Initiative™ (OBI), an asset class, as “an integral component of the Orange Movement.”

Orange Bonds' framework



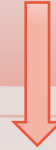
- **Orange Bonds are bonds governed by three Orange Bond Principles™.**
 - Orange Bonds are the world's first asset class built by and for the Global South, with 99% of them focused on financing gender equality
 - Uniquely cross-cutting, the Orange Bond asset class supports not only gender equity but also drives climate resilience, economic prosperity, and sustainable peace.
- **An Orange Bond must have**
 - gender-positive capital allocation,
 - gender-lens capacity and diversity in leadership, and
 - transparency in the investment process and reporting.



/ Orange Bonds' objectives

Orange Bond Initiative™ provides a catalytic to mobilize financial resources through Orange Bonds and empowers women, girls, and LGBTQI+ people.

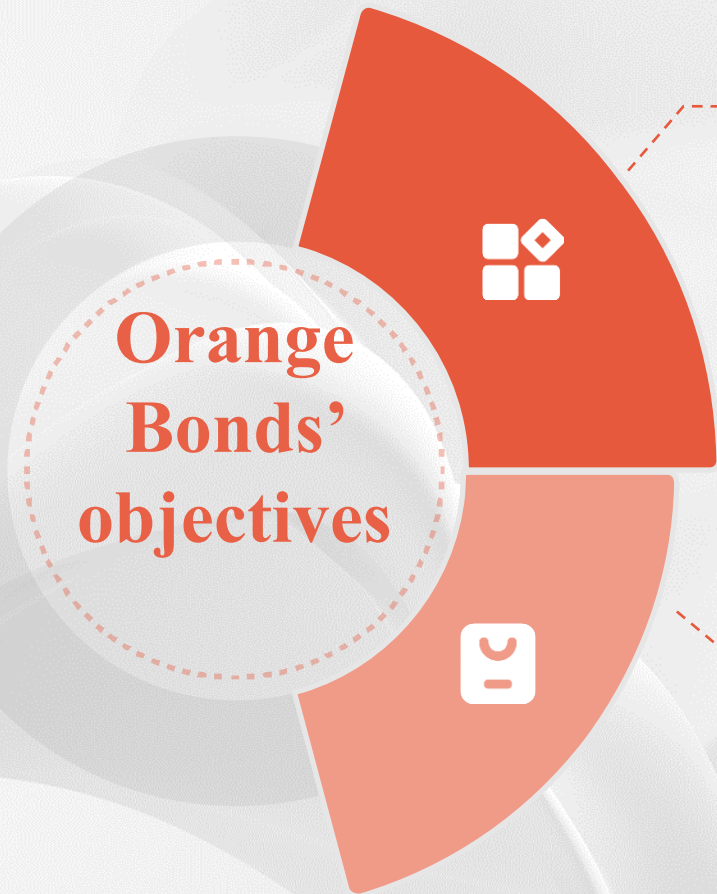
Financial Resources for
Gender Equality



Gender-Empowered
Financial System

Orange Bond Initiative™ equips financial market practitioners with data analytic, market intelligence, and training to build a gender-empowered financial system.

| Orange Bonds' objectives



The diagram features a central circle with a dashed orange border containing the text "Orange Bonds' objectives". To the right of this circle are two overlapping orange semi-circular shapes. The top shape contains a white icon of a house with a diamond on its roof. The bottom shape contains a white icon of a person with arms raised. Dashed orange lines connect these icons to the text blocks on the right.

Orange Bonds' objectives

- Transforming the current financial system into a gender-empowered one.
- Orange Bond Principles™ resolve systemic problems in the current financial system, which are the lack of a systematic approach to gender equality, the lack of inclusive leadership, and the lack of transparency.
- Under the Principles' guidance, OBI plans for a financial system that (1) "provides multi-dimensional options for proceeds to build gender equality," (2) "mandates gender and racial representation on the investment committee and team," and (3) "requires impact verification and confirmation directly with women, girls, LGBTQI+ people."

