

Checklist on a SRI Bond Issue

1. Use of Bond Proceeds

Checklist	Confirmation
► It is desirable that the issuer use all the proceeds from SRI bonds for projects associated with the SRI bonds.	
► In choosing an SRI bond project, the issuer should select a project that promises improvement for respective types of SRI bonds.	
► It is desirable that the issuer quantify the magnitude of the improvement of an SRI bond project where the bond proceeds were used.	
► The issuer should provide investors with a prior notification, using a prospectus, etc. on the use of bond proceeds and anticipated improvements. If respective SRI bond projects are finalized, it is desirable that each SRI bond project be specified.	
► The issuer should inform investors not only of the anticipated improvements but also of the assessment and action plans for any possible negative effects associated with the SRI bond project.	
► In case the issuer uses the proceeds from SRI bonds for repayment of an SRI bond project that has already commenced, it is desirable that the issuer inform investors of 1) the amount (or ratio) that is used for the repayment; 2) the name and specifics (or business) of the SRI bond project that requires the repayment; and 3) the duration of the SRI bond project.	
► The issuer should notify investors of any changes in the use of the SRI bond proceeds.	

2. Assessment and Selection of a Project

Checklist	Confirmation
▶ The issuer should inform investors in advance of the improvements it aims to achieve through SRI bonds in terms of creating environmental or social values.	
▶ The issuer should inform investors in advance of the grounds of evaluation and selection (or criteria of assessment) of an SRI bond project, comparing them with the purpose of the bond issue.	
▶ In terms of determining the project's potential to bring about proper improvements based on the criteria of assessment, the issuer should inform investors in advance of the grounds of the decision, persons who made such decision, and the way such decision was made.	
▶ It is desirable that the issuer inform investors in advance of social and environmental standards or certifications, if any, that it refers to for evaluation and selection of an SRI bond project.	
▶ The issuer should inform investors in advance of processes and eligibility and exclusionary standards adopted, if any, to identify and manage potential social and environmental risks of an SRI bond project that can have a severe impact.	
▶ Upon assessing and selecting an SRI bond project, it is desirable that the issuer secure appropriateness by involving departments or external parties that have expertise in evaluating social or environmental values.	
▶ Upon any major changes in an SRI bond project, the issuer should re-verify the eligibility pursuant to the same process.	

3. Management of Bond Proceeds

Checklist	Confirmation
▶ The issuer should keep track of and manage the proceeds in a way that ensures the proceeds are used only for the SRI bond project.	
▶ The issuer should keep track of and manage the entire proceeds in an appropriate way while the ways processes of such tracking should be managed by the issuer's internal control.	
▶ The issuer should be able to prove pursuant to its internal procedure the specifics of loans provided to and investment management of an SRI bond project. It is desirable that the issuer properly retain relevant supporting documents.	
▶ The issuer should check on a regular basis (at least once a year) if the sum of the proceeds used and the remaining proceeds coincides with the total of proceeds procured until the point of repayment.	
▶ In any case there are proceeds that remain unused, the issuer should manage such funds according to the prescribed ways and processes and inform investors of this.	
▶ It is desirable that the issuer inform investors in advance of the ways in which unused proceeds will be managed.	
▶ It is desirable that the issuer invest unused proceeds in safe and liquid assets.	
▶ The issuer should try hard to use unused proceeds for SRI bond projects in the swiftest manner.	

4. Reporting

Checklist	Confirmation
▶ The issuer should inform investors of the latest information about and improvements achieved through the use of the bond proceeds since the issue of the SRI bond.	
▶ The issuer should inform investors of material changes in the circumstances, if any, at least once a year until all the bond proceeds are used up. An impact reporting should be performed at least once since all the proceeds are distributed.	
▶ The information that should be disclosed by the issuer include: <ul style="list-style-type: none"> ◦ List of SRI bond projects that received the bond proceeds <ul style="list-style-type: none"> - Overview of the SRI bond projects, including its progress - The amount of proceeds used for the SRI bond projects - Environmental and social improvements expected from the SRI bond project ◦ The amount, ratio, scheduled timeline of use, management plans, etc. of unused proceeds. 	
▶ If bond proceeds were used for reinvestment, it is desirable that the issuer include the following information in its disclosure: <ul style="list-style-type: none"> ◦ The amount (or ratio) of the proceeds used for reinvestment ◦ The name and specifics (or business) of the SRI bond project linked to the reinvestment 	
▶ It is desirable that an issuer disclose information for each SRI bond project. Provided, however, that it is difficult to disclose information of each project due to reasons such as relevant laws and regulations and confidentiality clauses, the issuer may consolidate such information for disclosure (i.e. portfolio-type disclosure).	
▶ It is desirable that, if possible, the issuer present qualitative and quantitative performance metrics for environmental and social improvements in light of the nature of the SRI bond project.	
▶ It is desirable that, if possible, the issuer use qualitative metrics to state improvements and include methods of calculation and preconditions.	
▶ It is desirable that the issuer inform investors of the use of the proceeds, including an impact report, through its website (and, if listed, the exchange in which it is listed)	

5. External Reviewers' Evaluation

Checklist	Confirmation
▶ The issuer should establish a management framework for an issue of SRI bonds.	
▶ The issuer should have its SRI bond management framework evaluated by external reviewers. This also applies to any changes in the management framework.	
▶ The issuer should disclose the document of evaluation of its management framework issued by the external reviewer.	
▶ It is recommended that the issuer disclose external reviewer's evaluation of its report on the use of proceeds, along with the report, including impact assessment.	
▶ The issuer should select an external reviewer that meets internationally accepted standards (i.e. ICMA, CBI) to seek an external review.	
▶ The external reviewer should comply with the basic requirements asked of experts, such as good faith, fairness, expertise, care, confidentiality and conduct.	
▶ The external reviewer should exhibit a sufficient organizational structure and human resources that have professional experience and qualifications required to perform evaluation of the subject matters.	
▶ Depending on the types of external evaluation, the external reviewer should assess: 1) environmental or social improvements the SRI project seeks to achieve; 2) appropriateness of 4 factors expected from the SRI bonds; and 3) where required, potential material risks in creating environmental or social values pertinent to the specific project	
▶ The external reviewer should include a general description of the purpose of the assessment, scope of duty, credentials and expertise in a document that contains the result of the review.	
▶ The external reviewer should include the result of the review of any interests involved and conflict of interest (a third party) with the issuer and information protection policy.	
▶ The external reviewer should state the criteria and standards applied to the assessment in a document that contains the result of the review.	
▶ The external reviewer should include limits of its assessment in the conclusion of the result of the review.	