

Pre-issuance Check List for Social Bonds / Social Bond Programmes

June 2023



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This document aims to give guidance on the steps for establishing a Social Bond Framework as recommended by the 2023 edition of the Social Bond Principles¹. Links to the different supporting documents (e.g., High Level Mapping to the Sustainable Development Goals, Harmonised Framework for Impact Reporting of Social Bonds, etc.) have been inserted for ease of reference. It is intended to be a pragmatic and condensed tool for issuers and for investors. Also included are some common questions that the external review providers may assess pre-issuance.

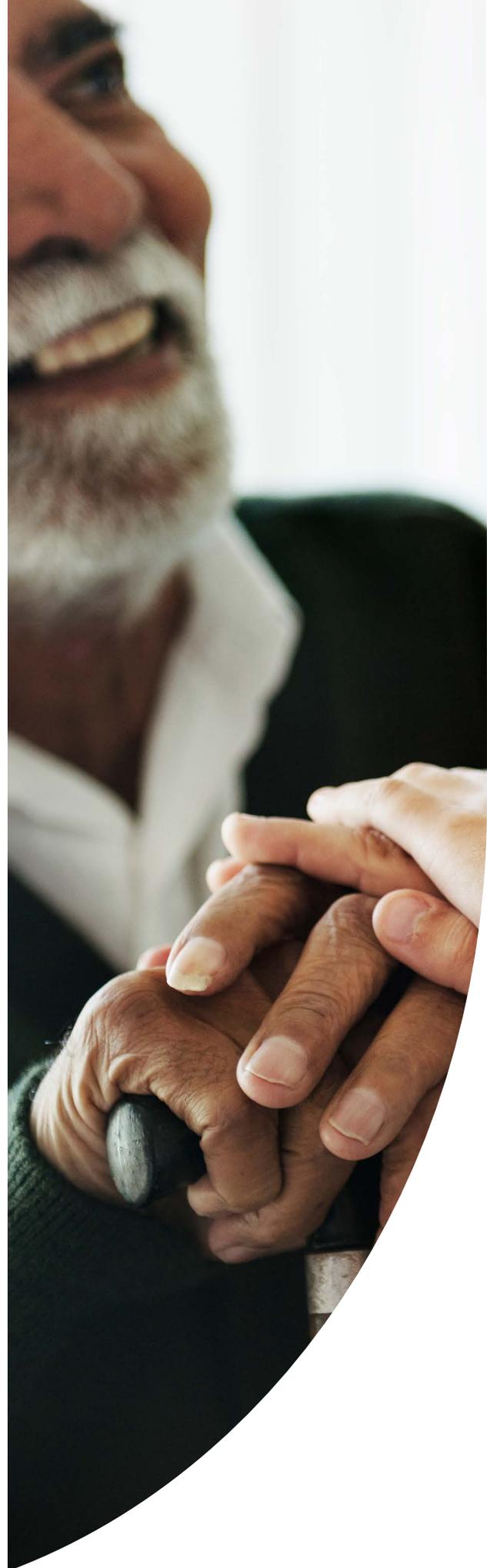
¹ Issuers should explain the alignment of their Social Bond or Social Bond programme with the four core components of the SBP (i.e. Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting) in a Social Bond Framework or in their legal documentation. Such Social Bond Framework and/or legal documentation should be available in a readily accessible format to investors.

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Disclaimer

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 check list voluntarily and independently, without reliance on or recourse. If there is a conflict between any applicable laws, statutes and regulations and the check list, the relevant local laws, statutes and regulations shall prevail.



