Orange Bond Initiative™: Connecting Back Streets to Wall Streets through Gender Equality

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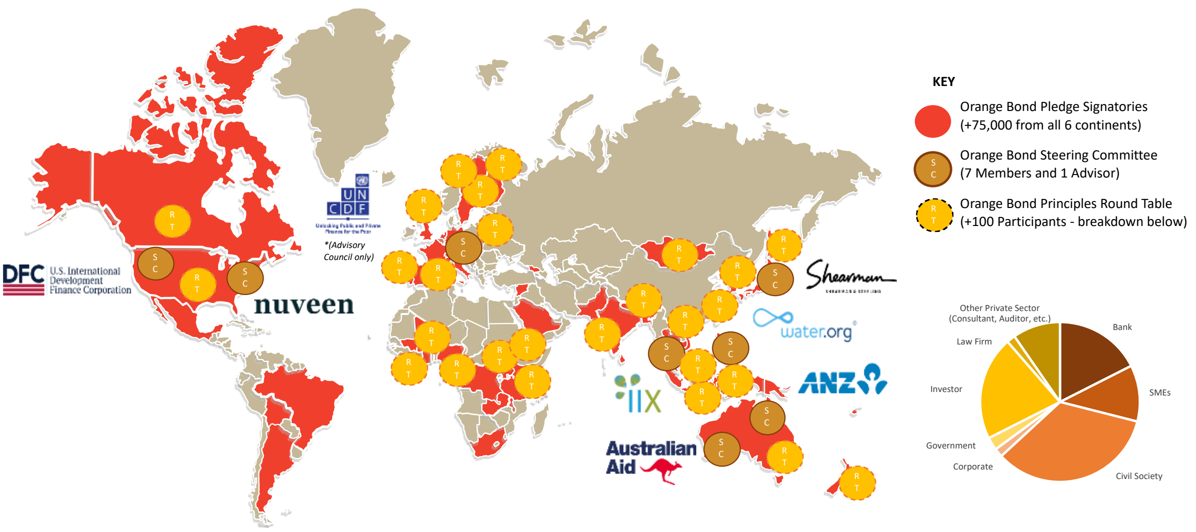
About the Orange Bond Initiative™ (OBI)

The Orange Bond is the world's first asset class for gender-lens investing (GLI), built for and by the Global South. Orange is the color of the United Nations Sustainable Development Goals (SDG) 5: Gender Equality. On International Women's Day in 2022, IIX initiated the Orange Bond Initiative™ with the overarching goal to build gender-empowered financial markets and the mission to mobilize US$10 billion to empower 100 million women, girls, and gender minorities by 2030. The OBI aims to create systemic change in financial markets by integrating gender equality, representation, and transparency in the guiding principles and taxonomies. This thus builds an 'orange' ecosystem with data analytics and research, ultimately mobilizing capital at scale to effectively tap into the multi-trillion debt capital markets and addressing broader GLI and sustainable development financial gaps.

The OBI is driven by a Steering Committee (Figure 1) representative of those driving gender equality through their work in a variety of industries including IIX, Australian DFAT, the United States Development Finance Corporation (DFC), Nuveen, ANZ Bank, Shearman & Sterling, and water.org. The United Nation's Capital Development Fund (UNCDF) is a member of the OBI Advisory Council.

The OBI commits to adopting an inclusive approach when designing the guiding principles, standards, transactions, and certification tools. This is done by ensuring a diversity of views are solicited and represented across regions – including the Global South and the 99% – and across stakeholder groups – civil society, private sector, and public sector. The OBI aims to empower women, girls, the LGBTQI+ community, and other groups that face gender-based discrimination limiting their ability to participate fully and meaningfully in all spheres of life – economic, social, political, and environmental. This commitment to DEI forms the underpinning intersectional approach of this insights paper and systematically explores how to design inclusive Orange Bonds that will build an empowered financial system where everyone has a seat at the table and an equal voice in the investment narrative.

