WOMEN’S LIVELIHOOD BOND 3

SOCIAL BOND PRINCIPLES

FRAMEWORK OVERVIEW AND SECOND PARTY OPINION

BY IIX GLOBAL CHARITABLE LIMITED

10 December 2020

www.iixfoundation.org
Disclaimer

All rights reserved. No part of this Second Party Opinion (also called “Opinion”) may be reproduced, transmitted or published in any form or by any means without the prior written permission of IIX Global Charitable Limited.

This document has been prepared by IIX Global Charitable Limited with the aim to summarize our analysis of the alignment of the Women’s Livelihood Bond with the Social Bond Principles developed by the International Capital Markets Association. Consequently, this document is for information purposes only, and IIX Global Charitable Limited will not accept any form of liability for the substance of the Opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, IIX Global Charitable Limited does not warrant that the information presented in this document is complete, accurate or up to date.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in any securities or include any companies in investable universes and/or portfolios. Furthermore, this Opinion shall in no event be interpreted or construed as an assessment of the economic performance or credit worthiness of the bond.

The issuer is fully responsible for ensuring its commitments to compliance, implementation and monitoring.

All images used in this document are with written permission from the individual being photographed or give attribution to the organizations which own the distribution rights.
# Table of Contents

EXECUTIVE SUMMARY .................................................................................................................. 4

1 OVERVIEW OF THE WOMEN’S LIVELIHOOD BOND™ 3 .......................................................... 6

1.1 WOMEN’S LIVELIHOOD BOND™ SERIES ............................................................................. 6
1.2 WOMEN’S LIVELIHOOD BOND™ 3: ISSUER AND KEY IMPLEMENTATION PARTNERS .......... 8

2 COMPLIANCE WITH APPLICABLE PRINCIPLES AND STANDARDS ........................................ 11

2A ICMA SOCIAL BOND PRINCIPLES - EXTERNAL REVIEW FORM ............................................. 11

2A.1 BASIC INFORMATION ............................................................................................................... 11
2A.2 REVIEW OVERVIEW ................................................................................................................ 11
2A.3 USE OF PROCEEDS ................................................................................................................ 12
2A.4 PROCESS FOR PROJECT EVALUATION AND SELECTION .............................................. 13
2A.5 MANAGEMENT OF PROCEEDS ............................................................................................. 14
2A.6 REPORTING ............................................................................................................................ 15

2B ASEAN SOCIAL BOND STANDARDS ......................................................................................... 19

BRIEF OVERVIEW OF WLB 3 COMPLIANCE ............................................................................ 19

3 ADDITIONAL INFORMATION ....................................................................................................... 21

3.1 IMPACT ASSESSMENT FRAMEWORK ...................................................................................... 21
OUTPUTS ("OP") ............................................................................................................................. 22
PRIMARY OUTCOMES ("OC1") ........................................................................................................ 23
SECONDARY OUTCOMES ("OC2") ................................................................................................ 24
TERTIARY OUTCOMES ("OC3") .................................................................................................... 25
3.2 BUILDING COVID-RESILIENCE AND MAPPING TO THE UNITED NATION’S SUSTAINABLE DEVELOPMENT GOALS................................................................. 27

CONCLUSION ................................................................................................................................. 29

ANNEX A – NEGATIVE SCREENING CRITERIA BASED ON DFC EXCLUSION LIST (PREVIOUSLY KNOWN AS USAID) .............................................................................................................. 31
Executive Summary

IIX Global Charitable Limited is a Singapore registered charity (No. 201006538Z) with expertise in impact measurement, gender-lens analysis and sustainable development. The purpose of this document is to opine on the compliance of the Women’s Livelihood Bond™ 3 (WLB 3) with the International Capital Markets Association’s (ICMA) Social Bond Principles (SBP) as well as with the ASEAN Capital Markets Forum’s Social Bond Standards (SBS). The WLB 3 is an innovative debt security with a mission to drive forward the United Nation’s Sustainable Development Goal (SDG) 5: Gender Equality. The WLB 3 is part of a ~US$150 million bond program; this document provides a Second Party Opinion to be issued by WLB Asset II B Pte Ltd (hereafter referred to as WLB 3). The WLB 3 is expected to impact between 175,000 and 185,000 female beneficiaries and generate a social return of ~US$4 for every US$1 invested.

Based on our analysis of WLB 3, IIX Global Charitable Limited finds that the WLB 3 is in compliance with the ICMA’s SBP per the most recent guidelines available (updated as of June 2020) and with the ASEAN Capital Markets Forum’s ASEAN Social Bond Standards. As part of this analysis, IIX Global Charitable Limited held conversations with relevant members of the portfolio management team from Impact Investment Exchange Pte. Ltd. (IIX) – the Portfolio Manager engaged to evaluate and recommend the selection of projects to be funded with the proceeds of the WLB 3 – and reviewed relevant public and internal documents provided by the Portfolio Manager and the underlying Borrowers. A summary of the IIX Global Charitable Limited’s conclusion regarding the WLB 3 compliance with the SBP’s four core tenets is as follows:

- **Use of Proceeds**: The WLB 3 proceeds will be used to make loans to eight underlying Borrowers who will collectively drive forward the United Nation’s Sustainable Development Goal 5: Gender Equality. Over its four-year tenor, the WLB 3 is expected to support the socio-economic empowerment of between 55,000 and 65,000 underserved women (direct beneficiaries) by transitioning them to sustainable livelihoods, and to impact an additional 115,000 and 125,000 women and girls (indirect beneficiaries) through enhanced multi-generational impact, community resilience and climate action.

- **Process for Project Evaluation and Selection**: The Portfolio Manager conducts a rigorous social and financial due diligence on potential underlying Borrowers of the WLB 3 and uses a set of screening criteria which have been jointly agreed upon with the United States International Development Finance Corporation (DFC). The Portfolio Manager clearly communicates the social objectives of the WLB 3, the screening criteria used, and the portfolio selection process to investors through the Information Memorandum to ensure transparency.

- **Management of Proceeds**: The proceeds of the WLB 3 will be tracked by the Portfolio Manager in an appropriate manner. The issuer (WLB Asset II B Pte. Ltd.) is a Special Purpose Vehicle (SPV) established specifically to issue the bonds and make the loans to the underlying Borrowers. As such, all of the proceeds will be used for the purposes of the bonds. The SPV will be required to return any unallocated portion of the proceeds to bondholders.

- **Reporting**: The Portfolio Manager will monitor the impact performance of the underlying Borrowers throughout the life of the bond and will provide the following reports: (i) semi-annual impact reporting based on self-reported data from underlying Borrowers; (ii) annual impact reporting based on verified data and field visits to interview end beneficiaries; and (iii) ad-hoc announcements on the Singapore Exchange in case of any material changes to the underlying portfolio.

The remainder of this document is divided into three main sections. The first section provides an overview of the Portfolio Manager, the WLB 3 structure and its expected social impact on underserved women beneficiaries. The second section outlines IIX Global Charitable Limited’s opinion of the WLB 3’s consistency with the SBP using the official ICMA format, which includes an overview of the Bond’s alignment with each of the SBP four core tenets. This section also includes a discussion of how the WLB 3 complies with the ASEAN Social Bond Standards. The third section contains key information provided by the Portfolio Manager that was used to conduct IIX Global Charitable Limited’s analysis; this includes (i) the impact assessment framework used to evaluate gender-lens outcomes; and (ii) a mapping to the United Nation’s (UN) Sustainable Development Goals (SDGs). The summary briefly outlines IIX Global Charitable Limited’s key findings and reiterates the expected impact of the WLB 3 in advancing SDG 5: Gender Equality by creating sustainable livelihoods for underserved women in Asia.
SECTION 1
1 Overview of the Women’s Livelihood Bond™ 3

1.1 Women’s Livelihood Bond™ Series

Using Innovative Finance to Build Gender Equal Capital Markets: The Women’s Livelihood Bond™ Series is a series of innovative debt securities that mobilize private capital to invest in a multi-country, multi-sector portfolio of women-focused enterprises that balances risk, return and impact. The mission of the WLB series is to transform the narrative of women as victims of poverty and inequality to empowering them as solutions to sustainable development that create multi-generational impact, drive climate action and build COVID-resilience. The WLB 3 is closely aligned to the United Nation's Sustainable Development Goal (SDG) 5: Gender Equality by transitioning women to sustainable livelihoods and advances 12 other SGDs as outlined in Section 3. A livelihood is sustainable when it can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, provide earning opportunities for the next generation and contribute to wider development goals.

