UK Government

Integrating Gender Considerations into Sustainable Bonds

A How-to-Guide

Co-produced by GenderSmart, with IISD as Technical Lead Partner and supported by the UK Aid funded ASEAN Low Carbon Energy Programme

GENDER SMART IISD iMC worldwide EY

Foreword David Uzsoki

Sustainable investing has experienced impressive growth in recent years. But investing which focuses on gender equality – gender lens investment – has not. Despite the attention from corporate diversity disclosures, it remains at an early stage compared to other sustainable investing themes such as climate change, or even natural capital.

This is concerning. Gender affects all aspects of sustainable development. The most pressing environmental and social challenges of our time impact women disproportionately. To build a prosperous and sustainable world, gender equality is essential.

Bond issuers have other incentives to integrate gender into their bond financing. Gender equality helps businesses anticipate and meet customer and staff needs. It helps them attract talent from an increasingly values-driven workforce. But achieving all this requires us to scale up financing to meet gender objectives. One way to do this is to include gender in the frameworks of all new sustainable bonds. This document offers a practical guide for issuers about how to do that.

Doing so may soon become even more important. The rapid growth of gender lens investing in recent years shows that there is increasing investor demand for gender-smart financial products too. As this trend is expected to accelerate, demand might even outstrip supply. I believe that this could potentially have a positive impact on the cost of financing for issuers, as sustainable bonds with an explicit gender component could be priced more attractively than traditional bonds with the same financial characteristics.[1]

This guide provides all the necessary information needed to integrate gender considerations in sustainable bond frameworks.

The environmental and financial case for doing so is strong. After all, how can a bond be considered sustainable if it ignores whether its investments are addressing the needs of the other 50% of our society?

David Uzsoki

David Uzsoki
Senior Advisor & Lead, Sustainable Finance
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Foreword Suzanne Biegel

Suzanne Biegel

The growth of the gender lens investing field is opening a wealth of opportunities for enhanced gender, sustainability and business outcomes. But many governments, institutions and companies are yet to implement gender smart practices in the investments.

The mission of GenderSmart is to drive the deployment of gender-smart capital at scale and pace, and embed gender analysis into the investment process for better business, social, environmental and investment outcomes. Gender-smart investment is not just about empowering women at surface level, nor is it another screen to add to a list. Rather, it is a way of rethinking what we value as we invest, and who is at the investment table as an investor, to bring about systems-level change.

Through GenderSmart's Gender & Climate Investment Working Group we have been looking to support the development of gender-smart climate finance and build the tools, resources and experts which can influence the financial system. We are constantly being asked to share practical tools and guidance on how to make gender smart investment a reality.

That is why I am so delighted to have been part of this project to integrate a gender lens into sustainable bond issues. Traditionally the sustainable bond ecosystem and the gender lens investing world have operated in silos and our collective hope is that this guide, and the conversation we want to launch around it, helps overcome old barriers and builds new bridges to enhance gender and sustainability outcomes for women and the world.

Suzanne Biegel
Co-Founder
GenderSmart

Foreword Gilles Pascual & Smita Biswas

Funded by the UK's Foreign, Commonwealth and Development Office, the ASEAN Low Carbon Energy Programme (LCEP) is a £15 million 3-year development programme designed to facilitate sustainable finance flows and improve energy efficiency measures in the ASEAN region. Implemented in compliance with the UK's International Development (Gender Equality) Act, the Programme seeks to support a Just Transition to a low carbon economy by mainstreaming gender across all its interventions, with an empowerment level of ambition.

During the past two years of LCEP implementation, we have observed that the worlds of finance and sustainable development are rapidly converging in the face of climate change and rising inequality (including gender inequality). As evident at COP26, there is a consensus that we need a systemic shift that values and rewards positive environmental and social/gender equality outcomes across the entire financial value chain. One such shift is the exponential growth in the sustainable bond market.

The LCEP recently supported Thailand's Securities and Exchange Commission with a Sustainable Bond Issuance Guide.[2] The guide explicitly makes the case for and illustrates how gender equality could be mainstreamed across all sustainable bond types, regardless of their thematic focus. A subsequent webcast on "Sustainable Bond Issuance for a Just Transition: Integrating Climate and Social/Gender Equality Impacts" held in late October 2021 attracted almost 100 participants from across the global sustainable bond ecosystem. Over 90% of participants responded that the approach presented to integrate gender in sustainable bonds will result in implementation and uptake over the next 3-6 years but requires further work and consultation to convince both issuers and investors to take action.

Financing the transition to a low carbon economy will create millions of new jobs and open many new opportunities; we must ensure that women claim their rightful share and that the green economic transformation helps women move into higher paid, more stable jobs. ASEAN is a wonderful, diverse region with real potential to harness sustainable development; it is well positioned to leapfrog existing bureaucracy and support innovation. We hope this Guide will serve to showcase how a gender lens can be integrated to become "business as usual" in shaping future sustainable bond issuance frameworks in the ASEAN region and beyond.

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Contents

This paper was published in February 2022 by GenderSmart and partners.

Acknowledgements

The authors, Suzanne Biegel, David Uzsoki, Safa Rahim, Gilles Pascual and Smita Biswas would like to thank the GenderSmart's Gender & Climate Investment Working Group for their insights, contributions and support. In particular they would like to thank Robyn Oates, UN Women, Heather Mae Kipnis and Kathleen Mignano, IFC, for their peer review of the guide, and those who participated in the expert consultation meetings that shaped the output of the guide.

This work was made possible by the generous support of the UK Aid funded ASEAN Low Carbon Energy Programme, the technical expertise of IISD and the content partner for the GenderSmart Working Group, Kite Insights.

About GenderSmart

GenderSmart is a global field-building initiative dedicated to unlocking the deployment of strategic, impactful gender-smart capital at scale. The mission of GenderSmart is to drive the deployment of gender-smart capital at scale and with more impact, and embed gender analysis and equity into the investment process for better business, social, environmental and investment outcomes.

The Gender & Climate Investment Working Group, was launched by GenderSmart in February 2020 to unlock the potential of applying a gender lens to climate finance and vice versa. We believe integrating these two investment agendas is an important lever to shore up and amplify both impacts and returns, thus supporting the case for their widespread adoption in the financial mainstream and driving positive outcomes for women and the world we all inhabit. Working Group members share knowledge and build connections with each other. Collectively, we develop a cohesive narrative and lay the groundwork for the field to grow. You can find more information about the working group at gendersmartinvesting.com/climate-gender-working-group-about

About IISD

The International Institute for Sustainable Development (IISD) is an award-winning independent think tank working to accelerate solutions for a stable climate, sustainable resource management, and fair economies. Our work inspires better decisions and sparks meaningful action to help people and the planet thrive. We shine a light on what can be achieved when governments, businesses, nonprofits, and communities come together. IISD's staff of more than 120 people, plus over 150 associates and consultants, come from across the globe and from many disciplines. With offices in Winnipeg, Geneva, Ottawa, and Toronto, our work affects lives in more than 100 countries. IISD is a technical partner in the ASEAN Low Carbon Energy Programme (LCEP) focusing on mainstreaming gender considerations in various sustainable finance instruments, frameworks, and investment processes. IISD is also a member of the Gender Lens Initiative for Switzerland.

About Kite Insights

Kite Insights is an agency focused on research-based content, learning and strategic engagement around social and environmental issues. Kite works with organisations of all stripes to drive thoughtful action on the issues that matter. Kite acts as the content partner to the GenderSmart Gender & Climate Investment Working Group, convening the working group's membership through the year and developing research and content to make the case for bringing a gender lens to climate finance.

Abbreviations, acronyms and definitions

Abbreviations and acronyms

ESG	Environmental, social and governance
GAP	Gender Action Plan
GLI	Gender Lens Investing
ICMA	International Capital Markets Association
KPI	Key performance indicators
LCEP	Low Carbon Energy Programme
SDG	Sustainable Development Goals
SLB	Sustainability-linked Bond
SME	Small and medium enterprise
SPT	Sustainability performance target

Definitions

Gender equality – males and females have equal rights, freedoms, conditions, and opportunities for realising their full potential and for contributing to and benefiting from economic, social, cultural, and political development. It means society values males and females equally for their similarities and differences and the diverse roles they play. It signifies the long-term outcomes that result from gender equity strategies and processes.

Gender mainstreaming considerations/incorporation of a gender lens – for the purposes of this document, the phrases "incorporation of a gender lens" and "gender mainstreaming considerations" are used interchangeably. They both refer to the overall objective of promoting gender equality across the value chain, i.e., in terms of women as entrepreneurs, leaders, employees or consumers, as relevant within a specific context.

Gender-smart investing – gender-smart investing integrates gender-based factors such as women's leadership, employment or consumption into investment strategy and analysis in order to increase returns and impact and move towards a more equitable world for all. It can help investors spot market opportunities or risks where others might miss them, while simultaneously addressing gender equality in various ways. It is relevant in public and private markets and across all asset classes, themes, and geographies.

Gender-smart climate finance – can be defined as climate finance which intentionally integrates gender based factors into investment strategy, data, processes, actors, and vehicles.

Sex-Disaggregated Data – the collection of data according to physical attributes of the individual. Disaggregating data by sex (i.e., in categories of males and females) permits valid cross-country comparisons since sex categories are the same from one country to another.

Introduction

Recognition of the nexus between gender equality and climate change is growing, even within the investment community. At the Conference of the Parties (COP26) in Glasgow notable commitments to gender smart climate finance were made from countries such as Canada, who announced that 80 percent of its USD 4.3 billion climate investments over the next five years would target gender equality outcomes.[3] Alongside this wave of commitments, there is a growing body of research strengthening the business case for gender and diversity in enhancing climate impacts.[4] This narrative goes beyond outlining the disproportionate impact that environmental and social challenges have on women, and highlights the role of women's leadership and diversity in driving solutions to many of the sustainable development challenges the world faces.[5]

The need

But despite the progress in building the case for the link between gender and climate, dedicated gender-focused financing remains limited. Only USD 17 billion in assets are in gender-labelled financial products globally. This is a tiny fraction of the global sustainable investment universe of over USD 40 trillion.[6] There is a growing chorus in the financial ecosystem calling for tools and resources to help organisations bring a gender lens to finance, across asset classes, sectors and financial instruments.

One way to significantly scale up gender-smart financing is through mainstreaming gender considerations by looking for opportunities to promote gender equality in sustainable bond issues, including green, social, sustainability and sustainability-linked bonds. This guide has been constructed on the premise that all new sustainable bond issues, irrespective of their thematic focus, could include gender equality considerations in their frameworks.

