



Working Towards a Harmonized Framework for Impact Reporting for Social Bonds

Social Bonds

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June 2019

Introduction

Overcoming global development challenges and advancing objectives for the public good requires significant investment in projects that bring about positive social impact. Many of these investments are expected to be financed by debt instruments including bonds. Committing a section of the bond market to the financing of projects with expected positive social outcomes will channel existing and new pools of liquidity to address global challenges such as those exemplified in [Sustainable Development Goals \(SDGs\)](#)¹.

Social Bonds are bond instruments where the proceeds are exclusively applied to finance or re-finance eligible Social Projects that are aligned with the four core principles of the [Social Bond Principles](#) (SBP). These are projects with the objective to address or mitigate specific social issues and/or seek to achieve positive social outcomes especially, but not exclusively for a target population(s)². It is acknowledged that the definition of target population can vary depending on local contexts and that, in some cases, such target population(s) may also be served by addressing the general public. The SBP explicitly recognise several eligible project categories, including providing affordable basic infrastructure, access to essential services, and affordable housing amongst others.

Similarly structured to Green Bonds which are designed to exclusively finance projects with a designated environmental purpose, Social Bonds seek to increase investments in Social Projects. The issuance of Social Bonds has increased dramatically in recent years, with an ever-increasing number of active issuers, investors and arrangers. The Social Bond market is expected to continue to grow in volume, issuer, currency and geographic diversity. Thus, increased transparency and reporting are critical to developing a robust Social Bond market and to maintaining the integrity of the market.

The path to harmonizing reporting practices requires the identification of indicators that are compatible with different internal processes for managing proceeds and determining project eligibility. This document summarizes the conclusions of the Social Bond Principles Working Group³ and aims to catalyse a broader discussion among issuers and investors. It outlines a framework for reporting on projects to which Social Bond proceeds have been allocated, including core principles and recommendations for issuers as they develop their own reporting. The document also provides a reporting template covering quantitative and qualitative information that issuers can adapt to their own circumstances.

Due to the nascent stage of the market, the Social Bond Working Group acknowledges that there are a variety of indicators in use and that indicators may measure outputs (the practices, products and services that result from the project), outcomes (the benefits or changes to individuals and/or groups that occur as a result of the

¹ The SDGs have been adopted by 193 countries and are based on agreement that each country faces specific challenges in its pursuit of sustainable development. Addressing these challenges in order to achieve the SDGs by 2030 represents an immense investment opportunity.

² For the full definition of Social Projects and list of Social Project categories, refer to the [Social Bond Principles](#), 2018 edition. Bonds that intentionally mix green and social projects are referred to as Sustainability Bonds, guidance for which is provided separately in the Sustainability Bond Guidelines. Such bonds may be termed Sustainable Development Goal Bonds.

³ The Social Bond Principles Working Group 2018/2019: Actiam, Amundi, AXA IM, BAML, CACIB, EBRD, HSBC, IFC, JP Morgan, Mirova, Natixis, WB, Citi, Council of Europe Development Bank, Daiwa, Deutsche Kreditbank AG (DKB), Development Bank of Japan, Goldman Sachs AM, Hogan Lovells Lee & Lee, IADB, ICO, ING, Japan Credit Rating Agency, Morgan Stanley, Nordea, TD Bank, Threadneedle, Union Investment

outputs), or long-term impact (the final result of the outcomes and impacts may take several years to become evident after project activities are completed.) An illustrative list of proposed indicators is included as an annex to this document and will continue to be refined.

Core Principles for Reporting

1. **Issuers should put in place a formal internal process for the tracking of proceeds.** A defining characteristic of social bonds is that proceeds are allocated to only support projects that meet the issuer's predefined eligibility criteria. Issuers are encouraged to explain the key characteristics of the approach they use for determining eligibility and tracking.
2. **Issuers should report on the use of social bond proceeds and on the expected social impacts at least annually.** Issuers should make, and keep, readily available up to date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in the case of material developments.
3. **Issuers should identify the Social Project categories to which social bond proceeds have been allocated, such as the eligible project categories identified in the Social Bond Principles.** Issuers are encouraged to provide further details on the project category, such as sector of operation. Issuers are also encouraged to identify alignment with market-wide social or development objectives, such as the Sustainable Development Goals (SDGs), to help investors that may use them as part of their investment decisions.⁴
4. **Issuers should identify the target population(s) for which positive socio-economic outcomes are expected.** Issuers are encouraged to provide additional information as to why the specific population has been targeted, for example, by explaining why the selected population is considered under-served or vulnerable, or by providing the income threshold used.
5. **Issuers should report the output, outcome and/or impact of projects financed by social bond proceeds either on a project level or on a portfolio level throughout the life of the Social Bond.** The latter might be necessary if confidentiality considerations restrict the detail that can be disclosed or useful if a large number of small-sized projects is financed by a Social Bond.
6. **The impact report should illustrate the expected social impact made possible as a result of projects to which social bond proceeds have been allocated.** Reporting may be based on ex-ante estimates of expected annual impacts for a representative year, and/or annual actual impacts (ex-post) where available, once a project is completed and operating at normal capacity. If reporting on a portfolio level, ex-ante estimates can be based on the annual analyses per portfolio and, if several categories are financed, per category. The method of estimating the impacts should be made transparent. As the report would include the estimated results of projects that are still in the construction or implementation phase, there is no guarantee that these results will ultimately materialize. The reporting is thus not intended to provide actual results achieved in a specific year or reporting period.