Orange Bonds' current participants

The Orange Bond Initiative (OBI) has attracted 249,000 signatories from all six continents to pledge into the Orange movement.



The United Nations Capital Development Fund (UNCDF) is a member of the Orange Bond Initiative Advisory Council.

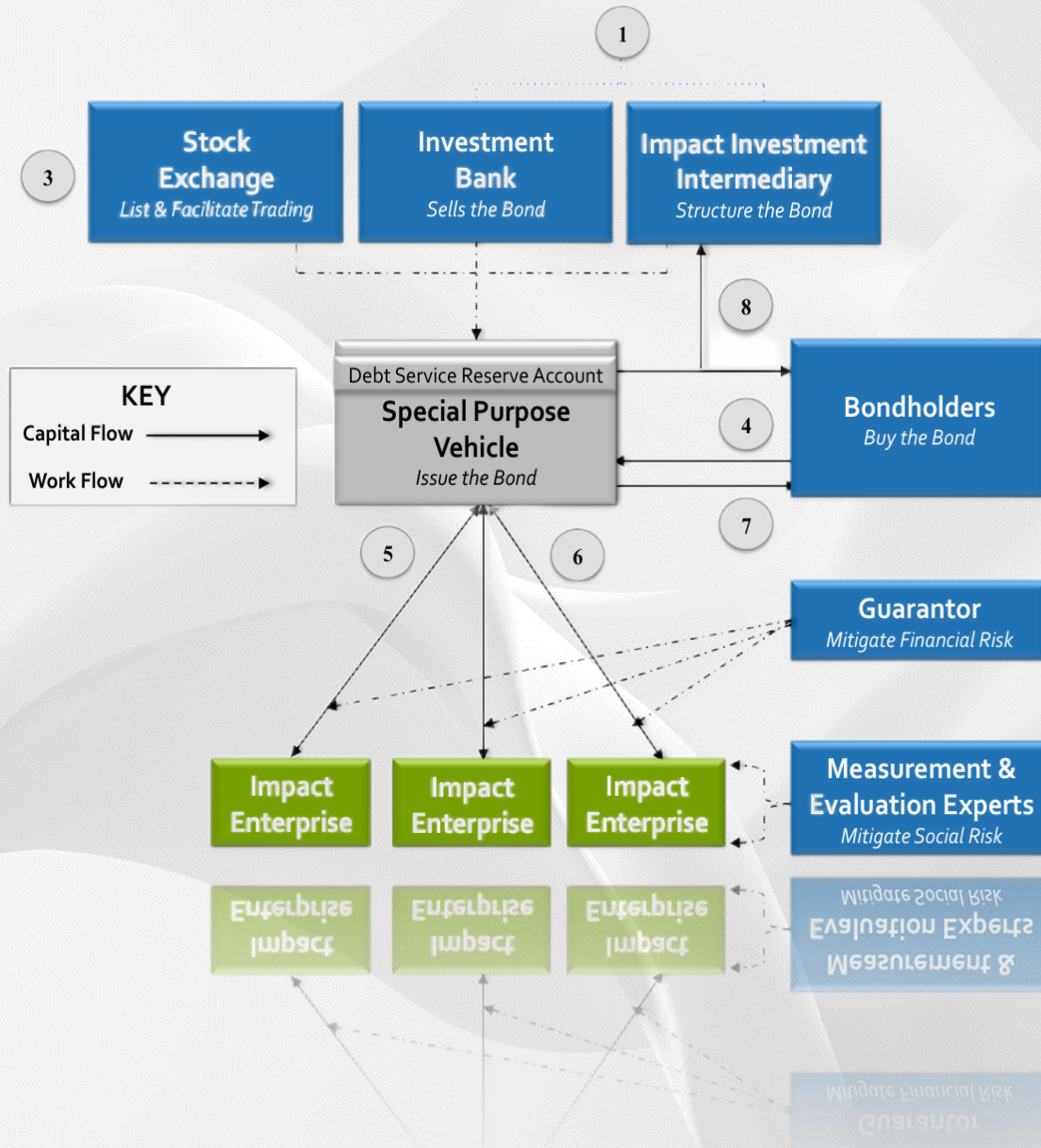
Orange-Bonds-labeled Women's Livelihood Bond™ (WLB™) series