In the case of use-of-proceeds bonds, such as green, social and sustainability bonds, this means including gender as part of the eligibility criteria. For sustainability-linked bonds (SLBs), the integration of gender considerations requires issuers to include an additional set of key performance indicators (KPIs) and sustainability performance targets (SPTs) alongside their main sustainability KPIs and SPTs, such as "retention rate for women in the workforce", "number or percentage of women-owned small and medium enterprises (SMEs)", "number of women in the labour force in high growth sectors", "number of weeks of parental leave".[7]

The opportunity

Sustainable bond issuance has been growing rapidly, both in terms of volume and types of instruments. New issuance reached a record USD 732.1 billion in 2020, with green bonds leading the way with issues totalling USD 305.3 billion.[8]

But there are reasons why the adoption of gender considerations in these bonds is growing more slowly.

Firstly, the traditional use-of-proceeds structure of green, social and sustainability bonds requires issuers to allocate the funds raised to a predetermined set of eligible project categories, which are in line with the voluntary guiding principles established by the International Capital Markets Association (ICMA). This means that for some issuers their participation in the sustainable debt market has been limited because either their corporate structure or the nature of their business makes earmarking funds in this way impossible.

Second, even in the case of social and sustainability bonds, bond frameworks explicitly targeting gender inequality are relatively rare. This understanding is based on IISD's comprehensive review of over 300 social sustainability bond frameworks available on the ICMA database (see Process box-out on page 12). Each framework was carefully screened for components indicating gender considerations, for instance, the mention of "gender equality", "female empowerment", "diversity", "inclusion", "SDG5", etc. It is likely that the current low level of gender integration in social and sustainability bonds is due to issuers prioritising other sustainability objectives rather than any lack of technical know-how.

Mainstreaming gender considerations into sustainable bond issues requires bold leadership from practitioners, capacity building within different types of organisations involved in the bond issuance process, and pressure from external stakeholders.

Third, in the case of green bonds, integrating gender targets is less straightforward. Green bond frameworks cannot have social project categories, so issuers cannot just follow the example of social and sustainability bonds when integrating gender targets. We propose a novel way forward for green bonds in Chapter 3 of this guide.

Mainstreaming gender considerations into sustainable bond issues is a challenge. It requires bold leadership from practitioners, capacity building within different types of organisations involved in the bond issuance process, and pressure from external stakeholders. There is a growing body of research on this topic, some of the outputs of which can be found in the Endnotes of this guide.

This how-to-guide is a tool to support actors in the bond ecosystem to translate a commitment to gender integration into reality.

Purpose

The purpose of this guide is to stimulate action through a step-by-step explanation of how a gender equality lens can be integrated in all sustainable bond issuances. It especially focuses on integrating a gender lens in green bonds and sustainability-linked bonds – which together, comprise the bulk of the current sustainable bond market.[9]

Intended audience

The intended audience of this guide is the whole ecosystem that comprises the sustainable bond issuance sector. It will appeal to the key actors listed below, for the following reasons:

- **Corporate issuers** – to go beyond basic compliance and demonstrate to the market how they are "best in class" for gender and diversity.
- **Government issuers** – to actively promote gender inclusion in line with the "just transition" principles that most governments are now signatories to.
- **Bankers, underwriters** – to encourage their clients to explicitly incorporate gender mainstreaming in their sustainable bond issuances to meet the growing market demand for ESG products.
- **Sustainable finance consultants/transaction advisors** – to equip them to advise on the niche but growing demand to design and issue sustainable bonds that intentionally mainstream gender, regardless of their thematic focus.
- **Gender practitioners active in the sustainable finance/bond space** – to become more aware of opportunities, appropriate gender KPIs and case studies of mainstreaming gender within the sustainable bond issuance process.
- **Large investors** – to influence the bond market so that incorporating a gender lens across all sustainable bond issuances moves over time from niche to normal.

For detailed summaries of sustainable bond types and processes please see the Appendix.

The guide is structured as follows:

Key principles of gender integration

To ensure a common understanding of key definitions.

Case studies in the market today

Examples of sustainable finance instruments in the market today that have integrated gender considerations

A closer look at Sustainability-Linked Bonds

Approaches for gender integration into SLBs including a deep dive into trigger events

A closer look at Green Bonds

An approach for gender integration into Green Bonds

Challenges and next steps

A path forward to mainstream these approaches

Methodology

The process for putting this how-to-guide together

i. **Desk research including:**

- A comprehensive review of over 300 issued social sustainability bond frameworks available on the ICMA database. Each framework was carefully screened for components indicating gender considerations, for instance, the mention of "gender equality", "female empowerment", "diversity", "inclusion", "SDG5", etc.[10]
- A review of over 50 sustainability-linked bond frameworks from over 20 countries available on the ICMA database.
- A review of a range of green, social and sustainability project categories, including renewable energy, affordable housing, education, and infrastructure.
- The bond frameworks reviewed were issued by over 60 countries across continents.[11]
- Literature review of key documents and principles (see Endnotes).

ii. **Two expert stakeholder consultations** convened in October 2021 to capture global experiences, with a group of experts in the field including bond issuers, banks, gender finance experts and sustainable finance experts. Organisations involved in the consultations included EIB, Equilo, ICRW Advisors, HSBC, IFC, IIX Global, SD Direct, UBS and UN Women.

iii. **Detailed peer review** with experts from across the sustainable bond ecosystem:

- Heather Kipnis, IFC
- Kathleen Mae Mignano, IFC
- Robyn Oates, UN Women

Key principles of gender integration

For the purposes of this document, the phrases **"incorporation of a gender lens"** and **"gender mainstreaming considerations"** are used interchangeably. They both refer to promoting gender equality in terms of women as entrepreneurs, leaders, employees or consumers. A gender lens can be added to any financial instrument.

How are the appropriate gender indicators/KPIs determined for projects?

Deciding on appropriate gender indicators can be a complicated process. Appropriate indicators should be selected based on their relevance for the expected use of proceeds and with the issuers capability to measure and access gender data in mind. To ensure that KPIs are core, relevant, and material to the issuer's overall business and of high strategic significance; measurable or quantifiable; externally verifiable; and benchmarked, will require significant work. Several organisations have recently put forward a series of examples of gender indicators/KPIs. For example:

- "Bonds to Bridge the Gender Gap: A Practitioner's Guide to Using Sustainable Debt for Gender Equality" published by UN Women, IFC and the International Capital Market Association (ICMA) shares illustrative KPIs and SPTs for the private and public sector.
- The 2X Challenge has laid out gender indicators and eligibility criteria which can serve as a useful reference for issuers to understand the different ways in which a gender lens can be applied. (See Table 1 on the next page).
- The 2X Collaborative Toolkit has also proposed examples of gender impact metrics according to sectors.[12]
- Table 2 outlines notable gender indices and rankings in the gender field for issuers to use comparisons and baselines for the setting of bond specific targets.

Table 1: Example gender indicators and eligibility criteria from the 2X Challenge

As noted, the 2X Challenge presents five key gender indicators with relevant eligibility criteria for each, to suggest how a gender lens can be applied to investment decision making. The 2X eligibility criteria can serve as a global reference for benchmarks when issuers are setting ambitious KPIs for SLBs as well as eligibility criteria for use-of-proceeds bonds. More detailed recommendations on the criteria are available at the 2X Challenge website.[13]

2X CHALLENGE INDICATOR CATEGORIES	GENDER INDICATORS	ELIGIBILITY CRITERIA
Entrepreneurship Women have a majority stake in the investee or are part of founding team.	1. Percent of female ownership 2. Percent of company founders who are female	1. 51% or more 2. 51% or more
Leadership Women are represented within the investee's senior management or on the investee's Board.	1. Percent of senior management who are female 2. Percent of the board who are female	1. At least 20% for infrastructure, power, telecoms; at least 25% for financial services, manufacturing, agribusiness and food, professional services, consumer services; at least 30% for healthcare and education 2. At least 30% or the national legal minimum, whichever is higher
Employment Investee has a large share of women employees and is actively working to improve conditions and access for women.	1. Percent of full-time employees who are female 2. Initiative in place to specifically advance women in the workforce (Y/N)	1. At least 30% for infrastructure, power, telecoms; at least 40% for financial services, heavy manufacturing, agribusiness and food, professional services; at least 50% for healthcare, education, consumer services, and light manufacturing. 2. Have an initiative in place to advance women in the workforce
Consumption Investee provides goods or services that target and benefit women.	1. Product or service specifically or disproportionately benefits women (Y/N) 2. Percent of customers who are female	1. Offer at least one product or service that enable women to increase their safety or security; access to finance or to markets; access to health, access to education and time savings 2. 51% or more
Investments through financial intermediaries On-lending and fund investments have a direct and indirect impact on women.	1. Share of financial intermediary's portfolio that meets at least one of the criteria above 2. Share of Fund's portfolio that meets at least one of the criteria above	See above

Table 2: Notable Gender indices and rankings

GENDER INDICES AND RANKINGS	DESCRIPTION
Bloomberg Gender-Equality Index	"It tracks the financial performance of public companies committed to disclosing their efforts to support gender equality through policy development, representation and transparency."
Equileap Gender Equality Data and Ranking	"It is a comprehensive set of ratings and raw data points that covers a variety of gender equality metrics. The database covers all main developed markets, including the MSCI World, Russell 1000, S&P 500 and STOXX 600 indices. It has assessed 3500 companies in 23 countries."
World Economic Forum Global Gender Gap Index	"It measures the extent of gender-based gaps in countries among four key dimensions: Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment. ... It benchmarks 153 countries and provides country rankings that allow for effective comparisons across and within regional peers."
Impax Global Women's Leadership Index	"It is a broad-market index of the highest-rated companies in the world for advancing women's leadership, as rated by Impax Gender Analytics, and that meet threshold environmental, social and governance standards."

A typical gender mainstreaming process

There is no one-size-fits-all approach for successful gender mainstreaming in the issuance process but there are several key steps and principles to bear in mind.

The following is not designed as a rigid step-by-step approach to be applied across all bond types, but rather key steps involved in a typical gender mainstreaming process.

01	**Conducting a gender analysis**	This is analysis of the roles, activities, resources, constraints, benefits and incentives of women and men affected by the project. It should establish a baseline and assess and benchmark against relevant peers. This may include an understanding of the gender differentiated needs of women versus men as owners, leaders, employees, suppliers, customers, or the community influenced by the project. In use-of-proceeds bonds, a gender analysis should be conducted for each project funded by the bond. In the case of on lending the borrower needs to conduct a gender analysis.
02	**Identifying specific gender targets**	This means setting meaningful, ambitious, but achievable gender targets (For SLBs and use-of-proceeds bonds) for the GAP to work towards, based on the sector and geographical context.
03	**Develop a Gender Action Plan (GAP)**	To outline recommended activities that address the gender-based constraints and opportunities identified during the gender analysis. This should include specific activities, sex-disaggregated targets, responsible actors, gender performance indicators to measure progress and outcomes and budgets allocated to each proposed activity.
04	**Implementation, monitoring and evaluation**	Whilst the plan is being rolled out there is a need to assess the type and scale of potential impacts caused by the project on women, establish adequate accountability mechanisms to monitor progress and use that evaluation to update the plan and approach as needed.

