Social Bond Guidelines
October 2021
Financial Services Agency of Japan
About the Development of the Guidelines

From March to June 2021, the Working Group on Social Bonds met four times, during which scholars and practitioners discussed the details, etc. of these “Social Bond Guidelines” (hereinafter “the Guidelines”). The public comments were invited from Wednesday, 7 July to Tuesday, 10 August, 2021 (English translation: Wednesday, 21 July to Friday, 20 August) from Japan and overseas regarding the content of the Guidelines. The Guidelines were created by the Financial Services Agency of Japan based on those discussions, etc.

<Regarding the English Translation>
Please note that the following is a translation of the original Japanese text which has been produced for the convenience of those interested therein. Accordingly, all questions that may arise with regard to the meaning of the words or expressions herein shall be dealt with in accordance with the original Japanese text.
List of Members of the Working Group on Social Bonds

(October 2021)

Chairperson  KITAGAWA Tetsuo  Emeritus Professor of Aoyama Gakuin University and Professor of Tokyo Metropolitan University

Member  AIHARA Kazuyuki  Head of Sustainable Finance Sec., Nomura Securities Co., LTD.

Member  ARIE Shinichiro  Chief Investment Officer/Head of Investment Management Division and Head of Fixed Income Department, Amundi Japan Ltd.

Member  ISONE Hidekazu  Senior Director, Finance and Treasury, ANA HOLDINGS INC.

Member  OISHI Tatsushi  Deputy Head of ESG Division, Rating and Investment Information, Inc.

Member  KAJIWARA Atsuko  Executive Officer, Head of SFE Group, Japan Credit Rating Agency, Ltd.

Member  KAWAKITA Hidetaka  Distinguished Professor of Kyoto University

Member  KUMAGAI Mitsumaru  Deputy Chairman of the Institute Senior Executive Managing Director Head of Research Division Chief Economist, Daiwa Institute of Research Ltd.

Member  SORITA Yusuke  Chief Portfolio Manager, Deputy General Manager of Credit Investment, Nissay Asset Management Corporation

Member  TAKEBAYASHI Masato  Lead Analyst/Associate Director, Sustainalytics

Member  HAYASHI Reiko  Director and Deputy President, BofA Securities Japan Co., Ltd.

Member  HIRATA Hitoshi  Director General, Treasury, Finance and Accounting Department, Japan International Cooperation Agency (*)

Member  MIZUGUCHI Takeshi  President of Takasaki City University of Economics

Member  MORISAWA Michiyo  Head of Japan, Signatory Relations, PRI

Observer  Japan Business Federation

Observer  Japan Securities Dealers Association

Observer  International Bankers Association of Japan

Observer  The Japanese Institute of Certified Public Accountants

Observer  Cabinet Secretariat

Observer  Ministry of the Environment

Secretariat  Financial Services Agency

(*) Mr. Hirata succeeded as the member Mr. MORI Mutsuya, Advisor to the Director at JICA Ogata Sadako Research Institute for Peace and Development, as of 30 April, 2021.
In addition to the above-mentioned Working Group members, the following practitioners participated in the Working Group and made presentations at the meetings of the Working Group.

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<th>SHIMIZU Kazushi</th>
<th>Debt Capital Markets Department III Head of SDGs Finance, Daiwa Securities Co. Ltd.</th>
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<td>NAKAZORA Mana</td>
<td>Chief Credit Strategist, Chief ESG Strategist, Vice Chairperson Global Markets, Japan, BNP Paribas Securities (Japan) Ltd.</td>
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Chapter 1

Introduction
Chapter 1 Introduction

1. Background to and Purpose of the Guidelines

In September 2015, at the United Nations Sustainable Development Summit, the United Nations General Assembly adopted the 2030 Agenda for Sustainable Development, which sets out the Sustainable Development Goals (SDGs). Additionally, in December 2015, the Paris Agreement was adopted at COP21. These two agreements set forth global targets for addressing social issues (such as poverty and inequality) and environmental issues, and achieving a sustainable economy and society.

In December 2016, Japan—as a pioneer in creating a sustainable economy and society, or in other words, as a forerunner of finding answers to emerging issues—formulated the SDGs Implementation Guiding Principles, which aims to expand and accelerate efforts to achieve the SDGs by 2030 and to balance economic development and the resolution of social issues, in order to become a role model for the international community in the implementation of the measures to achieve the SDGs. The SDGs Implementation Guiding Principles recalibrate the goals and targets of the SDGs in light of Japanese context and indicate areas of focus specific to Japan, setting forth priority issues in eight areas (including “realization of dynamic engagement of all citizens/promotion of women’s role in society”, “achievement of good health and longevity”, and “creating growth market, revitalization of rural areas, promoting technological innovation”). Specific measures based on these priority issues have been implemented according to the SDGs Action Plan.

Meanwhile, the spread of COVID-19 has posed a threat to people’s lives, livelihoods, and dignity worldwide. Under such circumstances, in order to achieve the SDGs by 2030 and realize a sustainable economy and society, it is necessary to further promote and advance efforts to this end. The SDGs are a set of goals that all stakeholders, regardless of whether they are in the public or private sector, must work together to accomplish, and there are high expectations for the role to be played by the private sector.

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1 The 21st Session of the Conference of the Parties to the United Nations (UN) Framework Convention on Climate Change (COP21)
2 In December 2016, the SDGs Implementation Guiding Principles, which serve as a guideline for Japan’s efforts (revised in December 2019), were decided after the SDGs Promotion Roundtable, where a wide range of stakeholders (including the government, the private sector, NGOs/NPOs, experts, international organizations, and other organizations) gathered and exchanged opinions. This dialogue was held under the SDGs Promotion Headquarters headed by the Prime Minister, with the Chief Cabinet Secretary and the Minister of Foreign Affairs as deputy chiefs, and all Cabinet members as members. Based on these SDGs Implementation Guiding Principles, the “SDGs Action Plan” that summarizes specific measures for promoting the SDGs has been formulated and regularly updated since December 2017.
3 Other priority issues include “sustainable and resilient land use, promoting quality infrastructure,” “energy conservation, renewable energy, climate change countermeasures, and sound material-cycle society,” “conservation of environment, including biodiversity, forests, and oceans,” “achieving peaceful, safe, and secure societies,” and “strengthening the means and frameworks of the implementation of the SDGs.” All priority issues include both domestic implementation and international cooperation components.
4 Paragraph 67 of the 2030 Agenda for Sustainable Development states, “Private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation,” and continues, “We call on all businesses to apply their creativity and innovation to solving sustainable development challenges.”
Against this backdrop, the issuance of social bonds—i.e., bonds that limit the use of proceeds to social projects that contribute to solving social issues—has been expanding in the global bond market in recent years\(^5\).

The issuance of social bonds has increased significantly in Japan as well, and data breakdowns indicate that public sector issuance has taken the lead, accounting for most of the issuance. Issuance by the private sector has just begun to pick up in recent years, with Japan’s first social bond issuance by a company in the private sector taking place in 2019.

As mentioned above, in light of the fact that there are high expectations placed upon the private sector to take initiatives toward achieving the SDGs, and the fact that companies in the private sector are themselves increasingly interested in such initiatives as part of their own management issues and strategies, it is important for Japan to promote the issuance of social bonds by companies in the private sector and the implementation of social projects through these bonds, as a means of contributing to the achievement of the SDGs through solving social issues.

Additionally, it has been pointed out that the mobilisation of private capital, in addition to public capital, is essential to secure the funds necessary to achieve the SDGs, and the use of social bonds is considered to be a beneficial tool to help ensure the flow of the necessary funds within the bond market.

\(<\text{Trends in SDG Bonds}\(^6\) (Worldwide)>\)

\(^5\) In particular, 2020 saw a sharp increase globally in the issuance of so-called COVID-19 bonds aimed at supporting countermeasures against COVID-19. However, it should be noted that “SDG bonds” are not globally defined in this way, and ICMA Social Bond Principles do not use this term for Green, Social and Sustainability Bonds.

\(^6\) The Japan Securities Dealers Association (JSDA) refers to bonds whose proceeds are used for projects that contribute to the SDGs (and meet certain criteria), such as Green Bonds, Social Bonds, and Sustainability Bonds, collectively as “SDG Bonds”. ([https://www.jsda.or.jp/sdgs/sdgbonds.html](https://www.jsda.or.jp/sdgs/sdgbonds.html) (Japanese only))
In June 2017, the International Capital Market Association (ICMA) formulated the Social Bond Principles (revised in 2018, 2020, and 2021; hereinafter “ICMA Social Bond Principles”) for social bonds, and this is currently the only international standard. There were calls from the Japanese business community for the early formulation of guidelines on social bonds (that is, practical guidelines in Japan) tailored to the characteristics of Japan, which are consistent with the ICMA Social
In light of this background, the Guidelines, in accordance with the ICMA Social Bond Principles, while also providing practical examples and interpretations that are appropriate to the situation in Japan, including many of the challenges common to advanced economies, so that practitioners (issuers, investors, and other market participants) can refer to them when considering their specific measures for social bonds. The purpose of the Guidelines is to promote the wider adoption of social bonds in Japan by ensuring the credibility of the social benefits of social bonds while reducing the cost to and administrative burden on issuers.

Traditionally, many Japanese companies have placed an emphasis on solving issues in society by incorporating social responsibility into their management issues and strategies. This approach of Japanese companies, at its core, can be considered to be compatible with the philosophy of social bonds, which aims to tackle social issues. The Guidelines have been formulated with the hope that their use would facilitate a significant increase in the issuance of social bonds, thereby promoting the resolution of social issues in the future.

2. Basic Concept of the Guidelines

The social bond market should be developed through interactions based on sufficient information between issuers who want to raise funds while clearly indicating that they will allocate the proceeds only to social projects, and investors who want to invest in the social projects of their choice. The final decision on how to evaluate the appropriateness of the issuers’ approaches to social bonds and whether social bonds are ultimately invested in would be left to the market.

If the expected elements of social bonds are clarified in the Guidelines, it will form the foundation for interactions between the issuers and investors as well as serve as a tool for explaining to stakeholders that the social bond’s proceeds will indeed be used for social projects.

Additionally, it is important for issuers and investors that the credibility of the “social” characteristics of social bonds is maintained. In particular, from the perspective of investor protection, just as it is necessary to prevent “greenwashing” in green bond issuances, it is immensely important to prevent bonds that lack the substantive characteristics of social bonds from being issued as social bonds (i.e. “social washing”).

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7 In December 2020, the Japan Business Federation (Keidanren) and the Japan Securities Dealers Association submitted a request to the Financial Services Agency.
8 It is recommended that the social benefits of social projects be assessed as quantitatively as possible, using appropriate indicators. However, since there are a vast variety of social projects, there is accordingly a diverse range of studies and initiatives currently underway as to the evaluation of the social benefits. Additional time will likely be required for the relevant parties to deepen discussions based on such studies and initiatives. The Guidelines only present a general framework for evaluating the social benefits, leaving the specific indicators to be studied and discussed going forward.
9 “Proceeds” in the Guidelines means the “net proceeds” after issuance fees have been deducted.
10 Referring to when bonds are misrepresented as “Green Bonds” despite the fact that in actuality the bond does not have environmental benefits or its proceeds are not properly allocated to environmental projects.
Based on the above, the Guidelines have been developed while giving consideration to ensuring consistency with the content of the internationally accepted ICMA Social Bond Principles (June 2021)\(^{11}\). Specifically, bonds that address all four of the “core components” described with the word “should” in Chapter 3 of the Guidelines—namely, (1) use of proceeds, (2) process for project evaluation and selection, (3) management of proceeds, and (4) reporting—are consistent with the ICMA Social Bond Principles and considered to be acceptable as Social Bonds internationally\(^{12}\). In addition, we believe that addressing the matters described with the word “should” regarding the two “key recommendations” in Chapter 3—namely, (1) social bond frameworks and (2) external reviews—will contribute to improving the transparency of Social Bonds, which the ICMA Social Bond Principles emphasize.

Issuers, investors, and other market participants may have different perspectives regarding certain matters; hence, it is important to establish a mechanism in which issuers disclose information relevant to their social bonds in an easily understandable way. Investors or other market participants will consequently evaluate the appropriateness of the issuers’ approaches to social bonds using the information disclosed by the issuers, and all participants, including the issuers and the investors, can take advantage of the knowledge accumulated through these interactions between participants, rather than filter out specific social bond approaches from the market, unless these approaches are obviously inappropriate. By establishing this mechanism, market discipline can be exercised to avoid social washing while securing the diversity of issuers’ approaches.

With regard to green bonds, ICMA formulated its Green Bond Principles (revised in 2015, 2016, 2017, 2018, and 2021; hereinafter “ICMA Green Bond Principles”) in January 2014, and the Ministry of the Environment formulated the Green Bond Guidelines (revised in 2020) in 2017. In light of the fact that the Green Bond Guidelines are already being used as practical guidance for issuing Green Bonds in Japan, the Guidelines share the same basic structure as the Green Bond Guidelines. In addition, procedures, etc. that, in practice, are considered desirable to be the same as those outlined in the Green Bond Guidelines are set forth to be the same as much as possible. In this way, due consideration was given to ensure that issuers, investors, and other market participants can respond consistently across bonds, such as Social Bonds and Green Bonds as well as Sustainability Bonds which combine the characteristics of both.