FIGURE 1: OBI GLOBAL INVOLVEMENT AND STEERING COMMITTEE MEMBERS



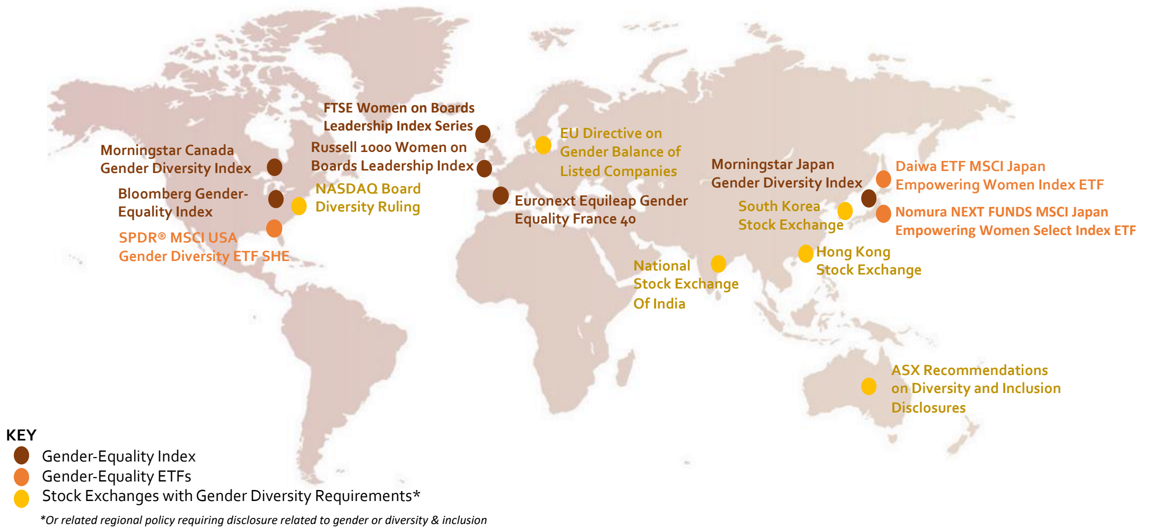
Source: Orange Movement

Introduction: The Transition to an 'Orange' Financial Market

Investing in gender equality has gained steady momentum, particularly over the past few years. From a 'trend' that was considered a sub-set of the bigger sustainable finance movement, gender lens investing (GLI) is now widely recognized as strong case to 'transition' financial markets to be more inclusive and resilient. This trajectory is in line with the Orange Bond Initiative's impetus to mainstream investing in gender equality as the norm and not the exception. Three key reasons for this 'defiantly optimistic' outlook are below:

- Increasing mandates for gender diversity and inclusion related disclosure: The increased scrutiny on corporates and financial institutions on their effectiveness at breaking the glass ceiling to embrace gender equality is evidenced by the development of Exchange Traded Funds focused on gender equality including the 'SPDR® MSCI USA Gender Diversity ETF SHE' and the 'Daiwa ETF MSCI Japan Empowering Women Index ETF'; and a rise in corporate related gender-tracking by indices such as the Bloomberg Gender-Equality Index (GEI), FTSE Women on Boards Leadership Index Series, and Euronext Equileap Gender Equality Eurozone 100[i]. Further, there have been a number of landmark legislations by regulators and stock exchanges worldwide that are looking to make single-gender boards a thing of the past as seen in the Australia,[ii] the European Union (EU)[iii], the United States[iv], and across Asia in Hong Kong, India, and South Korea[v].