For more guidance on gender action plans you can look to a series of well-regarded guidance notes and sample plans from Criterion Institute which walks through the designing of an action plan, to IFC and CDC's Gender-Smart Investing Guide for Fund Managers which includes guidance and sample plans.

LEARN MORE ▶

Further resources on gender mainstreaming

The frameworks and indicators found in the 2X Collaborative's new Green Toolkit: The Gender-Smart Climate Finance Guide

For detailed strategies on gender mainstreaming at the firm and portfolio level see the IFC/CDC Guide

For a scoring tool to assess an organisation's commitment to gender equality look at SEAF's Gender Equality Scorecard

Other gender tools/resources to look at:

- A plethora of guidance from Criterion Institute
- MEDA's GEM framework
- Equilo – Gender Analysis Toolkits
- Financial Alliance for Women – How-To Guides and Case Study Collection
- GIIN-Navigating Impact Project
- Calvert Impact Capital's Just Good Investing report
- Acumen and 60 Decibels Lean Data Guide
- ICRW Advisor's Gender Materiality Maps
- UN Women's Empowerment Principle's Gender Gap Analysis Tool

Who are the key players in the field?

There are many organisations that can help build capacity to mainstream gender into the investment process, including Sagana, Value4Women, Criterion Institute, ICRW Advisors and Triple C Advisory. Others include:

- **Equilo** – An organisation which provides transformative gender analysis tools for global development project planning and emergency response.
- **BSR Women's Empowerment work** which focuses on working with companies to develop strategies, engage stakeholders, identify gaps, and recommend actions to reach more female customers, recruit and retain women employees, and integrate women-owned businesses into supply chains.
- **UN Women** is the secretariat for the UN Women's Empowerment Principles (WEPS). It is committed to supporting both the public and private sector in delivering on their gender equality commitments.
- **The Boardroom Africa** – An organisation dedicated to improving women's representation in African boardrooms through a peer-endorsed network of female leaders from over 45 countries across the region.
- **30% Club** – a campaign, membership and mentorship organisation which works to increase gender diversity of board and senior management teams.

The impact and business case for gender-integration in sustainable bonds

The impact case

Mainstreaming gender considerations in sustainable finance instruments including bonds is important for several reasons.

First, achieving gender equality is essential for a prosperous and sustainable world as it affects all aspects of sustainable development. Gender equality will enhance equitable and well-paid job creation and advancement. It will improve living and working environments, by paying attention to Gender Based Violence, safe roads and public transit by paying attention to the differentiated experiences by men and women and enhance wealth creation by equitably including and women and gender-smart businesses in supply chains.[14]

Second, the most pressing environmental and social challenges of our time impact women disproportionately. Women are more vulnerable to climate change, for example, and it can worsen structural gender-based inequalities and further increase existing gender disparities.[15] With government pledges following the Paris Agreement, an estimated USD 23 trillion of climate investment opportunities in emerging markets alone have been identified. Mainstreaming gender in this vast market will maximise returns and gain ground.[16]

But women are not just victims of climate change. Rather, women's expertise, leadership, purchasing power and lived experience help unlock gender-smart and climate smart opportunities to strengthen climate innovation and progress and deliver stronger climate and environmental outcomes.[17] Leveraging gender equality (Sustainable Development Goal 5) and climate action (SDG13) has the potential to impact nearly all other SDGs such as eliminating hunger (SDG2) and ensuring health and well-being (SDG3).[18]

Gender inequality is also a key driver of poverty and one of the most common forms of discrimination, so addressing it should be a priority for investors with a social impact and sustainability mandate.

Women's expertise, leadership, purchasing power and lived experience help unlock gender-smart and climate smart opportunities to strengthen climate innovation and progress.

The business case

Prioritising gender equality has a positive financial impact.

First, up to USD 28 trillion, or 26 percent, could be added to the global GDP in 2025 by closing the representation gap between men and women in the economy.[19]

Second, there is a benefit to a diverse workforces. Sustainable investing companies with a more gender diverse staff are likely to outperform their peers. The correlation between gender and financial performance is especially strong in the case of executive teams and boards. Based on a recent research study covering more than 1000 companies from 15 countries, companies with gender diverse boards are 28% more likely to outperform their peers, while gender diversity in executive teams increases the chance of outperformance by 25%.[20] There is also a significant difference in financial performance between leaders and laggards. Companies with executive teams with more than 30% female members are 48% more likely to outperform companies with only 10% or less women in their executive teams.[21] Similarly, venture and private equity funds with gender balanced investment teams have 20% higher returns than their peers.[22]

Third, it is about mitigating risk. Failing to attend to gender can be a market risk, an operating risk, or even a reputational risk: companies or funds may fail if they brush off the gendered needs of employees, suppliers, customers, and other stakeholders. Gender-smart and climate-smart investing provide ways to mitigate those risks.

Fourth, a gender and climate lens can help drive competitive advantage and long-term value across talent, innovation, markets, products and services, value chains, and governance. As climate and social impact enter mainstream thinking, regulation and policy, those who fail to adapt risk falling behind. Companies with a progressive strategy to tackle gender inequality and manage the associated reputational risk see benefits in long term growth, profitability, and valuation.[23]

There is increasing investor demand for gender-smart financial products. In a crowded sustainable bond marketplace, prioritising gender equality therefore represents an opportunity for issuers to differentiate themselves and satisfy growing investor expectations in this area.

Sustainable investing companies with a more gender diverse staff are likely to outperform their peers. The correlation between gender and financial performance is especially strong in the case of executive teams and boards.

Chapter 1

Case studies of gender integration in practice

Although the integration of gender into sustainable bond issues is a relatively new area, a number of examples illustrate what is possible.

CASE STUDY 1 ▶

City of Minneapolis, United States of America

An example of a green bond where gender criteria has been applied in project selection

CITY OF MINNEAPOLIS – SERIES 2019 GO GREEN BONDS[24]	
Issuer	City of Minneapolis
Type of Issuer	Municipality
Country	USA
Issuance date	2019
Issue size	USD 114,420,000
Maturity date	2022 to 2046
Type of framework	Use-of-proceeds bond framework
Use of proceeds	Finance the construction of the city's new Public Service Center.
Gender component	Achieve a diverse construction workforce comprised of 20% women and 32% minorities.

The City of Minneapolis has issued green bonds to continue the construction of a certified green building that is aligned with the ICMA's Green Bond Principles. The bond framework also outlines some social objectives, such as employee health, public art, and diversity. For the latter, the city "aims to achieve a diverse construction workforce comprised of 20% women and 32% minorities". Furthermore, the bond framework states that as part of its project evaluation and selection process, all projects and related activities must comply with its environmental and social directives.

This example demonstrates two different ways that green bonds financing infrastructure can apply a gender lens in project selection:

i. by adding a requirement on women's participation in the workforce and

ii. by integrating gender criteria into the internal policies that determine eligibility for the use of proceeds.

CASE STUDY 2 ▷

AFD

An example of how a green bond can integrate gender targets

AGENCE FRANÇAISE DE DÉVELOPPEMENT – SDG BOND	
Issuer	Agence Française de Développement
Type of Issuer	Government
Country	France
Issuance date	2020
Issue size	EUR 2 billion
Maturity date	2027
Type of bond framework	SDG aligned bond[25]
Use of proceeds	Access to essential services, affordable basic infrastructure, affordable housing, energy efficiency, renewable energy, socio-economic advancement, and empowerment.
Gender component	Eligible projects need to receive a neutral or positive grade on gender equality.

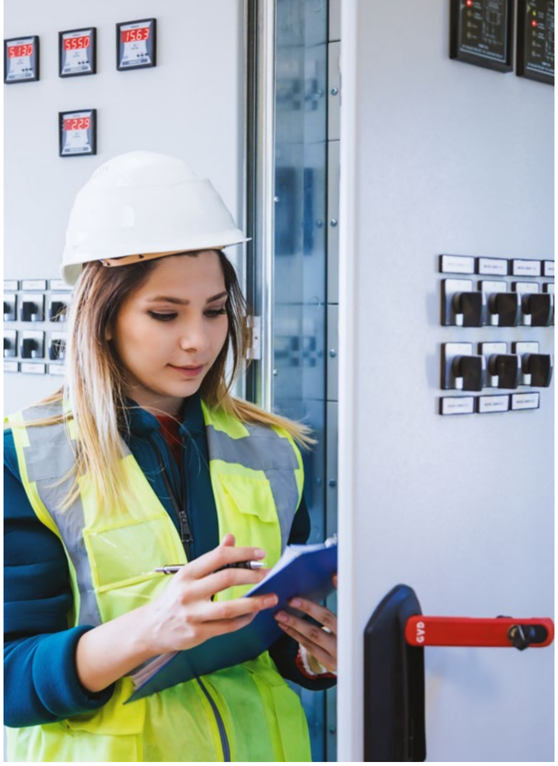
Agence Française de Développement (AFD) developed an SDG Bond Framework for green, social, and sustainability bond issues in October 2020 and provides an example of how other bond frameworks, particularly green bond frameworks could integrate gender considerations into eligibility criteria.

Among other eligibility criteria, the bond framework requires new projects and loans to receive a neutral or positive grade in six sustainable development dimensions, which include gender equality alongside climate objectives.[26] Projects are assessed based on the following criteria for gender equality:

- Access to services
- Control over resources and income
- Access to justice
- Combating gender-based violence
- Participation in economic, social, and political decision-making bodies
- Project governance considered with regards to gender.

Each sustainable development dimension receives a score ranging from -2 to +3. This assessment is conducted by the AFD's project team during the appraisal phase. In addition, Proparco, an AFD subsidiary, conducts socio-economic, environmental, and climate impact analyses to determine project eligibility. This includes four dimensions, one of which is "Gender: contributing to the fight against discrimination against women and creating economic opportunities." The output of the assessment is a "DEV" score that ranges from 1 to 6, with 1 being the best score. Projects need to have a rating of DEV 1 or 2 to be eligible.

This example demonstrates how green bond frameworks can consider different sustainability objectives at the same time. It also highlights how a scoring system can be used to develop criteria to determine project eligibility for the use of proceeds.



CASE STUDY 3 ▷

Schneider Electric

An example of a sustainability-linked bond with a gender target

Schneider Electric, a French company focusing on energy management and automation, can use the proceeds of this sustainability-linked bond for general corporate purposes. At the same time, it will have a strong incentive to meet the SPTs that it has committed to in its bond framework.[27] If it does not meet the "KPI Minimum Score Threshold" by 2025, there will be a margin step-up, or a premium payment, as outlined in the transaction document of each issue.

The "KPI Minimum Score Threshold" represents, on average, an 85% achievement for each KPI, which corresponds to an average score of 9/10. This is calculated by first giving a performance score to each KPI on a 10-point scale. The equal-weighted average of the scores for the three KPIs determines whether the "KPI Minimum Score Threshold" has been met.