I Strategy and rationale

Topic	Content	Core to the Principles / Recommendation	Reference
Social and/or sustainability strategy	<p>Description of the issuer's strategy and the reasoning for issuing a social bond.</p> <p>Note: Certain Social Projects may also have environmental co-benefits; the classification of a use of proceeds bond as a Social Bond should be determined by the issuer based on its primary objectives for the underlying projects.</p>	Recommendation	Social Bond Principles Component 2
Overall Strategy	<p>It is recommended that issuers summarise in their Social Bond Framework relevant information within the context of the issuer's overarching sustainability strategy.</p> <p>Common question(s) from the Pre-Issuance External Reviewers:</p> <p>- <i>Is the activity integrated into the issuer's business model?</i> (For example, charitable activities that are integrated into the business model of charitable organisations may be considered credible, but not of for-profit sectors.)</p>	Recommendation	Social Bond Principles Key recommendation
Social objectives	<p>Issuers should describe the social issue(s) addressed or positive social outcomes sought (including how the social issue or negative externalities of climate transition projects, if applicable, threatens, hinders or damages the well-being of society/a target population). The project category should align with how the issue will be addressed or how positive social outcomes will be achieved.</p> <p>Common question(s) from the Pre-Issuance External Reviewers:</p> <p>- <i>Does the activity fall in one of the social bond categories outlined in the SBP?</i></p> <p><input type="checkbox"/> Yes, the activity aligns to the one or more social bond categories</p> <p><input type="checkbox"/> Other social category</p> <p>See section II of the checklist for social bond categories and other considerations/questions from external reviewers.</p>	Core	Social Bond Principles Component 1

Topic	Content	Core to the Principles / Recommendation	Reference
Target Population	<p>Issuers should describe for whom positive social benefits will be sought, either a target population(s) and/or the general public, and are expected to include the rationale as to why it has been targeted. The definition of target population can vary depending on local contexts.</p> <p>Select all those that apply:</p> <p><input type="checkbox"/> Target population</p> <p><input type="checkbox"/> General population</p> <p><u>Common question(s) from the Pre-Issuance External Reviewers:</u></p> <ul style="list-style-type: none"> - <i>Is the mechanism clear regarding how the target population is addressed through the activity financed?</i> - <i>Is the target population a disadvantaged or vulnerable group, or does the target population include a disadvantaged or vulnerable group?</i> - <i>If the bond targets social benefits to the general population, what is the rationale/how does this tie in to the social issue addressed?</i> <p>See Section II of the checklist for more detail on target population and other considerations/questions from external reviewers.</p>	<p>Core</p>	<p>Social Bond Principles Component 1</p>
Fundamental rights / National & International Standards	<p><u>Common question(s) from the Pre-Issuance External Reviewers:</u></p> <ul style="list-style-type: none"> - <i>Is the activity/project addressing an urgent need or a social need that is of particular importance due to the national/regional context and/or that has not been sufficiently addressed?</i> <p><i>(For example: how does the country perform on that social objective? or is there a specific gap in achieving the identified social objective where the activity/projects are located?)</i></p> <ul style="list-style-type: none"> - <i>In particular, does the execution/realisation of the activity or project respect the ILO Conventions and Recommendations? Has the country where the activity or project is located ratified these International texts?</i> <p>Check to be done via ILO² website – Human rights risks mapping by country.</p>	<p>Recommendation</p>	

2 International Labour Organisation <https://www.ilo.org/global/lang-en/index.htm>.

II Focus on the 4 pillars of the SBP

SBP component 1: Use of proceeds

Topic	Content	Core to the Principles / Recommendation	Reference
Social Projects	<p>A description of the issuer's social projects should be appropriately described in the legal documentation of the security. All designated social projects should provide clear social benefits, which will be assessed and, where feasible, quantified by the issuer. Issuers are encouraged to provide further details on the project category, such as sector of operation.</p> <p><u>Common question(s) from the Pre-Issuance External Reviewers:</u></p> <p><i>Does the activity/project provide clear social benefits that can be monitored, quantified and are attributable (at least indirectly) to the activity/project?</i></p>	Core	Social Bond Principles Component 1
Social Objectives/ Project Categories	<p>Description of the social issue(s) addressed or positive social outcomes sought (including how the social issue or negative externalities of climate transition projects, if applicable, threatens, hinders or damages the well-being of society/a target population). The resulting project category will then align with how the issue is addressed or positive social outcomes are achieved.</p> <p>Select all that apply:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy) <input type="checkbox"/> Access to essential services (e.g. health, education and vocational training, healthcare, financing and financial services) <input type="checkbox"/> Affordable housing <input type="checkbox"/> Employment generation and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or other considerations for a “just transition” (such provision and/or promotion could include SME financing and microfinance) <input type="checkbox"/> Food security and sustainable food systems (e.g. physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers) <input type="checkbox"/> Socioeconomic advancement and empowerment (e.g. 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) <input type="checkbox"/> Other (please describe): 	Core	Social Bond Principles Component 1