FIGURE 2: RISING SCRUTINY ON FINANCIAL MARKETS ON GENDER EQUITY AND DIVERSITY



Source: Parallelle Finance

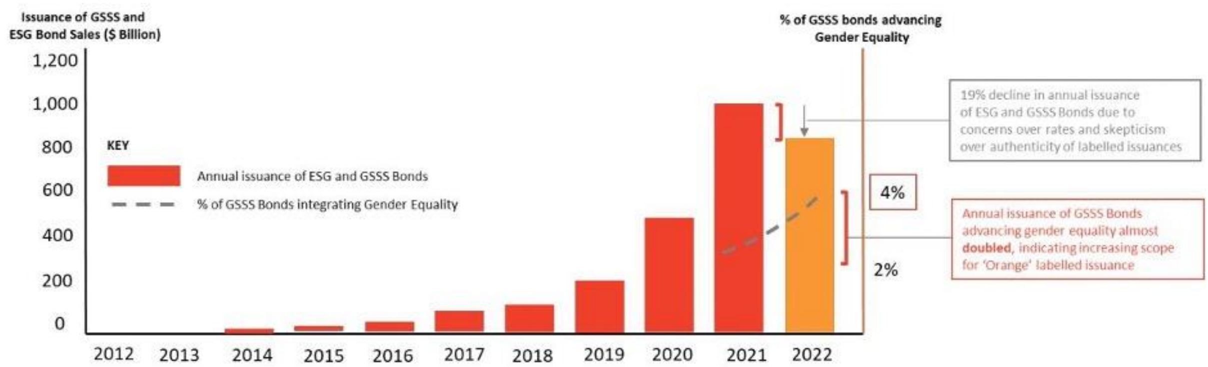
- Growing body of evidence linking gender equality and financial performance: Companies embracing gender equality improve profitability by 25%[vi], return on equity by 10%[vii], and earnings per share by 37%[viii], and in some cases, GLI investments have relatively lower risk and did not default even during the COVID-19 pandemic[ix] (Figure 3). This has led to a growing corpus of GLI literature that reinforces the case for investing in entities embracing gender equality, although it is mostly concentrated on women in leadership or gender equal employment.

FIGURE 3: RISING EVIDENCE OF GENDER EQUALITY IMPROVING FINANCIAL PERFORMANCE

Source: Morgan Stanley, McKinsey, MSCI, IIX

- Rising market interest in gender bonds despite harsh market conditions in 2022: In 2022, the sustainable debt market posted its first decline amid rising rates turning away issuers and increasing scepticism about Environmental, Social, Governance (ESG) and Green, Social, Sustainability and Sustainability-Linked (GSSS) bonds, dipping by ~19% from 2021.[x] Yet in the same period, proceeds from about $33 billion of GSSS bonds were earmarked (either in whole or in part) to advancing gender equality, up from $24 billion in 2021.[xi] The fixed income market represents the largest pool of capital available for GLI and is an important pathway to mainstreaming investing in gender equality.

FIGURE 4: RISING MARKET INTEREST IN GENDER EQUITY DESPITE ESG AND GSSS DECLINE



Source: Adapted from Bloomberg, 2023 and Moodys, 2023

Why Orange? Why Now?

The OBI will build on the rising GLI momentum with a view to channel more capital from the debt capital markets to advance gender equality but to push the envelope to do this in a more intersectional manner that includes the Global South and the 99%. The OBI was designed to respond to three main impediments that have limited financial markets to embrace gender equality in a systemic, inclusive, and transparent manner.

- Gap 1 - Lack of Systemic Approach to Investing in Gender Equality through Bonds: Prior to 2022, there was no definition of a 'gender bond'. This ambiguity left room for confusion among both issuers and investors. As of 2022, less than 1% of GSSS bond issuances had gender equality as a priority objective[xii]. 'Gender bonds' were sometimes categorized as a sub-set of Social Bonds or Sustainability-Linked Bonds, limiting gender equality as a social issue as opposed to also recognizing women as solution to environmental issues such as climate change. When viewed in isolation, the funding for United Nations Sustainable Development Goal (SDG) 5 on gender equality receives a relatively low amount of overall funding through labeled bonds (Figure 5), particularly when compared to other goals with environmental mandates such as SDG 7: Clean Energy or SDG 13: Climate Action.