- WLB is the most successful Orange-Bonds-labeled project
- WLB™ is “an innovative gender-lens blended financial product that qualified as Orange bonds.”
- WLB™ functions as a debt security with a blended finance structure to balance risk, return, and impact.

Orange-Bonds-labeled Women's Livelihood Bond™ (WLB™) series

- WLB5 is the world's first Orange Bond dedicated to SDG5 and gender minority empowerment.
- WLB6, issued in 2023, is the largest WLB as of date.
- WLB6 reached an unprecedented size for gender-based investment bonds of US\$100 million, with a 7.25% coupon rate.
- WLBs “has mobilized US\$228 million and empowers 2,600,000 women and girls across emerging markets while providing consistent returns with no defaults recorded.”

WLB6's creation



➤ IIX is the Portfolio Manager.

It created its fully-owned WLB Asset VI Pte. Ltd. (the Issuer), a corporation incorporated under the laws of Mauritius, to issue the bond.

➤ The Issuer is a special purpose vehicle.

Its sole purpose is to issue the WLB6 and be obligated by this bond.

It is prohibited from creating other security interests, engaging in non-WLB6 businesses, owning real property, unauthorized asset disposals, incurring debt, or merging, acquiring subsidiaries, or employing staff.

Therefore, it has no operating history.

/ WLB6's size and purchasing terms

01

The Issuer issues US\$88,000,000 in aggregate principal amount of bonds, with a coupon rate of 7.25% and a maturity date of December 21, 2027. The coupon payment is made semi-annually (i.e., every six months).

02

Each bond has a minimum denomination of US\$250,000. A denomination refers to the unit classification for the stated or face value of bonds.

So, a bondholder must purchase a bond worth US\$250,000 or more, and additional purchases can only be made in increments of US\$1,000.

/ WLB6's accounts



the Funding Account

the Debt Service Reserve Account

the Recovery Account

the Guarantee Fee Reserve Account

the Collection Account

/ WLB6's risk mitigation structure

WLB 6 utilized three layers of blended finance structure to mitigate risks for investors.

- Blended finance combines concessional and commercial capital, leveraging public or philanthropic funds to absorb losses or provide guarantees, thereby reducing risks and enhancing returns to mobilize private investment for development outcomes.



● A subordinated indebtedness serves as a first-loss capital

A cushion to absorb the loss for the bondholders

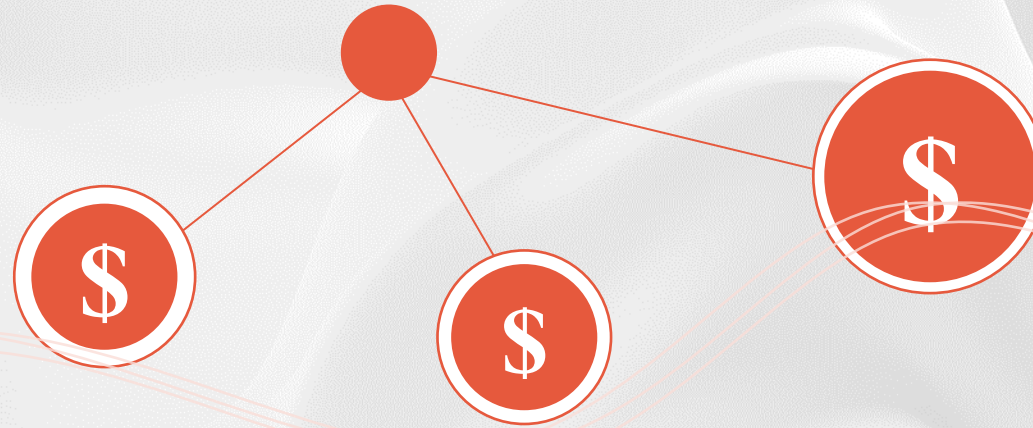
● A partial guarantee of up to 40% of the net losses of WLB6's principal