⁴ Issuers may refer to the "Green, Social & Sustainability Bonds: A Mapping to the Sustainable Development Goals, June 2019"

Recommendations

- A. **Eligibility:** When applicable, issuers are greatly encouraged to be transparent about projects with partial eligibility and disclose whether and to what extent they accept partial eligibility⁵. Should an issuer use criteria that require allocating social bond proceeds to a project with partial eligibility, then it is recommended to illustrate all assumptions about which component each disbursement relates to (e.g. if it is assumed that disbursements are first made to the ‘social’ component, or pro-rated between the ‘social’ and ‘other’ components). In addition, issuers may also report the portion of the total project that is social bond eligible.
- B. **Impact Indicators:** Issuers are encouraged to use metrics relevant for their projects and utilize existing indicator lists and catalogues wherever possible. Quantitative indicators are greatly encouraged. The working group encourages issuers to identify indicators that are feasible and practical, but that at the same time capture the tangible social change that are expected as a result of the project. For example, metrics may be in terms of numbers of benefiting people, or number of facilities. While long-term *impact* measures are highly regarded, these may be difficult to measure and predict ex-ante. As such, output (practices, products and services that result from the project) or outcome (benefits or changes that occur as a result of the outputs) indicators may also be used. If the project will also have climate-related impacts, issuers are encouraged to also report on the relevant established green metrics. The working group acknowledges that in some cases quantitative indicators may not fully represent the social impacts that are expected from the project or may not be feasible. In such cases issuers are encouraged to supplement or substitute with qualitative information.
- C. **Indicator Methodology:** For comparability and transparency, it is highly recommended that issuers provide background on the methodology and assumptions used for the calculation of social impact indicators. Most notably, issuers are encouraged to explain if indicators represent incremental change between a baseline and a target (relative figure) or the total future figure without consideration of the baseline starting point (absolute figure). If only baseline figures are used, issuers should disclose the rationale. Complex recalculations that are not publicly disclosed in project documentation should be avoided. Caution should be taken in comparing projects, sectors, or whole portfolios because assumptions and methodologies can vary significantly. In cases when the expected impacts of different project components may not be reported separately, issuers may attribute the impacts to each component based on its relative share in the related financing, disclosing the attribution approach. Issuers have the option to combine the reporting metrics for multiple sectors into a single table. If reporting on the total number, then this should be made clear in that reporting table.
- D. **Share of Financing and Reporting:** Issuers are encouraged to explain the methodology they use to determine the share of eligible project financing being applied to impact calculation. This is the share of the total project cost that is financed by the issuer. Issuers may also report the total project cost. Depending on the way in which proceeds are allocated, there can be differences in the approach to impact reporting:

When aggregating impact metrics, only the pro-rated share should be included in the total.

If allocations are to individual projects, it is recommended that the report identifies the specific projects and clearly defines, for each project, the total project results (including financing from all

⁵ The SBWG acknowledges that there may be instances where only a portion of an overall project may be eligible for Social Bond financing. For example, a project where a portion of the project is designed to benefit a target population and another portion of the project targets an ineligible population.

financiers) with information about the total project size and/or the issuer's share of total financing (project-by-project report); and/or aggregates project-by-project results including only the pro-rated share (as a percentage of the issuer's share of the total financing) of the total projects' results (portfolio report based on project-by-project allocations).

If allocations are to a portfolio of projects, issuers typically report on the overall results of the portfolio (portfolio report based on portfolio allocations). Issuers are however encouraged to also report the pro-rated share of the overall results.

- E. ***Life of Project Impact: Issuers are encouraged to collaborate with experts if reporting on the estimated lifetime impacts and/or project economic life in years.*** Although such reporting is beneficial, social projects rarely lend themselves to simple calculations of lifetime impact. Issuers should avoid any simple multiplication of the project economic life by the estimated annual impact, as this does not take into account ramp-up and ramp-down phases of the project life cycle, or the compounding benefits that can accrue from social projects. For example, sanitation facilities that may lead to better local health outcomes and then to economic growth.
- F. ***Assumptions and Ex-Post Verification: In case the issuer samples ex-poste verification of specific projects, it is recommended that the relevant impacts are used in reporting to illustrate the accuracy of the ex-ante assessments.*** An important consideration in estimating impact indicators is that they are often based on a number of assumptions. While technical experts aim to make sound and conservative assumptions that are reasonable based on the information available at the time, the actual social impact of the projects may diverge from initial projections. For example, social, economic, technical, political and legal changes can cause deviations from projections. In any case, transparency on the assumptions would clarify the reasons behind any divergences between ex-ante and ex-post assessments.
- G. ***Report Period: When possible and if applicable, issuers are encouraged to define and disclose the period and process for including projects in their report.*** There are several options for choosing when to add/remove projects to/from the report. Projects can be added/removed to/from an impact report either directly or indirectly via adding/removing them to/from a portfolio when reporting on a portfolio level. As part of its due diligence in monitoring projects included in its social bond program, an issuer may elect to remove a project from its social bond program, in which case it could cease reporting on such a project unless or until there is a subsequent decision to restore the project's eligibility.
- H. ***Disbursement Reporting: It is recommended that issuers' Impact Reports indicate the timing of disbursements***, i.e., the year of such disbursements (or other measures to describe this aspect) or, when applicable, the project stage from a financing point of view (such as signed, disbursed, repaying).

