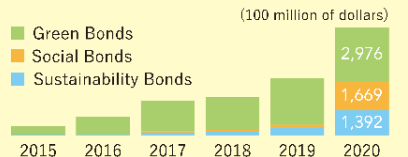


Overview of Social Bond Guidelines

Social Bonds : Bonds that limit the use of proceeds to Social Projects* *Social Projects aim to contribute to solving social issues and seek to achieve social outcomes.

Background to the Guidelines

Trends in SDG Bonds (Worldwide)



Source: Japan Securities Dealers Association, based on Environmental Finance (database as of May 12, 2021)

- The issuance of social bonds has been expanding in the global bond market rapidly.
- Public sector issuance has taken the lead in Japan, while issuance by the private sector has just begun to pick up.
- There were calls for the early formulation of guidelines on social bonds (practical guidelines in Japan) tailored to the characteristics of Japan.

Purpose of the Guidelines

- The Guidelines, in accordance with the ICMA Social Bond Principles, provide practical examples and interpretations that are appropriate to the situation in Japan, including many of the challenges common to advanced economies.
- The purpose of the Guidelines is to promote the wider adoption of social bonds by the private sector in Japan by ensuring the credibility of the social benefits of social bonds while reducing the cost to and administrative burden on issuers.

Contents of the Guidelines

The four "Core Components" of Social Bonds

1. Use of Proceeds (Note) black : Examples listed in the ICMA Social Bond Principles, blue : Additional Examples listed in the Guidelines

- The proceeds of Social Bonds should be allocated exclusively to Social Projects.

Examples of Social Projects

*The examples provided herein are by no means exhaustive and do not intend to limit or preclude other potential eligible projects.

1. Affordable basic infrastructure

ex. Transport, [Disaster prevention and mitigation](#), [Disaster recovery](#)

2. Access to essential services

ex. Health, Education, [Parenting support](#), [Long-term care support](#)

3. Affordable housing

4. Employment generation

ex. [Response to infectious diseases](#), [Regional revitalization](#)

5. Food security and sustainable food systems

ex. Improved productivity of small-scale producers, [Improvement of food systems utilizing advanced technology](#)

6. Socioeconomic advancement and empowerment

ex. Equitable participation into the market and society, [Empowerment of women](#), [Work-style reform](#), [Promotion of barrier-free access](#)

Examples of Target Populations of Social Projects

*The examples provided herein are by no means exhaustive and the general public is possibly a target.

ex. People with disabilities, People who are unemployed, Women, Sexual minorities, Aging populations and vulnerable youth, Natural disaster victims, [Companies and residents in geographically and socio-economically disadvantaged areas](#), [SMEs affected by the spread of infectious diseases](#), [People who balance work and child-rearing/long-term caregiving](#)

2. Process for Project Evaluation and Selection

- Social objectives intended to achieve and process for project evaluation and selection should be explained.
- Disclosure of criteria for project evaluating and selecting is recommended.

3. Management of Proceeds

- Proceeds should be tracked and managed appropriately.

4. Reporting

- A brief description of project, the allocated amount and social benefits, etc. should be disclosed.
- Use of quantitative indicators is recommended where feasible, when disclosing social benefits.
- Indicators may be shown in three stages (Outputs/Outcomes/Impacts).

The two "Key Recommendations" for Social Bonds

1. Framework for Issuing Social Bonds

- Alignment of the four core components should be explained in the framework.

2. External Review

- Undergoing of external reviews is recommended in relation to the four core components.