● A pledge and first-ranking floating charge

The Issuer's bank accounts were secured under the Deed of Pledge and Charge. If a default occurs, the floating charge of the accounts will crystallizes and becomes a fixed charge.

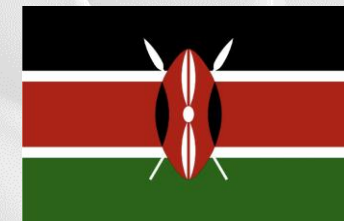
/ WLB6's Issuer on-lent the proceeds

The Issuer uses the proceeds from the issuance of the Bonds to make loans to regional borrowers in the form of a non-convertible debenture.



The regional borrowers are responsible for making loans to women-focused enterprises located in Kenya, Indonesia, Vietnam, Cambodia, and India.

The regional borrowers are “high-impact enterprises located in South Asia, Southeast Asia, and East Africa that use the proceeds of the Loans to benefit underserved women.”



WLB's gender equality impact



IIX is responsible for monitoring the regional borrower and assessing the impact on gender equality.

The methodology of IIX's impact assessment

- **IIX identifies six specific outputs of WLB6.**
- **IIX measures the impact of these six outputs with gender-specific metrics.**
The metrics are designed to specifically measure the impact on women, using gender-disaggregated data and input from women to focus on the empowerment factors that matter most to them.
- **WLB thus achieves five primary outcomes and three secondary outcomes.**
These outcomes are considered with the local economic, policy, technological developments. They provide a holistic understanding of the sustainable impact and women empowerment.
- **IIX calculates WLB's Social Return on Investment with all of these outcomes.**

WLB6's targeted SROI is 25%

WLB's gender equality impact



First specific outputs of WLB6

Women Entrepreneurs.

Providing loans to around 230,000~250,000 women entrepreneurs who own small businesses or start-ups.



WLB's gender equality impact



Second specific outputs of WLB6

Micro Savings and Insurance.

Providing savings and insurance products to women from low-income communities, enhancing their financial resilience.