Schneider Electric provides a great example for structuring triple-KPI SLBs. It demonstrates that from a technical perspective, there is no reason for a sustainability-linked bond issuer not to set gender diversity targets alongside other sustainability priorities.

SCHNEIDER ELECTRIC – SUSTAINABILITY-LINKED CONVERTIBLE BOND[28]	
Issuer	Schneider Electric
Type of Issuer	Private company
Country	France
Issuance date	2020
Issue size	EUR 650 million
Maturity date	2026
Type of bond framework	Sustainability-linked convertible bond
Key Performance Indicators	**KPI 1:** Saved and avoided CO2 emission to customers **KPI 2:** Gender diversity from hiring to front-line managers and leadership teams **KPI 3:** Number of underprivileged people trained in energy management
Sustainability Performance Targets[29]	**SPT 1:** Deliver 800 megatonnes saved and avoided CO2 emissions to customers **SPT 2:** Increase gender diversity, from hiring to front-line managers and leadership teams: 50% women hiring, 40% women among front-line managers, and 30% women in leadership **SPT 3:** Train 1 million underprivileged people in energy management

CASE STUDY 4

EQT

An example of a sustainability-linked credit facility with a gender target

EQT – SUSTAINABILITY-LINKED CREDIT FACILITY[30]	
Borrower	EQT
Type of borrower	Private company
Country	Sweden
Starting date	2020
Size	EUR 2.3 billion – 5 billion
Type of loan framework	Sustainability-linked credit facility
Key Performance Indicators	**KPI 1:** Gender equality on the board of directors **KPI 2:** Renewable energy transition supported by a fundamental sustainability governance platform
Sustainability Performance Targets	**SPT 1:** Improve female board representation across portfolio companies to at least 40% (within 24 months of acquisition) **SPT 2:** Increase the use of renewable electricity across portfolio companies to at least 85% (within 30 months of acquisition)

EQT, a Swedish private equity firm, has set up a sustainability-linked credit facility. While this is not a sustainability-linked bond, it applies principles applicable to bonds about how to design debt instruments with both gender- and climate-related KPIs.

Any company receiving EQT investment must have at least 40% female board representation within 24 months of the time of acquisition. In addition, at least 85% of the total electricity purchased by each portfolio company must come from renewable sources within 30 months of the time of acquisition. A failure to meet any of these KPIs will automatically increase the interest rate the lender charges for the credit facility.

This example is particularly interesting, as companies with low gender and climate performance are not immediately excluded from EQT's investment universe. Instead, EQT has 24 and 30 months, respectively, to improve gender diversity and increase the share of renewable energy use for the companies acquired. This is in line with the goal of sustainability-linked instruments: rewarding improvement in sustainability performance.

CASE STUDY 5 ▷

Kinnevik

An example of a sustainability-linked bond with a gender target

Kinnevik is a Swedish investment company with investments in disruptive digital technology spread across four sectors – healthcare, food, consumer and financial services. In 2021, the company issued sustainability-linked bonds intended to address environmental and social concerns. The bond framework establishes three key performance indicators with subsequent SPTs to be achieved by the predefined timelines. The second KPI seeks to allocate at least 10% of new capital invested by Kinnevik into female-founded or led companies. A company qualifies as "female-founded" if at the time of investment:

- at least 50% of the active founding team members are women, or
- at least one-third of the founding team active in the company are women and serve in the most senior positions, or
- a women co-founder also serves as CEO or Chairman of the board.

The SLB framework defines "active in the company" as still working operationally for the company or serving on the board. A company qualifies as "female-led" if at the time of investment at least 50% of the senior management team comprise of women, or a woman serves as CEO and at least 30% of the senior management are women.

KINNEVIK – SUSTAINABILITY-LINKED BOND[31]	
Issuer	Kinnevik
Type of issuer	Private company
Country	Sweden
Starting date	2021
Size	EUR 2 billion
Maturity date	5 years
Type of bond framework	Sustainability-linked bond
Key Performance Indicators	**KPI 1:** Reduction in greenhouse gas emission intensity from Kinnevik's portfolio year on year (majority of Kinnevik's scope 3) **KPI 2:** New capital allocation to female founded or led companies **KPI 3:** Annual average ESG Score across portfolio
Sustainability Performance Targets	**SPT 1:** 7% reduction in greenhouse gas emission intensity from Kinnevik's portfolio from year to year, resulting in a total reduction of 50% by 2030 compared to 2020 (majority of Kinnevik's Scope 3) **SPT 2:** On a two-year rolling basis, at least 10% of the capital invested into new companies by Kinnevik, should be invested in female founded or led companies **SPT 3:** 5% improvement in annual ESG score average from year to year across portfolio

CASE STUDY 6 ▷

Enbridge

An example of a sustainability-linked bond with a gender target

ENBRIDGE – SUSTAINABILITY-LINKED BOND[32]	
Issuer	Enbridge
Type of issuer	Private company
Country	Canada
Starting date	2021
Size	$58 billion
Maturity date	10.5 years
Type of bond framework	Sustainability-linked bond
Key Performance Indicators	**KPI 1:** GHG intensity level, tonnes CO2e/PJ (Scope 1 and 2 emissions) **KPI 2:** Representation of racial and ethnic diversity as percentage of workforce **KPI 3:** Women on board of directors
Sustainability Performance Targets	**SPT1:** Achieve a reduction in GHG emissions intensity (Scope 1 and 2) by 35% by the end of 2030 relative to the 2018 baseline. **SPT 2:** Sustainability Performance Target: Achieve a 28% racial and ethnic group representation in workforce by the end of 2025 **SPT 3:** Sustainability Performance Target: Achieve 40% representation of women on the Board of Directors by the end of 2025

Enbridge is a North American energy infrastructure company. In 2021, the company issued sustainability-linked bonds.

According to ICMA, for a KPI to be eligible, it should be aligned with the corporate strategy of the company.[33] The framework outlines three distinct KPIs related to greenhouse gas reduction, increasing ethnic and racial diversity, and gender empowerment. The KPI relating to ethnic diversity and gender empowerment are core aspects of the company's diversity and inclusion strategy. In particular, the company has prioritised board diversity and seeks to establish and maintain diversity and inclusion on the board, executive leadership and senior management levels, with an ambition of achieving at least 40% women on the Board by 2025. The commitment aims for an improvement from the 2018 baseline. The non-achievement of this aim will trigger a variation in the financial and structural characteristics of the bond.

The examples presented here are a starting point. They reflect the flexibility issuers have when integrating gender considerations into sustainable bonds. However, the real opportunity to address gender inequality lies in making gender-smart sustainable bonds the business-as-usual standard.

Chapter 2

A closer look at sustainability-linked bonds

Key steps to integrate gender into SLBs

- Include additional KPIs and SPTs
- Adapt the bond framework to support multi-KPI linked structures
- Four approaches to consider to determine trigger events:

Approach 1:
Applying a scoring scale to KPIs

Approach 2:
Achieving all KPIs

Approach 3:
Weighting KPIs

Approach 4:
Selective fulfilment of KPIs

For sustainability-linked bonds (SLBs), the integration of gender considerations requires issuers to include an additional set of key performance indicators (KPIs) and sustainability performance targets (SPTs) alongside their main sustainability KPIs and SPTs. In practice, this means that issuers need to have multi-KPI sustainability-linked structures supported by an appropriate bond framework. While this is common practice for sustainability-linked loans, the majority of SLBs issued to date have had a single KPI.[34]

The financial characteristics of an SLB can change depending on whether the issuer has achieved its predetermined SPT. How this "trigger event" is determined is particularly important for multi-KPI SLBs. Should issuers meet all SPTs outlined in their bond framework or rather try to aim for an 80% average success rate across all SPTs? Should gender KPIS be treated differently in the case of multi-KPI strictures? For example, would they always need to be met in order to ignore a coupon step-up?

SLBs are forward-looking, performance-based instruments whose financial characteristics are influenced by the achievement of predetermined KPIs. Here, the "use of proceeds" is not a determinant in categorisation, and it is not defined by the bond guidelines. This flexibility enables issuers to use the proceeds for a variety of corporate purposes, including environmental and social objectives and addressing gender inequality. Therefore, SLBs – like other sustainable bonds – can be used by corporations that seek to achieve sustainability objectives. The popularity of SLBs has increased dramatically since being accepted as eligible collateral for the credit operations of the European Central Bank in 2020.[35]

The KPI(s) should aim for material improvement to the targeted social/ environmental objectives to avoid the risk of pink washing or impact washing.

Due to their critical role, KPI(s) should be carefully chosen and be in alignment with the sustainability strategies of the issuer. Each KPI has a corresponding SPT, which establishes a benchmark that needs to be achieved by the target observation date. The KPI(s) should aim for material improvement to the targeted social/environmental objectives to avoid the risk of pink washing or impact washing.[36] Issuers should look to build reasonable and ambitious targets that will move beyond the status quo. The performance of the KPIs is tracked during the life of the bond, and they are usually audited on an annual basis. The outcome of the observation of whether the issuer has achieved the SPT(s), as outlined in its bond framework, is called the "trigger event".[37] The issuer's performance against the relevant SPT impacts the financial characteristics of the bond mainly through post-issuance pricing adjustments.

THIS CAN OCCUR IN TWO MAIN WAYS:[38]

1. Benefit mechanism (one way)	2. Penalty mechanism (one way)
A coupon "step-down" occurs if SPTs are achieved by the observation date, effectively making the cost of borrowing lower for the issuer. Investors tend to dislike this structure, as it makes the financial performance of the bond uncertain and therefore difficult to value.	A coupon "step-up" occurs if the issuer fails to achieve the SPTs by the observation date. This is the most common mechanism followed by SLBs in the market currently.

There is also a **combined benefit-penalty mechanism (two way)**, which is a combination of the two mechanisms. In this case, the issuer receives a benefit in the form of a coupon step-down if the SPTs are achieved before the observation date. On the other hand, a penalty is imposed, such as a coupon step-up, if the issuer fails to achieve the predefined SPTs.

Trigger conditions of multi-KPI SLBs

Issuers must define the trigger events and the pricing mechanisms clearly in the bond framework.

A comprehensive review of the few existing multi-KPI structures available shows that there is a lot of experimentation rather than any clear “best practices” on how trigger events of multi-KPI SLBs should be determined. This begs the question, is there a right way to design the trigger conditions of multi-KPI SLBs?

Four approaches have been used to date:

APPROACH 1

Applying a scoring scale to KPIs

KEY IDEA

The company has to achieve a predetermined percentage of each of the KPIs to avoid a coupon step-up.

APPROACH

a. Formulate a scoring scale to determine the level of fulfilment of the KPIs and convert each KPI performance to a 10-point scale.
b. Make a commitment to reaching a certain score.
c. Set a step-up margin (premium payment) which will be imposed if the score is not achieved by a certain date.