Track Record: In 2017, Impact Investment Exchange Pte. Ltd. (IIX) developed and launched the first bond in the series, the WLB 1, the world’s first gender-lens, impact investing instrument to be listed on a stock exchange (Singapore Exchange) and quoted on Bloomberg (ISIN: XS1476571614). WLB 2 was issued in January 2020 (ISIN: XS2092263081). The WLB 1 and WLB 2 mobilized US$20 million in total of private sector capital helping underserved (low-income, rural, financially excluded) women to transition from subsistence to sustainable livelihoods, thereby advancing the United Nations’ Sustainable Development Goal (SDG) 5: Gender Equity. To date, both Bonds have had no defaults and all coupon payments to bondholders have been paid on time.

Current Issuance: Based on the success of WLB 1 and WLB 2, IIX is now scaling the WLB Series with WLB 3, that will be issued in Q4 2020. While constructing the WLB3 portfolio, IIX collected ~3000 data points and connected with over 500 women to verify the impact of the Portfolio Companies using a combination of virtual field visits and IIX Values™, IIX’s digital assessment tool. This enabled IIX to map the impact of the WLB3 portfolio to 13 SDGs and estimate a Social Return on Investment of ~$4 for every $1 invested. IIX will continue to rely on impact verification to provide investors with semi-annual impact performance reports tracking social and environmental outcomes experienced by between 175,000 and 185,000 women and girls from underserved communities across the 4-year bond tenor.

Balancing Risk, Return and Impact: The foundation of all of IIX’s work is its Risk-Return-Impact (RRI) approach, which has served as the blueprint to transform financial markets and create many world-firsts – including the WLB Series as the world’s first impact investing and gender lens instrument to be listed on a stock exchange. All Bonds in the WLB Series, including the WLB3, balance all three RRI components to provide investors with a balanced portfolio as outlined below in Figure 1.

Figure 1: Women’s Livelihood Bond 3 Risk-Return-Impact Approach
**WLB 3 Bond Structure:** The WLB 3 will mobilize ~US$27.7 million of investment capital through an innovative debt security. The entire proceeds of the WLB 3 will be on-lent to a group of eight underlying Borrowers focused on empowering underserved (low-income, rural, minority, or otherwise financially or socially excluded) women to transition to sustainable livelihoods and build COVID-resilience in their communities. Figure 2 provides an overview of the WLB 3 structure.

**Figure 2: Women’s Livelihood Bond 3 Structure**

1. The Issuer, which is wholly owned by the Portfolio Manager, issues US$24,700,000 in aggregate principal amount of Bonds.

2. The Subordinated Investor will provide US$3,000,000 (as such principal amount may be increased pursuant to the terms thereof) of Subordinated Indebtedness, serving as first-loss capital for the Bonds. The Subordinated Investor will be paid a semi-annual coupon and will be repaid the principal at maturity of the Bonds, to the extent funds are available after making required payments to the Bondholders.

3. The proceeds of the Bonds will be used to make Loans to the Borrowers, to pay related fees and expenses and to fund the Debt Service Reserve Account.

4. USIDFC provides a partial guarantee of up to 50% of the net losses of principal incurred by the Issuer as a result of non-payment of principal of the Loans, subject to certain qualification, concentration and other requirements, and subject to a maximum payment amount of US$13,425,000. See Appendix C hereto for a form of the Limited Guarantee.

5. On an ongoing basis, the Portfolio Manager will be responsible for monitoring compliance by the Borrowers with their obligations under the Loans.

6. The Portfolio Manager will monitor the impact performance of the Borrowers and create periodic impact reports.

7. Bondholders will be paid a semi-annual coupon and will be repaid the principal at maturity of the Bonds, unless
8. The Corporate Services Provider will provide an independent board, serve as corporate secretary, and provide record keeping, administration and accounting services to the Issuer and will be responsible for administrating payments under the Loans.

9. The Bonds Trustee will hold the Issuer’s covenant to pay principal and interest on the Bonds on trust for the Bondholders and will act on behalf of the Bondholders in certain situations.

10. The Portfolio Manager will receive any surplus funds as a deferred performance fee at maturity of the Bonds.

**WLB3 Portfolio Country and Sector Overview:** The WLB 3 is a multi-country and multi-sector bond with a view to diversify risk and increase the breadth of impact. The eight underlying Borrowers are based in four countries: Cambodia, India, Indonesia and the Philippines. The entities operate in four sectors: Ethical Apparel, Microfinance, Small-Medium Enterprise (SME) Lending and Sustainable Agriculture. The geographic and sector breakdowns of the WLB 3 portfolio are outlined in Figure 3 and Figure 4 respectively.

![Figure 3: WLB 3 Geographic Breakdown](image1)

![Figure 4: WLB 3 Sector Breakdown](image2)

**1.2 Women’s Livelihood Bond™ 3: Issuer and Key Implementation Partners**

**The Issuer**

The WLB 3 is issued through a special purpose vehicle (SPV), WLB Asset II B Pte Ltd, established as a wholly owned subsidiary of IIX. The issuer has engaged CSC GFM Asia Services (Singapore) Pte Ltd (CSC GFM) to serve as the Corporate Services Provider for the SPV and BNY Mellon to serve as the Trustee for the Bonds.

**Portfolio Manager**

IIX is the portfolio manager and lead structurer for the WLB series. Over the past eleven years, IIX has built the world’s largest crowdfunding platform for impact investing (Impact Partners), created innovative financial products such as the Women's Livelihood Bond™ Series, digitized its impact assessment to effectively measure and value the impact of an enterprise on people and planet through IIX Values™, operated award-winning enterprise technical assistance programs such as IIX ACTS, and established an Impact Institute for training and education. To date, IIX’s work has spanned 46 countries, unlocked close to US$200 million of private sector capital and positively impacted over 80 million direct and household lives. IIX has received numerous awards for its work including the Oslo Business for Peace Award, the ‘Nobel Prize for Business.’ In 2019, IIX’s
Women’s Livelihood Bond™ Series won both the United Nations Climate Action Award and the Partnership for Good Award for its ability to advance the global sustainable development agenda through investing in women’s economic empowerment.

Across all of its work, IIX seeks to drive the achievement of the United Nations’ SDGs with a central focus on SDG 5: Gender Equality. This commitment is founded on IIX’s firm belief that women are at the heart of sustainable development, playing a pivotal role in supporting their communities in achieving food security, overall resource management and long-term peace and security. Women are the backbone of rural enterprises, fueling local and global economies. Research revealed economically-secure women are more likely to have healthier and better-educated children, creating a positive, virtuous cycle for the broader population. Additionally, women are central to the COVID-resilience effort in emerging markets forming the majority of frontline health workers, agriculture workers and MSME-owners, making them central to economic recovery and social cohesion.

As the Portfolio Manager for the WLB 3, IIX’s pre-issuance responsibilities include structuring the bond, developing a pipeline of potential Borrowers, borrower origination and due diligence, impact measurement, and partnership development. The post-issuance responsibilities of the Portfolio Manager include borrower management, ongoing announcements made on the SGX, and periodic social and financial reporting to investors and other stakeholders.

Other Key Partners

To magnify the WLB 3’s success in bringing women to the front and centre of capital markets, IIX uses an ecosystem approach by engaging a wide range of partners. Key partners include:

- **Guarantee Partner**: As outlined above, the DFC will provide a 50% pari-passu guarantee of the principle amount of each of the Loans to be made by the SPV, in line with the US government’s commitment to drive forward sustainable development and empower women from underserved communities.

- **Banking Partner**: Australian New Zealand (ANZ) Bank, Standard Chartered Bank (SCB) and DBS Bank serve as the placement agents for the WLB 3. Collectively, the three banking partners will place the WLB 3 with both institutional investors and private banking clients. In previous years, the WLB series has attracted capital from a wide range of investors including large institutional investors, funds, microfinance investment vehicles, family offices and ultra-high-net-worth individuals. Investors have participated from across the world including Australia, Hong Kong, Indonesia, New Zealand, Singapore, Switzerland, the United Kingdom and the United States of America.

- **Legal Partners**: The WLB 3 has benefitted from the advice of four pro-bono legal partners: (i) Shearman & Sterling (counsel to the Portfolio Manager); (ii) Latham & Watkins (counsel to the placement agent); (iii) Cyril Amarchand Mangaldas (local counsel); and (iv) Clifford Chance (counsel to the trustee). In addition, IIX will partner with a number of other law firms to ensure the WLB 3 is in compliance with local regulations.