Naturally, there is a certain difference between the efforts of the public sector—which contributes to solving social issues by mobilizing public funds and lending funds—and the efforts of the private sector to mobilize private funds. However, these efforts are becoming increasingly interconnected as issuers and investors become aware of the importance of social objectives. In the future, it is expected that more social bonds will be issued, and the market for social bonds will continue to grow.

\(^{11}\) The ICMA Social Bond Principles prescribes four “core components” (1. Use of Proceeds, 2. Process for Project Evaluation and Selection, 3. Management of Proceeds, 4. Reporting) for social bonds to be consistent with the Principles, as well as two “key recommendations” ((i) Social Bond Frameworks, (ii) External Reviews) that are recommended to enhance transparency.

\(^{12}\) However, there are presently various ways of thinking among investors and other market participants, and discussions in EU, etc. to extend their efforts to clarify economic activities that are environmentally sustainable into other areas such as social objectives. Going forward, the discussions on social areas may be more active and other international agreements on social bonds may potentially be made in the future. It is necessary to keep in mind that an individual social bond therefore is to be evaluated and selected by each investor and market participant based on their own ways of thinking.
sector— which contributes to solving social issues while taking healthy profits into consideration. Amid calls for further efforts by the private sector to help tackle social issues, the issuance of social bonds by the private sector is still in its nascent stages in Japan. Against this backdrop, the Guidelines illustrate the Social Projects, etc. to be funded with the issuance of Social Bonds by ordinary companies in the private sector in mind. That said, it is also possible for the public sector to refer to the content of the Guidelines as needed when considering the issuance of Social Bonds; rather, it is recommended that the public sector uses the Guidelines as necessary as well.

The Guidelines herein focus on the social characteristics of Social Bonds (including the social characteristics of Sustainability Bonds which include Social Projects in their use of proceeds) and therefore do not cover their characteristics and risks as bonds. It is important to note that Social Bonds, even if aligned with the Guidelines, have credit risks, price fluctuation risks, liquidity risks, and other risks, like ordinary bonds.

3. Structure of the Guidelines

Chapter 2 provides an overview of Social Bonds. The benefits of Social Bond issuances and investments are also explained, as a reference for issuers who are considering issuing Social Bonds and for investors who are considering investment in them. Chapter 3 is the core of the Guidelines. In this chapter, the Guidelines describe the elements that Social Bonds are expected to possess and examples of the possible approaches that could ensure that a bond has these elements. The descriptions in this chapter have the following meaning:

(i) Sentences described with the word “should” are basic elements that bonds labelled as “Social Bonds” are expected to have.

(ii) Sentences described with the word “recommend” are elements that bonds labelled as “Social Bonds” are ideally expected to have, although a bond which does not have these elements can still also be labelled as a “Social Bond”.

(iii) Sentences described with the word “may” are examples of the possible approaches and interpretations related to Social Bonds.

Chapter 4 describes expectations towards investors.

It should be noted that the Guidelines are legally non-binding. No legal penalties will be imposed if a certain action does not comply with the elements described in the Guidelines (including elements described with the word “should”). However, it is necessary to note that, if a certain action infringes upon any laws and regulations, legal penalties may be imposed based on these laws and regulations.

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13 In addition, in line with the internationally recognized ICMA Social Bond Principles, addressing all of the items described in Chapter 3 of the Guidelines described with the word “should” regarding the four “core components” (1. Use of Proceeds, 2. Process for Project Evaluation and Selection, 3. Management of Proceeds, and 4. Reporting) are considered to be the minimum requirements for bonds that claim to be Social Bonds under the Guidelines.
Chapter 2

Overview of Social Bonds
Chapter 2 Overview of Social Bonds

1. What are Social Bonds?

Social Bonds are bonds issued by issuers such as private business corporations, financial institutions, or incorporated administrative agencies to raise funds for domestic and overseas Social Projects. Specifically, these bonds have the following features: (i) proceeds are allocated exclusively to Social Projects which are appropriately evaluated and selected by the issuers, (ii) proceeds are tracked and managed in a reliable manner, and (iii) transparency is ensured by reporting after the issuance of the bonds.

The types of Social Bonds include: Standard Social Use of Proceeds Bond, which is issued to raise funds for Social Projects and constitutes recourse-to-the-issuer debt, the redemption of which does not depend on the cash flows of specific Social Projects; Social Project Bond, which is for example issued by SPCs\(^\text{14}\) that exclusively engage in specific Social Projects whose proceeds are allocated to develop and operate facilities, etc., and can be redeemed only by the revenue from the Projects; and Social Securitised Bond, which have an asset linked to Social Projects that are used as collateral and is redeemed using the cash flows from these assets.

2. Advantages of Social Bonds

The advantages brought about by Social Bonds can be broken down into three categories: advantages of issuance, advantages of investment, and benefits to society. Looking at each advantage in detail, not all have been widely and fully agreed upon, and some have yet to be fully proven. Nonetheless, taking as reference the points outlined in the Green Bond Guidelines for green bonds, which lead social bonds in terms of issuance history and volume, and sorting out the advantages of Social Bonds in the similar manner, some potential advantages are as follows.

(i) Advantages of Issuance

1) Enhancing sustainability management

Efforts to issue Social Bonds can lead to the development of, or build on the initiatives already undertaken in, governance, strategy and risk management structures, as well as increase internal awareness related to sustainability within a company, etc., which may lead to more sophisticated sustainability management. In addition, the implementation of investor engagement based on the disclosure by companies, etc. on Social Bonds may have a positive impact on the sophistication of sustainability management. Furthermore, it could improve the ESG assessment of issuers from external reviewers, while also helping to improve their ESG risk tolerance and raise their medium- and long- term corporate value.

\(^{14}\) A SPC (Special Purpose Company) is a corporation established for the limited purpose of acquiring specific assets (e.g. real estate, bonds, etc.) and conducting financing backed by said assets.
2) Acceptance from a wide range of stakeholders by demonstrating willingness to promote Social Projects

The use of proceeds from Social Bonds is limited to Social Projects, and a certain level of disclosure needs to be made about these Projects. As such, through their Social Bond initiatives, issuers are able to show a proactive stance toward solving social issues and achieving the SDGs whilst still ensuring a certain level of transparency and accountability to investors. This can potentially lead to being able to garner the support of a wide range of stakeholders, including customers and business partners.

3) Reinforcement of the funding base by building relationships with investors

By issuing Social Bonds, issuers can expect investments from investors who prioritise in their investments the level of contribution to solving social issues and compatibility with the SDGs of their investments. Building such relationships with investors may lead to the diversification of financing methods and the reinforcement of the funding base, not only for the issuance of Social Bonds but also for other types of financing.

4) Possibility of raising funds on more reasonable terms

As stated above, Social Bond initiatives may allow companies to improve their ESG risk tolerance and gain support from stakeholders. This could then improve the market reputation of said companies, including their creditworthiness, and enable them to raise funds based on such market reputation. On the other hand, there is currently no unified view on whether it is possible for companies to raise funds under more favorable conditions (i.e. lower issuance interest rates) when they issue so-called SDG Bonds (ESG Bonds), and Social Bonds, which have a relatively short history among SDG Bonds, are no exception. However, all other conditions being equal, it has been pointed out that SDG Bonds, including Social Bonds, tend to be preferred by more investors than regular bonds, and this trend has been growing stronger in recent years. Recently, various discussions and assessments on the issuance conditions of SDG Bonds are starting to take place globally, and it is necessary to continue to watch the development of these discussions and assessments to see whether such investor preferences can actually make a difference in the issuance conditions of Social Bonds.

Among Social Bonds, Social Project Bonds, etc., which are issued using the cash flow from a specific project as the source of interest payment and redemption, may be able to raise funds from investors who are familiar with the evaluation of the said business under relatively favorable conditions.

(ii) Advantages of Investment

1) Serving as ESG investments

Some institutional investors are committed to a certain scale of ESG investment. For these

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15 When raising funds through social bonds, it is necessary to keep in mind the additional costs of managing the proceeds, reporting and review by external reviewers, etc.

16 For instance, Social Project Bond and Social Securitised Bond, etc., as described on page 9 (“1. What are Social Bonds?”).
investors, Social Bonds are investment instruments which have a highly transparent framework on social characteristics in accordance with market practices, and thus clearly match their commitment. Moreover, other investors without such commitments can also show that they actively invest in Social Bonds, support Social Projects, and thereby gain public acceptance.

2) Achieving both investment returns and social benefits
It appears that there are some retail investors or institutional investors who are asset owners who find value in the pursuit of certain social benefits and make investments at their own discretion, albeit in varying degrees. For these individuals or entities, investing in Social Bonds allows them to benefit from bond investments while at the same time supporting the realization of social benefits.

3) ESG investments that enable effective engagement
Since the use of funds in Social Bonds is limited to certain Social Projects, the flow of funds is able to be visualised. As such, investors can make investment decisions after determining the social benefits of the bonds. Furthermore, by analyzing and evaluating non-financial information disclosed by issuers regarding social benefits, investors can effectively engage with regard to the social benefits and the magnitude of said benefits resulting from the investment.

(iii) Benefits to Society
1) Contribution to solving social issues through Social Projects
The promotion of Social Projects through the dissemination of Social Bonds contributes to the resolution of social issues and achievement of the SDGs, which will ultimately bring about a positive social outcome.

2) Raising individuals’ awareness of social investments
The widespread promotion of Social Projects through the dissemination of Social Bonds could raise the awareness of individuals on social issues. Additionally, this growing interest could incentivise institutional investors, the fiduciaries of individuals’ assets, to make further social investments.
3. Flow of Social Bond Issuance

The issuers that issue Social Bonds need to follow extra procedures, in addition to the procedures required for issuing ordinary corporate bonds, etc. These extra procedures are illustrated below:

<table>
<thead>
<tr>
<th>Standard Procedures for Issuing Bonds</th>
<th>Additional Procedures for Issuing Social Bonds</th>
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<tr>
<td>Preparation for issuance*</td>
<td>- Consideration of the scope of projects to which proceeds will be allocated</td>
</tr>
<tr>
<td>Bond issuance</td>
<td>- Consideration of the process for Social Project evaluation and selection</td>
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<tr>
<td>Management of proceeds</td>
<td>- Consideration of management of proceeds and reporting methods</td>
</tr>
<tr>
<td>Interest payment and information disclosure</td>
<td>- Calculation of expected social benefits</td>
</tr>
<tr>
<td>Maturity redemption</td>
<td>- Implementation of external reviews (if necessary, recommended to undergo external reviews)</td>
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</tbody>
</table>

* In the case of refinancing, disclosure of the overview of projects to which the proceeds will be allocated, the methods of managing said proceeds, and the perceived social benefits, etc.

4. What are Sustainability Bonds?

Sustainability Bonds are any type of bond instruments where the proceeds will be exclusively applied to financing or refinancing a combination of Green and Social Projects, and which align with the four core components of the ICMA Green Bond Principles and/or ICMA Social Bond Principles.

Globally, the number of Sustainability Bond issuances has been increasing since the Sustainability Bond Guidelines were formulated in 2017 (revised in 2021), and the number of issuances in Japan has also been rising sharply. An example of a Sustainability Bond would be one that funds multiple...
projects bundled together which include both Green Projects and Social Projects separately, or one that funds projects that combine the characteristics of both. In either case, Sustainability Bonds, which include the funding of Social Projects, have the same benefits as Social Bonds and are one of the effective tools for introducing private capital into Social Projects.

It is understood that certain Social Projects may also have environmental co-benefits. The classification of a use of proceeds bond as a Green Bond, Social Bond, or Sustainability Bond should be determined by its primary objectives (environmental objectives and social objectives) for the underlying projects.

While the Guidelines set out expected elements and other issues with a focus on the social characteristics of Social Bonds, they also apply to the social characteristics of Social Projects which are a potential use of proceeds in Sustainability Bonds. Therefore, the matters listed in Chapter 3 shall also apply to Sustainability Bonds to the extent that the proceeds of the Sustainability Bonds are allocated to Social Projects.
Chapter 3

Expected Elements of Social Bonds and Examples of Possible Approaches
Chapter 3 Expected Elements of Social Bonds and Examples of Possible Approaches

A. The “Core Components” of Social Bonds

1. Use of Proceeds

- Use of Proceeds
  (i) The proceeds of Social Bonds should be allocated to Social Projects. Social Projects aim to contribute to the solution of a specific social issue and seek to achieve positive social outcomes especially but not exclusively for a target population(s).
  (ii) Eligible Social Projects to which proceeds will be allocated should have clear social benefits on a specific social issue \(^{17}\). Such social benefits should be assessed by the issuer and, where possible, it is recommended that they be quantified.