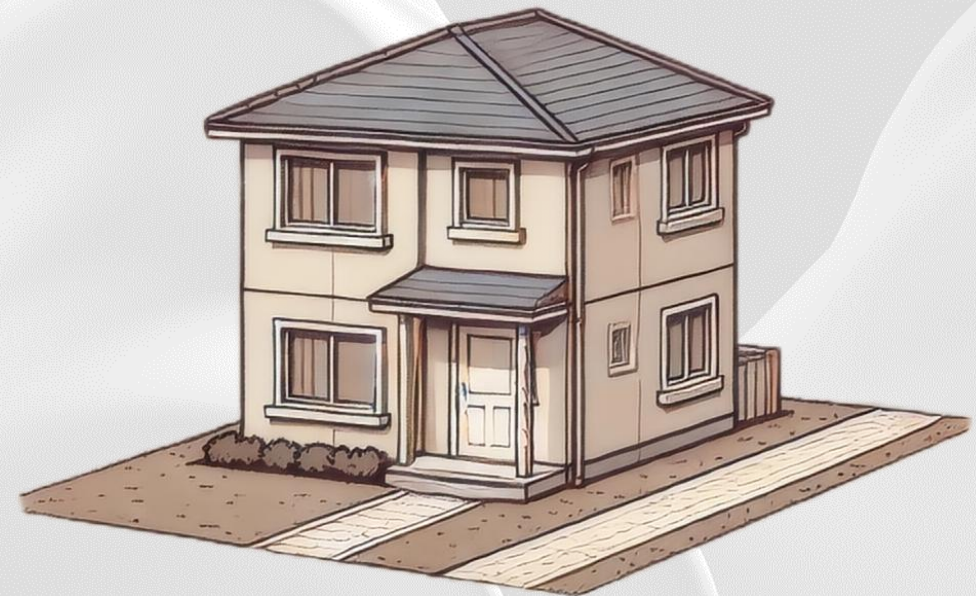
WLB's gender equality impact



Third specific outputs of WLB6

Affordable Housing.

Providing affordable housing loans to around 500~600 women in Cambodia, changing social norms and lifting income-related barriers to home ownership.



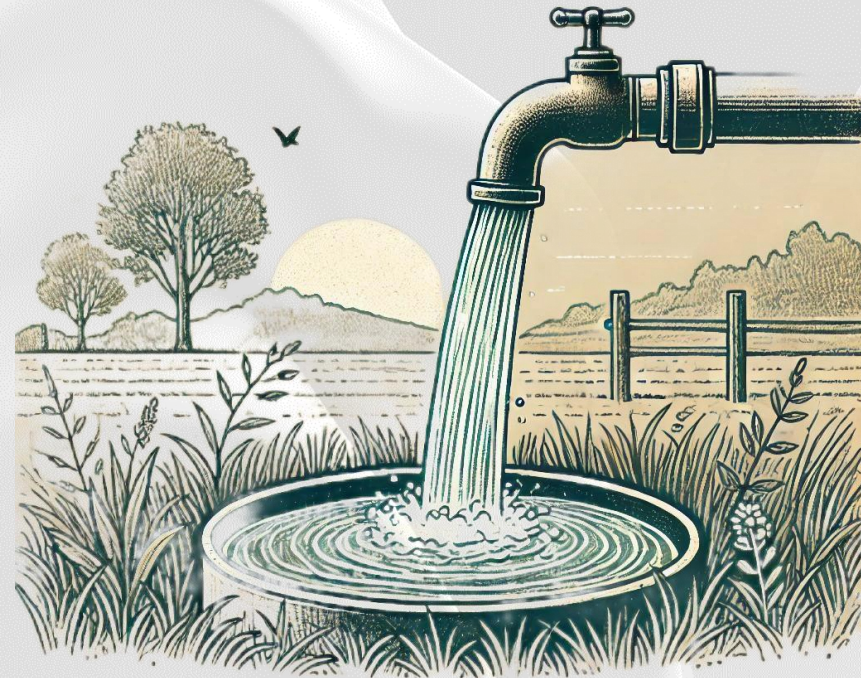
WLB's gender equality impact



Fourth specific outputs of WLB6

Water and Sanitation (WASH).

Providing loans to improve access to water and sanitation for around 27,000~29,000 women, partially easing women's burden to collect water.



WLB's gender equality impact



Fifth specific outputs of WLB6

Agriculture Loans for Smallholder.

Providing loans for around 67,000~69,000 women farmers in Kenya and India to boost financial resilience and encourage eco-friendly practices.



WLB's gender equality impact



Sixth specific outputs of WLB6

Clean Energy Solutions.

Providing loans for Vietnamese companies who provide solar and other forms of clean energy to SMEs with a preference for supporting those that are women-owned and operated.



WLB's gender equality impact



First primary outcome

The loans boost women entrepreneurs' and women smallholder farmers' income by 10~30% annually. The total impact on income generation is approximately at US\$277~278 million over four years. This aligns with SDG1 (No Poverty) and SDG8 (Decent Work and Economic Growth).



WLB's gender equality impact



Second primary outcome

The insurance and saving products improved women's financial resilience with an estimated impact of US\$56~56.5 million, aligning with SDG10 (Reduced Inequalities).