- **Funding Partners**: IIX has received support from Global Affairs Canada (GAC) via the United Nations Capital Development Fund (UNCDF) and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and Partnering for Green Growth and the Global Goals (P4G) to cover the upfront structuring and ongoing impact monitoring costs of the WLB 3.
2 Compliance with Applicable Principles and Standards

2A ICMA Social Bond Principles - External Review Form

2A.1 Basic Information

Issuer name: WLB Asset II B Pte Ltd

Social Bond ISIN or Issuer Social Bond Framework Name, if applicable: Women’s Livelihood Bonds due 2024

Independent External Review provider’s name: IIX Global Charitable Limited

Completion date of this form: 10 December 2020

2A.2 Review Overview

SCOPE OF REVIEW

The review assessed the following elements and confirmed their alignment with the SBPs:

☒ Use of Proceeds
☒ Process for Project Evaluation and Selection

☒ Management of Proceeds
☒ Reporting

ROLE(S) OF INDEPENDENT REVIEW PROVIDER

☒ Second Party Opinion
☐ Certification

☐ Verification
☐ Scoring/Rating

☐ Other (please specify):

EXECUTIVE SUMMARY OF REVIEW

IIX Global Charitable Limited is of the opinion that the Women’s Livelihood Bond 3 (WLB 3) is consistent with current Social Bond Principles (SBP) 2020, as promulgated by the International Capital Markets Association (ICMA). According to IIX Global Charitable Limited’s analysis, the WLB 3 aligns with the four tenets of the SBP: (i) use of proceeds; (ii) process for project evaluation and selection; (iii) management of proceeds; and (iv) reporting. The full report will be made available online on the Portfolio Manager’s website: www.iixglobal.com
As part of this analysis, IIX Global Charitable Limited held conversations with relevant members of the portfolio management team from Impact Investment Exchange Pte. Ltd. (IIX or the Portfolio Manager) and reviewed relevant public and internal documents provided by the Portfolio Manager and the group of underlying Borrowers.

Detailed review

2A.3 Use of Proceeds

**Overall comment on section:** IIX Global Charitable Limited has determined that the use of proceeds of the WLB 3 is consistent with the criteria under the SBP ‘use of proceeds’ tenet. IIX Global Charitable Limited sighted the following documents as a part of its analysis: (i) WLB 3 draft Information Memorandum; (ii) the Portfolio Manager’s impact assessment frameworks for each underlying Borrower; and (iii) additional documentation provided by underlying Borrowers including but not limited to business plans, annual reports and documents containing end beneficiary related data.

The WLB 3 is designed to generate employment and support socio-economic advancement of underserved women from rural, low-income, disadvantaged or financially excluded communities. The entire proceeds of the WLB 3 will be used to make new loans to eight underlying Borrowers in Cambodia, India, Indonesia and the Philippines. Each of those Borrowers through their activities provide clear social benefits by empowering women to transition from subsistence to sustainable livelihoods. These underlying Borrowers collectively drive forward the United Nation’s Sustainable Development Goal (SDG) 5: Gender Equality by providing the following: (i) access to micro-credit, micro-savings; and micro-insurance products to women from low-income communities; (ii) access to SME-loans to women-owned businesses; (iii) fair wages for female garment factory workers; and (iv) formal integration of female smallholder farmers into the agricultural supply chain.

For every US$1 invested, the WLB 3 is expected to generate US$4 of social value by empowering women to (i) increase income; (ii) build financial resilience; (iii) increase ownership of assets (e.g. land and homes); (iv) improve productivity; and (v) gain better access to market information and fair prices. The WLB 3 is expected to directly empower between 55,000 and 65,000 underserved women to transition from subsistence to sustainable livelihoods and to indirectly impact an additional 115,000 – 125,000 female family members through improved socio-economic resilience (better health, nutrition, education, water, sanitation, safety, shelter, and climate-resilience related outcomes).

**Use of proceeds categories as per SBP:**

- ☐ Affordable basic infrastructure
- ☐ Affordable housing
- ☒ Food security
- ☐ Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs
- ☐ Access to essential services
- ☒ Employment generation (through SME financing and microfinance)
- ☒ Socioeconomic advancement and empowerment
- ☒ Other (please specify): Gender Equality, Sustainable Livelihoods
Target populations:

☐ Living below the poverty line ☒ Excluded and/or marginalised populations and/or communities

☐ People with disabilities ☐ Migrants and/or displaced persons

☐ Undereducated ☒ Underserved, owing to a lack of quality access to essential goods and services

☐ Unemployed ☒ Women and/or sexual and gender minorities

☐ Aging populations and vulnerable youth ☐ Other vulnerable groups, including as a result of natural disasters

☐ Other (please specify):

2A.4 Process for Project Evaluation and Selection

Overall comment on section: IIX Global Charitable Limited has determined that the process for evaluation and selection of projects to be financed with proceeds of the WLB 3 is consistent with the criteria under the SBP’s process for project evaluation and selection’ tenet. IIX Global Charitable Limited sighted the following documents as a part of its analysis: (i) WLB 3 Portfolio Construction Process document which details the social objectives and impact assessment process utilized by the Portfolio Manager; and (ii) USIDFC Guarantee agreement which includes eligibility and exclusionary criteria.

The WLB 3 is in compliance with the key criteria under this tenet as briefly outlined below:

Social objective: The WLB 3 core objective is to unlock large-scale private capital to drive forward the UN’s SDG 5: Gender Equality and empower socially and economically disadvantaged women through sustainable livelihoods. This objective is in line with the Portfolio Manager’s mission to build a more inclusive world by changing financial systems and innovating solutions for women empowerment, climate action and community resilience. As required by the ICMA SBP, the Portfolio Manager clearly communicates the social objectives of the Bond, the screening criteria used and portfolio selection process to investors through the Bond’s Information Memorandum and other supporting investor presentations. [Section 3 of this report provides a mapping of the WLB 3’s expected impact to advance 13 of the 17 UN SDGs.]

Process to determine projects aligned with categories defined under the ‘use of proceeds’ section: As part of the WLB 3 portfolio construction process, the Portfolio Manager conducts a social and financial due diligence on potential underlying Borrowers. This is used to screen Borrowers based on their risk, return and impact profile with a strong focus on their ability to empower women through the WLB 3 loan. Shortlisted Borrowers go through the Portfolio Manager’s in-depth impact assessment which includes using a forward-looking approach that is linked with the capital mobilized from the WLB 3. All impact assessments include interviews with the end beneficiaries, thereby ensuring underserved women have a voice and are given adequate value during the portfolio construction and investment decision making process. The Portfolio Manager’s impact assessment approach transcends the evaluation of outputs (number of women impacted) and focuses on the evaluation of outcomes (positive change to women’s lives) using a forward-looking approach that is linked with the capital mobilized from the WLB 3. The criteria are both results-oriented (e.g. increase in income or savings) and process-based (ability and willingness of the Borrower to achieve, maintain and track impact targets). The approach of measuring impact at the
Borrower level and the portfolio level allows for both relative and absolute assessment as well as tracking progress over time to facilitate reporting.

Eligibility criteria: The Portfolio Manager uses a set of social and financial screening criteria to select underlying Borrowers that are able to absorb, deploy and repay debt capital and use the loan proceeds to empower underserved women. Additionally, the Portfolio Manager contractually binds underlying Borrowers not to engage in certain activities that would violate its list of exclusionary criteria. These selection and exclusionary criteria are pre-determined and contractually agreed upon with the U.S. International Development Finance Corporation (USIDFC), the guarantee partner. Key positive social criteria used to screen Borrowers are outlined below:

- Clear commitment to/mission of empowering women demonstrated by ensuring that (i) not less than seventy percent (70%) of the beneficiaries of the Borrower are underserved (low-income, rural) women or women-owned businesses; (ii) the Borrower ring-fences the loan to ensure proceeds impact majority women beneficiaries or women-owned businesses; or (iii) the Borrower proactively targets women beneficiaries in an industry where women are underrepresented and thereby serves a total percentage of women beneficiaries that is higher than the industry standard.

- Key business activities of the Borrower help achieve one or more of the following primary outcomes: (1) increased income generation ability or stability of income; (2) increased access to other essential products or services that improve financial resilience or quality of life for women beneficiaries or dependent family members (young children, elderly parents); (3) increased ownership of assets (house, land, etc.); (4) increased productivity or time savings; (5) increase access to skills or market information. Please refer to Section 3 of the Second Party Opinion, for additional details on the selection criteria and Annex A for the full list of exclusion criteria.