Topic	Content	Core to the Principles / Recommendation	Reference
Target Population	<p>Issuers should identify the relevant target population(s) intended to benefit from the eligible Social Projects and are expected to provide additional information as to why the population has been targeted.</p> <p>Who is the target population(s), if any?</p> <p>Select all that apply:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Living below the poverty line <input type="checkbox"/> Excluded and/or marginalised populations and/or communities <input type="checkbox"/> People with disabilities <input type="checkbox"/> Migrants and/or displaced persons <input type="checkbox"/> Undereducated <input type="checkbox"/> Underserved, owing to a lack of quality access to essential goods and services <input type="checkbox"/> Unemployed <input type="checkbox"/> Women and/or sexual and gender minorities <input type="checkbox"/> Aging populations and vulnerable youth <input type="checkbox"/> Vulnerable groups, including as a result of natural disasters, climate change or following climate transition projects that cause or exacerbate socioeconomic inequity <input type="checkbox"/> Other (please describe): <input type="checkbox"/> General population <p>There may be some types of activities/UoP for which a target population is not appropriate or required, e.g. when investments address or mitigate a general social issue/challenge. If targeting the general public, explain rationale.</p> <p>It will also be considered whether the activity has the potential to exclude some vulnerable or disadvantaged populations, e.g. through costs, geography, etc. The key question is whether the product/service associated with the UoP has a social impact and is accessible and affordable to all.</p> <p>For instance, a social project that focuses on access to essential services can target the general population, but this should be justified by the fact that the location of the project or the applicable legislation regulating the activity will ensure universal access to the service.</p>	<p>Core</p>	<p>Social Bond Principles Component 1</p>

Topic	Content	Core to the Principles / Recommendation	Reference
Social Benefits	<p>Taking into account the local context and nature of the issuer, will the intended activity/project provide/ensure a short or long-term improvement or would it empower people regarding the social issue addressed?</p> <p>Can the issuer demonstrate that the project/activity will provide clear and relevant social benefits for the target population/general public as intended (based on evidence, research, international standards, etc.)?</p> <p>If relevant, issuers should outline their use of proceeds related to “just transition” considerations either through social benefits/co-benefits and/or risk mitigation”.</p>	Core	Social Bond Principles Component 1
Multiple Projects	Description of the estimated proceeds allocation per Social Project category.	Core	Social Bond Principles Component 4
Refinancing	Description of an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced, and, to the extent relevant, the expected look-back period for refinanced Social Projects.	Core	Social Bond Principles Component 1

SBP component 2: Process for project evaluation & selection

Topic	Content	Core to the Principles / Recommendation	Reference
Evaluation and Selection of Social Projects	<p>Description of the governance process by which the social projects are evaluated and selected including:</p> <ul style="list-style-type: none"> • details on who will be part of the process to select eligible projects for allocation • the alignment of the projects with the social project categories (e.g. qualitative and quantitative criteria) 	Core	Social Bond Principles Component 2
	<ul style="list-style-type: none"> • if applicable, exclusion criteria • if applicable, alignment of each Social Project with the respective target population 	Recommendation	

Topic	Content	Core to the Principles / Recommendation	Reference
SDGs alignment	<p>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. Issuers can indicate alignment:</p> <ol style="list-style-type: none"> 1) On the company level (if applicable) 2) In respect of the Social Bond Framework <p>The SBWG³ recommends that issuers include in their Social, Green, and/or Sustainability Bond Frameworks their methodology for alignment with the SDGs, and where applicable, incorporate this in their external review process. Issuers should provide as much clarity and detail as feasible on how specific SDGs are relevant and not simply reference the SDGs in general.</p>	Recommendation	<p>Harmonised Framework for Impact Reporting for Social Bonds</p> <p>High Level Mapping to the Sustainable Development Goals</p>

