WEBINAR: Gender Bonds - a technical webinar

17 February
Agenda

Welcome - Mary Njuguna, FSD Africa

Technical Aspects of issuing a gender bond
Gaia De Battista, Lion’s Head Global Partners
Robyn Oates, UN Women
Evan Bruner, Sustainalytics

Reflections on the presentation
Suzanne Biegel, Catalyst at Large

Q&A
Panelists

Gaia De Battista  
Executive Director - Sustainable Finance  
Lion’s Head Global Partners

Robyn Oates  
Finance Specialist  
UN Women

Suzanne Biegel  
Founder  
Catalyst at Large and GenderSmart

Evan Bruner  
Regional Manager for the Sustainable Finance Solutions Team  
Sustainalytics

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Gender Bonds Technical Workshop
Presented by: Gaia De Battista, Lion’s Head Global Partners
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1 Recap: What is a Gender Bond?

Gender Bond:
- The proceeds of the issuance are used “in line” with gender equality and women’s empowerment goals;
- The Bond results in a benefit for women;
- However, unlike Green and Social bonds, there is no universally accepted definition
- Most bonds issued to date are “use of proceeds” bonds and aligned with the Social Bond Principles
- Senior Unsecured, Securitisation, Covered Bond - all possible

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National Australia Bank sells rare A$500 million gender equality bond

IDB Invest and Banistmo announce first gender bond in Latin America

CIBC’s Gender Bond Paves Way for More Socially Responsible Debt
2 Different Bond Types

1 Use of Proceeds Bonds:
   - Most familiar structure: proceeds from the Bond must be allocated to eligible activities only
   - When to use: if have specific projects or activities that are aligned with gender equality
   - When to buy: if want to support specific gender-related activities

2 KPI-Linked Bonds: e.g. SDG 5 linked Bond
   - Newer type of bond: label linked to achieving specific targets, no restriction on use of proceeds
   - Has been used in the environmental space: Sustainability-linked bonds, SDG-linked bonds
   - Use of proceeds not restricted, but can include “punishment” for missed targets
   - When to use: if implementing business or policy change
   - When to buy: to support changes in behaviour /strategy / business model

3 Corporate Behaviour Bond
   - Specific to Gender: proceeds used to lend to companies which perform well on gender policy and action (internal actions), use of proceeds by ultimate borrowers unrestricted
   - Similar to ESG “screening” in that it “rewards” companies who behave well
   - When to use: if have a large corporate loan portfolio and want to encourage good gender practices
   - When to buy: if looking to “reward” good gender practices

Hybrid UoP & KPI-linked bond

Use of Proceeds:
- growth of women-led SME loan portfolio
- Social housing

KPIs:
Bonus if W-SME portfolio grows by at least 7% in next 5 years
3.1 Sovereign Gender Bonds

A Sovereign Gender Bond issuance can provide a strong signal of the country’s commitment to an equal and inclusive society, attract new investors, and mobilize private capital towards sustainable development.

Gender parity and increased GDP

- One of the largest boosters of GDP with the potential to increase global GDP by $13trillion in 2030¹

Government spending on gender is highly variable

- Issuance of a Sovereign Gender Bond secures financing for eligible programmes, budgets and expenditures which are underpinned by Governments National Gender Action plan
- Enhance budget stability, accountability and transparency

Why now?

- Global public debt expected to reach 101.5% in 2021², need for greater clarity over Sovereign Debt accumulation and sustainability
- Increasing demand for thematic bonds, issuance of a Sovereign Gender Bond has the potential to for a country to positively distinguishing itself as a market leader and access a more diverse pool of investors.

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¹ McKinsey Global Institute, COVID-19 and gender equality
² IMF 2021 Public Debt to GDP Forecast
3.2 Two Sovereign Gender Bond Structures

The Gender element must be built into the bond framework in a concrete manner, either through direct budget and expenditure or through commitments to achieve specific targets.

### Option 1: “Use of Proceeds” Bond

Budget and expenditure is directly allocated to eligible activities

- Identify programmes and budget expenditure which aligns with gender equality and women’s empowerment - E.g:
  - Finance the purchase of land, where land will be allocated to women farmers
  - Finance the construction of relevant health care facilities and services,
  - Underwriting loans for women entrepreneur’s

- Exclusivity of Use

### Option 2: “Outcomes-Based” Bond

Commitments are made to reach specific targets, by a specific date via specific policies and initiatives

- Identify key policies and initiatives which lead to greater gender equality and inclusion

- Identify the desired outcomes of these policies and associated KPIs:
  - E.g. % increase in value of public procurement contracts held by women (% vs base)
  - Or Reduction in violence against women (% vs base)

- Exclusivity of Use

- Proceeds of the bond can be used for general government expenditure
4.1 Uses of Proceeds: the guidance available

Different ways of defining what is eligible for inclusion in a Gender Bond today

Social Bond Principles:

“Social Projects directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes especially but not exclusively for a target population(s)”

Eligible activities:
- Socioeconomic advancement and empowerment
- Access to essential services

Target population:
“8. Women and/or sexual and gender minorities”

Key point: there has to be an existing social issue or disadvantage
4.2 Uses of Proceeds: To date

Uses of proceeds range from base of the pyramid to corporate boardrooms: both are relevant to gender equality.