Evaluation and selection

- Credentials on the issuer’s social objectives
- Defined and transparent criteria for projects eligible for Social Bond proceeds
- Summary criteria for project evaluation and selection publicly available
- Documented process to determine that projects fit within defined categories
- Documented process to identify and manage potential ESG risks associated with the project
- Other (please specify):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification – DFC provided the list of exclusionary criteria and approved the list of mandatory screening criteria.
- In-house assessment – IIX, the Portfolio Manager, was responsible for the upfront evaluation and screening of underlying Borrowers to construct the WLB 3 portfolio
- Other (please specify):

2A.5 Management of Proceeds

Overall comment on section: IIX Global Charitable Limited has determined that the WLB 3 is consistent with the criteria under the SBP ‘management of proceeds’ tenet. The proceeds of the WLB 3 will be managed with a high degree of transparency. The use of proceeds will be governed by a Trust Deed (the WLB 3 Trust Deed), which is legally binding on the
Issuer. Compliance with the terms of the WLB 3 Trust Deed will be ensured through the engagement by the Issuer of multiple third-party service providers including the Trustee (Bank of New York Mellon) and the Corporate Services Provider, CSC GFM Asia Services (Singapore) Pte Ltd (“CSC GFM”). IIX Global Charitable Limited sighted the following documents as a part of its analysis: (i) WLB 3 Trust Deed; (ii) Portfolio Management Agreement; (iii) Loan Administration Services Agreement; (iv) Administrative Services Agreement.

The issuer (WLB Asset II B Pte. Ltd.) is a Special Purpose Vehicle (SPV) established specifically to issue the bonds and make the loans to the underlying Borrowers. As such, all of the proceeds will be used for the purpose of lending to the eight underlying Borrowers to expand their work to empower underserved women and thereby advance SDG 5: Gender Equality.

The proceeds of the issuance of the Bonds will be used to extend loans to the eight underlying Borrowers. It is expected that these loans will be extended immediately after the closing of the issuance of the Bonds. In the event that any of the bond proceeds are not disbursed within 90 days of the closing of the issue of the Bonds, any undisbursed proceeds held by the Issuer will be distributed as a prepayment of principal to the Bondholders. CSC GFM will report to the bond trustee, BNY Mellon, on the use of proceeds and specifically on the disbursement of the Loans.

Tracking of proceeds:

☒ Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
☐ Disclosure of intended types of temporary investment instruments for unallocated proceeds
☒ Other (please specify): The issuer is an SPV. All of its funds will be used to achieve its social mission.

Additional disclosure:

☒ Allocations to future investments only
☐ Allocations to both existing and future investments
☐ Allocation to individual disbursements
☒ Allocation to a portfolio of disbursements
☐ Disclosure of portfolio balance of unallocated proceeds
☒ Other (please specify): Unallocated proceeds to be returned to Bondholders

2A.6 Reporting

Overall comment on section: IIX Global Charitable Limited has determined that the WLB 3 is consistent with the criteria under the SBP 'reporting' tenet. IIX Global Charitable Limited sighted the following documents as a part of its analysis: (i) WLB 3 Portfolio Management Agreement; and (ii) the Promissory Notes with each underlying borrower which mandate semi-annual impact assessment reporting.

After the WLB 3 is placed with investors and the loans have been disbursed to the Borrowers, the Portfolio Manager will monitor the impact performance of the Borrowers on a semi-annual basis and provide semi-annual impact reports over the
life of the bond. These semi-annual impact reports will consist of a combination of qualitative (stories, SDG analysis) and quantitative information (Social Return on Investment analysis, no. of women impacted) to provide investors with a holistic understanding of the impact achieved. Key activities for the monitoring, evaluation and reporting of the WLB 3 impact performance over the bond’s 4-year lifetime include:

1. On a semi-annual basis, the issuer will collect self-reported impact data from the Borrowers. The Portfolio Manager will use this information to provide investors and other partners with semi-annual impact reports to ensure transparency of information on how the bond proceeds were used to meet the social objectives of the Bond. The Borrowers’ actual impact performance will be compared to the original impact targets from the upfront impact assessments. This process will enable IIX to check actual impact against projected impact.

2. On an annual basis, the Portfolio Manager will verify the Borrowers’ self-reported impact data via in-person and mobile enabled stakeholder surveys. The Portfolio Manager will use this data to prepare annual impact reports for investors and other key partners. Collecting primary data from a sample of the women impacted by each of the underlying Borrowers aims to ensure authenticity of the impact and to give end beneficiaries (underserved women) a voice in the process, in line with the Portfolio Manager’s commitment to advancing SDG 5: Gender Equality.

3. The Portfolio Manager will make announcements on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) in the case of any material changes to the underlying Borrowers that may alter the expected social or financial performance of the Bond. This ensures a high degree of transparency on the underlying portfolio.

**Note on Impact Assessment Approach:**

The Portfolio Manager takes a two-pronged approach to ongoing impact management:

**Results-orientated approach:** The Portfolio Manager takes a results-orientated approach by assessing a combination of quantitative and qualitative factors. Quantitative information will focus on estimating number of women impacted, assessing key financial performance factors that are linked to understanding the impact efficiency and effectiveness, comparing actual social value generated with projections and breaking down the SROI calculation across different outcome areas. Qualitative information will focus on gathering anecdotal references from interviews with the women, capturing stories of change and deepening the understanding of linkages between estimated primary, secondary and tertiary outcomes.

**Process-oriented approach:** The Portfolio Manager takes a process-oriented approach that seeks to supervise the borrower’s own impact performance management systems, particularly focused on ensuring women are treated with dignity, offered fair prices (or interest rates in the case of MFIs) and are protected from risks (such as over-indebtedness, inadequate redressal systems) that may cause mission drift. In certain cases, compliance with international standards is periodically assessed, such as SMART certification for MFIs and organic certification for sustainable agriculture enterprises.
Use of proceeds reporting:

☒ Project-by-project – Reports will outline impact created by each of the underlying Borrowers (i.e. ‘projects’)
☒ On a project portfolio basis – Reports will provide portfolio level information such as the net Social Return on Investment achieved by the WLB 3
☐ Linkage to individual bond(s) – Reports will contain impact results related to WLB 3
☐ Other (please specify):

Information reported:

☒ Allocated amounts
☐ Social Bond financed share of total investment
☐ Other (please specify):

Frequency:

☐ Annual
☒ Semi-annual – Semi Annual Impact Reports will be published and be made available to investors and other key stakeholders
☐ Other (please specify): Announcement made on Singapore Exchange each time allocated bond proceeds are distributed to an underlying borrower of the portfolio (net proceeds are expected to be distributed within 90 days of bond issuance)

Impact reporting:

☒ Project-by-project
☒ On a project portfolio basis
☐ Linkage to individual bond(s)
☐ Other (please specify):

Frequency:

☒ Annual – Full impact assessment and report incorporating verified data
☒ Semi-annual – Report based on data self-reported by the Borrowers
☐ Other (please specify):

Information reported (expected or ex-post):
☒ Number of beneficiaries

☒ Target populations

☒ Other ESG indicators (please specify): The Portfolio Manager will report gender-lens outcomes achieved related to increased income, increased financial resilience, increased ownership of assets, increased access to skills, increased productivity, increased access to market, improved multi-generational impact, improved community resilience, improved climate action

Means of Disclosure

☐ Information published in financial report

☐ Information published in sustainability report

☐ Information published in ad hoc documents

☒ Other (please specify): Information will be published in a Social Impact Report published semi-annually

☒ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): IIX Global Charitable Limited will review the Social Impact Reports published annually to verify ongoing compliance with the ICMA’s SBP.

Review provider(s): IIX Global Charitable Limited

Date of publication: 10 December 2020
2B ASEAN Social Bond Standards

Brief Overview of WLB 3 Compliance

IIX Global Charitable Limited confirms that the WLB 3 is in compliance with the ASEAN Social Bond Standards developed by the ASEAN Capital Markets Forum (ACMF). The ASEAN Social Bond Standards are broadly guided by the four core tenets of the ICMA’s Social Bond Principles (i.e. (i) use of proceeds, (ii) process for project evaluation and selection, (iii) management of proceeds, and (iv) reporting), discussed in Section 2A above, along with the following additional requirements:

1. **Geographic or Economic Connection to ASEAN:** The Issuer of the WLB 3 is a Singapore-incorporated Special Purpose Vehicle (SPV), WLB Asset II B Pte Ltd, established as a wholly owned subsidiary of the Portfolio Manager, IIX. Additionally, the WLB 3 will be listed on the SGX, and majority of the underlying Borrowers are based in ASEAN nations including Indonesia, Cambodia and the Philippines.

2. **Ineligible Projects:** The WLB 3 does not support projects with a negative social impact related to alcohol, gambling, tobacco and weaponry. Moreover, potential Borrowers are screened based on a set of exclusionary criteria, outlined in Annex A of this document.

3. **Continuous Accessibility to Information:** The WLB 3 provides investors with information relating to the use of proceeds, process for project evaluation and selection, and management of proceeds via (i) information included in the Information Memorandum for the WLB 3 and this Second Party Opinion document (which will be available on the Portfolio Manager’s website); (ii) ad-hoc announcements made on the Singapore Exchange related to any material changes to the underlying Borrowers; and (iii) ongoing reporting: semi-annual social and financial reporting.