- Identification of Social Issues and Social Projects
  (iii) The social issues addressed by Social Projects are those that hinder, damage or threaten the well-being of society or a specific target population. While social issues can change from time to time, the social issues addressed by Social Projects should be those that are objectively recognized by a particular society. For this reason, in identifying social issues, consideration may be given to international agreements such as the 2030 Agenda for Sustainable Development adopted at the UN Summit in September 2015, as well as the SDGs Action Plan \(^{18}\), etc. in the context of Japan in particular.
  (iv) Issuers are recommended to identify the social issues to be addressed and specific Social Projects taking into account their own overarching objectives, strategies, and policies related to social sustainability (e.g., medium-term management plan, sustainability strategy, CSR strategy, etc.).

- Examples of Social Projects
  (v) The definition of a Social Project can vary depending on sector and geography. Examples of Social Project categories and the details of Projects corresponding to each category may include, but are not limited to \(^{19}\), those described in Annex 1. It is possible that a single Social Project may relate to multiple categories.
  (vi) Specific examples of the use of proceeds may include, but are not limited to, Social Projects described in Annex 2 (including assets, investments, loans, and other related and incidental costs.

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\(^{17}\) The fact that the issuance of SDG Bonds generates new flows of funds toward solving social and environmental problems, as well as positive outcomes that would not have occurred without the bonds, can be evaluated as an additionality of SDG Bonds. When assessing whether the Social Project to which the proceeds will be allocated have clear social benefits, the issuer may consider, for example, whether the project will generate greater positive social outcomes compared to the issuer’s ordinary business operations in terms of this additionality.

\(^{18}\) See Footnote 2.

\(^{19}\) The "categories" listed in Annex 1 are examples of the categories that are commonly used when Social Bonds are actually issued, based on the ICMA Social Bond Principles. In addition, since social issues can change from time to time, it is conceivable that Social Project categories that are not listed in Annex 1 may address newly recognized social issues.
such as R&D expenses, human resources education expenses and monitoring expenses in connection with such Projects). Annex 2 shows examples of specific Social Projects, taking into account social issues identified in reference to the SDGs Action Plan, etc., as well as actual cases of Social Bond issuance, etc. by companies in the private sector in Japan and abroad.

- **Target Population for Social Projects**

  (vii) The definition of a target population that is expected to benefit from positive social outcomes can vary depending on local contexts. Examples may include, but are not limited to, the target populations described in Annex 1. In addition, depending on the nature of the social issues, it is possible that the general public is the expected target of a Social Project, for example, if the Project targets a problem faced by all members of a certain society. Even in such cases, it is recommended for issuers to identify the segment of the general public that will particularly benefit from the Project.

- **Evaluation of Social Benefits**

  (viii) Social Projects may have some incidental negative impacts on the environment and/or society, alongside their intended social benefits. "Social Projects with clear social benefits" mean projects assessed by issuers that the intended social benefits are clearly beneficial in comparison to such negative impacts.

- **Prior Provision of Information regarding the Use of Proceeds to Investors**

  (ix) Issuers should provide investors in advance with information regarding the use of Social Bond proceeds through legal documentation (such as a prospectus) or other documents.

  (x) The provision of the information regarding the use of proceeds should specify details of a Social Project, such as the project categories or target populations, so that investors and other market participants can evaluate the appropriateness of the use of proceeds. It is recommended that issuers explain the details of the Project categories, the details of the Project, and the reason for targeting the selected populations.

  (xi) In cases where individual Social Projects have been specified, it is recommended that issuers clearly present such individual Projects to investors.

  (xii) In cases where Social Projects have incidental negative environmental and/or social impacts along

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20 The "target population" listed in Annex 1 is based on the ICMA Social Bond Principles, with additional examples provided in the Guidelines. In addition, since social issues can change from time to time, Social Projects targeting populations not listed in Annex 1 may be implemented to address newly recognized social issues.

21 Issues faced by all members of a certain society includes, for example, the spread of COVID-19 or major earthquakes, where the entire society, not only a group of socially vulnerable people, is impacted. When Projects target the general public, attention may be paid so as not to exclude those facing socioeconomic challenges by ensuring that the said Project’s products or services can be accessed by and provided at an affordable price to all populations.

22 This includes agreements made between the parties involved.

23 In addition, where possible, it is recommended to explain that the Social Project (and the issuer, if applicable) meets the specific goals and targets of the SDGs.

24 The reason for targeting a selected population can be explained by showing, for example, that the target population is in a difficult socioeconomic situation.
with the expected social benefits, the issuers should include information regarding these negative impacts (for instance, how they are assessed, and what the issuers will do to curb them) to investors so that investors and market participants can appropriately evaluate these impacts.

- **Measures When the Proceeds are Allocated to Refinancing**
  
  (xiii) Social Bond proceeds can be allocated not only to finance new Social Projects but also to refinance existing Social Projects.
  
  While the proceeds allocated to refinancing can maintain existing Social Projects, their social significance may differ from that of when proceeds are allocated to finance new Social Projects, since the said existing Social Projects have already started before refinancing.
  
  In cases where Social Bond proceeds are used to refinance existing Social Projects, it is recommended that the issuers provide information to the investors regarding (1) the amount (or the share) of the bond proceeds being allocated for refinancing, and (2) which Social Project (or Social Project categories) will be refinanced. Furthermore, when using the proceeds for refinancing Social Projects, issuers are recommended to indicate the lookback period (i.e. the period for which refinancing is to be used for existing Projects).
  
  In cases where the percentage of proceeds allocated to new Social Projects is greater than that for refinancing, providing an estimate (or percentage) of proceeds allocated to a new Project may serve to enhance the reputation of the Social Bond.
  
  When Social Bonds are issued multiple times to refinance an asset that requires long-term maintenance, the issuer should clearly disclose the asset’s age, remaining useful life, and the amount to be refinanced at the time of the bond issuance; evaluate the long-term sustainability of the social benefits; and, as necessary, obtain an assessment from external reviewers for verification.

  **(Possible Examples of Refinancing)**
  
  * Possible examples may include, but are not limited to, the following:

    - Cases where the Social Bond proceeds are allocated to repay (refinance) loans related to Social Projects
    - Cases where new Social Bond proceeds are used to redeem a bond that has been issued to finance existing or completed Social Projects at maturity
      - * An example of a completed Social Project is a (completed) construction project of a facility that is positioned within a Social Project
    - Cases where financial institutions allocate Social Bond proceeds as a resource for existing loans linked to Social Projects

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25 In the event that proceeds of the Social Bonds are used for refinancing and the existing Projects have already provided social benefits, it is recommended that those social benefits be included in the evaluation.
2. Process for Project Evaluation and Selection

- **Prior Provision of Information on the Process for Project Evaluation and Selection to Investors**
  (i) Issuers should provide investors in advance with information regarding the social objectives that the issuers intend to achieve through the Social Bonds and the process for determining how the Social Projects for which the proceeds are to be used meet the claimed social objectives. It is also recommended that issuers disclose to investors in advance the criteria for evaluating and selecting Social Projects.
  (ii) When individual Social Projects to which Social Bond proceeds will be allocated have been determined, the Projects to which the proceeds will be allocated are deemed to be already evaluated and selected, and it is conceivable that the establishment of the criteria mentioned above is unnecessary. Even in this case, issuers should provide investors in advance with information regarding (1) the social objectives that the issuers intend to achieve through the Social Bond and (2) the process for project evaluation and selection.
  (iii) In contrast, when individual Social Projects to which Social Bond proceeds will be allocated have not been determined (e.g., (1) in cases where an issuer issues a Social Bond to raise funds for the Social Projects that belong to a certain project category and (2) in cases where financial institutions raise funds for investments and loans for a large number of Social Projects, etc.), issuers should establish (1) the social objectives that the issuers intend to achieve through Social Bonds and (2) the process for project evaluation and selection, and provide investors with the relevant information.

- **Social Objectives**
  (iv) Social objectives are the social benefits that issuers intend to achieve through the issuance of Social Bonds. It refers to what is demonstrated as the ultimate social benefit that Social Projects strive to achieve. Examples of social objectives include "Promotion of Diversity", "Promotion of Women’s Empowerment", "Achievement of Health and Longevity (Response to Aging Society)", "Response to Natural Disasters and Infections", "Regional Revitalization", etc.

- **Criteria**
  (v) Criteria are the basis for evaluating and selecting eligible Social Projects for funding in light of their social objectives. They include those for excluding negative impacts that Social Projects may have incidentally on the environment and/or society.
  (vi) It is recommended that the criteria are explained in a manner consistent with the indicators used to disclose the social benefits of the Project.
  (vii) The following are examples of the criteria for project evaluation and selection. It is recommended
that issuers explain to investors in advance any social standards or certifications to which the issuers will refer in evaluating and selecting a Social Project to be financed.

(Examples of “Criteria” for the Evaluation and Selection of Social Projects)

* Possible examples include, but are not limited to:

- The Social Project is expected to contribute to the achievement of the goals and targets set forth in the SDGs
- The project categories and target populations of the Social Project are appropriate in light of social objectives
- The Social Project is consistent with the issuer's overarching objectives, strategies, policies, etc.
- Indicators for calculating social benefits are appropriately established and positive social outcomes are expected from the Social Project
- Criteria for excluding negative impacts that a Social Project may incidentally have on the environment and/or society

➤ Process

(viii) The process for evaluation and selection of Social Projects refers to, for example, the basis for how issuers determine why certain projects can appropriately provide social benefits in light of the social objectives and criteria for the use of Social Bond proceeds, how and by whom the above criteria are applied and used to determine whether Social Projects are consistent with the social objectives (for example, which division actually conducts the evaluation and selection, and determines the appropriateness).

(ix) It is recommended that internal departments who have expertise, such as the ESG-related department, or external institutions are involved in the project evaluation and selection process to judge its appropriateness in the first phase before issuers make the final decision, so as to ensure suitability from a social perspective.

➤ Integration with Comprehensive Objectives, Strategies, Policies, etc.

(x) It is recommended that issuers position the information about the social objectives, criteria and processes in the context of their overarching objectives, strategies, policies, etc. (e.g. medium-term management plan, sustainability strategy, CSR strategy, etc.) when explaining them to investors. It is also recommended that issuers provide explanations to investors as requested post-issuance

➤ Methods for Identifying and Managing Environmental and Social Risks

(xi) To supplement the process of evaluating and selecting social projects, issuers should explain to

26 For example, the execution of a company's transition strategy may have negative impacts on the society unrelated to climate change, such as employment. It is also possible to use Social Bonds to raise funds for projects aimed at mitigating these negative impacts.

27 For example, projects can be evaluated on whether there is a negative impact on human rights, and
investors in advance the methods for identifying and managing the environmental and/or social risks of Social Projects that may incidentally have negative impacts on the environment and/or society.

(xii) If a Social Project has material environmental and/or social risks, the issuer is recommended to have mitigation measures in place for such risks. Mitigation measures for such risks may include trade-off analysis and required monitoring, which are conducted when the potential risks are assessed to be relatively large.

3. Management of Proceeds

(1) Management of Proceeds

➢ General Information

(i) The issuer should track and manage the entire amount of Social Bond proceeds or the amount equivalent thereto in an appropriate manner to ensure that the funds it raised are allocated to Social Projects without fail. These tracking and managing activities should be controlled by the issuer’s internal processes.

(ii) As long as the Social Bonds are outstanding, the issuer should conduct periodical checks (at least yearly) to ensure that the amount allocated to Social Projects is equal to or greater than the amount raised by the issuance of Social Bonds or that the sum of the amount allocated to Social Projects and the amount of the unallocated proceeds matches the total amount of Social Bond proceeds. If any of the proceeds remains temporarily unallocated, the issuer should explain to investors how it intends to manage the balance of such unallocated funds. The issuer should endeavor to promptly allocate such funds to Social Projects.

(iii) After issuing Social Bonds, issuers are recommended to utilize auditing firms or other third parties to verify that the management of the raised funds and the allocation to Social Projects are properly conducted in the manner determined in advance by the issuer.

➢ Methods for Tracking and Management of Proceeds

(iv) The tracking and management of proceeds may be done for each Social Bond or by aggregating multiple Social Bonds with respect to each Project.

(v) Possible methods for tracking and management of proceeds include the following.

(Examples of Possible Methods for Tracking and Managing Proceeds)

* Possible examples include, but are not limited to:

- The Social Bond proceeds are credited to a subaccount that is financially separate from other accounts, and the proceeds are withdrawn from this account when allocated to Social Projects.

appropriate measures can be taken based on said evaluation, in light of "Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework” and Japan’s “National Action Plan on Business and Human Rights".
- The total proceeds and the accumulated allocations to Social Projects are managed via internal systems or electronic files and periodically adjusted to ensure that the latter exceeds the former.
- The Social Bond proceeds are deposited in a separate bank account and managed separately from other business funds. When allocating the proceeds to Social Projects, the proceeds are taken out from the said separate bank account.