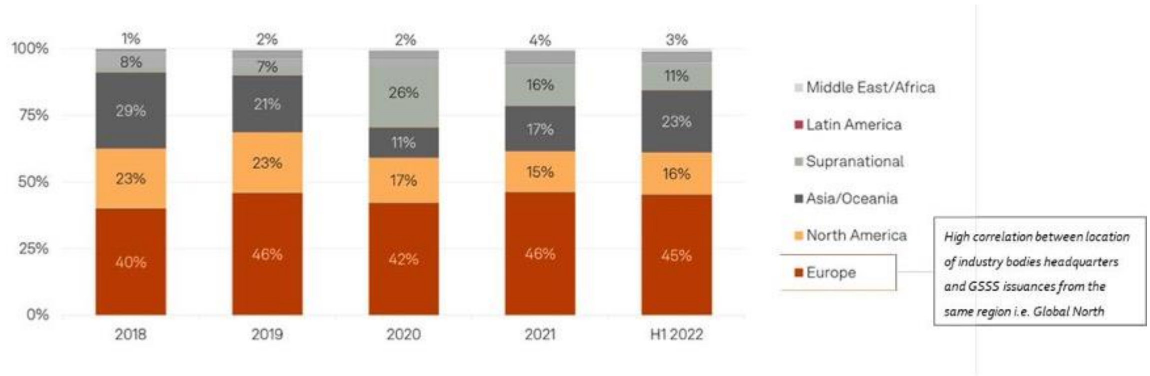
FIGURE 5: SDG 5 RECEIVES RELATIVELY LOW SHARE OF PROCEEDS FROM GSSS BONDS

Source: Environmental Finance Bond Database

- Gap 2 - Lack of Inclusion and Representation in Decision Making: Typically the standards for investing in sustainability and for GLI have been set by industry bodies headquartered in the Global North (also reflected in staff and partners). This could partly explain the strong correlation of qualifying issuances from the same regions (Figure 6). The dominance of the Global North is also reflected in GSSS second party opinion providers and in authorship of climate research.

  The lack of women or people of color as decision makers has reinforced a western-centric view where GLI has focused on women on boards or women-owned businesses. While these are important issues, this has caused the market to lack a broader focus on the multi-dimension forms of gender-based discrimination faced by women in the Global South where a gender-lens may have equal or more relevance when applied to supply chains (e.g. climate resilient training for smallholder women farmers), employees (e.g. fair pay and work conditions in garment factories), and customers or clients (e.g. financial inclusion for low-income women or LGBTQI+ individuals). It also does not adequately capture the intersectionality of gender inequality, particularly racial discrimination faced by Black, Indigenous, or other People of Color (BIPOC) in the Global North.

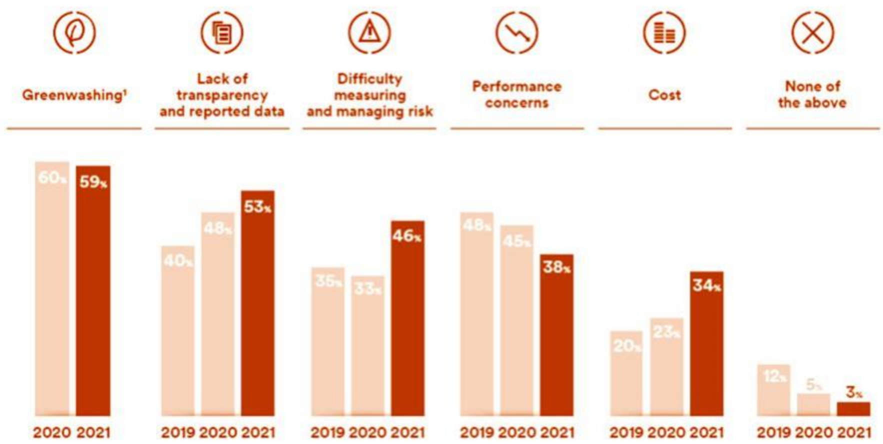
FIGURE 6: STRONG GEOGRAPHIC CORRELATION BETWEEN INDUSTRY BODIES AND GSSS ISSUANCES - BOTH DOMINANT IN THE GLOBAL NORTH



Source: Environmental Finance Bond Database, S&P Global Ratings

- Gap 3 - Lack of Transparency: Greenwashing and lack of transparency in reported data were highlighted as top challenges to investing in sustainability (Figure 7). In 2022, over US$8 trillion was removed from the sustainable investment tally[xiii] due to investor scepticism amid greenwashing fines. European asset managers struck US$140 billion from 'dark green' investment category[xiv]. ESG continues to face backlash in the United States where over 35 anti-ESG laws bills have been introduced of which 15 have become law[xv].