4. **Encourage More Frequent Reporting:** As described above, the WLB 3 will provide investors and other key stakeholders with semi-annual impact and financial reporting to increase transparency on the allocation of proceeds. Annual impact assessments will benefit from impact verification visits conducted by the Portfolio Manager to speak directly with the women beneficiaries and ensure the WLB 3 continues to meet its social mission.

5. **External Review:** As described above, IIX Global Charitable Limited serves as the external reviewer for the WLB 3 and has provided this Second Party Opinion on the WLB 3’s compliance with the ICMA’s Social Bond Principles and the ASEAN Social Bond Standards. The Foundation is a Singapore registered charity (No. 201006538Z) with a decade of experience in impact measurement, gender-lens analysis and sustainable development. IIX Global Charitable Limited is registered under the Singapore Commissioner of Charities (COC), under the purview of the Ministry of Culture, Community and Youth (MCCY) and the Ministry of Community Development, Youth and Sports (MCDY). The Singapore COC ensures public trust and confidence in registered charities by enhancing the accountability and transparency of charities to donors, beneficiaries and the general public.

In summary, the WLB 3 is in compliance with the ASEAN Social Bond Standards and aims to contribute to sustainable development in the ASEAN region, particularly through the empowerment of underserved women in the region through sustainable livelihoods.
3.3 Additional Information

The purpose of this section is to outline key information provided by the Portfolio Manager to support IIX Global Charitable Limited’s analysis of the WLB 3’s compliance with the ICMA SBPs, particularly the use of proceeds tenet. The section includes (i) the impact assessment framework used to assess how the Portfolio Manager evaluates gender-lens outcomes on end beneficiaries (underserved women); and (ii) a summary of the expected impact of the WLB 3 at the portfolio level to assess how the Portfolio Manager creates impact through a multi-country, multi-sector portfolio while advancing the United Nation’s Sustainable Development Goals.

3.1 Impact Assessment Framework

This sub-section provides an overview of the Impact Assessment Framework that was used to evaluate the underlying Borrowers in the WLB 3 portfolio using a gender-lens. This framework is used both during the upfront social due diligence done when constructing the portfolio and to facilitate ongoing reporting across the four years of the Bond.

To evaluate the social performance of the Borrowers, the Portfolio Manager utilizes a social impact assessment framework to: (a) map out how each Borrower can achieve the expected primary, secondary and tertiary outcomes, (b) track the actual performance of the Borrower in empowering women and (c) identify any deviations against targeted performance. Additionally, during the upfront social due diligence the Portfolio Manager has conducted field visits to meet a sample size of the end beneficiaries served by each of the Borrowers; this is to help verify the impact assumptions with data collected directly from the women that will be impacted.

Master Framework

The Portfolio Manager embarks on the impact measurement process via 3 distinct steps: (i) establishing an impact assessment framework focused on gender lens outcomes; (ii) attaching gender-specific metrics to ensure women have a voice and a value; and (iii) identifying financial proxies to project impact and link it with capital mobilized. These steps are further elucidated below:

#1: Establishing an impact assessment framework focused on gender lens outcomes: Figure 5 outlines the Portfolio Manager’s impact assessment framework used to establish the linkages between the activities undertaken by the Borrowers and their expected social outcomes on underserved women along the sustainable livelihoods value chain. The following section describes and quantifies the key outputs and outcomes expected to be achieved in aggregate, by the Borrowers utilizing the proceeds of the WLB 3 Loans.

![Figure 5: Portfolio Level Impact Assessment Framework](image-url)
The 7 key outputs are listed and explained below:

**OP 1: Number of Women Entrepreneurs Receiving Loans for Productive Purposes:** Each of our MFI Borrowers lends primarily for productive purposes, with approximately 80% to 100% of loans being made to women who are micro entrepreneurs or running small businesses. “Productive purposes” refers to assets that either directly generate income or facilitate the generation of income, thereby improving livelihoods. Examples of such assets include a sewing machine that expands revenue streams of a seamstress or working capital for a woman to run her dairy farm. The Portfolio Manager estimates that the proceeds of the Loans will impact approximately 48,300 women entrepreneurs to sustain and grow their businesses over the four-year tenor of the Loans.

**OP 2: Number of Women Clients Receiving Loans to Improve Quality of Life:** In South and Southeast Asia, credit offerings for non-business purposes remains limited and subject to high interest rates. Some of our MFI Borrowers fill this gap by offering affordable loans designed to finance the purchase of items in high demand among their clients that go beyond productive assets. Examples of these other microcredit products offered by our MFI Borrowers include WASH (water, sanitation, and hygiene) loans; clean energy loans (such as for purchasing a solar photovoltaic system); and personal mobility loans (such as for purchasing a motorcycle). The Portfolio Manager estimates approximately 2,400 women will be provided with micro-loans to improve their quality of life over the four-year tenor of the Loans.

**OP 3: Number of Women Clients Availing of Micro Savings Products:** The percentage of adult females saving at a formal financial institution is low, ranging from 5.3% in Cambodia to 19.6% in India (as of 2017). This is due to both supply-side barriers, such as inadequate access and a lack of savings products appropriate for rural households, and demand-side barriers, such as lack of information among potential clients and lack of trust of formal financial institutions. Some of our MFI Borrowers address these barriers by designing savings products that suit the needs of low-income women. Examples of micro savings products offered include mandatory savings, voluntary savings, pension savings, and fixed deposit products. The Portfolio Manager estimates that the proceeds of the Loans will impact approximately 11,600 women with micro-savings products over the four-year tenor of the Loans.

**OP 4: Number of Women Clients Availing of Micro Insurance Products:** Low-income households stand to benefit significantly from micro insurance products to help them better absorb, respond to and bounce back from adverse events that negatively impact their livelihoods. For example, among rural households, illness and death of a family member are 2 of the top 3 reasons most likely to result in impoverishment. Yet, in developing countries, insurance coverage remains as low as below 5% of the population, and insurance products available are often too expensive or inappropriate for low-income clients. Some of our MFI Borrowers address this unmet demand by offering affordable micro insurance products such as life insurance, health insurance and accident insurance. The Portfolio Manager estimates that the proceeds of the Loans will impact approximately 19,900 women with micro-insurance products over the four-year tenor of the Loans.

**OP 5: Number of Women Clients Who Attend Training Sessions:** Women in developing countries often lack the financial literacy skills required to manage their debt obligations; providing credit to such women risks creating a cycle of indebtedness that could adversely impact low income families. In contrast, providing financial literacy training alongside access to credit has been found to improve repayment times, repayment rates, and client retention. Examples of training sessions offered to women clients by our Borrowers include courses on financial literacy and business acumen. One of the Borrowers, Katra India, provides training on basic agricultural practices (i.e., fertilizer use, water use, crop planting). The Portfolio Manager estimates that the proceeds of the Loans will impact approximately 3,500 women with access to basic skills and training over the four-year tenor of the Loans.

**OP 6: Number of Women Benefiting from Fair Employment:** One of the Borrowers, Evergreen, is an ethical apparel company based in Indonesia that employs women from low-income communities and provides them with stable employment and fair wages. In order to ensure the safety of their employees, The Borrower requires all employees to be trained on essential safety skills required to manage their debt obligations; providing credit to such women risks creating a cycle of indebtedness that could adversely impact low income families. In contrast, providing financial literacy training alongside access to credit has been found to improve repayment times, repayment rates, and client retention. Examples of training sessions offered to women clients by our Borrowers include courses on financial literacy and business acumen. One of the Borrowers, Katra India, provides training on basic agricultural practices (i.e., fertilizer use, water use, crop planting). The Portfolio Manager estimates that the proceeds of the Loans will impact approximately 3,500 women with access to basic skills and training over the four-year tenor of the Loans.

---

and health measures before using any machinery. The Loans will be used to ensure the company’s practices are in line with national regulations on fair wages (as set by Indonesia’s Ministry of Labor), fair working conditions and sustainable production practices. The Portfolio Manager estimates that the proceeds of the Loans will impact approximately 2,600 women factory workers with fair wages and working conditions over the four-year tenor of the Loans.

**OP 7: Number of Women Farmers Integrated into Agriculture Value Chain:** One of the Borrowers, Katra India, is a sustainable agriculture company based in India that plans to use the Loan to formally integrate women smallholder farmers into its supply chain. Katra India will use its Loan proceeds to increase the proportion of women smallholder farmers signing farming contracts from 10% to 50% by year 4 of its Loan. The formal recognition of the role of female farmers and ensuring women are paid for their work in the agricultural sector is a critical move to close India’s gender gap in employment, where there is only 0.27 woman to every man in the labor force (as of 2019), as well as its gender pay gap, where on average women earn only 66% of men’s wages. The Portfolio Manager estimates that Katra India will formally integrate approximately 3,500 women smallholder farmers into the agriculture supply chain over the four-year tenor of the Loan.