- Prior Provision of Information on Methods for Tracking and Management to Investors
  (vi) Issuers should provide investors in advance with information on how Social Bond proceeds will be tracked and managed.
  (vii) It is recommended that issuers appropriately keep evidenced documents regarding the management of Social Bond proceeds.

(2) Management of Unallocated Proceeds
- Early Allocation of Proceeds
  (viii) It is recommended that the Social Bond proceeds are allocated to Social Projects promptly, and issuers must avoid failing to allocate the proceeds to Social Projects without a rational reason.

- Prior Provision of Information regarding the Methods to Manage Unallocated Proceeds
  (ix) Issuers should provide investors in advance with information on how unallocated Social Bond proceeds will be managed when the Social Projects that will receive the Social Bond proceeds have not been determined, or when such Social Projects have been determined but the proceeds have not been allocated because the timing for allocation has not yet arrived.

- Methods to Manage Unallocated Proceeds
  (x) It is recommended that issuers manage unallocated Social Bond proceeds as assets with high liquidity and safety such as cash, cash equivalents, or short-term financial assets.

4. Reporting
- Disclosure of the Status of the Use of Proceeds after the Issuance of Social Bonds
  (i) Investors invest in Social Bonds because they expect that their funds allocated to Social Projects will increase positive effects brought about by the Projects. Moreover, in order for issuers to gain public acceptance by labelling their bonds as Social Bonds, it is essential to ensure transparency. With this in consideration, issuers should publicly disclose the updated information on the use of Social Bond proceeds after issuance, as well as social benefits of each Social Project. Posting such information on the issuers' official websites can be a possible method for such disclosure.

28 Information disclosure as specified in the Guidelines does not unconditionally ensure compliance with financial laws, rules of the stock exchange, or rules of self-regulatory organizations. Regardless of the disclosure specified in the Guidelines, information must be disclosed according to the requirements of the above-mentioned laws or rules.
Timing of Disclosure

(ii) Issuers should disclose the usage status of funds at least once a year until all the proceeds are used and whenever there has been a major change in the situation. They should disclose such information in a timely manner even after all the proceeds are allocated if any major change in the situation has occurred.

A major change in the situation includes, but is not limited to, the sale of the asset or Project for which the proceeds are used, a serious accident in the Project, and other events that affect the Project’s social significance.

Content and Method of Disclosure

(iii) The disclosure mentioned above should cover the following:

(Contents)
- A list of the Social Projects to which Social Bond proceeds have been allocated
- A brief description of each Social Project (including up-to-date progress)
- The amount of funds allocated to each Social Project
- The expected social benefits of each Social Project
- Information regarding unallocated Social Bond proceeds (the amount of the unallocated proceeds or the share of the unallocated proceeds to the total amount of the proceeds, when the unallocated proceeds are expected to be allocated to the Social Projects, and how the unallocated proceeds are managed until allocation)

(iv) In cases that Social Bond proceeds have been allocated to the refinancing of existing Projects, it is recommended that disclosure mentioned above includes: 1) the approximate amount (or the share) of the allocated proceeds used for refinancing, and 2) a list of the Social Projects (or the project categories) refinanced.

(v) While it is recommended to disclose (iii) and (iv) on a project-by-project basis, if there are confidentiality agreements, competitive considerations, or too many underlying projects to disclose their details, information may be presented in generic terms or in an aggregated portfolio. (For example, when conducting loan projects to multiple public hospitals, issuers may disclose the information presented in generic terms or in an aggregated portfolio such as "Loan to public hospitals: n cases" without disclosing the names of individual facilities.)

(vi) More specifically, disclosure methods may include those illustrated in Annex 3.

Indicators and Methods for Calculating Social Benefits

(vii) When disclosing information regarding the expected social benefits of Projects, issuers should use appropriate indicators while ensuring consistency with the “social objectives,” the “criteria” for Social Projects specified in Section 2, “Process for Project Evaluation and Selection,” and the characteristics of Social Projects.

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29 The ICMA Social Bond Principles state that issuers should refer to and adopt, where possible, the "Working Towards a Harmonized Framework for Impact Reporting for Social Bonds" published by ICMA with regard to reporting.
(viii) When disclosing the expected social benefits of Projects, it is recommended that issuers, where feasible, use quantitative indicators and disclose information on methodologies and/or assumptions as well as these indicators. When it is difficult to quantify, or when it is difficult to show sufficient social benefits with only quantitative indicators, issuers are recommended to explain the benefits using qualitative descriptions as well. External certifications obtained through social projects may be used as qualitative indicators.

(ix) Issuers with the ability to monitor achieved social benefits are recommended to include those in their disclosure. It is also recommended that issuers disclose the social benefits of Social Projects throughout the life of the Social Bonds.

(x) When disclosing the expected social benefits of Projects, issuers may show the process through which Social Projects are expected to generate social benefits, using appropriate indicators.

Specifically, specific goods and services that result from social projects are called "Outputs", benefits and changes (achievements) brought to target population(s), etc. as a result of the outputs are called "Outcomes", and the ultimate social impacts (objectives) to be achieved by realising the outcomes are called "Impacts". In this way, issuers may show the process of Social Projects leading to impact in stages30.

<Relationship between Social Project and Output/Outcome/Impact31 32>

Social issues to be tackled

Social Projects

Projects that contribute to solving social issues and bringing about positive social outcomes

e.g.:
- Installation of barrier-free facilities
  (Target population: people with disabilities, etc.)
- Programs that promote health and/or prevent disease
  (Target population: aging populations, etc.)

Outputs

Products and services, etc. that directly result from projects

e.g.:
- Number of barrier-free facilities installed, etc.
- Number of participants, etc. in programs that promote health and/or prevent disease

Outcomes

Benefits and changes (achievements) brought to the "target population", etc. as a result of the output

e.g.:
- Increased usage rate, etc. by disabled persons
- Improvement and maintenance of participants’ health, etc.

Impacts

Social impacts (objectives) to be achieved by realizing the outcomes

e.g.:
- Realization of a symbiotic society, etc.
- Longer average life expectancy, improved quality of life, etc.

30 The above-mentioned ICMA "Working Towards a Harmonized Framework for Impact Reporting for Social Bonds" shows the indicators for social benefits in three stages: Outputs, Outcomes, and Impacts. However, in the "Basic Concept of Impact Finance" published by the Ministry of the Environment in July 2020, impacts are defined at the outcome level, and impacts and outcomes are not necessarily separated.

31 Social benefits of Social Projects are expected to take a certain period of time after the completion of the Project until the final impacts are evident and can be evaluated.

32 The evaluation details of "Outcomes" and "Impacts" may differ depending on phases of the ripple effect of the
B. "Key Recommendations" for Social Bonds

1. Framework for Issuing Social Bonds

- Framework for Issuing Social Bonds

(i) Issuers should develop a framework for issuing Social Bonds or explain to investors the alignment to the four core components: use of proceeds, process for project evaluation and selection, management of proceeds, and reporting in the framework, a legal documentation (e.g., prospectus) or other documentation. Issuers should disclose such frameworks and other documentation to the public.

(ii) In the framework for issuing Social Bonds, issuers are recommended to summarise relevant information to investors within the context of their own overarching sustainability strategy.

2. External Review

(1) General Matters related to External Reviews

- General Information

(i) If an issuer determines that it needs an objective assessment of its own actions in relation to the four core components of the framework for issuing Social Bonds (i.e. use of proceeds, process for project evaluation and selection, management of proceeds, and reporting), it is recommended that the issuer undergoes external reviews. External reviews can take many different names, such as "second party opinion (SPO)", "verification", "certification", and "rating". Such reviews can be particularly useful in the following cases.

(Examples of Cases where External Reviews are Particularly Useful)

* Possible examples include, but are not limited to:

- Cases where the Social Projects designated for a Social Bond include those that have relatively large social benefits. Please note that examples of "Outcomes" and "Impacts" indicators described in this chart are merely examples.

33 ICMA publishes the "Pre-issuance Checklist of Social Bonds/Social Bonds Programmes" as guidance for creating a framework for social bond issuance.

34 Note that matters that are required to be included in prospectuses and other legal documents under the Financial Instruments and Exchange Law and other laws and regulations must be complied with, and cannot be substituted by explanations in the frameworks and other documents.

35 The ICMA Social Bond Principles state that issuers should refer to the "Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Review" published by the ICMA for external reviews. In addition, the ICMA Social Bond Principles provide a template for external review, and they state that the template should be used when possible.

36 For the purposes of the ICMA Social Bond Principles, "Rating" is an evaluation or assessment of a Social Bond, associated framework for issuing a Social Bond, or a key feature such as the use of proceeds, by qualified third parties, such as specialized research providers or rating agencies, according to an established scoring/rating methodology. Such rating is distinct from credit ratings, which assess the bonds’ or issuers’ creditworthiness. In addition, the definition and characteristics of each type of external review are described in the "Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Review" published by the ICMA.

37 Depending on the specific case, contents of the review may be limited.
negative environmental and social impacts in addition to social benefits, and where an issuer seeks an objective evaluation of the appropriateness in allocating proceeds to such Projects.
- Cases where an issuer needs an objective external evaluation of the appropriateness of the criteria for project evaluation and selection or the appropriateness of the criteria-based determination of Social Projects since no such adequate expertise exists within the issuer’s organization.
- Cases where an issuer requires an objective evaluation of the appropriateness of the social benefit calculation method developed by the issuer since there is no existing framework for calculating the social benefits of the Projects.
- Cases where an issuer needs to promote an understanding of Social Bonds among intended overseas investors who are unfamiliar with Social Projects and their associated information in Japan.

(ii) In cases where an external review of the entire framework for issuing a Social Bond was conducted in the past and where an issuer plans to issue a new Social Bond with the same framework, it is considered that the issuer does not have to conduct an external review again. Examples include cases where an SPC engaged exclusively in the implementation of Social Projects had an external review of the Projects’ social benefits and where the SPC plans to issue more than one Social Bond linked to the same type of Projects. However, if an external review is not utilized, the issuer may be required by investors and other market participants to describe the appropriateness of the framework for issuing the Social Bond in a highly transparent manner.

➢ Examples of Matters that can be Externally Reviewed

(iii) Examples of content that can be externally reviewed include the following.

(Examples of Content of External Review)
* Possible examples include, but are not limited to:

1) Reviews before the issuance of Social Bonds
   - The evaluation of the appropriateness of the Social Projects to which the proceeds will be allocated (for example, evaluations may include whether the Project is expected to contribute to the achievement of the goals and targets set forth in the SDGs, the appropriateness of the project categories and target populations, and the alignment of the Project with the issuer’s comprehensive objectives, strategies, and policies).
   - The evaluation of the appropriateness of the criteria for project evaluation and selection and the appropriateness of the criteria-based determination process.
   - The evaluation of the appropriateness of specific methods to track and manage the proceeds from Social Bonds.
   - The evaluation of the appropriateness of the expected social benefits (or actual social benefits in the

38 However, issuers should be careful to judge whether or not an external review is required as the concept of appropriateness regarding the schemes of social projects and Social Bonds, as well as the evaluation criteria of external reviewers, may have changed since the last review.
case of refinancing) of Social Projects (including the appropriateness of the methods for calculating social benefits and assumptions for the calculation).

2) Reviews after the issuance of Social Bonds
   - The evaluation of whether the management of the Social Bond proceeds and the allocation of the proceeds to Social Projects were executed properly by using the methods specified by the issuer before the issuance of the Social Bonds.
   - The evaluation of whether the actual social benefits brought about by the Social Projects to which the Social Bond proceeds were allocated were calculated properly by using the methods specified by the issuer before the issuance of Social Bonds.

➢ Disclosure for External Review by Issuers
   (iv) If an external review of a Social Bond was conducted, the issuer should disclose the documents showing the results of said review. For example, such disclosure may be posted on the issuer’s website, etc.

(2) Criteria to be Followed by External Reviewers
External reviewers should follow the basic criteria below when providing reviews.

➢ Ethical Standards as Professionals
   (i) Integrity
   External reviewers must consistently act with integrity and must not take any part in the preparation and disclosure of reviews based on any reports or information that they recognize as falling into any of the following.
   - Information that contains materially false or misleading statements
   - Information that contains statements or information that are prepared without the due caution required in the performance of duties
   - When any omission or obfuscation of necessary information will cause misunderstanding, information that omits or obfuscates such information

   (ii) Fairness
   External reviewers should desist preconception, avoid conflicts of interests, resist the unfair influence of others, and consistently maintain a fair standpoint. If they are unduly requested to distort facts or bias a review to justify a predetermined conclusion, they should decline to provide the review as professionals.

39 Issuers may consider reporting to and listing of their documents on the ICMA social bond data base as part of their public disclosure. (https://www.icmagroup.org/green-social-and-sustainability-bonds/green-social-and-sustainability-bondsdatabase/#HomeContent)

40 The ethical standards of external reviewers as professionals are based on the “International Code of Ethics for Professional Accountants” established by the International Ethics Standards Board for Accountants of the International Federation of Accountants and the corresponding JICPA Code of Ethics established by the Japanese Institute of Certified Public Accountants.