REFLECTIONS

This approach leads to better quantification of the sustainability performance and comparability across the different KPIs. However, issuers must make sure that the conversion of different units of measurement into a common scale is precise.

Example: Schneider Electric SLB

APPROACH 2

Achieving all KPIs

KEY IDEA

All SPTs must be achieved to avoid a trigger event.

APPROACH

a. All KPIs are individually linked to a trigger event that can potentially result in a financial restructuring.
b. Targets metrics used to determine the trigger events are different for each KPI.
c. All KPIs are weighted equally so all of them are prioritised equally.

REFLECTIONS

This approach lays down a strong incentive to achieve all KPIs which signals to the investor that the issuer has high sustainability ambitions.

Example: EQT sustainability-linked securities

APPROACH 3

Weighting KPIs

KEY IDEA

An innovative new model of multi-KPI SLB design whereby different weights are assigned to KPIs when determining the size of the coupon step-up.

APPROACH

a. Define a single trigger event in the bond framework, which means a trigger will occur even if one of the three KPIs does not achieve its respective SPT.

b. Assign KPIs relative to the weight of the aggregate coupon step-up.

c. Include a "fallback mechanism" in the framework that enables issuers to adjust the baseline under certain conditions, such as significant changes in corporate structure or better data availability.

d. Disclose the rationale behind assigning weights.

REFLECTIONS

Issuers may prefer the weighted approach because they might value some sustainability objectives ahead of others, or some may be easier to reach than others.

Example: H&M SLB*

APPROACH 4

Selective fulfilment of KPIs

KEY IDEA

Organisation does not need to achieve all KPIs in order to have a positive trigger event.

APPROACH

a. If at least two out of the three KPIs are achieved without "meaningfully underperforming on the third KPI" the issuer will pay a lower interest rate and facility commitment fees on the loan.

b. If two or three of KPIs "meaningfully underperform" a pricing penalty will be introduced.

REFLECTIONS

- There is no publicly available information on what constitutes "meaningful" underperformance.
- Selective fulfilment of KPIs can be considered as lenient. It means that the issuer has less incentive to focus on the KPI that is the most difficult to achieve, even if that KPI could be the most material to the organisation's sustainability strategy.
- It is imperative to therefore set ambitious minimum thresholds for all KPIs to ensure an impactful outcome of the sustainability-linked credit facility.

Example: Blackrock sustainability-linked credit facility

* N.B. This SLB did not have gender KPIs but this approach could be replicated to include gender and climate KPIs in the future. There are very few SLBs that weight KPIs differently, but it looks like the H&M SLB has set a precedent and more issuers will be following this approach.

Recommended best practices for building multi-KPI structure SLBs

The credibility of the SLB market rests on the selection of credible KPIs and their associated SPTs. The pricing mechanisms used, including the conditions for trigger events, are also an important factor when determining an SLB's credibility. Based on a review of different multi-KPI sustainability-linked structures, there are several key recommendations to consider:

1. There is no possibility to ignore KPIs

- KPIs are crucial to establish the necessary incentives to ensure material improvements in all KPIs
- The option to ignore certain KPIs is in fact against the spirit of the ICMA Sustainability-linked Bond Principles.
- Issuers should have negative consequences when they do not deliver on their gender targets

2. Preferred option is the full achievement of KPIs

- The SLB framework should require issuers to fully meet all their KPIs to avoid a penalising adjustment in the bond's structural or financial characteristics
- This signals to the market that the issuer has a high level of sustainability ambition and commensurate incentives
- All KPIs should be material to the issuer's overall business and of high strategic significance to the issuer's current and future operations

3. Partial achievement is acceptable, but only if justified

- In some cases, where committing to the full achievement of all KPIs might not be feasible (because of the specificities of the issuer's operations or structural setup) an issuer can set up a scoring scale that would require a certain percentage of achievement across the different KPIs, and potentially with different weights assigned to the KPIs.
- The issuer should be transparent on why this approach was chosen and how the different weightings were determined for each KPI.

Innovation is needed

Innovation in this work is important and should be encouraged, especially in the early stages of this asset class. It can increase the integrity of the sustainability-linked market and incentivise a wider range of companies to improve their sustainability performance, among other positive outcomes. However, as the asset class matures, there will be a need for more standardisation on how to design pricing mechanisms and determine trigger events. This would result in better comparability, more transparency, and easier assessment of sustainability ambitions across the different SLB issues.

SLBs are estimated to have jumped to USD 200 billion global issuance in 2021.[39] However, the asset class can only succeed if it avoids the emergence of non-credible, low-ambition structures. This is especially important in the early years when the market's perception of SLBs is still being shaped. Due to the feasibility of building multi-KPI structures, SLBs are also well-placed to scale up financing for gender objectives. Indeed, in 2021, there is no excuse for not issuing a gender smart SLB.

Chapter 3

A closer look at green bonds

Among the different types of sustainable bonds, green bonds are by far the largest, with a total issuance of USD 305.3 billion in 2020.[40] At the same time, green bonds are also the least likely to include any type of gender criteria in how their proceeds are allocated.[41] Perhaps this is not surprising, considering that their primary objective is to finance projects that meet the issuer's environmental objectives. While the inclusion of a dedicated gender-specific project category would not be possible in green bonds, there are different ways to ensure that the bond's proceeds are also meeting gender objectives, through the intentional introduction of a gender lens. Any gender integration must be done directly in the green bond framework.

The table below outlines the distinctions between issuing a sustainable bond and a green bond with gender considerations.

"Sustainability Bonds" versus "Green Bonds with gender considerations"

CHARACTERISTICS	SUSTAINABILITY BOND	GREEN BOND WITH GENDER CONSIDERATIONS
Key financing criteria – Use of proceeds	Green and social project categories	Green project categories that meet specific gender related eligibility and/or exclusionary criteria
Guiding principles	ICMA green bond principles (GBP) and social bond principles (SBP)	ICMA green bond principles (GBP) and other relevant guidelines and recommendations on gender equality
Eligibility criteria	It can vary depending on the objectives and priorities of the issuer.	It includes specific requirements on gender that all projects need to meet to be eligible for the proceeds of the bond.
Exclusionary criteria	It can vary depending on the objectives and priorities of the issuer.	It includes specific requirements on gender that all projects need to meet to be eligible for the proceeds of the bond.
Examples	Trianon Sustainability Bond, Islamic Development Bank Sustainability Bond, Government of Iceland Sustainability Bond[42]	City of Minneapolis green bond (see Case Study 1)

To demonstrate our proposed, innovative approach for gender integration we have outlined recommendations for each different section of the green bond framework. On the following pages we show how these hypothetical recommendations would play out in the case of two real-life, anonymised green bond frameworks of leading sustainable infrastructure providers. In each case the text in blue indicate our proposed additions to each section of the green bond framework.

In the case of both real-life but anonymised green bond frameworks presented, the proposed gender mainstreaming measures identified are not intended in any way to imply any shortcomings of the pioneering bond issuances; rather they are intended to demonstrate how gender mainstreaming considerations could feasibly be incorporated using examples of real-life green bond frameworks to enhance the thesis of this guide.

Recommendations for gender integration in each section of the green bond framework

01 Our Objectives

- Include the issuer's commitment to improving gender equality as well as the key principles and priorities of their gender and inclusion strategy that are relevant to the eligible project categories

02 Use of Proceeds

- Include gender indicators in the eligibility criteria, such as requiring all projects to have a Gender Action Plan and commitment to measurement/reporting.

  See "Choosing appropriate indicators – spotlight" on the next page for more information.
- Alternatively, bring gender into the exclusionary criteria. This means excluding projects that fail to fulfil minimum gender considerations (these should be designed to meet local contexts). Issuers with more ambitious objectives will go beyond the "do no harm concept" and impose stricter exclusionary criteria.

03 Process for Project Evaluation and Selection

- Outline how the project selection process integrates gender equality. Ask whether women's needs for capital, for products/services, and employment are being integrated and how.

04 Management of Proceeds

- Gender criteria can be applied to temporary placement of unallocated proceeds through financial instruments such as short-term debt that have a predetermined level of gender performance.
- An alternative approach could be to have a general commitment from the issuer to consider gender when investing unallocated proceeds. For instance, financial instruments, usually short-term debt, that have a predetermined level of gender performance would be eligible investment opportunities for these unallocated proceeds. For government securities, like sovereign bonds, eligibility can be determined based on the issuing country's gender equality score, such as the United Nations Development Programme's Gender Inequality Index.

05 Reporting

- The issuer should report on how they have complied with the gender criteria integrated throughout the framework.
- This may require a social, gender-focused baseline and end-line survey to be undertaken by an independent monitoring and evaluation provider.

Choosing appropriate indicators – spotlight

- Issuers can either use the same set of gender indicators across all project categories or find the most appropriate ones for each project category.
- Often, using the same set of indicators is not feasible due to the different types of investments eligible under the framework. For example, gender indicators would not be the same for investments in renewable energy developers as it would be for direct investments in infrastructure projects.
- Where companies are eligible investments, (as seen in some examples of asset managers issuing green bonds) relevant gender indicators could be:[43]
  - the percentage of women in senior management, workforce, board or founder
  - the percentage of women-owned businesses in the supply chain
  - the existence of initiatives or policies in place to advance gender equality in the workplace or on boards.
  - Thresholds for the KPIs should be specifically tailored for each sector so they are meaningful, ambitious, but also achievable.
- Where the above gender indicators are not appropriate, there are other ways that issuers can ensure credible gender integration (for example in the case of infrastructure projects, which are frequent recipients of green bond proceeds, but where there are investments with different characteristics). Issuers can:

a. Require the companies involved in the infrastructure project to meet relevant gender targets by establishing a set of universal thresholds that apply to all companies involved in the project or set different customised thresholds depending on the size, type, or role of the company. Recruitment, training, promotion of women in the workforce and positive policies and practices around safe and equitable workspaces are the highest gender integration opportunity areas in infrastructure projects. But a demonstration of where women's voices and data about women as customers/users is being used for project design is also relevant.

b. Require infrastructure projects (financed by the bond proceeds) to demonstrate an adequate level of gender integration throughout their life cycle, resulting in the implementation of a gender action plan with appropriate targets. This may translate to where women's voices are influencing project design, where women's leadership is, where employment is, and where the opportunities are for customers and suppliers.