**Primary Outcomes (“OC1”)**

Based on data collected during interviews with women beneficiaries during the social due diligence field visits, these 7 outputs collectively generate 5 primary outcomes: (1) improved income generation ability (2) improved financial resilience, (3) increased ownership of assets, (4) increased access to skills, (5) improved productivity, and (6) improved access to market, as explained below.

**OC 1a: Improved Income Generation Ability:** Improved Income Generation Ability is a result of OP1 (increased number of clients borrowing microcredit products for productive purposes) and OP6 (increased number of women employed) as detailed below:

- Women borrowers are able to use their loans to cover working capital costs and to purchase income-generating assets to sustain and expand their microbusinesses. Aside from this, access to microcredit has also been found to decrease casual wage labor and promote self-employment. This helps women to increase their income generation ability in the range of 20% to 80% (per field trip data collected during the social due diligence) and to stabilize their ability to generate income.

- Women employees in the Ethical Apparel Borrower factories are able to use their stable income to plan ahead their expenses and savings. This extra income is used by the employees to further support their families’ well-being and pay for their children’s education fees and allowance. Additionally, factory workers benefit from yearly assessments which can ultimately lead to a salary increase depending on their performance and seniority.

The Portfolio Manager estimates that the provision of the Loans to the Borrowers will generate approximately US$92.12 million of social value in the form of increased income over the four-year tenor of the Loans.

**OC 1b: Improved Financial Resilience:** Improved Financial Resilience is a result of OP3 (increased number of women clients availing of micro savings products) and OP4 (increased number of women clients availing of micro insurance products) as detailed below:

- Savings improve the ability of women to maintain stable livelihoods following unexpected events, such as illness and natural disasters. Formal savings products as offered by MFIs are less risky than informal savings; for instance, many rural women still save money in their homes which is not as secure and also tends to be used up for petty expenses as opposed to being systematically built up over time to improve financial security.

- Providing micro-insurance to rural households can insulate against unexpected events by ensuring women have access to a financial safety net in case of adverse events that negatively impact their health, productivity or livelihood.

The Portfolio Manager estimates that the provision of the Loans to the Borrowers will generate approximately US$4.42 million of social value in the form of increased savings and insurance over the four-year tenor of the Loans.

---


Proprietary and Confidential
**OC 1c: Increased Ownership of Assets:** Increased ownership of assets is a result of OP2 (increased number of women clients borrowing microcredit products for other purposes). In certain cases, larger loan products offered by certain Borrowers are sometimes used by women beneficiaries to buy land for housing or agriculture. Ownership of property provides women with loan collateral and insulates them against shocks, allowing them to access more formal financial services, take more economic risks, and increase their earning potential. Owning property also increases the bargaining power of women in the household, giving them more control over economic decision-making and their own livelihoods.18

The Portfolio Manager estimates that the provision of the Loans to the Borrowers will generate approximately US$10.28 million of social value in the form of increased ownership of land and home improvements over the four-year tenor of the Loans.

**OC 1d: Improved Productivity:** Improved productivity is a result of OP2 (increased number of women clients borrowing microcredit products for other purposes). While loans for non-business purposes do not directly generate income, they reduce the amount of time required for certain activities and increase the number of productive hours available. For example, a tube well built using a WASH loan may reduce the amount of time spent on fetching water, a latrine built using a WASH loan may improve sanitation and reduce days lost due to illness, and a motorcycle bought using a personal mobility loan may reduce the amount of time spent on traveling to work. Such loans also play an important role in smoothing consumption and improving the general well-being of women and their families,19 which in turn improves their ability to transition to more sustainable livelihoods.

The Portfolio Manager estimates that the provision of the Loans to the Borrowers will generate approximately US$7.75 million of social value in the form of time saved over the four-year tenor of the Loans.

**OC 1e: Improved Access to Market:** Improved access to market is a result of OP7 (increased number of women farmers being sourced from). Katra India, a sustainable agricultural firm, sources marigold from smallholder farmers from low income communities, with 10% of them being women. The farmers are equipped with improved earnings through improved access to market and fair price premiums on organic marigold (20% of total crops). Stable demand of production and integration into the formal value chain helps improve social and economic inclusion. Organic farming can increase income by up to 2.5 times due to market premiums20 and requires contractual agreements that provide farmers with price transparency and guaranteed demand for their produce.21

The Portfolio Manager estimates that the provision of the Loans to the Borrowers will generate approximately US$1.97 million of social value in the form of fair pricing to farmers over the four-year tenor of the Loans.

**Secondary Outcomes (“OC2”)**

These 5 primary outcomes collectively result in 3 secondary outcomes: (1) multi-generational impact; (2) community resilience; and (3) climate action.

**OC 2a: Multi-Generational Impact:** When women have control over the family’s income, a large portion is spent on their families, particularly on dependent children.22 Improved status of women in the household and female control over family finances correlates with improved health and nutrition for their children, through pathways such as better nutrition for pregnant and nursing mothers, access to prenatal and birthing care, improved children feeding practices, and better medical treatment and immunization for children.23 Women beneficiaries with more disposable income report an increased likelihood of ensuring their daughters attend and complete primary and secondary education; in selected cases, women beneficiaries also report using their savings to send their daughters for higher studies, thereby laying the groundwork to break the cycle of poverty.

The Portfolio Manager estimates that the proceeds of the Loans will directly impact approximately 59,500 young women and girls with improved health, nutrition and education outcomes over the four-year tenor of the Loans.

**OC 2b: Community Resilience:** Through the primary outcomes described above, women are better able to secure ownership over property and improve their housing and living conditions. This reduces dependency on men, improves women’s social status, and

---


21 Smith, L. et al. (2002). The Importance of Women's Status for Child Nutrition in Developing Countries. IFPRI. https://tinyurl.com/7cfe8f-b7b4-bd2b-bdb3-d3a8c2784f?response.content-disposition=inline%3B%20filename%2A%3DUTF-8%5C0bbd87dcb8b2%5C3%2520Property%2520Ownership%2520for%2520Women.pdf


reduces the risk of poverty and migration. In the long term, stable property ownership and better living conditions create a sense of security among women and helps shift household and community power structures in their favor.

Better access to water, health, and sanitation facilities help prevent water and sanitation-related diseases, which are among the most significant health problems in developing countries and provides the foundations for long-term well-being. In addition, improved health and sanitation have positive spillover effects on social and economic development, through pathways such as time savings, lower healthcare costs, fewer productive days lost to illness, improved neonatal development, and improved ability of children to remain in school.

The Portfolio Manager estimates that the proceeds of the Loans will directly impact approximately 4,900 women and girls with improved water and sanitation outcomes and approximately 300 women and girls with improved mobility, safety and shelter outcomes over the four-year tenor of the Loans.

**OC 2c: Climate Action:** Underserved women from low income and rural communities are disproportionately impacted by climate change as women tend to have a higher reliance on natural resources; for instance, women are typically in charge of collecting water and majority of women in rural communities tend to be informally employed in agricultural supply chains. As such, certain of the Borrowers seek to reposition women as solutions to combat climate change by transitioning to clean energy sources, using responsible and green manufacturing practices or by shifting to environmentally-friendly, climate-smart agricultural practices that help female farmers better adapt to weather-related shocks and stresses such as floods and droughts. In particular, organic agriculture contributes to climate mitigation by reducing energy use (due to avoidance of synthetic fertilizers and machinery), increasing soil carbon content through sequestration, and reducing emissions of nitrogen dioxide and other greenhouse gases. Additionally, organic agriculture is more resilient to changing weather conditions and produces more stable yields under drought conditions as it requires lower water inputs.

The Portfolio Manager estimates that the proceeds of the Loans will enable approximately 800 women to transition to clean energy sources, approximately 2,600 female factory workers to use responsible, green production practices and approximately 700 female smallholder farmers to shift to climate-smart farming over the four-year tenor of the Loans.