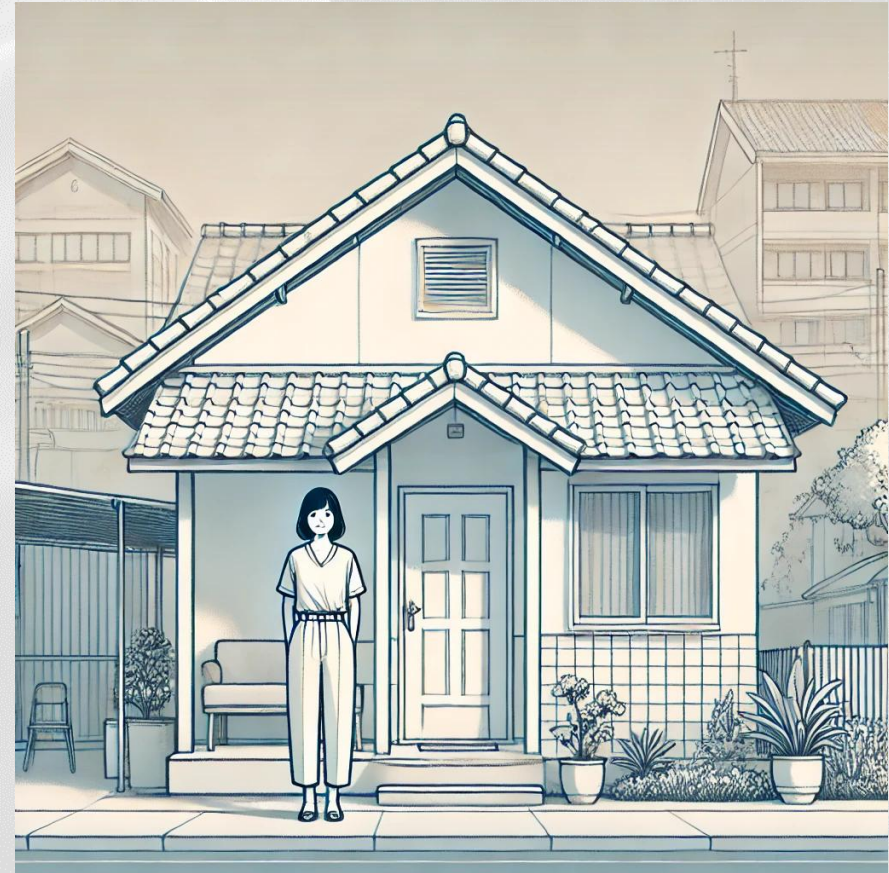
WLB's gender equality impact



Thrid primary outcome

The housing loan increased women's asset ownership by a value worth approximately US\$24.2~24.5 million.

Increased asset ownership aligns with SDG8 and SDG11 (Sustainable Cities and Communities) as well.



WLB's gender equality impact



Fourth primary outcome

The access to water and sanitation creates a value worth \$58~59 million, further supporting SDG 2 (Zero Hunger), SDG 6 (Clean Water and Sanitation), and SDG 8. The WASH loans help women to adapt to climate challenges, and save women 1~3 hours daily on water collection.



WLB's gender equality impact



Fifth primary outcome

Renewable energy loans improve women's access to affordable and clean energy and lower carbon emissions in emerging markets.

The estimated impact is worth US\$4.45~4.55 million, advancing SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation, and Infrastructure), and SDG 13 (Climate Action).



WLB's gender equality impact



Three secondary outcomes

- The bond proceeds that are on-lent by the regional borrowers should be used to benefit the women's families and their offspring.
- The improved standard of living also helps to secure women from gender-based violence both domestically and externally. Women can have gender-segregated or private spaces to manage sanitation needs.
- The loan-supported sustainable farming practices enhance food security and climate resilience for the local community.