For more guidance on appropriate indicator selection, we recommend diving into the new guide published by UN Women, IFC and the International Capital Market Association (ICMA), "Bonds to Bridge the Gender Gap: A Practitioner's Guide to Using Sustainable Debt for Gender Equality", which includes a selection of illustrative use-of-proceeds examples provided.[44]

Green Bond 1:
Renewable energy company

For context, the company is a power producer developing, operating, and acquiring renewable energy generation projects in South and Southeast Asia. In its green bond framework, the company commits to using the proceeds from the bond to finance or refinance new or existing renewable energy projects in line with its eligibility criteria. The framework currently does not include any gender equality or other diversity-related objectives. For each section of the green bond framework we have noted (in blue) the proposed changes to the bond framework:

01

Our Objectives

For example, to integrate gender in the current "Our Objectives" section, the sentence in blue could be added:

"The objective is to grow our portfolio of generation facilities via developing, acquiring, owning and operating long-term contracted clean power generation facilities in our key markets that have a longstanding commitment to renewable energy as an integral segment of their power generation capacity and promote gender equality through the integration of gender considerations throughout the projects' life cycle."

02

Use of Proceeds

For example, Gender Integration in the company's Eligibility Criteria:

"Gender considerations must be mainstreamed in all projects financed or re-financed with the bond proceeds. This must at least include the following components:

- ***Gender analysis*** *– examining the roles and activities, resources and constraints, and benefits and incentives of women and men affected directly or indirectly by the project.*
- ***Gender action plan*** *– outlining recommended activities that address the gender-based constraints and opportunities identified during the gender analysis. It includes specific activities, targets, responsible actors, and timebound indicators to measure progress and outcomes.*
- ***Gender-sensitive environmental and social impact assessment*** *– assessing the type and scale of potential impacts caused by the project on nature and society."*

03 Process for Project Evaluation and Selection

For example, the second part of the "Process for Project Evaluation and Selection" paragraph could be extended the following way:

"Projects will then be further evaluated and selected based on, but not limited to, (i) The Objectives; (ii) Commercial Feasibility; (iii) Stakeholder Consultation and Impact on the Community; (iv) Risk and Key Mitigations (v) Environmental, Social and Health and Safety (ESHS) in accordance with IFC Performance Standards; (vi) Anti-Corruption And Anti-Discrimination Standards; (viii) Potential Avoidance of GHG Emissions; (ix) Impact on Gender Equality with a Focus on Women's Economic Empowerment."

04 Management of Proceeds

For example, the bond framework could consider gender by modifying the last sentence of the "Management of Proceeds" section in the following way:

"Any unallocated proceeds may be deployed at the Company's discretion in cash or cash equivalent instruments, in accordance with the Company's investments and treasury policy. The Company will prioritise investments with above-average gender performance."

05 Reporting

"Until full allocation, the Company will disclose on an annual basis:

I. total amount of proceeds allocated to Eligible Green Projects (on a portfolio basis);

II. the list of Eligible Projects to which the proceeds have been allocated (or reallocated);

III. a brief description of the Eligible Projects, and their expected impact (inclusive of, but not limited to, installed capacity, electricity generation, and GHG emissions reductions and gender equality);

its confirmation that the use of proceeds, are consistent with the Green Bond Framework."

Green Bond 2:
Green buildings

To illustrate another context in which the principles above can be used, we have made suggested amendments to a Southeast Asian real estate developer's green bond framework. This specific framework has additional opportunities for gender integration within the "Use of Proceeds" and "Reporting" sections.

For context, all buildings constructed by the company aim to achieve both national and international green building certifications, demonstrating the company's commitment to tackling climate change. However, the building sector does not have any gender equality standards that are applied across the supply chain. It is therefore important to establish appropriate gender equality considerations within individual bond frameworks to ensure inclusivity and safety.

01

Our Objectives

An addition can be made to the objective section in the following way as indicated in the blue text:

"In line with the company's approach to sustainability, it has established this Green Finance Framework under which the company can issue debt financing instruments including, inter alia, green bond(s), loan(s) and private placement(s) to finance or refinance new and/or existing Eligible Green Projects (henceforth referred to as 'Eligible Green Projects') promoting environmental progress, and social progress by promoting gender equality."

02

Use of Proceeds

Beyond the existing commitments to environmental objectives the framework can also contribute to SDG 5 on gender equality by requiring all projects to have a gender action plan (GAP) with project-specific gender targets. Projects that don't have a GAP developed during the project proposal phase should be ineligible to receive bond proceeds.

Developing a Gender Action Plan – spotlight

As introduced in our box-out on gender mainstreaming, the development of a GAP introduces gender considerations into critical decision-making elements like the allocation of resources. An initial gender and social assessment should be included with the funding proposal which will identify clear objectives and assign accountability among stakeholders.

To propose the development of a GAP, the following proposed modification to the existing green bond framework can be made, as shown in blue on the next page:

02 Use of Proceeds CONTINUED

"The eligible use of proceeds contributes to three main environmental objectives, i.e., climate change mitigation, promotion of green buildings and environmentally sustainable management of land. For a project to be eligible for proceeds a gender action plan consisting of the following components is to be submitted with the funding proposal:

- ***Preliminary gender analysis:** A gender equality analysis of the region, country, or project area, as well as actions required to address any shortcomings and risks, including Sexual and Gender Based Violence (SGBV). This may include an understanding of the gender differentiated needs of women versus men as owners, leaders, employees, suppliers, customers, or the community influenced by the project.*
- ***Planned steps:** Based on the preliminary gender analysis, steps for mitigating social safeguarding risk and building on opportunities for promoting gender equality for economic empowerment and/or transformational change can be planned. This project-planning process will require issuers to determine the following based on the local context:*
  - *Relevant gender performance indicators*
  - *Sex-disaggregated targets set with reference to sex-disaggregated baseline data collection*
  - *Timelines*
  - *Responsibility lines*
  - *Budget against each proposed activity"*

Issuers can include the relevant gender indicators either as eligibility criteria (as described above) or exclusionary criteria. This means excluding projects that fail to fulfil minimum gender considerations, like gender balance within teams, women in leadership positions, equal wages for women, availability of childcare at workplace, paid maternal and paternal leave, and the existence of a sexual harassment policy and complaints mechanism.

For example, the framework could include the following sentence:

"The following projects/activities are ineligible for the use of proceeds under this Framework:

1. *Projects/activities that fail to fulfil minimum gender considerations (as defined by issuer)*
2. *Fossil fuel power generation ..."*

03 Process for Project Evaluation and Selection

For example, the following modification can be made to the framework:

"Projects financed and/or refinanced through the Framework are evaluated and selected based on compliance with the eligibility criteria by the company's Sustainability Committee which is composed of members of the following departments within the company: (1) Business and Project Development; (2) Technical Services; (3) Property Management; (4) Finance (5) Sustainability and (6) Strategic Funding and Investments. The company's Sustainability Committee will hold regular consultations with other parties within the organisation or third parties to be nominated as subject matter experts as may be required. To ensure representation of women on the committee in order to present a diverse range of perspectives, a gender-balanced representation on the committee should be aimed for, if not, at least a minimum of 30% female representation should be ensured."

Additionally, gender-sensitive grievance procedures should be mandated to process complaints into the objectives of the bond. The following change could be made to the framework (in blue):

"This Framework outlines the criteria and guidelines for the allocation of proceeds of green financing instruments as per the following standards:

- *International Capital Market Association ('ICMA') Green Bond Principles 2018*
- *ASEAN Capital Markets Forum ASEAN Green Bond Standards 2018*
- *Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association Green Loan Principles 2018*

In addition to the above standards, the framework also seeks to uphold a mandatory 'Supplier Code of Conduct' established by the company to respect human rights, environmental sustainability, and business integrity throughout the supply chain. Any supplier working with the company should have to meet the requirements of this code to supply goods/services to the company."

04 Management of Proceeds

The framework clarifies that the exclusionary criteria apply even to the unallocated proceeds. This way, issuers are incentivised to have a clear and defined plan to encourage gender equality during the various life cycles of the project.

05 Reporting

At present, the framework mandates reporting upon two indicators – allocation and impact.

Allocation Reporting ensures that allocations are transparently reported upon to ensure that proceeds go toward the Eligible Green Portfolio. In addition to this, issuers should report on gender indicators in the following way:

"The allocation report will provide:

- *Amount or percentage of allocation to the Eligible Green Portfolio*
- *Percentage of net proceeds allocated to financing new and existing projects, including the share of refinancing reported at the category level*
- *Examples of projects being financed (subject to confidentiality considerations)*
- *Balance of unallocated proceeds*
- *Initiatives funded to improve gender equality during the project design, construction, and/or ongoing operations and maintenance phases."*

Impact Reporting seeks to report on environmental impacts of the projects funded under the framework. Gender equality impacts can also be included in the reporting section of the framework in the following way:

"The impact report may provide relevant indicators, for example (can be on or more):

- *Green buildings: type of certifications and number of buildings in each type, estimated annual reduced and/or avoided emissions in tons of CO2 equivalent vs. the city/country benchmark*
- *Evidence of types of incentives and targets designed to recruit and retain women; increase their capacity, especially in non-traditional roles; and provide career development support to move into leadership roles.*
- *Number/percentage of women receiving training provided by the program/project and are subsequently placed in jobs, for example, via vocational training and skill workshops, safety and awareness drives."*

Concluding thoughts on integrating gender considerations into green bonds

The selection of appropriate gender criteria within green bond frameworks is the key to success. Gender criteria need to be relevant and applicable across all the eligible projects. As bond frameworks are normally used for multiple bond issues, they also need to be written in a way that enables flexibility to the issuers in project selection.

To ensure that gender integration is not seen as a limiting factor it is recommended to intentionally keep the type of eligible projects broad. For example, for the renewable energy company's framework to say that *"All net proceeds from the issuance of Green Bonds by the company will be allocated to refinancing and/or investments in a portfolio of renewable energy projects including,* ***but not limited to****, the following Eligibility Criteria."*

To ensure that gender indicators stay relevant across different projects, the gender components of green bond frameworks should be in the form of a general, high-level requirement on gender integration. Examples of high-level requirements include undertaking gender analyses, the development of gender action plans, and making ongoing reporting on implementation mandatory.

In the case of other types of sustainability debt, such as sustainability bonds and sustainability-linked bonds, specific gender indicators play a more prominent role in the framework. When considering credible gender integration, it is paramount to start with an analysis of the need and opportunities of women. This means understanding the gender differentiated needs of women as customers – whether as:

- a rider on green public transit,
- a woman in a climate-related SME receiving finance through banks,
- customers in an energy project,
- producers in climate-smart agriculture,
- or women's leadership or employment in a corporate bond issuer.

Starting with an analysis of the needs and opportunities is paramount, and will foster an understanding of the extensive opportunities for interventions that can be considered, from gender sensitive human capital practices to gender sensitive service design.

> *To ensure that gender indicators stay relevant across different projects, the gender components of green bond frameworks should be in the form of a general, high-level requirement on gender integration.*

Although the integration of gender considerations into green bond frameworks is in its infancy, the size of the prize for mainstreaming these approaches is significant. The examples in this chapter are of direct issuances, but given the amount of capital moving through vehicles like green bond funds, going forward it will be important to consider what these funds might look like with a gender lens. The following chapter will share our reflections on how to overcome some of the key barriers that lie ahead.