41 If external reviewers are obliged to prevent conflicts of interest based on other laws and regulations, it is of course necessary for the said reviewers to comply with the relevant laws and regulations.
Maintaining a fair standpoint means to require objectivity in the judgment of business operations. More specifically, external reviewers should be independent from and should ensure impartiality against the issuer. It is recommended to judge whether external reviewers have such impartiality based on personal or capital relationships. For example, an external review is not considered to be independent in the following cases.

(Examples External Reviewers Not Considered Independent)

* Possible examples include, but are not limited to:

**Capital relationship**
- Cases where an issuer and an external reviewer are subsidiaries of the same parent company
- Cases where an issuer is the parent company of an external reviewer (subsidiary) and vice versa

**Personal relationships**
- Cases where a board member or someone in a similar position of one company (issuer) also serves as a board member or someone in a similar position of the other company (external reviewer)
  * A board member or someone in a similar position could include a director, auditor, executive, or someone in any other position, who has legal authority over the execution and/or the auditing of operation and finances under corporate law, civil law, and/or any other relevant law, regardless of title.

External reviewers should also note that consultancy or advisory services related to frameworks for issuing Social Bonds that entail collaboration with the issuer are different from independent external reviews.

(iii) Abilities and due care as professionals

External reviewers need to maintain the level of abilities necessary to perform their duties when conducting an external review in order to provide an appropriate external review. External reviewers should observe what is required of them as professionals and perform their duties with due care. External reviewers should confirm that any party that works under their instructions is receiving appropriate training and supervision when performing their duties. External reviewers are required to satisfy the following requirements in respect of their expertise as professionals.

- Constantly keep up with and understand the relevant knowledge including international market trends and the latest trends in professional practices in their specialty areas, always endeavor to improve their skills, and continually update their expertise.
- Have the relevant expertise depending on the type of external reviews they provide and the type of Social Projects for which they provide a review.
- Employ or invite other specialists in the areas where they do not have sufficient expertise. It is not necessary for one external reviewer to evaluate all the aspects of an issue of Social Bonds. It is considered possible for more than one external reviewer to review its different aspects based on the expertise of each provider.

The recommended expertise of external reviewers includes the following.

(Examples of Expertise)
* Possible examples include, but are not limited to:

1) When reviewing the appropriateness of the Social Projects to which proceeds will be allocated, the appropriateness of the evaluation and selection process of Social Projects and the appropriateness of social benefits
   Expertise regarding the criteria to determine whether any social benefits exist, the method to quantify social benefits, indicators to be referred to for verification, evaluation and certification methods, etc.
2) When reviewing the appropriateness of the management and allocation of proceeds, etc.
   Expertise in finance and accounting audits

(iv) Duty of confidentiality
   External reviewers must not disclose to others or use for the benefit of themselves or third parties any secrets they have come to possess in the course of their duties without any justifiable reason. With respect to their compliance with the duty of confidentiality, external reviewers should establish, publish or provide their customers with a policy, structure, etc. concerning the protection of customer information.

(v) Actions as professionals
   External reviewers should be aware of their position as professionals and satisfy what is required of them as professionals and should not take any action that will harm the credibility of or bring disgrace to all external reviewers.

➢ Requirements of External Reviewers as Organizations
   (vi) For the organizational frameworks to perform external reviews, external reviewers should have an adequate organizational structure to appropriately undertake external reviews and should set up in advance methodologies (including the assessment criteria that constructs the core of evaluation) and procedures to conduct external reviews. In addition, in order to improve the transparency and comparability of external reviews from the perspective of issuers, investors and other market participants, it is recommended to disclose information on the methodologies and procedures in advance.

(vii) External reviewers should hire a reasonable number of people who have professional experience
and qualifications necessary to cover the areas subject to the external reviews to be performed.

(viii) When using liability insurance concerning their areas of expertise, external reviewers should mention the scope of coverage of such insurance.

➢ Content to be Evaluated by External Reviewers

(ix) External reviewers will evaluate the following content dependent on the type of external review.

1) External reviewers should evaluate the intended social benefits of the Social Project for which the funds are to be used.
2) External reviewers should check and evaluate the consistency with the four core components expected of Social Bonds.
3) External reviewers should, as needed, evaluate the potential material environmental and social risks (negative impacts) specified by the issuer in connection with Social Projects.

➢ Information that should be Included in Documents, etc. concerning External Review Results

(x) External reviewers should include a general description of the purpose of the external review, scope of the review, qualifications of the persons who conduct the external review, and their expertise as external reviewers. At a minimum, it is necessary to show where such information is available. For instance, it is recommended that external reviewers clearly demonstrate their expertise by providing explanations, etc. in documents, etc. concerning review results.

(xi) External reviewers should include in the documents, etc. concerning their review results a statement on their independence from the issuers and their policy on conflicts of interest. At a minimum, it is necessary to show where such information is available.

(xii) There are various types of external reviews. Even if they have the same name, what they evaluate or the criteria they use for evaluation may differ. To make easier for users of said reviews to understand their content, external reviewers should clearly explain in the documents, etc. concerning the review results the definitions they use and their analytical approach and methodologies including the evaluation criteria applied to respective items. For instance, these may include the following.

(Examples of the Description of Information concerning External Reviews)

* Possible examples include, but are not limited to:

This review evaluates the following aspects of the Social Bond:

<table>
<thead>
<tr>
<th>(i) Reviews before the issuance of Social Bonds</th>
<th>Target</th>
<th>Evaluation Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluated Aspects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- The evaluation of the appropriateness of the Social Projects to which the proceeds will be allocated (for example, evaluations may include whether the Project is expected to contribute to</td>
<td>✓</td>
<td>Evaluation criteria of the reviewer44</td>
</tr>
</tbody>
</table>

44 While it is sometimes difficult to disclose detailed evaluation criteria, it is recommended to clearly state what criteria was used as much as possible.
the achievement of the goals and targets set forth in the SDGs, the appropriateness of the project categories and target populations, and the alignment of the Project with the issuer’s comprehensive objectives, strategies, and policies).

- The evaluation of the appropriateness of the criteria for project evaluation and selection and the appropriateness of the criteria-based determination process.

- The evaluation of the appropriateness of specific methods to track and manage the proceeds from Social Bonds.

- The evaluation of the appropriateness of the expected social benefits (or actual social benefits in the case of refinancing) of Social Projects (including the appropriateness of the methods for calculating social benefits and assumptions for the calculation).

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<tbody>
<tr>
<td>- The evaluation of whether the management of the Social Bond proceeds and the allocation of the proceeds to Social Projects were executed properly by using the methods specified by the issuer before the issuance of the Social Bonds.</td>
<td></td>
<td>✓ Evaluation criteria of the reviewer</td>
</tr>
<tr>
<td>- The evaluation of whether the actual social benefits brought about by the Social Projects to which the Social Bond proceeds were allocated were calculated properly by using the methods specified by the issuer before the issuance of Social Bonds.</td>
<td></td>
<td>✓ Evaluation criteria of the reviewer</td>
</tr>
</tbody>
</table>

(ii) **Reviews after the issuance of Social Bonds**

(xiii) External reviews should include a conclusion and outputs including marginal items evaluated in external reviews. At a minimum, it is necessary to show where such information is available.
Chapter 4

Expectations toward Investors
Chapter 4 Expectations toward Investors

A characteristic of Social Bonds is use of the bond’s proceeds only for projects that will have positive social outcomes—that is, Social Projects. Annex 2 to the Guidelines show some of the projects which could be Social Projects. These are, however, examples based on domestic and overseas Social Bond issuance cases and various Social Projects are bound to be implemented out of corporate creativity and innovation, taking into account the social situation at that time. Based on the assumption that the issuer will appropriately disclose the social benefits that the Social Projects strive to achieve, the final decision is left to each investor deciding whether or not to invest in Social Bonds. The role of investors is therefore extremely important for the sound development of the Social Bond market.

Based on the above, it is recommended that, when making investment decisions concerning Social Bonds, investors should appropriately assess the social benefits of the Project for which the relevant Social Bond proceeds are used. When doing so, investors are recommended to make decisions on a case-by-case basis, based on factors such as the environment of the given project; whether the relevant project has any negative impacts, and, if any, their implications; and international trends regarding Social Bonds. Furthermore, where an external review is available, investors are recommended to carefully examine the documents concerning the results of the external review and make final investment decisions based on their own appropriate evaluation of the relevant Social Bonds without solely relying on the external review. Furthermore, after investing in Social Bonds, investors are recommended to perform appropriate monitoring on factors such as the management status of the bond proceeds by the investee, whether the expected impact has been realized, and any change(s) in the situation. In addition, Japan’s “Stewardship Code”, which was revised in March 2020, requires investors to “consider sustainability (medium – to long-term sustainability including ESG factors) corresponding to their investment management strategies” as a stewardship responsibility. In light of the fact that the Code can be applied to investments in assets other than stocks including bonds, institutional investors who invest in Social Bonds are expected to conduct constructive engagement with the companies in which they invest as necessary.

To make the above possible, investors need to have the ability to make appropriate decisions. Accordingly, it is recommended that investors develop considerable insight regarding sustainable development, accumulate knowledge on Social Projects, and also pay full attention to international trends regarding Social Bonds.

The above is also necessary for those practicing ESG investment such as institutional investors to gain support from society, which in turn is expected to contribute to the sound development of the market for Social Bonds and the building of a sustainable society.
Chapter 5

Revisions to the Guidelines
Chapter 5 Revisions to the Guidelines

Given the objective to further develop the markets for Social Bonds, the Guidelines will be revised in response to changes in the surrounding circumstances, including the level of maturity of the Japanese market, trends of international discussions, revisions to related documents, etc. such as the ICMA Social Bond Principles.

In addition, other than Social Bonds, there are various initiatives regarding Sustainability Bonds, Sustainability-Linked Bonds, transition bonds, and other bonds that may potentially possess social characteristics. However, taking into account and to be consistent with international discussions surrounding these funding methods, further clarification of the framework of the Guidelines may be conducted as necessary.

Regarding indicators of social benefits from Social Projects, continued discussions among concerned parties are expected to take place in order to provide concrete examples. To further develop Social Bonds, it is also expected that good practices of domestic and overseas Social Bond issuance will be shared (posted on relevant websites, etc.) in cooperation with the finance industry and related organizations.
Annex 1 Examples of "Categories" and "Target Populations" of Social Projects

The table below provides examples of Social Project “categories”, the details of Projects corresponding to each “category” (sub-categories), and “target populations”. The examples consist of those listed in the ICMA Social Bond Principles, and those additionally listed in the Guidelines (*). It should be noted that the examples provided herein are by no means exhaustive, and thereby do not intend to limit or preclude other potential eligible project categories, project details and/or target populations.

(*) Additional examples were listed taking into account social issues identified in Japan’s “SDGs Action Plan”, etc., as well as in consideration of actual cases of Social Bond issuance by domestic and overseas companies in the private sector, etc. Refer to Annex 2 for concrete examples on use of proceeds.

<table>
<thead>
<tr>
<th>Examples of Social Project Categories in the ICMA Social Bond Principles</th>
<th>Examples of Categories’ Details in the ICMA Social Bond Principles</th>
<th>Additional Examples of Categories’ Details (Sub-Categories) Listed in the Guidelines</th>
<th>Examples of Target Populations in the ICMA Social Bond Principles</th>
<th>Additional Examples of Target Populations Listed in the Guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Affordable basic infrastructure</td>
<td>• Clean drinking water • Sewers • Sanitation • Transport • Energy</td>
<td>• Disaster prevention and mitigation • Measures against aging infrastructure • Disaster recovery • ICT infrastructure</td>
<td>1. People living below the poverty line 2. Excluded and/or marginalised populations and/or communities 3. People with disabilities 4. Migrants and/or displaced persons 5. People who are undereducated 6. People who are underserved, owing to a lack of quality access to essential goods and services</td>
<td></td>
</tr>
</tbody>
</table>
### Examples of Social Project Categories in the ICMA Social Bond Principles

<table>
<thead>
<tr>
<th>Example</th>
<th>Details in the ICMA Social Bond Principles</th>
<th>Additional Examples of Categories' Details (Sub-Categories) Listed in the Guidelines</th>
<th>Examples of Target Populations in the ICMA Social Bond Principles</th>
<th>Additional Examples of Target Populations Listed in the Guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Affordable housing</td>
<td>(No example)</td>
<td>• ICT</td>
<td>7. People who are unemployed</td>
<td>(* Example of “10. Other vulnerable groups, including as a result of natural disasters” on the left)</td>
</tr>
<tr>
<td>4. Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance</td>
<td>(No example)</td>
<td>• Response to socioeconomic crises due to the spread of infectious diseases</td>
<td>8. Women and/or sexual and gender minorities</td>
<td>• Companies and residents in geographically and socio-economically disadvantaged areas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Regional revitalization</td>
<td>9. Aging populations and vulnerable youth</td>
<td>• SMEs, etc. affected by the spread of infectious diseases, etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>10. Other vulnerable groups, including as a result of natural disasters</td>
<td>• People who balance work and child-rearing/long-term caregiving, etc.</td>
</tr>
<tr>
<td>5. Food security and sustainable food systems</td>
<td>• Physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements</td>
<td>• Improvement of food systems utilizing advanced technology</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Resilient agricultural practices</td>
<td>• Improvement of eating habits and management of pre-symptomatic disease</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Reduction of food loss and waste</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Improved productivity of small-scale producers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Examples of Social Project Categories in the ICMA Social Bond Principles</td>
<td>Examples of Categories’ Details in the ICMA Social Bond Principles</td>
<td>Additional Examples of Categories’ Details (Sub-Categories) Listed in the Guidelines</td>
<td>Examples of Target Populations in the ICMA Social Bond Principles</td>
<td>Additional Examples of Target Populations Listed in the Guidelines</td>
</tr>
<tr>
<td>---</td>
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</tr>
<tr>
<td>6. Socioeconomic advancement and empowerment</td>
<td>• Equitable access to and control over assets, services, resources, and opportunities • Equitable participation and integration into the market and society, including reduction of income inequality</td>
<td>(* Below are further breakdowns of the detailed examples on the left) • Promotion of diversity • Empowerment of women • Work-style reform • Promotion of barrier-free access and universal design • Preventive care</td>
<td></td>
<td>(The above are general examples of the target populations that are described under Appendix 2 &quot;Examples of Social Projects (Use of Proceeds)&quot;)</td>
</tr>
</tbody>
</table>
### Annex 2 Examples of Social Projects (Use of Proceeds)

The table below provides concrete examples of Social Projects, which were listed taking into account social issues identified in reference to Japan’s “SDGs Action Plan 2021”, etc., as well as in consideration of actual cases of Social Bond issuance by domestic and overseas companies in the private sector, etc. It should be noted that the examples provided herein are by no means exhaustive, and thereby do not intend to limit or preclude other potential eligible projects.