WLB's gender equality impact

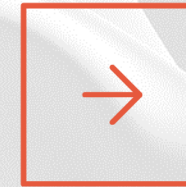


Quantified & Monetized social value allows IIX to calculate the Social Return on Investment (SROI)

Cost-Based Proxies
measure social values
that affect productivity



IIX quantifies WLB6's
impact via two methods



Value-Based Proxies
measure social values that
relate to financial resilience



Cost-Based Proxies calculates
future cost savings or potential
income increases, such as the
economic benefit of time
saved.

$$\begin{array}{c} \text{SROI} \\ = \\ \frac{\text{Social Value}}{\text{Total On-Lent Money}} \end{array}$$

WLB6's targeted SROI is 25%

Value-Based Proxies calculates
the value of resources such as
savings or insurance coverage
available to women.

/ WLB's impact assessment align with Orange Bond Principles™

First Principle - promotes gender positive capital allocation

WLB6 ensures that this objective is met by including gender-specific impact covenants in the loan agreements with the regional borrowers.



/ WLB's impact assessment align with Orange Bond Principles™

Second Principle - promotes gender-lens decision-making and women's leadership



Not only does WLB6 produce positive outputs, but IIX also serves as a model.



IIX is 50% women-owned, with women making up 40% of the investment committee and around 66% of the staff involved in the bond's core functions.

/ WLB's impact assessment align with Orange Bond Principles™

Third Principle - ensures transparency in investment process and reporting

IIX provides semi-annual impact reporting that includes mandatory gender-lens outcomes for all nine regional borrowers.



Correspondingly, the regional borrowers' loan agreements require them to report their portfolio and financial statements to IIX periodically, and provide support to IIX's impact assessment efforts.

The impact assessment has positive externalities in that it increases the availability of gender-focused data, improves future portfolio decisions, and enhances transparency for investors in general.

/ WLB6's Listing on the Singapore Securities Exchange (SGX)

Listing WLB6 on the SGX can connect the Issuer to global investors.



SGX has an electronic submission system and a market-friendly regulatory framework, making it a preferred platform.



A bonds issuer can list two types of debt securities on SGX, wholesale bonds and retail bonds.



It is intended for investors who purchase and hold the bonds to maturity. Accordingly, WLB6 is listed as a wholesale bond, not a retail bond.



Although WLB6 is listed on the SGX, WLB bond holders are not easily able to transfer or sell their bonds.

Since SGX maintains an electronic system, a bonds issuer may list wholesale bonds in token format, rendering them completely digital.



/ SGX's endorsement of WLB6

WLB6 obtained SGX's endorsement as a "sustainable" security.

Successful Issuer(s) are permitted to use the SGX mark:



Recognised as
Sustainable Fixed Income

To qualify for SGX's endorsement mark

1. The bonds must align with "recognized green, social or sustainability standards."
2. An external reviewer must review and confirm the alignment.
3. The report that setting out the alignment must be publicly available.
4. The recognized standards must include standards promulgated by International Capital Market Association (ICMA).

IIX employed an independent evaluator for the external review

The external review's endorsement:



Recommendations



- Potential investors, NGOs and end-users should analyze whether its program and objectives align with the Orange Principles™.
- Second, the organization should determine whether the WLB™ bond structure fits with its objectives, programs and corporate structure to be able to use it as a vehicle for change.
- Finally, for more information and guidance, please feel free to contact IIX.

Conclusion



- The case study on WLB6 demonstrates the practical application of Orange Bonds, showcasing how a financial instrument can advance gender equality in emerging markets.
- WLB6 utilizes a blended finance structure to successfully mobilize capital to support women entrepreneurs across Southeast Asia and beyond. Moreover, with its sophisticated risk mitigation structure, financial and other risks are avoided or reduced, thereby helping to protect the interests of private investors.
- With the legal structure and the impact assessment structure of WLB6 analyzed and explained, this toolkit provides practical guidance on how sustainable fixed-income debt securities can be leveraged to advance gender equality.

Thank you for your attention!

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