Chapter 4

Challenges and next steps

Remaining challenges

This guide seeks to demystify an emerging space within the sustainable bond ecosystem by highlighting the opportunity of gender mainstreaming. We have illustrated step-by-step processes to integrate gender considerations in sustainable bonds regardless of their thematic focus and signposted additional resources to support a variety of actors in translating their commitment to gender integration across sustainable finance instruments into action.

But challenges remain. GenderSmart hosted a consultation with a group of experts in the field (including bond issuers, gender finance experts, and sustainable finance experts) and the group identified the following challenges:

1. **Convincing issuers that despite adding a level of complexity to the issuance process, it is in their interests to integrate gender considerations.**
   To counter a belief that integrating gender merely adds complexity, more work needs to be done to build the business case and convey how these approaches are additive and have long term financial and social value.

2. **Lack of technical know-how of issuers on gender and climate.**
   Issuers will have to develop their own capacity internally to understand how to integrate gender credibly. One idea is to consider upskilling and capacity building on gender as a necessary addition to climate and green upskilling programmes already underway.

3. **Additional costs associated with gender integration.**
   Specific budgets will need to be earmarked for the development and implementation of capacity building on gender, or the creation and implementation of comprehensive gender action plans. Quality, budgeted action plans with clearly defined KPIs and results metrics will be important for ensuring that the analysis goes beyond "ticking boxes".

4. **Developing the right incentives.**
   To increase the speed and take-up of these approaches, incentives for issuers need to be better defined and articulated.

5. **Make guidance for bond issuers specific and actionable.**
   To support issuers on their journey, it would be useful to create an example of a gender action plan for companies or infrastructure projects in different sectors, e.g., renewable energy companies. Outlining project, sector, or thematic specific KPIs is going to be an important next step in helping issuers.

Recommendations for stakeholders

Addressing the remaining challenges will require bold leadership from and increased collaboration between all stakeholders. It is important to note that the first movers in this space will inevitably bear more of the cost with defining processes, setting up the structures, and issuing new types of bonds, despite the risks. However, being a first mover will also set issuers apart, distinguishing them from others in the crowded sustainable bond space. In general, there is a need to clearly articulate and communicate the business and impact case for gender integration to issuers and investors in all bond types.

We have articulated some specific recommendations for certain stakeholders in the sustainable bond ecosystem:

For issuers

Demonstrate strong leadership by articulating a clear mandate to embed gender integration across standards and evaluation processes to create incentives and accountability.

For underwriters and transaction advisors

Highlight best practices for the integration of gender considerations and encourage their widespread adoption.

For standard setting organisations

Promote the integration of gender considerations in relevant sustainable bond principles and guidelines.

For consultancies and advisory companies

Provide support for issuers on defining business relevant and ambitious gender KPIs and assist issuers on gender integration throughout the sustainable bond issuance process. These organisations can also create tools to equip green companies in understanding how gender action plans can be built and implemented in a way that is relevant to their specific sectors, geographies, and projects.

For ecosystem builders

Create and amplify best practice case studies and examples to build the market for gender smart sustainable bonds, regardless of their thematic focus. This can include highlighting pilot projects that demonstrate where gender integration has worked and can work, or adopting best practices for bonds they are working on to establish baselines. This can be a valuable way to start conversations and build deeper engagement in the future.

For all stakeholders in the sustainable bond ecosystem

Collect gender disaggregated data to improve gender analysis and reporting to build evidence on the benefits of integrating gender in sustainable bond issuances.

This work is still nascent. We need to continue to demonstrate the urgency and importance of this work. Although the integration of gender into social, sustainability and sustainability-linked bonds appears to be the lower hanging fruit, as their frameworks are ready to incorporate of gender elements, our belief is that the green bond market is where the greatest potential for impact lives.

There are many diverse issuers with different objectives and targets and the market is still struggling to help people to separate the good green issuers from those who are not so good (or even greenwashing). In this environment, adding in a gender lens can be a market differentiator for those who are credible on environmental issues, but now also want to demonstrate that they have something special which can be positioned as cutting-edge to investors.

Government issued green bonds are fundamental to building the market for gender smart sustainable bonds. A successful sovereign green bond with a gender lens could encourage DFIs and commercial players to realise the benefits of this integrated approach for longer term, sustainable impacts.

This is just the beginning of a conversation with sustainable bond market participants. We look forward to engaging with you on this important agenda moving forward.

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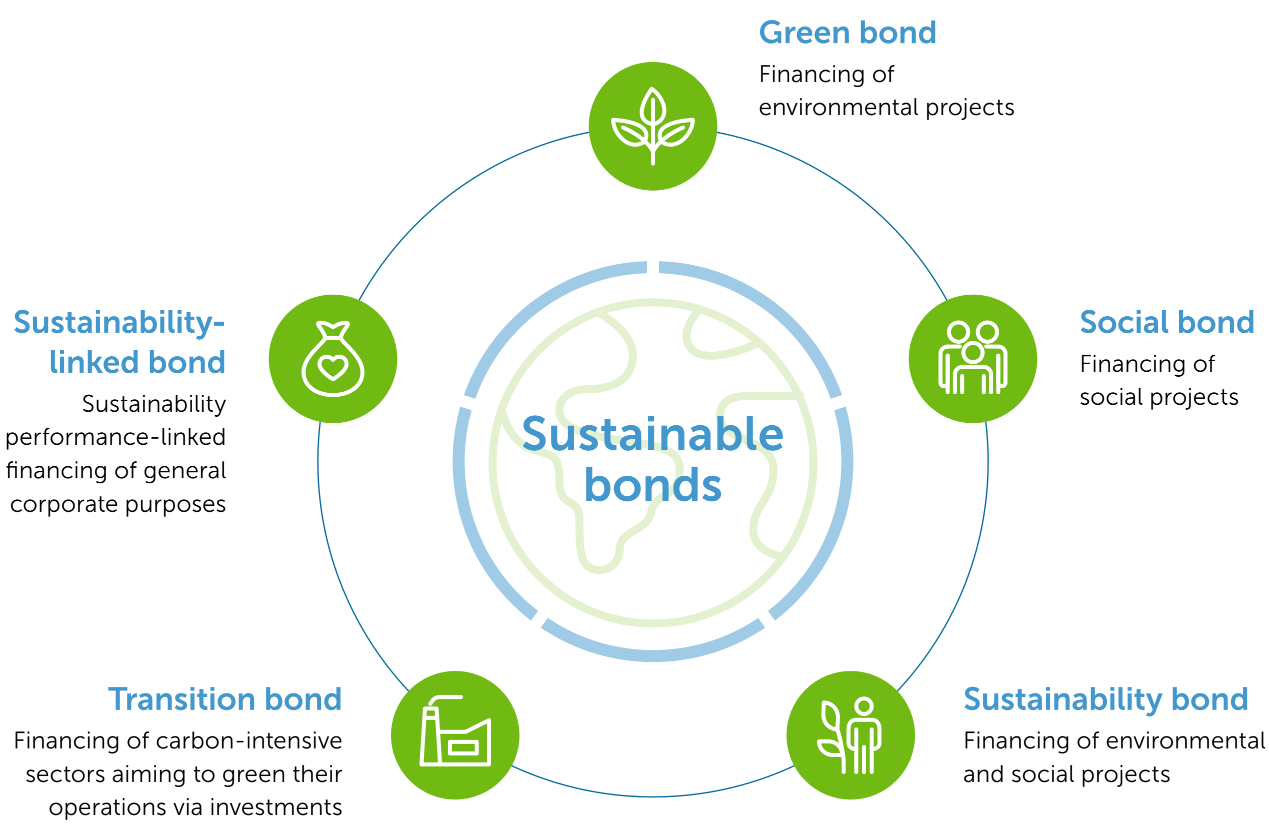
Appendix

Defining bond types and processes

Sustainable bond types

Sustainable bonds **are bonds where the proceeds will be used for projects that bring about sustainable development outcomes including mitigation and adapting to the adverse effects of climate change. There are several financial concepts related to sustainable bonds, such as "green bond", "social bond", "sustainability bond", "transition bond", and "sustainability-linked bond." It is commonly understood that each of these concepts represents a subset of sustainable bonds.**



Key features of different sustainable bond types[45]

	OBJECTIVES AND KEY FEATURES	APPLICABLE STANDARDS	POTENTIAL ISSUERS
Green Bond	Raise proceeds to finance or refinance green projects.	• Green Bond Principles (GBP) (ICMA), 2014 (updated 2018) • ASEAN Green Bond Standards (GBS) by ASEAN Capital Markets Forum (ACMF), 2017 (revised 2018) • Climate Bonds Standard (CBS) by Climate Bonds Initiative (CBI), 2017 (updated 2019)	Any industry with establishes green solutions such as renewable energy, transportation, water management and green buildings.
Social Bond	Raise process to finance or refinance social projects. A sub-category of social bonds are gender bonds, which aim to improve gender equality.	• Social Bond Principles (SBP) (ICMA), 2018 (updated 2020) • ASEAN Social Bond Standards by ACMF, 2018	Any industry as social bonds address wide-ranging social issues such as access to essential services, employment, pandemic recovery, etc. Majority of the social bonds issued in 2020 were from government-backed entities.
Sustainability Bond	Raise proceeds to finance or refinance a combination of social and environmental projects.	• Sustainability Bond Guidelines 2018 (ICMA) • ASEAN Sustainability Bond Standards by ACMF, 2018	Any industry as sustainability projects are wide-ranging. Majority of the sustainability bonds issued in 2020 were from development banks.
Transition Bond	Raise proceeds for carbon-intensive sectors aiming to green their operations via investments, but do not fulfill the strict definition of a green or social project.	• AXA Guidelines for Transition Bonds, 2020 • Financing credible transitions (White Paper) by CBI, 2020 • Climate transition Finance handbook by ICMA, 2020	Carbon-intensive industries such as traditional energy, transportation and agriculture trades.
Sustainability-linked Bond	• Sustainability performance-linked financing for general corporate purposes. • Set sustainability performance targets (SPTs) that are in line with the borrower's overall sustainability goals.	• SLB Principles (SLBP) 2020 (ICMA)	Any industry with sustainability/ ESG objectives.

A summary of different sustainable bond frameworks

Use-of-Proceeds Bonds

Bonds that direct the proceeds exclusively towards particular environmental and/or social project categories are termed "use-of-proceeds" bonds. Some examples of these instruments are green bonds, blue bonds, social bonds, gender bonds and sustainability bonds. Most use-of-proceeds bonds follow a typical framework of four core components established by voluntary guiding principles set by the International Capital Markets Association (ICMA).

1. Use of Proceeds

The cornerstone of these bonds is the exclusive utilization of the proceeds of the bond for the financing/refinancing of "green", "blue", "social" projects. Sustainability bonds also permit the proceeds to be used for a combination of social and environmental themed projects. The project categories should provide clear environmental, and/or social benefits, which will be assessed and where feasible be quantified by the issuer.