SBP component 3: Management of proceeds

Topic	Content	Core to the Principles / Recommendation	Reference
Management of Proceeds	Issuers should describe the governance within the company to manage the use of proceeds, including the supervision, tracking and reporting of the proceeds.	Core	Social Bond Principles Component 3
	The proceeds of social bonds can be managed per bond (bond-by-bond approach) or on an aggregated basis for multiple social bonds (portfolio approach).	Core	
	Proceeds should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked in an appropriate manner (e.g., tagged in the internal accounting systems).	Core	
	The issuer can also choose to include a clause which states the commitment of the issuer to invest the proceeds [•] months after issuance.	Recommendation	
	The issuer can inform on process in case a project no longer qualifies and the net proceeds originally allocated need to be reallocated.	Recommendation	
Unallocated Proceeds	Description of the intended types of temporary placement for the balance of unallocated net proceeds.	Core	Social Bond Principles Component 3
Verification	The management of proceeds may be supplemented by the use of an external auditor, or other third party, to verify the internal tracking method and the allocation of funds from the Social Bond proceeds.	Recommendation	Social Bond Principles Component 3

³ Social Bond Working Group.

SBP component 4: Reporting

Topic	Content	Core to the Principles / Recommendation	Reference
Frequency of reporting on allocation of proceeds	<p>The reporting should be renewed:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Annually until full allocation of the proceeds of the relevant social bond <input type="checkbox"/> In case of full allocation, on a timely basis in case of material developments <p>The reporting can be done on the individual Social Bond level (bond-by-bond approach) or on aggregated level (portfolio approach).</p> <p>In case of bond-by-bond approach the issuer should clearly reference to which bond (ISIN) the reported impact belongs to.</p>	Core	Social Bond Principles Component 4
Frequency, Duration, Level of Impact Reporting	<p>The report should include 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.</p> <p>Issuers are welcome to report throughout the life of the bond and are encouraged to make available the latest report either on their website or in another publicly available space, with the date that it was prepared.</p>	Recommendation	Harmonised Framework for Impact Reporting for Social Bonds
Reporting Indicators	<p>Description of the qualitative and quantitative impact metrics that will be used to demonstrate substantial contribution to social objectives per project category related to the criteria.</p> <p>Issuers should use output, outcome, and/or impact metrics relevant for their projects and utilise existing indicator lists and catalogues wherever possible. Quantitative indicators are encouraged.</p>	Recommendation	Social Bond Principles Component 4 Harmonised Framework for Impact Reporting for Social Bonds
Indicator Methodology	<p>Description of the key underlying methodology and/or assumptions used in the quantitative determination.</p> <p>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. Issuers are encouraged to explain (if possible) if indicators represent incremental change between a baseline and a target (relative point) or simply a total figure (absolute figure).</p>	Recommendation	Social Bond Principles Component 4 Harmonised Framework for Impact Reporting for Social Bonds
Share of Financing and Reporting	<p>Explanations of the methodology used 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.</p>	Recommendation	Harmonised Framework for Impact Reporting for Social Bonds
Disbursement Reporting	<p>It is recommended that issuers' impact reports indicate the timing of disbursements.</p>	Recommendation	Harmonised Framework for Impact Reporting for Social Bonds

Topic	Content	Core to the Principles / Recommendation	Reference
Further Information	In this section you have the opportunity to provide further information, e.g. based on national regulations, data and/or certain KPI's, with regard to the SDGs or other information which could be useful for investors.	Recommendation	Harmonised Framework for Impact Reporting for Social Bonds High-Level Mapping to the Sustainable Development Goals

III Engaging external review providers

Topic	Content	Core to the Principles / Recommendation	Reference
Appointment	The SBP recommend that in connection with the issuance of a social bond or a social bond programme, issuers appoint (an) external review provider(s) to assess through pre-issuance external review the alignment of their bond or bond programme with the four components of the SBP.	Recommendation	Social Bond Principles Key recommendation
Type of External Review	<input type="checkbox"/> Second Party Opinion <input type="checkbox"/> Verification <input type="checkbox"/> Certification <input type="checkbox"/> Scoring/Rating	N/A	Guidelines for External Reviews
Public disclosure of the reports or templates	The SBP recommend public disclosure of external reviews (on the bond issuer's website and/or through any other accessible communication channel as appropriate before or at the time of the issuance) as well as using the template for performed external reviews.	Recommendation	Social Bond Principles Key recommendation
External Verification of Reporting	Indicate if external review will be provided for impact/allocation reports.	Recommendation	Social Bond Principles Key recommendation



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