The following examples are in general listed with domestic projects in mind. However, with respect to issues relating to international cooperation (such as in infrastructure projects, etc.), the examples include Projects that contribute to solving international social issues, such as Projects for supporting vulnerable individuals in developing countries.

It is important that the eligibility of a Social Project should be determined based not only on the project itself but also on the corresponding "social issues" and "target populations".

<table>
<thead>
<tr>
<th>Examples of Social Issues under the SDGs Action Plan, etc.</th>
<th>Examples of Target Populations (*2) (●Examples in the ICMA Social Bond Principles ○Additional Examples Listed in the Guidelines)</th>
<th>Examples of Social Projects (Use of Proceeds)</th>
<th>Examples of Social Project Categories in the ICMA Social Bond Principles</th>
<th>Examples of Details of Categories (Sub-Categories) (●Examples in the ICMA Social Bond Principles ○Additional Examples Listed in the Guidelines)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting diversity and empowering women</td>
<td>● People with disabilities ● People who are unemployed ● Women (●Especially young women, female entrepreneurs, women who run SMEs, women who balance work and child-rearing/long-term caregiving, etc.) ● Sexual and gender minorities (●People who are LGBT, etc.)</td>
<td>○ Providing programs for education/vocational training, career development, and skills development, as well as business support for those in socio-economically vulnerable positions ○ Providing investments and loans to and support for start-ups and entrepreneurs (whose managers are in a socio-economically vulnerable</td>
<td>2. Access to essential services ● Education and vocational training ○ Parenting support ○ Support for long-term caregiving</td>
<td>4. Unemployment generation 6. Socioeconomic advancement and ● Equitable access to and control over assets, services, resources,</td>
</tr>
<tr>
<td>Examples of Social Issues under the SDGs Action Plan, etc.</td>
<td>Examples of Target Populations (*2) (● Examples in the ICMA Social Bond Principles ○Additional Examples Listed in the Guidelines)</td>
<td>Examples of Social Projects (Use of Proceeds)</td>
<td>Examples of Social Project Categories in the ICMA Social Bond Principles</td>
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</tr>
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<td>----------------------------------------------------------</td>
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<td>---------------------------------------------------------------------</td>
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</tr>
<tr>
<td>● Aging populations and vulnerable youth</td>
<td></td>
<td>empowerment</td>
<td>and opportunities</td>
<td></td>
</tr>
<tr>
<td>● Other vulnerable groups, including as a result of natural disasters</td>
<td></td>
<td></td>
<td>● Equitable participation and integration into the market and society, including reduction of income inequality</td>
<td></td>
</tr>
<tr>
<td>○ Foreigners in Japan (especially foreign workers in socio-economically vulnerable positions, etc.)</td>
<td></td>
<td></td>
<td>○ Promotion of diversity</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>○ Empowerment of women</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>○ Work-style reform</td>
<td></td>
</tr>
<tr>
<td>Undertaking working-style reform and achieving decent work</td>
<td>● People with disabilities (○ People who require flexible work styles due to disabilities) ○ People who balance work and child-rearing/long-term caregiving, etc.</td>
<td>○ Establishing a more decent work environment</td>
<td>2. Access to essential services</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>○ Introducing ICT tools for remote working (web conference tools, etc.)</td>
<td>○ Parenting support</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>○ Developing satellite and shared office spaces</td>
<td>○ Support for long-term caregiving</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>○ Providing support services/facilities for childcare and parenting</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>○ Providing support services/facilities for long-term caregiving</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>● Equitable access to and control over assets, services, resources, and opportunities</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>● Equitable participation and integration into the market and society, including reduction of income inequality</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>○ Working-style reform</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>○ Promotion of barrier-free access and universal design</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>○ ICT</td>
<td></td>
</tr>
<tr>
<td>● People with disabilities</td>
<td>○ Eliminating the digital divide (improvement of web accessibility, etc.)</td>
<td>2. Access to essential services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>● Women (○ Especially pregnant)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Examples of Social Issues under the SDGs Action Plan, etc. | Examples of Target Populations (*2)  
● Examples in the ICMA Social Bond Principles  
〇 Additional Examples Listed in the Guidelines | Examples of Social Projects (Use of Proceeds) | Examples of Social Project Categories in the ICMA Social Bond Principles | Examples of Details of Categories (Sub-Categories)  
● Examples in the ICMA Social Bond Principles  
〇 Additional Examples Listed in the Guidelines |
| --- | --- | --- | --- | --- |
| Promoting barrier-free access | women, women with infants, etc.  
● Sexual and gender minorities  
(〇 People who are LGBT, etc.)  
● Aging populations | ○ Developing barrier-free and/or gender-free facilities/equipment  
○ Promoting universal support  
○ Providing sports and leisure opportunities for people with disabilities | 6. Socioeconomic advancement and empowerment | ● Equitable access to and control over assets, services, resources, and opportunities  
● Equitable participation and integration into the market and society, including reduction of income inequality  
〇 Promotion of barrier-free access and universal design |
| Promoting countermeasures against child poverty and securing educational opportunities for all | ○ Children  
○ People who cannot receive education due to financial circumstances, etc. | ○ Implementing projects in education and welfare for economically disadvantaged children  
○ Providing scholarships and educational loans  
○ Providing support for creating safe and useful online environments for children  
○ Providing online learning systems, providing training programs that | 2. Access to essential services | ● Education and vocational training  
〇 ICT |
<table>
<thead>
<tr>
<th>Examples of Social Issues under the SDGs Action Plan, etc.</th>
<th>Examples of Target Populations (*2)  ● Examples in the ICMA Social Bond Principles  ○ Additional Examples Listed in the Guidelines</th>
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<th>Examples of Social Project Categories in the ICMA Social Bond Principles</th>
<th>Examples of Details of Categories (Sub-Categories)  ● Examples in the ICMA Social Bond Principles  ○ Additional Examples Listed in the Guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting responsible business conduct</td>
<td>○ Small-scale producers/suppliers (especially small-scale producers/suppliers in socio-economically vulnerable positions)</td>
<td>○ Providing training programs on human rights and corporate responsibility (safety, prevention of bribery/corruption, fair labor practices, children's rights, etc.) ○ Implementing programs for fair trade based on international norms, etc. regarding business and human rights ○ Supporting small-scale producers and suppliers who meet certain social and environmental standards, etc.</td>
<td>6. Socioeconomic advancement and empowerment</td>
<td>● Equitable access to and control over assets, services, resources, and opportunities ● Equitable participation and integration into the market and society, including reduction of income inequality</td>
</tr>
<tr>
<td>Achieving good health and longevity</td>
<td>● Aging populations ○ Patients ○ People who require specific</td>
<td>○ Providing programs aimed at promoting health and preventing illness</td>
<td>2. Access to essential services</td>
<td>● Health ● Healthcare ● Education and vocational training</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>● Equitable access to and control over assets, services, resources, and opportunities ● Equitable participation and integration into the market and society, including reduction of income inequality</td>
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*SDGs: Sustainable Development Goals*
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〇 Additional Examples Listed in the Guidelines | Examples of Details of Categories (Sub-Categories)  
● Examples in the ICMA Social Bond Principles  
〇 Additional Examples Listed in the Guidelines |
|---|---|---|---|---|
| nutrients due to illness, etc. | ○ Conducting research and development of advanced medical nutrients  
○ Conducting research, development, sales and distribution of healthier products  
○ Conducting research and development to achieve improved food nutrition  
○ Establishing state-of-the-art medical research facilities  
○ Conducting research and development of innovative medical technology  
○ Projects and investments/loans related to ICT utilization in the field of health and medical care (introducing telemedicine systems, etc.) | ○ Physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements  
○ Improvement of eating habits and management of pre-symptomatic disease | training  
○ ICT | |
| (Correspondence to an aging society (*1)) | ● Aging populations (● Especially low-income elderly populations, elderly people living alone, elderly people who have difficulty in accessing essential goods and services, etc.) | ○ Providing welfare and long-term caregiving services for aging populations  
○ Providing welfare facilities for aging populations (including long-term caregiving facilities, medical facilities, housing facilities, and cultural facilities)  
○ Providing preventive care programs for aging populations (promotion of exercise, etc.) | ● Health  
● Healthcare  
○ Welfare and long-term caregiving for aging populations  
○ Support for access to essential services for aging populations |  
● Equitable access to and control over assets, services, resources, |
<p>| | | | | |
|  |  |  |  |  |</p>
<table>
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<tr>
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<th>Examples of Details of Categories (Sub-Categories) (● Examples in the ICMA Social Bond Principles ○ Additional Examples Listed in the Guidelines)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Countermeasures against COVID-19</td>
<td>● Other vulnerable groups, including as a result of natural disasters ○ Patients ○ Healthcare professionals treating patients ○ General public</td>
<td>○ Conducting research and development of medical testing equipment (test kits, etc.) and pharmaceuticals (vaccines, etc.), and establishment of production systems for those products ○ Supporting countermeasures against infectious diseases at companies, facilities, stores, etc. (preparation of equipment to measure temperature and prevent infection, support for business continuity, etc.)</td>
<td>empowerment and opportunities ○ Equitable participation and integration into the market and society, including reduction of income inequality ○ Preventive care</td>
<td></td>
</tr>
<tr>
<td>(Countermeasures against economic impact (*1))</td>
<td>● Other vulnerable groups, including as a result of natural disasters ○ SMEs, etc. affected by the spread of infectious diseases, etc.</td>
<td>○ Providing support to SMEs, etc. that have been economically affected by the spread of infectious diseases (investments and loans for business/employment continuity, etc.)</td>
<td>2. Access to essential services ○ Health ○ Healthcare</td>
<td></td>
</tr>
<tr>
<td></td>
<td>○ Companies and residents in</td>
<td>○ Providing business support for local</td>
<td>1. Affordable ○ Transport</td>
<td></td>
</tr>
</tbody>
</table>

*1) Examples in the ICMA Social Bond Principles ○ Additional Examples Listed in the Guidelines

*2) Examples in the ICMA Social Bond Principles ○ Additional Examples Listed in the Guidelines
<table>
<thead>
<tr>
<th>Examples of Social Issues under the SDGs Action Plan, etc.</th>
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<th>Examples of Social Project Categories in the ICMA Social Bond Principles</th>
<th>Examples of Details of Categories (Sub-Categories) (● Examples in the ICMA Social Bond Principles ○ Additional Examples Listed in the Guidelines)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional revitalization</td>
<td>geographically and socio-economically disadvantaged areas</td>
<td>companies (including recruitment of human resources and sharing of intellectual property) ○ Improving local living infrastructure and services (improvement of ICT environment in geographically disadvantaged areas, etc.) ○ Providing support for local employment/employment generation ○ Providing investments and loans to promote and support the business growth of local SMEs</td>
<td>basic infrastructure</td>
<td>○ ICT infrastructure</td>
</tr>
<tr>
<td>Sustainable and resilient land use (disaster prevention and mitigation, measures for aging infrastructure)</td>
<td>● Other vulnerable groups, including as a result of natural disasters ○ Local businesses and residents</td>
<td>○ Constructing facilities with disaster prevention and mitigation measures ○ Providing logistics facilities in the event of a disaster ○ Providing evacuation shelters and supplies in the event of a disaster ○ Conducting countermeasures against disaster vulnerability/aging infrastructure</td>
<td>1. Affordable basic infrastructure</td>
<td>● Transport ○ Disaster prevention and mitigation measures ○ Measures against aging infrastructure ○ Disaster recovery</td>
</tr>
</tbody>
</table>