**Tertiary Outcomes ("OC3")**

The primary and secondary outcomes collectively contribute to two tertiary outcomes (1) building gender equality in line with the United Nation’s Sustainable Development Goal ("SDG") 5 on gender equality; and (2) driving forward the global gender lens investing movement, as explained below:

**OC 3a. Gender Equality:** The Loans empower women by creating sustainable livelihoods that improve their power and agency over resources. The Loans are expected to help lay the ground for these women to be treated with greater dignity, reduce discrimination against financially excluded women and help to put women front and center of capital markets through a listed product. Furthermore, the Loans will empower women to build back better by empowering them to advance social-economic growth, combating climate change and building COVID-19 resilience in the post-pandemic era. The issue of the Bonds is thus aligned with SDG 5 on gender equality, specifically with sub-target SDG 5.1: ‘ending discrimination against women’ and SDG 5.A: ‘giving women the right to economic resources’. The Portfolio Manager estimates that the issuance of the Bonds will empower between 175,000 and 185,000 women and girls to be recognized as solutions to global issues.

**OC 3b. Driving forward the Gender Lens Investing Movement:** The issue of the Bonds is expected to advance the global gender lens investing movement in three ways:

- **Additionality:** The Loans are expected to help demonstrate the viability of gender-lens investing products to private sector investors and mobilize new sources of private-sector capital to accelerate the gender-lens investment movement. Based on investor participation in prior issuances of bonds under the WLB Series, the Portfolio Manager estimates bringing in a range of investors from across the world including large institutions, funds, family offices and ultra-high-net-worth private banking clients, some of whom have never invested in a gender-lens investment debt security before. The Portfolio Manager has also trained over 50 relationship managers working with its banking partners (Standard Chartered Bank, ANZ and DBS) on how to place Social Bonds focused on women empowerment with their clients.

- **Leverage:** The Portfolio Manager will use grant funding from the Global Affairs Canada (GAC) (via the United Nations Capital Development Fund (UNCDF) and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)) and

---

from Partnering for Green Growth and the Global Goals (P4G) to structure and monitor the Bonds. The Portfolio Manager will leverage this support to mobilize over approximately 30 times more investment capital from the private sector, further strengthening the case for effective use of donor or public sector funding to create a catalytic impact on underserved women.

- **Behavior Change:** Over the course of 4 years, the issue of the Bonds will also create behavior change in Borrowers in three ways:
  - by ring-fencing funding for women-specific projects in the case of Borrowers that were not already actively impacting underserved women (e.g. Kinara will use its Loan proceeds specifically to lend to women-owned SMEs at a discounted rate);
  - by transitioning traditional enterprises to either formally integrate women in their supply chain (e.g. Katra India will increase the percentage of female smallholder farmers formally signing the contracts and directly receiving payment for their produce from 10% to 50% over the four year tenor of its Loan) or to ensure they receive fair wages and working conditions (e.g. Evergreen will increase wages to women factory workers over the regional minimum wage set by the government); and
  - by including mandatory measurement and reporting of gender-lens outcomes: this will increase the availability of gender-lens data at the outcome level that can be used by the Borrowers to deepen their impact, by the Portfolio Manager to make better portfolio allocation decisions in the future and to provide greater transparency of impact performance to investors.

**#2: Attaching Gender-Specific Metrics to Ensure Women have a Voice and a Value**

To aid the process of quantifying the impact and facilitating measurement, the Framework attaches gender-specific metrics for each output and outcome. All indicators will be gender-disaggregated to ensure the impact on women is isolated and identified across the impact measurement process. Additionally, indicators are determined using a participatory approach by asking the women what factors are most important to them during the upfront social due diligence; this ensures women are given a voice across the bond development process so that the ongoing reporting focuses on empowerment factors that the women themselves consider to be valuable.

**#3. Identifying Financial Proxies to Project Impact and Link it with Capital Mobilized**

As a final step, each outcome is given a monetary proxy value to calculate the social value generated by the Borrower. Monetizing social value creation can be done in two main ways:

- **Proxies based on cost:** For instance, outcomes such as productivity are measured based on future cost avoidance or potential earning/income increase due to time saved.

- **Proxies based on value:** For instance, outcomes such as increased financial resilience are measured based on the value of savings or insurance coverage women have access to.

Monetizing the social value allows the Portfolio Manager to calculate the Social Return on Investment, or SROI. SROI is a measure of how much social and environmental impact, in dollar figures, is created for every dollar invested into the organization and/or program. The SROI of each Borrower is calculated by dividing the social value of impact created through primary outcomes by the total amount of investment capital being lent to that Borrower.

In calculating the PV, the Portfolio Manager considers the impact of enterprises across a four-year time horizon since the Loans expect to support enterprises across the same time horizon. To account for the time value of money across the next four years and accordingly represent future net impact in today’s terms, the Portfolio Manager discounts impact by the respective lending rates for each enterprise. The following formula showcases the breakdown, with ‘r’ equating to the lending rates, and ‘n’ equating to 4:

\[
NPV = \frac{\text{Value of Impact (Year 1)}}{(1+r)} + \frac{\text{Value of Impact (Year 2)}}{(1+r)^2} + \ldots + \frac{\text{Value of Impact (Year ‘n’)}}{(1+r)^n}
\]

At the portfolio level, the Portfolio Manager calculates a weighted SROI by considering the percentage allocation of the bond investment sum across the eight underlying Borrowers. The Portfolio Manager expects to achieve an SROI of approximately US$4 for every US$1 invested through the Loans and will impact over 59,000 direct women beneficiaries and over 118,000 indirect female beneficiaries.

**Subsequent Social Impact Monitoring and Reporting – IIX Values™ and the IIX Sustainability Pyramid™**

The Portfolio
Manager will report on the social performance of the Borrowers twice a year. At the mid-point of each reporting year, the Portfolio Manager will monitor and provide a progress report, charting out the social performance of the Borrowers, both as individual entities and in aggregate. At the end of the reporting year, the Portfolio Manager will produce a comprehensive evaluation of the social performance of the bond and the Borrowers which will be supported by impact verification that involve interviewing a sample size of women beneficiaries supported by each of the Borrowers using IIX Values™, a digital impact assessment tool that uses mobile technology to collect and analyze impact data direct from women impacted by the Loans. During the COVID-19 pandemic, IIX Values™ will ensure women continue to have a voice in the reporting process and that the risk of impact-washing is actively mitigated by providing investors with verified impact reports based actual results experienced by end beneficiaries.

IIX Values™ assesses various dimensions of the Borrower’s impact by utilizes the Portfolio Manager’s proprietary impact assessment framework, the IIX Sustainability Pyramid™ (Figure 6) which takes into consideration the organization’s mission, financial viability, and positive social and environmental impact to assess its contribution toward the United Nation’s SDGs. The objective of the framework is to help enterprises understand their impact value chain and identify ways to deepen their impact by analyzing its relevance to the impact on beneficiaries over time. Additionally, the framework is designed to equip investors with a tool for making educated investment decisions that can lead to optimized impact generation.

![Figure 6: IIX Sustainability Pyramid™](image)

The bottom-up approach of the IIX Sustainability Pyramid™ begins by considering the goal and objectives of the organizations. The mission statement offers a point of reference to examine the strategy that the organization uses to accomplish its goal and objectives. Next, the framework investigates the intricacies of the organization’s business model and how its activities align with the mission of creating social and environmental outcomes. This review involves understanding the products and services provided by the organization as well as an overview of the type of target beneficiaries it serves (e.g. women). The next step involves linking outputs (e.g. number of women served) to outcomes (e.g. value of increased income achieved over the life of the investment). All these outcomes are considered in the broader context of the enterprise’s country and sector to assess key factors such as national or industry growth rate, policy, innovation or technological developments to give a holistic understanding of the ability to create sustainable impact.

### 3.2 Building COVID-resilience and Mapping to the United Nation’s Sustainable Development Goals

The COVID-19 pandemic is the defining global health crisis of our time and is expected to have far reaching social and economic consequences, especially for emerging countries with frail safety nets and inadequate resources to fight the crisis. The pandemic has brought fundamental gender inequalities prevalent in emerging economies to the forefront, which adversely impact patients, frontline health workers and vulnerable communities on the ground. While the virus itself does not discriminate, disease outbreaks and pandemics have made existing inequalities for women and girls disproportionately worse in the past.
However, it is equally important to recognize the role of women from underserved communities to act as solutions to the pandemic by empowering them to build-back better through sustainable livelihoods. With evidence showcasing that all stakeholders benefit when women are given equal participation in all spheres of life, women are well positioned to act as solutions to achieving resilient sustainable development in a post-coronavirus economy. Apart from the role of women in healthcare, the COVID-19 pandemic has also brought the role of women in climate action, sustainable agriculture and SME-ownership into the spotlight – all sectors that will be critical for recovery in emerging markets. According to McKinsey’s forecasts, women’s equal participation in the labor force will add US$28 trillion in GDP globally over 10 years, which is more than enough to bridge the climate finance gap, which is estimated to be US$894 billion by 2030.

To that end, the WLB 3 will systematically advance not only SDG 5: Gender Equality, but also 12 other SDGs in line with the importance of using gender equality as a means to advance multiple dimensions of the global sustainable development agenda (Figure 7).