Sample Summary Template for Reporting on Social Portfolios/Projects

Name	Project Category			Target Population	Allocation information					Social Indicators		
Project Name	SBP Category	Sub-category	SDG Addressed (Goal & Target, as relevant)	Target Group	Signed amount (currency)	Share of Total Financing (percent)	Eligibility of Social Bond (% of signed amt.)	Allocated amount (currency)	Portfolio lifetime or budgeted years (years)	Indicator 1 (#, unit of measure, absolute or relative)	Indicator 2 (#, unit of measure, absolute or relative)	Indicator ... n (#, unit of measure, absolute or relative)
	a/	b/	c/	d/	e/	f/	g/	h/	i/	j/	i/	j/
ex. Sample Water Project	Affordable basic infrastructure	Water	6.1	Underserved households with no water connection	USD 5 million	100%	100%	USD 5 million	5 years	1,000 households connected (absolute)	1 plant constructed (absolute)	
		Sanitation/ sewage										
		Public transport										
	Access to essential services	Health Care										
		Education and Vocational Training										
		Financial services										
	Affordable housing											
	Food security											
	Socioeconomic advancement and empowerment											
	Employment generation	SME financing										
		Microfinance										
		Other										

Notes:

- a/ Eligible category
- b/ Eligible sub-category (if applicable). Sub-categories mentioned here are examples and may not be complete.
- c/ Relevant SDGs (if applicable) which are addressed by the financed portfolio/project and fit to the chosen SBP (sub)category
- d/ Eligible target populations may include:
 - 1) Living below poverty line
 - 2) Excluded and/or marginalized populations/communities
 - 3) Vulnerable groups
 - 4) People with disabilities
 - 5) Migrants and/or displaced persons
 - 6) Undereducated
 - 7) Underserved
 - 8) Unemployed
- e/ Signed/budgeted amount committed by the issuer for the portfolio or portfolio components eligible for Social Bond financing
- f/ This is the share of the total portfolio/project cost that is financed by the issuer
- h/ This is the share of the total portfolio/project costs that is Social Bond eligible
- i/ Based on either the expected economic life or financial life of the portfolio/project
- j/ Indicators may include people, projects or facilities, for example: number of people, hospitals, schools, care facilities etc. Specify if the given indicators are relative or absolute figures.

Annex A

Working List of Sample Indicators

The Core Principles and Recommendations encourage issuers to report on relevant quantitative social indicators. This annex includes an illustrative list of quantitative indicators that may be considered. This list is not meant to be comprehensive and does not differentiate between outputs, outcomes, and impact.

Due to the nascent stage of the market, the working group acknowledges that there are a variety of indicators in use. The annex is not intended to recommend any specific indicator. The working group will continue to update and refine this list as work continues on harmonization.

Access to Essential Services

Patients reached
Number of children vaccinated
Students Reached
Number of new household water connections
Number of new household power connections
Live births in hospitals
Infant mortality (< 1 year)
Childhood mortality (< 5 years)
Hospital bed density
Maternal mortality
Life expectancy
Personnel density
Places in care facilities
PISA-test results
Youth unemployment rate
Childcare ratio
Share of people with access to public transport
Recycling rate
Treatment of hazardous waste (%)
Share of barrier-free access

Social and economic empowerment

Number of loans to women-owned SMEs
Number of loans to women-owned microenterprises
Number of smallholder farmers reached
Poverty-endangering rate
Beneficiaries of minimum benefits
Share of child labor
Proportion of women in mgmt. positions
Share of people with mobile network
Income wealth ratio
Unemployment rate
Youth unemployment rate
Income per inhabitant
GDP per inhabitant

Affordable housing

Rental costs compared to the national/regional rent index
Participation (rate) of tenants
Share of under-served tenants
Number of dwellings

Employment generation

Jobs created
Jobs retained
Number of loans to SMEs
Number of loans to microenterprises

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This document does not constitute an offer to purchase or sell securities nor constitute specific advice of whatever form (tax, legal, environmental, accounting or regulatory) and does not create any rights in, or liability to, any person, public or private. Issuers adopt and implement the mapping voluntarily and independently, without reliance on or recourse if there is a conflict between any applicable laws, statutes and regulations and the guidelines the relevant local laws, statutes and regulations shall prevail.

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