To this end, the guiding principles by ICMA provide several categories of eligibility that address key areas of environmental and social concern. For instance, eligible green projects include renewable energy and pollution control; eligible social projects include gender empowerment and affordable housing, amongst others. This list is indicative and non-exhaustive.

2. Process for Evaluation and Selection

In this section of a bond framework, the issuer is required to outline a process to determine how the projects fit within the eligible project categories and the related sustainability objectives. The ICMA bond principles encourage a high level of transparency and recommend an additional external review assessing the process of project evaluation and selection.

3. Management of Proceeds

As long as the bonds are outstanding, the balance of the tracked proceeds should be periodically adjusted to match allocations to eligible projects made during the period. The issuer should communicate the intended types of temporary placement for the balance of unallocated proceeds. In order to maintain a high level of transparency, the management of proceeds should be supplemented with an auditor or third party to verify and track the allocation of funds.

4. Reporting

Issuers are recommended to report annually reviewed information on the use of proceeds until the full allocation. This includes a list of the projects to which the proceeds should have been allocated as well as a brief description of the projects and amounts allocated and their expected impacts.

Transparency is key while communicating the expected impacts. The GBP recommends the disclosure of qualitative and quantitative performance indicators to measure key KPIs. However, the details disclosed can be modified depending on the sensitivity of the information.

An external review can either be partial – covering certain aspects of the bond – or a full assessment of all four components of the bond principles. ICMA principles recommend the public disclosure of this external review.

Performance-Based Bonds

Sustainability-linked bonds are forward-looking bond instruments whose financial/structural characteristics depend upon the issuers' achievement of predefined sustainability/ESG objectives. These bonds incentivise issuers to commit to future improvements in sustainability within a set timeline. To achieve ambitious, material, quantitative, predetermined and externally verified sustainability objectives one or more KPIs and SPTs are set as commitments.

Unlike the traditional use of proceeds bonds, SLBs can have a corporate focus without having a thematic focus The ICMA has issued voluntary guidelines in the form of sustainability-linked bond principles (SLBP) that recommend structuring, disclosure and reporting of the bond. The principles are applicable to all types of issuers and any type of capital market instruments. Depending upon the chosen KPIs, issuers can choose to combine green bond principles and/or social bond principles with the sustainability-linked bond principles.

1. Selection of KPIs

The credibility of an SLB rests on the selection of one or more KPIs. The KPIs have to be material to the issuer's core sustainability and business strategy, addressing relevant environmental, social and/or governance challenges of the industry sector. This section outlines the relevance of the selected KPIs, its quantification, verifiability and benchmarking against the levels of ambition established in the SPTs. A clear definition of the KPIs, applicable scope and calculation methodology benchmarked against industry standards is provided by the framework.

2. Calibration of Sustainability Performance Targets (SPTs)

The process of calibration of one or more SPT(s) per KPI is key to structuring the SLB since it expresses the level of ambition the issuer seeks to commit to and considers realistic. To be termed as ambitious, an SPT should present a material improvement beyond "business as usual" practices, be comparable with external benchmarks, be consistent with the issuer's sustainability strategy, and be determined on a predefined timeline set before or during the issuance of the bond. Target setting should be based on a combination of benchmarking approaches including the issuers' own performance over a minimum of three years, the issuer's peers and best-practices, as well as the scientific relevance of targets. Disclosures on target setting should make clear references to timelines for target achievement, a verifiable baseline and exceptional adjustment, and highlight the key actions expected to drive performance towards the SPTs and any other actions under the control of the issuer that could directly impact the achievement of the SPTs. The SLBP also recommends seeking external reviewers and second party opinions before and after the issuance of the bond to assess the relevance, robustness, and reliability of selected KPIs and rationale following the selected SPTs and baselines.

3. Bond characteristics

The cornerstone of an SLB is its dynamic nature and ability to restructure the financial characteristics based on the level of achievement of KPIs. The potential variation of the coupon is the most common example, however other structural and financial variations can also be used. Unless confidential, any fallback mechanisms or exceptions should be explained and communicated to the investor transparently under this section.

4. Reporting

This section mandates the regular reporting of:

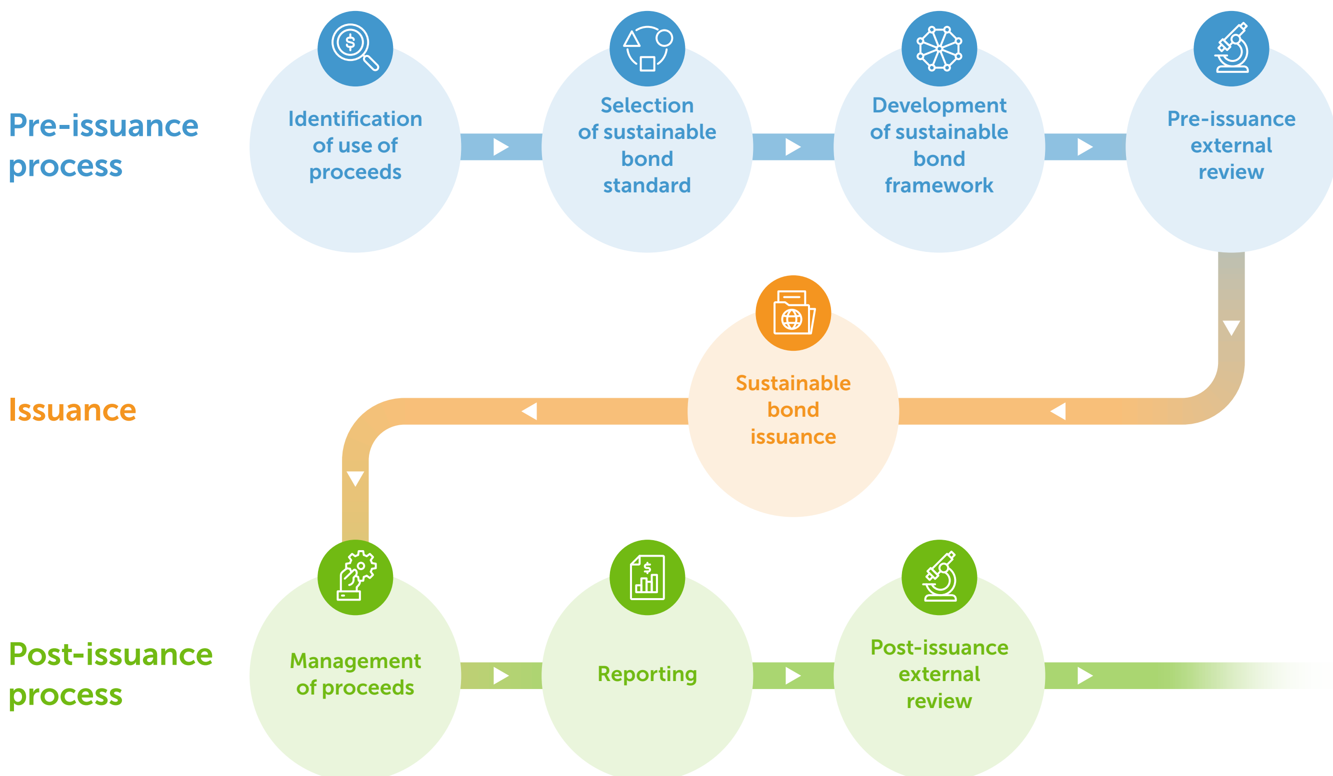
- updated information on the performance of the selected KPIs,
- a verification assurance report related to the SPT outlining the performance against the SPTs and related impact on the structural and financial characteristics,
- and any information enabling investors to monitor the level of ambition of the SPTs.

5. Verification

Issuers are required to seek external verification of their performance against each SPT for each KPI by a qualified external review with relevant expertise at least once a year or in any case for any period relevant for assessing SPT performance. This includes reviewing a potential adjustment of the SLB financial and or structural characteristics until the SPT trigger has been reached. This verification against the SPTs should be made publicly available. While the pre-issuance external review in the form of a second party opinion is recommended, a post-issuance verification is mandated by the SLBP.

What does the issuance process look like for a use-of-proceeds bond?

A standard use-of-proceeds bonds issuance process consists of the following steps:



Pre bond issuance process

1. Identification of use of proceeds	The first step the issuer should take prior to issuing a use-of-proceeds bond is to identify how the proceeds from the sustainable bond are to be used i.e., identify the relevant projects or assets to be financed or refinanced by the bond. Sustainable bonds can be classified as 'allocated' or 'unallocated'. Allocated bonds are where the proceeds from the bond will be spent in full on specific and pre-identified projects. Unallocated or partially unallocated bonds are where the proceeds from the bond will be spent within a defined time frame to fund a range of projects or assets that are not necessarily all identified at the time of issuance. The sustainable bond framework is of particular importance as it will describe the types of projects and assets eligible for the use of proceeds and give confidence to investors that the proceeds will eventually be allocated to the right asset class to deliver impact.
2. Selection of sustainable bond standard	Currently, there are no universally agreed standards for a sustainable bond framework and the activities it can fund. Issuers can, however, refer to several widely adopted standards published by ICMA, ACMF, and CBI, for guidance in drafting their sustainable bond framework.
3. Development of sustainable bond framework	Issuers are required to prepare a document that outlines the principles governing the issuance process.
4. Pre-issuance external review	The ICMA Principles recommend that issuers appoint an external reviewer or reviewers to confirm alignment of their bond with the selected standard. Independent external reviews may vary in scope and may address a sustainable bond framework, an individual sustainable bond issuance, the underlying assets and/or procedures.

Bond issuance

Sustainable bond issuance	The preparation for a sustainable bond offering is similar to that of a conventional bond as the difference between the two is the intended use of proceeds and not the issuance process itself. The preparation of the offer includes preparation of a series of documents to support the issuance such as prospectus, rating report (optional), audited financial statements, etc. Once the offer is structured, the issuer will present it to potential investors through road shows, with the support of underwriters. Investors will then sign the subscription agreement and receive the bonds from the issuer in exchange for payment of the purchase price of the bonds.

Post bond issuance process

1. Management of proceeds	Once the sustainable bond proceeds are received, issuers need to allocate proceeds to the nominated projects and track their allocation in accordance with the method stated in the framework.
2. Reporting	Similarly, issuers should report the use of proceeds as often as indicated in their sustainable bond framework. More information on the format of post-issuance reporting for each type of sustainable bond can be found in its respective section.
3. Post-issuance external review	Similar to the pre-issuance external review, issuers are recommended to engage reviewers to undertake an assessment of the sustainable bond issued.

LEARN MORE ▷

More detailed definitions or the sustainable bond issuance process can be found in the *Sustainable Bond Issuance Guide* published by Thailand's Securities and Exchange Commission.[46]

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