**Corporate behaviour bonds**

**Geography:** to date issued in the Global North

**Goal:** Equality and opportunity in the workplace

**Use of proceeds:**
- Loans to companies that meet specific gender equality targets
- Not restricted for use on a specific activity
- Often lean on existing principles and ratings to select companies for investment

**Financial Inclusion**

**Geography:** Mostly emerging and frontier markets

**Goal:** Closing the financing gap for women, women-owned businesses and female entrepreneurs

**Use of proceeds:**
- Financing or refinancing of loans to women-owned SMEs and to female entrepreneurs;
- Financing or refinancing of loans to Microfinance institutions with gender aligned products

*Including on-lending to microfinance institutions, and SME lending to women-owned SMEs
### 4.3 Uses of Proceeds: In the future

There are many other potential uses of proceeds, or KPIs:

<table>
<thead>
<tr>
<th>Eligible Activity</th>
<th>Use of Proceeds</th>
<th>SDG 5 linked</th>
<th>Otherwise under-served or disadvantaged population</th>
</tr>
</thead>
</table>
| Women in the supply chain:  
  - Improving number of women suppliers  
  - Improving conditions for women in the supply chain | ✓ | ✓ | ✓ |
| Women-focused services: e.g.  
  - affordable maternal health clinics  
  - safe transport to and from places of work  
  - affordable creche service within place of work | ✓ | ✓ | ✓ |
| Women-focused products: e.g.  
  - affordable menstrual health products  
  - Access to water and sanitation in low income settings | ✓ | ✓ | ✓ |
4.4 Uses of Proceeds: The Gender-Climate Nexus

Gender and Climate issues are linked - addressing them together can multiply impact

Issues
- Increasing evidence of the nexus between climate change and gender
- Example in developing markets:
  - Women are the majority of subsistence farmers, worst hit by climate change and least able to address it
  - Women disproportionately affected by water scarcity
  - Women disproportionately employed in fast fashion industry
- Women less represented in climate change solution design

Opportunity
- As sustainable and climate finance grows: include gender considerations in these instruments

Impact
- Ensures adaptation and mitigation mechanisms are inclusive - e.g. insurance, water access
- Ensures that women share in benefit of transition to a sustainable economy - e.g. education, employment, fair wages and working conditions
- More female participation: greater opportunity for innovation and solutions to climate change - currently excluding a large amount of brains!
5 Issuing a Gender Bond Today

1 Portfolio / projects Identification
   - Identify eligible activities / targets
   - Determine appropriate type of bond to issue
   - Engagement with issuer’s treasury team to ensure fit

2 Drafting of Framework
   Draft a Framework to explain the chosen label:
   - UoP: eligibility criteria
   - SDG-linked: targets
   - Reporting commitments etc.

3 Second Party Opinion
   - Obtain second party opinion from an independent provider

4 Investor Engagement
   - Throughout engage with investors on the structure and focus of the bond

ECOSYSTEM

ISSUERS
- Reference bodies and standards
- Data & insight providers
- Assurance

Bond Managers / Underwriters (banks)

INVESTORS
- Assurance

LION'S HEAD
global partners
6 Experience from the field: Sustainalytics

Sustainalytics’ Experience:
- QBE Insurance Group
  - Unique structure for allocation, not a typical Use of Proceeds framework structure
- Not extremely well received by the market
- We continue to see some market demand, but there is little movement and a lack of leadership

Challenges:
- There is a lack of “Gender Bond Principles” - which are currently viewed as a sub-category to Social Bond Principles (e.g. Blue Bonds)
- Difficulty to substantiate the impact - lack of well defined indicators
- General ambiguity around the concept of a “Gender Bond”
  - Associated with empowerment of women / women equality, but there is little understood outside of providing access to financing for women owned enterprises and businesses

Opportunities:
- Gender equality has the opportunity to be a significant resources in terms of human capacity for combatting climate issues
- By focusing on gender-specific issues through bonds, more awareness is created and market momentum can be created
- The sustainable finance community (institutions, investors, and companies) are all proponents of movement in this sector
- Far more opportunities to finance gender equality and empowerment outside of SME and micro-financing
There is huge potential for impact through Gender Bonds, additional clarity on what these instruments are could be a key driver of uptake

The Potential:
- The Gender Bond market is currently a very small sub-set of the labelled debt market
- However gender inequality remains a key issue to address across economies and business models
- Gender Bonds could be a key instrument in talking this inequality

The Practicalities:
- Gender-inclusion and impact not as widely understood or intuitive
- The potential benefits and returns equally not as intuitive
- More specific guidance on what qualifies as a “Gender Bond” might be necessary to help issuers and investors
- FSD Africa and UN Women are keen to explore opportunities to work with other partners to support development of gender bond guidelines

The Extra Benefit:
- Gender and climate issues are closely related
- Gender equality could benefit from a gender lens being applied by sustainable finance products
- ...and the climate can benefit from women being more actively included in the economy
Thank you
- Reflections
- Q&A
Reflections

- **Developing gender bonds standards:**
  - Do you think that the Social Bond Principles, SDG5 or 2X criteria, provide a good basis for the development of gender bonds standards?

- **Use of proceeds:**
  - What other criteria for monitoring use of proceeds would you propose for gender bonds?
  - What gender empowerment activities are you working on that would qualify for a gender bond issuance?

- **Climate and Gender:**
  - Are you working on transactions to address climate change while at the same time applying a gender lens?

- **What do you think is the fastest route to grow gender bond issuances?**