FIGURE 7: TOP CHALLENGES FOR PARTICIPATING IN SUSTAINABLE INVESTMENTS



Source: DiligenceVault

Apart from investor concerns, there is the issue that women are passive recipients of capital instead of active agents of socio-economic, political, and environmental change. This has led to a limited focus of impact confirmation with women at the last mile on whether impact was experienced, to what extent, and how capital can be effectively utilized to create sustainable, systemic gender equality. As a result of weak feedback loops from end recipients of capital there is a general disconnect between risk, return, and impact data that will eventually limit the growth of GLI related asset classes.

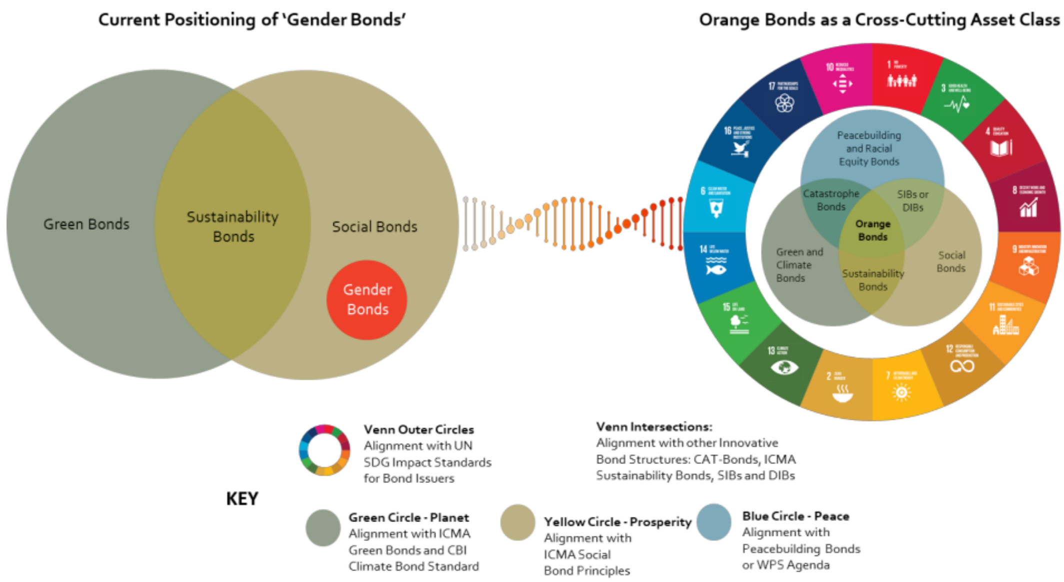
Orange Bonds As A Cross-Cutting Asset Class

The typical positioning of gender bonds is as a sub-set of Social Bonds. According to IISD's review of over 300 social sustainability bond frameworks available on the ICMA database, bond frameworks explicitly targeting gender inequality are relatively rare, even in the case of ESG bonds,[xvi] and have received less than 4% of capital mobilized total GSSS Bond issuances in 2022[xvii]. Research by IISD, Moody's and others have highlighted the low level of gender integration in Social Bonds and the need for a more expansive way of also integrating gender considerations within Green or Climate Bonds as well as the broader UN SDG framework.

The OBI supports arguments made by these institutions as well as by feminist political ecologists and feminist political economists that recognize women (and other individuals facing gender based discrimination) can instead be a solution to range of environmental and socio-economic issues. This cross-cutting approach is outlined in Figure 8 below, reiterating a gender-lens can be applied to a range of bond structures and in line with a number of existing market standards. Orange Bonds are designed to be a **cross-cutting asset class** that go beyond being a subset of Social Bonds to achieve outcomes and co-benefits related to:

- Planetary Resilience: Standards such as ICMA Green Bonds Principles and CBI Climate Bond Standard or structures such as Catastrophe Bonds
- Prosperity and Social-Economic Empowerment: Standards such as ICMA Social Bonds Principles or through structures such as e.g. Social/Development Impact Bonds
- Peace and Security: Structures such as Peacebuilding or Racial Equity Bonds which may comply with ICMA GSSS or broader policies e.g., Women, Peace and Security Agenda
- Overarching Sustainability Goals: UN SDG Standards for Bond Issuers