![Figure 7: WLB 3 advanced 13 UN SDGs](image-url)
Conclusion

IIX Global Charitable Limited is of the opinion that the Women’s Livelihood Bond 3 (WLB 3) is consistent with current Social Bond Principles (SBP), as promulgated by the International Capital Markets Association (ICMA) and with the ASEAN Social Bond Standards. According to IIX Global Charitable Limited’s analysis, the WLB 3 aligns with the four core tenets of the ICMA SBPs and ASEAN Social Bond Standards: (i) use of proceeds; (ii) process for project evaluation and selection; (iii) management of proceeds; and (iv) reporting, as summarized below:

- **Use of Proceeds**: The WLB 3 is expected to mobilize ~US$27.7 million which will be used to impact the lives of 55,000 – 65,000 direct women beneficiaries and 115,000 – 125,000 indirect female beneficiaries. The WLB 3 is designed to generate employment and support socio-economic advancement of underserved women from rural, low-income, disadvantaged or financially excluded communities. The WLB 3 proceeds will be used to make loans to eight underlying Borrowers in Cambodia, India, Indonesia and the Philippines. These underlying Borrowers collectively drive forward the United Nation’s Sustainable Development Goal (SDG) 5: Gender Equality and 12 other goals. For every $1 invested through the WLB 3, $4 of social value will be created for underserved women.

- **Process for Project Evaluation and Selection**: As part of the WLB 3 Borrower evaluation and selection process, the Portfolio Manager conducts a rigorous social and financial due diligence on potential underlying Borrowers. As a part of this process, the Portfolio Manager uses a set of social and financial screening criteria to select underlying Borrowers that are able to absorb, deploy and repay debt capital and use the loan proceeds to empower underserved women. Shortlisted Borrowers go through the Portfolio Manager’s in-depth impact assessment which includes an evaluation of outputs (number of women impacted) and outcomes (positive change to women’s lives) using a forward-looking approach that is linked with the capital mobilized from the Bond. All impact assessments include a verification interviews the end beneficiaries using IIX Values™ – a digital impact assessment tool, thereby ensuring underserved women have a voice and are given adequate value during the portfolio construction process. The Portfolio Manager clearly communicates the social objectives of the Bond, the screening criteria used and portfolio selection process to investors through the Bond’s Information Memorandum and other supporting investor presentations to ensure transparency.

- **Management of Proceeds**: The proceeds of the WLB 3 will be tracked by the Portfolio Manager in an appropriate manner. The issuer (WLB Asset II B Pte. Ltd.) is a Special Purpose Vehicle (SPV) established specifically to issue the bonds and make the loans to the underlying Borrowers. As such, all of the proceeds will be used for the purposes of the bonds. The proceeds of the issuance of the Bonds will be used to extend loans to the eight underlying Borrowers. It is expected that these loans will be extended immediately after the closing of the issuance of the Bonds. In the event that any of the bond proceeds are not disbursed within 90 days of the closing of the issue of the Bonds, any undisbursed proceeds held by the Issuer will be distributed as a prepayment of principal to the Bondholders. CSC GFM Asia Services (Singapore) Pte Ltd (“CSC GFM”), the Corporate Services Provider, will report to the bond trustee, BNY Mellon, on the use of proceeds and specifically on the disbursement of the loans.

- **Reporting**: After the WLB 3 is placed with investors and the loans have been disbursed to the Borrowers, the Portfolio Manager will monitor the impact performance of the Borrowers on a semi-annual basis and provide semi-annual impact reports over the life of the bond. These semi-annual impact reports will consist of a combination of qualitative (stories, SDG analysis) and quantitative information (SROI, no. of women impacted) to provide investors with a holistic understanding of the impact achieved. Key activities for the monitoring, evaluation and reporting of the WLB 3 impact performance over the bond’s 4-year lifetime include: (i) semi-annual impact reporting based on self-reported data from underlying Borrowers; (ii) annual impact reporting based on verified data and field visits to interview end beneficiaries; and (iii) ad-hoc announcements on the Singapore Exchange in the case of any material changes to the underlying portfolio.

IIX Global Charitable Limited will issue an annual Second Party Opinion that will verify the alignment of the WLB 3 with the ICMA’s SBP across the four-year life of the Bond.
Annex A – Negative Screening Criteria based on DFC Exclusion List
(previously known as USAID)

<table>
<thead>
<tr>
<th>Criteria for a Qualifying Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a)</strong> The Qualifying Loan must not be used to finance any of the following:</td>
</tr>
<tr>
<td>(1) Goods or services which are to be used primarily to meet military requirements or to support police or other law enforcement activities,</td>
</tr>
<tr>
<td>(2) Surveillance equipment,</td>
</tr>
<tr>
<td>(3) Gambling equipment, supplies for gambling facilities or any hotels, casinos or accommodations in which gambling facilities are or are planned to be located,</td>
</tr>
<tr>
<td>(4) Activities which significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas,</td>
</tr>
<tr>
<td>(5) Military assistance, explosives or fireworks,</td>
</tr>
<tr>
<td>(6) Activities which relate to trafficking in persons, forced labor, the practice of prostitution or sex trafficking,</td>
</tr>
<tr>
<td>(7) Activities directly or indirectly involving in any way or manner Ammonium Nitrate (AN) or Calcium Ammonium Nitrate (CAN),</td>
</tr>
<tr>
<td>(8) Activities or individuals connected to terrorist acts.</td>
</tr>
<tr>
<td><strong>b)</strong> The Qualifying Loan must not be used to finance any of the following without the prior written approval of USAID. Moreover, approval of Qualifying Loans to finance activities described in subsections (2), (3), (7) or (8) below will be contingent upon the submission by the applicable Guaranteed Party of evidence sufficient to demonstrate compliance with local environmental laws and to enable USAID to make an assessment of the environmental impact of such activities:</td>
</tr>
<tr>
<td>(1) Pharmaceuticals,</td>
</tr>
<tr>
<td>(2) Pesticides,</td>
</tr>
<tr>
<td>(3) Logging equipment,</td>
</tr>
<tr>
<td>(4) Luxury goods (including alcoholic beverages and jewelry),</td>
</tr>
<tr>
<td>(5) Establishing or expanding any enterprise that will export raw materials that are likely to be in surplus in world markets at the time such production becomes effective and that are likely to cause substantial injury to U.S. producers,</td>
</tr>
<tr>
<td>(6) Tobacco or agribusiness activities contributing to tobacco production, promotion or use,</td>
</tr>
<tr>
<td>(7) Activities which would result in the loss of forest lands due to livestock rearing, road construction or maintenance, colonization of forest lands or construction of dams or other water control structures,</td>
</tr>
<tr>
<td>(8) Activities which are likely to have a significant adverse effect on the environment, including any of the following (to the extent such activities are likely to have a significant adverse impact on the environment):</td>
</tr>
<tr>
<td>(a) programs of river basin development,</td>
</tr>
<tr>
<td>(b) irrigation or water management projects (including dams and impoundments),</td>
</tr>
<tr>
<td>(c) agricultural land leveling,</td>
</tr>
<tr>
<td>(d) drainage projects,</td>
</tr>
<tr>
<td>(e) large scale agricultural mechanization,</td>
</tr>
<tr>
<td>(f) new lands development,</td>
</tr>
<tr>
<td>(g) resettlement projects,</td>
</tr>
<tr>
<td>(h) penetration road building or road improvement projects,</td>
</tr>
<tr>
<td>(i) power plants,</td>
</tr>
<tr>
<td>(j) industrial plants, or</td>
</tr>
<tr>
<td>(k) potable water and sewerage projects other than those that are small-scale.</td>
</tr>
<tr>
<td>(g) Activities which the applicable Guaranteed Party is aware are reasonably likely to contribute to the violation of internationally recognized rights of workers.</td>
</tr>
<tr>
<td>(10) Activities directly associated with relocating jobs from the United States to another country.</td>
</tr>
<tr>
<td><strong>c)</strong> The Qualifying Loan must not be used to finance equipment, research and/or services related to involuntary sterilization or the performance of abortion as a method of family planning.</td>
</tr>
<tr>
<td><strong>d)</strong> The Qualifying Loan must not be used to provide family planning services unless the Qualifying Borrower (i) provides those services on a voluntary and informed choice basis and (ii) provides information, access, or referral to a range of family planning methods. To help ensure this, each Guaranteed Party will include the following statement in the loan agreement: “The Borrower agrees that family planning services provided by the enterprise or organization financed by this loan are provided on a voluntary and informed choice basis, and provide information, access, or referral to a range of family planning methods.”</td>
</tr>
</tbody>
</table>