2. Access to essential services
- ● Health
- ● Healthcare
- ● Financing and financial services ○ ICT

4. Employment generation ○ Regional revitalization
- ● Equitable access to and control over assets, services, resources, and opportunities
- ● Equitable participation and integration into the market and society, including reduction of income inequality

6. Socioeconomic advancement and empowerment
- ● Transport ○ Disaster prevention and mitigation measures ○ Measures against aging infrastructure ○ Disaster recovery
<table>
<thead>
<tr>
<th>Examples of Social Issues under the SDGs Action Plan, etc.</th>
<th>Examples of Target Populations (*2) (● Examples in the ICMA Social Bond Principles ○ Additional Examples Listed in the Guidelines)</th>
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<th>Examples of Social Project Categories in the ICMA Social Bond Principles</th>
<th>Examples of Details of Categories (Sub-Categories) (● Examples in the ICMA Social Bond Principles ○ Additional Examples Listed in the Guidelines)</th>
</tr>
</thead>
</table>
| Housing support for low-income earners (*)               | ● Aging populations  
● People with disabilities  
○ Low-income earners | ○ Conducting projects to support disaster recovery  
○ Conducting projects to promote the sustainable development of towns | | |
| International cooperation  
(promoting Universal Health Coverage, supporting developing countries in Asia, Africa, etc., developing high-quality infrastructure overseas) | ● People living below the poverty line  
● Excluded and/or marginalised populations and /or communities  
● Underserved, owing to a lack of quality access to essential goods and services | ○ Constructing and renovating high-quality, affordable housing for low-income earners, etc.  
○ Providing mortgages for low-income earners, etc. | | |
| Promotion of sustainable  
| ● People living below the poverty line | ○ Conducting projects related to addressing issues of food loss and sustainable | | |

Promotion of sustainable  

| 1. Affordable basic infrastructure | ● Energy  
● Clean drinking water  
● Sewer  
● Sanitation  
● Transport | 5. Food security and sustainable | ● Resilient agricultural practices  
● Improved productivity of small-
| Examples of Social Issues under the SDGs Action Plan, etc. | Examples of Target Populations (*2)  
(● Examples in the ICMA Social Bond Principles  
○ Additional Examples Listed in the Guidelines) | Examples of Social Projects (Use of Proceeds) | Examples of Social Project Categories in the ICMA Social Bond Principles | Examples of Details of Categories (Sub-Categories)  
(● Examples in the ICMA Social Bond Principles  
○ Additional Examples Listed in the Guidelines) |
|----------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| production and consumption, reduction of food waste and loss, and utilization of food waste and loss / International cooperation (Achieving food security and improved nutrition in developing countries)  
● Other vulnerable groups, including as a result of natural disasters  
○ Small-scale producers / suppliers | waste in the process from food production to distribution (supply chain)  
○ Providing guidance, advice and support programs on sustainable production and agricultural practices  
○ Introducing highly productive food processing equipment utilizing advanced technology (plant factories, etc.) | food systems | scale producers  
● Reduction of food loss and waste  
○ Improvement of food systems utilizing advanced technology |

(*1) This example of a social issue is not included as part of the initiatives outlined in the "SDGs Action Plan 2021".

(*2) It is possible that the general public is the expected target of a Social Project, but even in such cases, it is recommended for issuers to identify the segment of the general public that will particularly benefit from the Project. Moreover, when Projects target the general public, attention may be paid so as not to exclude those facing socioeconomic challenges by ensuring that the said Project’s products or services can be accessed by and provided at an affordable price to all populations.

(Note1) The illustrative social projects above could include not only cases where issuers themselves independently implement the projects but cases where financial institutions, etc. provide financial support for the projects.

(Note2) Eligible Social Projects to which the proceeds will be allocated should provide clear social benefits to specific social issues. "Social Projects with clear
social benefits” mean projects assessed by issuers that the intended social benefits are clearly beneficial in comparison to the possible negative impacts on the environment and the society.
This attachment provides illustrative examples on the use of proceeds based on the “project categories” listed in the ICMA Social Bond Principles. As with the notes in Appendix 2, it should be noted that the examples provided herein are by no means exhaustive, and thereby do not intend to limit or preclude other potential eligible projects.

It is important that the eligibility of a Social Project should be determined based not only on the project itself but also on the corresponding "social issues" and "target populations".

### Examples of Social Projects (Use of Proceeds)

**Sorted by “Project Category” Outlined in the ICMA Social Bond Principles**

<table>
<thead>
<tr>
<th>Examples of Social Project Categories in the ICMA Social Bond Principles</th>
<th>Examples of Details of Categories (Sub-Categories) (●Examples in the ICMA Social Bond Principles ○Additional Examples Listed in the Guidelines)</th>
<th>Examples of Social Issues under the SDGs Action Plan, etc.</th>
<th>Examples of Target Populations (*2) (●Examples in the ICMA Social Bond Principles ○Additional Examples Listed in the Guidelines)</th>
<th>Examples of Social Projects (Use of Proceeds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Affordable basic infrastructure</td>
<td>●Transport ○ICT infrastructure</td>
<td>Regional revitalization</td>
<td>○Companies and residents in geographically and socio-economically disadvantaged areas</td>
<td>○Improving local living infrastructure and services (improvement of ICT environment in geographically disadvantaged areas, etc.)</td>
</tr>
<tr>
<td></td>
<td>●Transport ○Disaster prevention and mitigation measures ○Measures against aging infrastructure ○Disaster recovery</td>
<td>Sustainable and resilient land use (disaster prevention and mitigation, measures for aging infrastructure)</td>
<td>○Other vulnerable groups, including as a result of natural disasters ○Local businesses and residents</td>
<td>○Constructing facilities with disaster prevention and mitigation measures ○Providing logistics facilities in the event of a disaster ○Providing evacuation shelters and supplies in the event of a disaster ○Conducting countermeasures against disaster vulnerability/aging</td>
</tr>
<tr>
<td>Examples of Social Project Categories in the ICMA Social Bond Principles</td>
<td>Examples of Details of Categories (Sub-Categories) (●Examples in the ICMA Social Bond Principles ○ Additional Examples Listed in the Guidelines)</td>
<td>Examples of Social Issues under the SDGs Action Plan, etc.</td>
<td>Examples of Target Populations (*2) (●Examples in the ICMA Social Bond Principles ○ Additional Examples Listed in the Guidelines)</td>
<td>Examples of Social Projects (Use of Proceeds)</td>
</tr>
<tr>
<td>---</td>
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<td>---</td>
</tr>
</tbody>
</table>
| ● Energy  
● Clean drinking water  
● Sewer  
● Sanitation  
● Transport | International cooperation (promoting Universal Health Coverage, supporting developing countries in Asia, Africa, etc., developing high-quality infrastructure overseas) | ● People living below the poverty line  
● Excluded and/or marginalised populations and /or communities  
● Underserved, owing to a lack of quality access to essential goods and services | ○ Providing support services to enable access to electricity in underserved areas (in developing countries)  
○ Providing support programs for improving access to clean drinking water for low-income groups (in developing countries)  
○ Community development projects, including sanitary sewers, transport, waste management, and development of green and coastal areas (in developing countries) | infrastructure  
○ Conducting projects to support disaster recovery  
○ Conducting projects to promote sustainable development of towns |

2. Access to essential services

| ● Education and vocational training  
○ Parenting support  
○ Support for long-term caregiving | Promoting diversity and empowering women | ● People with disabilities  
● People who are unemployed  
● Women (●Especially young women, female entrepreneurs, women who run SMEs, women who balance work and child-rearing/long-term caregiving,  
| ○ Providing programs for education/vocational training, career development, and skills development, as well as business support for those in socio-economically vulnerable positions  
○ Providing support services/facilities for |
<table>
<thead>
<tr>
<th>Examples of Social Project Categories in the ICMA Social Bond Principles</th>
<th>Examples of Details of Categories (Sub-Categories)</th>
<th>Examples of Social Issues under the SDGs Action Plan, etc.</th>
<th>Examples of Target Populations (*2)</th>
<th>Examples of Social Projects (Use of Proceeds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Sexual and gender minorities (People who are LGBT, etc.)</td>
<td>● Aging populations and vulnerable youth</td>
<td>● Other vulnerable groups, including as a result of natural disasters</td>
<td></td>
<td>○ Providing support services/facilities for long-term caregiving</td>
</tr>
<tr>
<td>○ Foreigners in Japan (especially foreign workers in socio-economically vulnerable positions, etc.)</td>
<td></td>
<td>○ Eliminating the digital divide (improvement of web accessibility, etc.)</td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>● Education and vocational training</td>
<td>Promoting barrier-free access</td>
<td>● People with disabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Aging populations</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undertaking working-style reform and achieving decent work</td>
<td>People who balance work and child-rearing/long-term caregiving, etc.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Examples of Social Project Categories in the ICMA Social Bond Principles

<table>
<thead>
<tr>
<th>Examples of Social Project Categories in the ICMA Social Bond Principles</th>
<th>Examples of Details of Categories (Sub-Categories) (● Examples in the ICMA Social Bond Principles ○ Additional Examples Listed in the Guidelines)</th>
<th>Examples of Social Issues under the SDGs Action Plan, etc.</th>
<th>Examples of Target Populations (*2) (● Examples in the ICMA Social Bond Principles ○ Additional Examples Listed in the Guidelines)</th>
<th>Examples of Social Projects (Use of Proceeds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>○ ICT</td>
<td>Promoting countermeasures against child poverty and securing educational opportunities for all</td>
<td>○ Children ○ People who cannot receive education due to financial reasons, etc.</td>
<td>○ Projects in education and welfare for economically disadvantaged children ○ Providing scholarships and educational loans ○ Providing support for creating safe and useful online environments for children ○ Providing online learning systems, providing training programs that promote the utilization of ICT, and developing and the infrastructure of school facilities for students and teachers</td>
<td></td>
</tr>
<tr>
<td>● Education and vocational training</td>
<td>Promoting responsible business conduct</td>
<td>○ Small-scale producers/suppliers (especially small-scale producers/suppliers in socio-economically vulnerable positions)</td>
<td>○ Providing training programs on human rights and corporate responsibility (safety, bribery/prevention, fair labor practices, children's rights, etc.)</td>
<td></td>
</tr>
<tr>
<td>● Health ○ Healthcare ○ Education and vocational training ○ ICT ○ Welfare and long-term caregiving for aging</td>
<td>Achieving good health and longevity (including correspondence to an aging society (*1))</td>
<td>○ Aging populations ○ Patient ○ People who require specific nutrients due to illness, etc.</td>
<td>○ Providing programs aimed at promoting health and preventing illness ○ Conducting research and development of advanced medical nutrients ○ Conducting research, development, sales and distribution of healthier</td>
<td></td>
</tr>
<tr>
<td>Examples of Social Project Categories in the ICMA Social Bond Principles</td>
<td>Examples of Details of Categories (Sub-Categories) (●Examples in the ICMA Social Bond Principles ○Additional Examples Listed in the Guidelines)</td>
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</tr>
<tr>
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</tr>
<tr>
<td>○ Supporting access to essential services for aging populations</td>
<td>○ Aging populations (●Especially low-income elderly populations, elderly people living alone, elderly people who have difficulty in accessing essential goods and services, etc.)</td>
<td>○ Other vulnerable groups, including as a result of natural disasters  ○ Patients  ○ Healthcare professionals treating patients  ○ General public</td>
<td>○ Conducting research and development of medical testing equipment (test kits, etc.) and pharmaceuticals (vaccines, etc.), and establishing production systems for those products  ○ Supporting countermeasures against infectious diseases at companies,  ○ Conducting research and development to achieve improved nutrition of food  ○ Establishing state-of-the-art medical research facilities  ○ Conducting research and development of innovative medical technology  ○ Projects and investments/loans related to ICT utilization in the field of health and medical care (introducing telemedicine systems, etc.)  ○ Providing welfare and long-term caregiving services for aging populations  ○ Providing welfare facilities for aging populations (including long-term caregiving facilities, medical facilities, housing facilities, and cultural facilities)</td>
<td></td>
</tr>
</tbody>
</table>