FIGURE 9: TRANSITIONING FROM 'GENDER BONDS' AS A SUB-SET OF SOCIAL BONDS TO ORANGE BONDS AS A CROSS CUTTING-ASSET CLASS

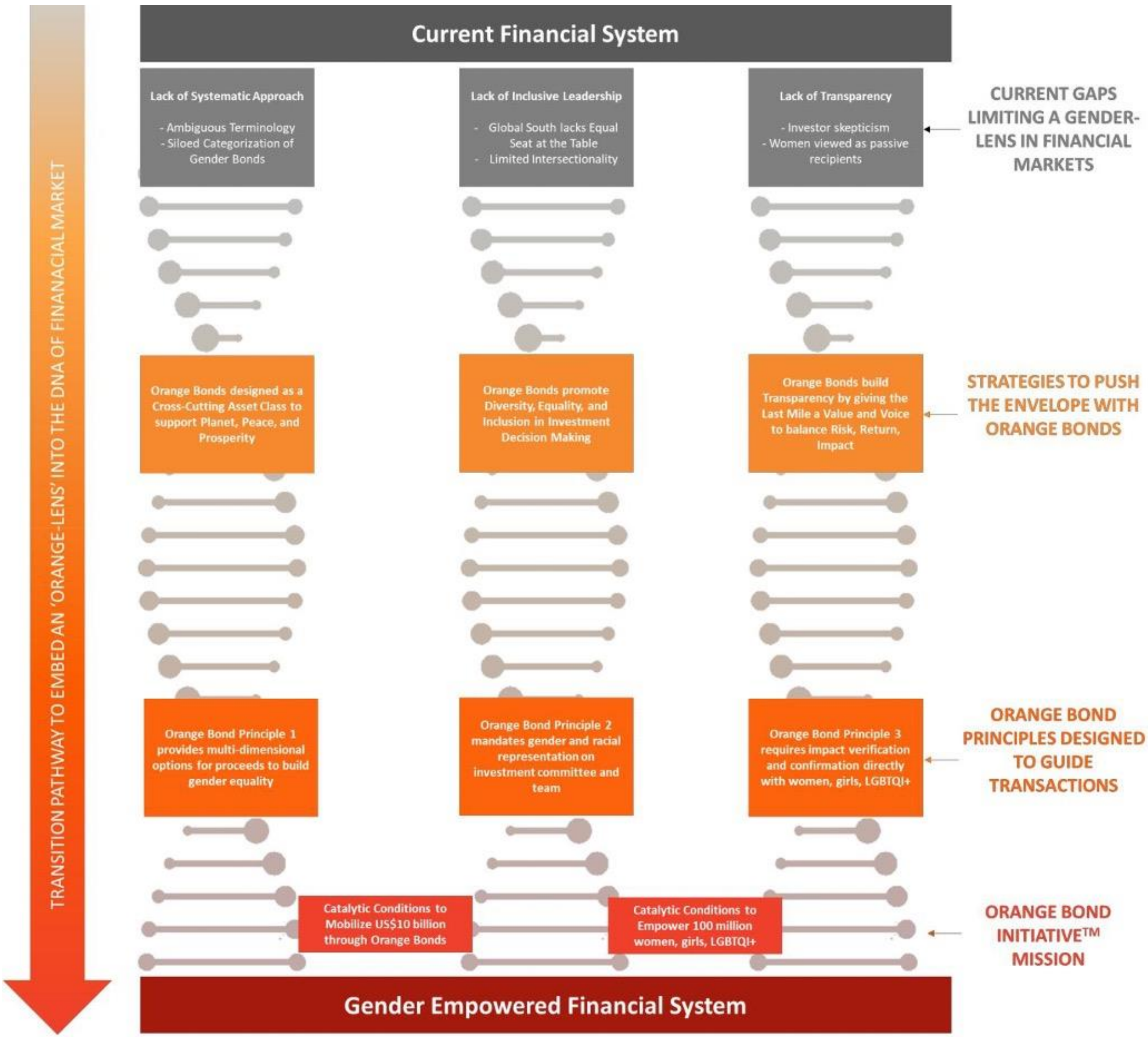


Source: ICMA, UN Women, IFC

Orange Bond Principles: An Operationalization Framework

To address the aforementioned gaps, the OBI proposes a 'triple helix' operationalization framework designed to build an orange, gender-lens into the DNA of debt capital markets (Figure 8). Each helix strand aligns to one of the Orange Bond Principles (OBP) and will be used as a basis for further analysis of how debt capital markets can be leveraged to build a more gender-equal, racially diverse, and resilient financial system that advances gender-just prosperity, peace, and planetary resilience.

FIGURE 8: TRIPLE HELIX OPERATIONALIZATION FRAMEWORK FOR ORANGE BONDS



- Orange Bond Principle 1 focuses on gender positive capital allocation provides investors with a number of options through which proceeds can be deployed with a gender lens to empower women or members of the LGBTQI+ community as leaders, supply chain workers, employees, customers and clients, among other roles.

Issuers are expected to use the proceeds of the Orange Bonds to advance gender equality in one or more of the following ways:

a. Financing the development and/or provision of products and/or services that substantially and disproportionately benefit women, girls, or gender minorities including the LGBTQI+ community and other groups facing gender-based and intersectional discrimination.
b. Financing projects or enterprises with a substantially gender diverse and equitable workforce, and/or gender-inclusive value chains, that ensure gender-pay equity and equal workplace and employment-related rights to all regardless of gender identity.
c. Financing enterprises or organizations that are founded by, are majority (i.e. >50%) owned by or whose senior leadership (e.g., C-suite executives, key decision makers, and/or heads of departments) have >30% women or gender minorities.
d. Financing other ESG or SDG-aligned projects or initiatives that are intentionally designed to substantially and disproportionately have a positive net impact on women, girls or gender minorities.

- Orange Bond Principle 2 focuses on gender-lens capacity and diversity, was designed in recognition of the systemic biases and intersectional issues of gender and race in financial markets that must be addressed for Orange Bonds to reach their full potential and to align with the Initiative's broader commitment to DEI.

  Issuers of Orange Bonds are expected to satisfy one or more of the following:
  a. Over 30% of the leadership team (e.g., the Board, the officers, and/or the Investment Committee) are women and/or gender minorities.
  b. Over 30% of the team working on the core functions of the Orange Bond (e.g. structuring, due diligence, portfolio management, investor relations, and/or reporting) are women and/or gender minorities.
  c. The leadership team and/or team working on the core functions of the Orange Bond includes women and/or gender minorities from the same ethnicity as the target population in one or more regions where proceeds of the Orange Bonds will be allocated.

- Orange Bond Principle 3 focuses on transparency in the investment process. Reporting was designed in recognition of the need to ensure that Orange Bonds are structured to ensure proceeds are used to empower women, girls, and LGBTQI+ individuals on their own terms. There is no one better equipped to solve gender inequality than those who are facing it.

  Issuers are expected to take a data-driven, bottom-up and verifiable approach to ensure gender-transformative impact is adequately measured, managed, and magnified, by adopting each of the following practices:

  a. Transparency in investment process – to ensure a continued gender-lens approach is adopted in line with Principles 1 and 2, providing investors with an upfront framework at the time of the issuance of the Orange Bonds on:
     - the intended impact of the Orange Bonds;
     - the process through which the projects, enterprises or other objectives for which the Orange Bond proceeds will be used were or will be selected, including how they were or will be evaluated for consistency with the Principles; and
     - how the use of proceeds of the Orange Bonds will be monitored over the life of the bonds for consistency with Principle 1, as well as the "do no significant harm" principle.
  b. Transparency in impact measurement – during the life of the Orange Bonds, conducting an annual confirmation of the impact (output, outcomes, impact) achieved by the bonds through interviews, surveys, or other means of collecting data directly from a sample size of the target population of the bond's proceeds (i.e. women, girls, gender minorities, or other individuals experiencing gender equality related outcomes or impact).
  c. Transparency in reporting – during the life of the Orange Bonds, providing investors with annual reports on:
     - gender-equality impact achieved using gender-disaggregated metrics (that is, metrics that are measured, tabulated and presented separately by gender); and
     - the substantial and intentional impact experienced by women, girls and gender minorities as a result of the application of the Orange Bond's proceeds.