- Health
- Healthcare
- Financing and financial services
- ICT
<table>
<thead>
<tr>
<th>Examples of Social Project Categories in the ICMA Social Bond Principles</th>
<th>Examples of Details of Categories (Sub-Categories) (● Examples in the ICMA Social Bond Principles ○ Additional Examples Listed in the Guidelines)</th>
<th>Examples of Social Issues under the SDGs Action Plan, etc.</th>
<th>Examples of Target Populations (*2) (● Examples in the ICMA Social Bond Principles ○ Additional Examples Listed in the Guidelines)</th>
<th>Examples of Social Projects (Use of Proceeds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Affordable housing</td>
<td>Regional revitalization</td>
<td>○ Companies and residents in geographically and socio-economically disadvantaged areas</td>
<td>○ Improving local living infrastructure and services (improvement of ICT environment in geographically disadvantaged areas, etc.) (repost)</td>
<td>○ Constructing and renovating high-quality, affordable housing for low-income earners, etc. ○ Providing mortgages for low-income earners, etc.</td>
</tr>
<tr>
<td>Promoting diversity and empowering women</td>
<td>Housing support for low-income earners (*1)</td>
<td>● Aging populations ● People with disabilities ○ Low-income earners</td>
<td></td>
<td>○ Providing investments and loans to and support for start-ups and entrepreneurs (whose managers are in a socio-economically vulnerable position) ○ Providing investments and loans to companies with credentials, etc. in empowering women and promoting gender equality</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>facilties, stores, etc. (preparation of equipment to measure temperature and prevent infection, support for business continuity, etc.)</td>
</tr>
</tbody>
</table>

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*1: (repost)*

*2: (repost)
<table>
<thead>
<tr>
<th>Examples of Social Project Categories in the ICMA Social Bond Principles</th>
<th>Examples of Details of Categories (Sub-Categories) (● Examples in the ICMA Social Bond Principles ○ Additional Examples Listed in the Guidelines)</th>
<th>Examples of Social Issues under the SDGs Action Plan, etc.</th>
<th>Examples of Target Populations (*2) (● Examples in the ICMA Social Bond Principles ○ Additional Examples Listed in the Guidelines)</th>
<th>Examples of Social Projects (Use of Proceeds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>○ Response to socio-economic crises due to the spread of infectious diseases</td>
<td>○ Response to socio-economic crises due to the spread of infectious diseases</td>
<td>○ Other vulnerable groups, including as a result of natural disasters ○ Foreigners in Japan (especially foreign workers in socio-economically vulnerable positions, etc.)</td>
<td>○ Providing support to SMEs, etc. that have been economically affected by the spread of infectious diseases (investments and loans for business/employment continuity, etc.)</td>
<td></td>
</tr>
<tr>
<td>○ Regional revitalization</td>
<td>Regional revitalization</td>
<td>○ Companies and residents in geographically and socio-economically disadvantaged areas</td>
<td>○ Providing business support for local companies (including recruitment of human resources and sharing of intellectual property) ○ Providing support for local employment/employment generation ○ Providing investments and loans to promote and support the business growth of local SMEs</td>
<td></td>
</tr>
<tr>
<td>● Physical, social, and Achieving good Aging populations</td>
<td>○ Conducting research and development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Examples of Social Project Categories in the ICMA Social Bond Principles</td>
<td>Examples of Details of Categories (Sub-Categories)</td>
<td>Examples of Social Issues under the SDGs Action Plan, etc.</td>
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</tr>
<tr>
<td>5. Food security and sustainable food systems</td>
<td>economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements</td>
<td>health and longevity</td>
<td>○ Patients ○ People who require specific nutrients due to illness, etc.</td>
<td>○ of advanced medical nutrients (repost) ○ Conducting research, development, sales and distribution of healthier products (repost) ○ Conducting research and development for improving the nutritional value of foods (repost)</td>
</tr>
<tr>
<td>● Resilient agricultural practices ● Improved productivity of small-scale producers ○ Reduction of food loss and waste ○ Improvement of food systems utilizing advanced technology</td>
<td>Promotion of sustainable production and consumption, reduction of food waste and loss, and utilization of food waste and loss/International cooperation (Achieving food security and improved nutrition in developing countries)</td>
<td>● People living below the poverty line ● Other vulnerable groups, including as a result of natural disasters ○ Small-scale producers/suppliers</td>
<td>○ Providing guidance, advice and support programs on sustainable production and agricultural practices ○ Conducting projects related to addressing issues of food loss and waste in the process from food production to distribution (supply chain) ○ Introducing highly productive food processing equipment utilizing advanced technology (plant factories, etc.)</td>
<td></td>
</tr>
<tr>
<td>6. Socioeconomic advancement and empowerment</td>
<td>● Equitable access to and control over assets, services, resources, and opportunities</td>
<td>Promoting diversity and empowering women</td>
<td>● People with disabilities ● People who are unemployed ● Women (● Especially young)</td>
<td>○ Providing programs for education/vocational training, career development, and skills development,</td>
</tr>
<tr>
<td>Examples of Social Project Categories in the ICMA Social Bond Principles</td>
<td>Examples of Details of Categories (Sub-Categories) (● Examples in the ICMA Social Bond Principles ○ Additional Examples Listed in the Guidelines)</td>
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<td>Examples of Social Projects (Use of Proceeds)</td>
</tr>
<tr>
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<td>---</td>
</tr>
<tr>
<td>●Equitable participation and integration into the market and society, including reduction of income inequality ○Promotion of diversity ○Empowerment of women ○Work-style reform ○Promotion of barrier-free access and universal design ○Preventive care</td>
<td>women, female entrepreneurs, women who run SMEs, women who balance work and child-rearing/long-term caregiving, etc.) ●Sexual and gender minorities (〇People who are LGBT, etc.) ●Aging populations and vulnerable youth ●Other vulnerable groups, including as a result of natural disasters ○Foreigners in Japan (especially foreign workers in socio-economically vulnerable positions, etc.)</td>
<td>●People with disabilities (〇People who require flexible work styles due to disabilities, etc.) ○People who balance work and child-rearing/long-term caregiving</td>
<td>as well as business support for those in socio-economically vulnerable positions ○Providing investments and loans to and support for start-ups and entrepreneurs (whose managers are in a socio-economically vulnerable position) (repost) ○Providing investments and loans to companies with credentials, etc. in empowering women and promoting gender equality (repost) ○Providing support services/facilities for childcare and parenting (repost) ○Providing support services/facilities for long-term caregiving (repost)</td>
<td>○Establishing a more decent work environment ○Introducing of ICT tools for remote working (web conference tools, etc.) ○Developing satellite and shared offices ○Providing support services/facilities for childcare and parenting (repost) ○Providing support services/facilities for long-term caregiving (repost)</td>
</tr>
<tr>
<td>Examples of Social Project Categories in the ICMA Social Bond Principles</td>
<td>Examples of Details of Categories (Sub-Categories) (●Examples in the ICMA Social Bond Principles ○Additional Examples Listed in the Guidelines)</td>
<td>Examples of Social Issues under the SDGs Action Plan, etc.</td>
<td>Examples of Target Populations (*2) (●Examples in the ICMA Social Bond Principles ○Additional Examples Listed in the Guidelines)</td>
<td>Examples of Social Projects (Use of Proceeds)</td>
</tr>
<tr>
<td>---</td>
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<td>---</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>
| Promoting barrier-free access | ● People with disabilities  
● Women (Especially pregnant women, women with infants, etc.)  
● Sexual and gender minorities (People who are LGBT, etc.)  
● Aging populations | ○ Children | ○ Eliminating the digital divide, etc. (improvement of web accessibility, etc.) (repost)  
○ Developing barrier-free and/or gender-free facilities/equipment  
○ Promoting universal support  
○ Providing sports and leisure opportunities for people with disabilities |  |  |
| Promoting countermeasures against child poverty and securing educational opportunities for all | ○ Small-scale producers / suppliers (especially small-scale producers/suppliers in socio-economically vulnerable positions) | ○ Providing training programs on human rights and corporate responsibility (safety, prevention of bribery/corruption, fair labor practices, children's rights, etc.)  
○ Implementing programs for fair trade based on international norms, etc. regarding business and human rights  
○ Supporting small-scale producers and |  |  |
<p>| Promoting responsible business conduct |  |  |  |  |</p>
<table>
<thead>
<tr>
<th>Examples of Social Project Categories in the ICMA Social Bond Principles</th>
<th>Examples of Details of Categories (Sub-Categories) (●Examples in the ICMA Social Bond Principles ○Additional Examples Listed in the Guidelines)</th>
<th>Examples of Social Issues under the SDGs Action Plan, etc.</th>
<th>Examples of Target Populations (*2) (●Examples in the ICMA Social Bond Principles ○Additional Examples Listed in the Guidelines)</th>
<th>Examples of Social Projects (Use of Proceeds)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Achieving good health and longevity (including correspondence to an aging society(*1))</td>
<td>Aging populations (●Especially low-income elderly populations, elderly people living alone, elderly people who have difficulty in accessing essential goods and services, etc.)</td>
<td>suppliers who meet certain social and environmental standards, etc.</td>
</tr>
<tr>
<td>Regional revitalization</td>
<td>○Companies and residents in geographically and socio-economically disadvantaged areas</td>
<td>○Providing business support for local companies (including recruitment of human resources and sharing of intellectual property) (repost) ○Providing investments and loans to promote and support the business growth of local SMEs (repost)</td>
<td>○Providing preventive care programs for aging populations (promotion of exercise, etc.)</td>
<td></td>
</tr>
</tbody>
</table>
where financial institutions, etc. provide financial support for the Projects.

(Note 2) Eligible Social Projects to which the proceeds will be allocated should provide clear social benefits to specific social issues. “Social Projects with clear social benefits” mean projects assessed by issuers that the intended social benefits are clearly beneficial in comparison to the possible negative impacts on the environment and the society.
Annex 3  Examples of Information Disclosure

The following is not exhaustive and only shows some conceivable examples.

Examples of Information Disclosure by Social Projects

<table>
<thead>
<tr>
<th>Project Category</th>
<th>Details of Project Category</th>
<th>Outline</th>
<th>Target Populations</th>
<th>Progress</th>
<th>Amount of Proceeds Allocated</th>
<th>Expected/Realized Social Benefits (Note1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to essential services</td>
<td>Welfare and long-term caregiving for aging populations</td>
<td>Project to establish a long-term caregiving facility for aging populations in △ city, ▲ prefecture</td>
<td>Aging populations (in particular, the elderly living alone in △ city to whom we aim to provide long-term caregiving services, etc.)</td>
<td>Under construction (Scheduled to open in MM/YYYY)</td>
<td>XXX million yen</td>
<td></td>
</tr>
<tr>
<td>Supporting access to essential services for aging populations</td>
<td>Project to offer ○○ support services for aging populations</td>
<td>Aging populations (in particular, the elderly having difficulties in accessing ○○ due to illness, etc. to whom we aim to provide services)</td>
<td>Completed</td>
<td>XXX million yen</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| | | | | | | |
| | | | | | | |

| | | | | | |
| | | | | | |

The currently unallocated proceeds (of XXX million yen) are expected to be allocated in MM and M'M'/YYYY. Until then, the unallocated proceeds will be managed as cash or cash equivalents.
The following are the details of each project. (Omitted)
### Example of Information Disclosure (Aggregated Information) by Category

<table>
<thead>
<tr>
<th>Project category</th>
<th>Project categories' details</th>
<th>Outline</th>
<th>Target Populations</th>
<th>Number of projects</th>
<th>Amount of proceeds allocated</th>
<th>Expected/realized social benefits (Note1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to essential services</td>
<td>Health</td>
<td>Loans to public hospitals</td>
<td>Patients, Aging populations</td>
<td>YY XX million yen</td>
<td>YY XX million yen</td>
<td>Indicator1</td>
</tr>
<tr>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Subtotal</td>
<td></td>
<td>YY XX million yen</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Refinancing)</td>
<td></td>
<td>(YY) (XX million yen)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment generation</td>
<td>Response to socio-economic crises due to the spread of infectious diseases</td>
<td>Loans to SMEs affected by the spread of infectious diseases</td>
<td>Local SMEs affected by the spread of infectious diseases</td>
<td>YY XX million yen</td>
<td>YY XX million yen</td>
<td>Indicator1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Subtotal</td>
<td></td>
<td>YY XX million yen</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(of which is refinanced)</td>
<td></td>
<td>(YY) (XX million yen)</td>
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<tr>
<td></td>
<td></td>
<td>Total</td>
<td></td>
<td>YY XX million yen</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(of which is refinanced)</td>
<td></td>
<td>(YY) (XX million yen)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Unallocated proceeds</td>
<td></td>
<td></td>
<td>XX million yen</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Managed via short-term financial assets)</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

The following are a few examples of typical projects. (Omitted)
(Note 1) When disclosing social impacts, it is conceivable to show output, outcome, and impact in stages to illustrate the process leading to the impact using appropriate indicators.

(Note 2) The SBP recommends that issuers should refer to and adopt, where possible, the guidance and templates for reporting provided in ICMA’s “Working Towards a Harmonized Framework for Impact Reporting for Social Bonds”.

(Note 3) The templates in the “Working Towards a Harmonized Framework for Impact Reporting for Social Bonds” include the following items, which are not included in the charts above.
- The SDGs goals and targets that each of the Social Projects are expected to contribute to achieving
- Signed amount and share of total financing for each Project
- Eligibility of Social Bonds
  * For Projects with partial eligibility, the share (percentage) of signed amount
- Portfolio lifetime or budgeted years of each Project