For more information on the Orange Bond Principles including additional considerations, kindly visit orangemovement.global/orange-bonds

The Path Forward: An Ecosystem Approach To Creating 'Orange' Financial Markets

The OBI aims to go beyond Orange Bond transactions (Figure 10) and standard-setting by bringing multiple ecosystem actors together to collectively strengthen the financial ecosystem to buttress global financial inclusion efforts with significant capital flows from public and private wealth, deepen GLI expertise from professionals such as lawyers, bankers, and civil society members, and make available a more transparent capital market. Having grown into an Orange Movement, the OBI encourages an 'Orange' approach to various solutions across ecosystem stakeholders and interventions (Table 1).

FIGURE 10: EXISTING AND UPCOMING ORANGE BOND TRANSACTIONS

TABLE 1: RECOMMENDATIONS FOR ECOSYSTEM ACTORS

Ecosystem Actor	Recommended Actions
Multilaterals, Donor Agencies and DFIs	▪ Provide credit guarantees or catalytic first loss capital to Orange Bond issuers ▪ Support the creation of regional Orange Alliances ▪ Grant funding to strengthen impact confirmation technology and for additional research on the climate-gender nexus
Government Agencies and Ministries	▪ Issue sovereign Orange Bonds ▪ Provide credit guarantees to Orange Bond issuers ▪ Integrate financial inclusion, representation, and transparency into policy and regulation

Private Sector Investors and Banks	▪ Issue and invest in Orange Bonds ▪ Ensure gender, racial, ethnic, and geographic representation on investment committees ▪ Evaluate investment opportunities through an 'Orange' lens
Stock Exchanges and Regulatory Bodies	▪ Require bond issuers to provide disclosures around impact reporting along with annual impact confirmation results
Corporates	▪ Use IIX Values™ to secure an Orange Seal certification ▪ Issue Orange Bonds, label existing issuances 'orange' ▪ Participate in OBI Training programs to learn how to apply the OBP to create gender equity
Impact Enterprises and SMEs	▪ Use IIX Values™ to secure an Orange Seal certification
External Reviewers (Consultancy Firms, Rating Agencies)	▪ Participate in OBI Training programs to learn about Orange Bonds and secure license to be an Approved Verifier (includes access to IIX Values™ to conduct Orange Bond labeling and Impact Confirmation)
Civil Society (Non-Profits, NGOs, Individuals)	▪ Sign up for OBI training to learn more about GLI ▪ Sign the Orange Bond pledge for regular updates and engagement opportunities

Going forward, the Orange Bond Initiative will continue to develop supporting infrastructure with a view to:

- Continuously evolving global standards, taxonomies, indices, and performance metrics for investing in gender equality in a transparent and transformative manner.
- Mobilizing sources of capital for gender equality at scale by providing the tools, training, and knowledge products that enable gender lens investment product development.
- Fast-tracking gender equality by deploying capital in ways that build gender-just peace, prosperity, and planetary resilience.

The OBI will continue to ensure the entire ecosystem is a part of the solution to build gender-equal capital markets. We warmly invite all ecosystem actors to sign the pledge to demonstrate your support and reach out to orangebond@iixglobal.com for inquiries or support on any of the aforementioned recommendations.

About Durreen Shahnaz

Durreen Shahnaz, a Bangladeshi-American entrepreneur, is the CEO and founder of Impact Investment Exchange (IIX). A global leader in sustainable finance and impact investing, she is a 2017 Oslo Business for Peace Award Honoree, a financial rainmaker in Forbes 50 over 50, and an Asia Society Game Changer Awardee. She is also the author of *'The Defiant Optimist: Daring to Fight Global Inequality, Reinvent Finance, and Invest in Women'*.

About Impact Investment Exchange (IIX)

Impact Investment Exchange (IIX) is a pioneer in impact investment. Over the last 14 years, IIX has connected the Back Streets of underserved communities to the Wall Streets of the world. We have built the world's largest crowdfunding platform for impact investing (Impact Partners), operated award-winning enterprise technical assistance programs such as IIX ACTS, created innovative financial products such as the Women's Livelihood Bond™ Series and established an Impact Institute and Research & Advisory to build the sustainable investing market. To date, our work has spanned **57 countries**, unlocked **US$295 million** of private-sector capital, positively impacted over **159 million** direct and household lives, and avoided over 1.83 million tons of carbon. Our work has also been strongly supported by DFC and the Rockefeller Foundation.

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