

Tokyo Social Bonds Framework

May 2024

Tokyo Metropolitan Government

Tokyo Social Bonds Framework

1. Issuance of the Tokyo Social Bonds

The Sustainable Development Goals (SDGs), which consist of 17 goals to achieve a sustainable world, were adopted at the United Nations Summit in September 2015. Expectations are held on initiatives taken by not only national governments but also local governments to reach these goals.

In March 2021, the Tokyo Metropolitan Government (hereinafter referred to as TMG) formulated Future Tokyo: Tokyo's Long-Term Strategy (hereinafter referred to as Future Tokyo). This lays out the visions for Tokyo in the 2040s, the strategies to be implemented up to 2030 to achieve those visions, and projects to carry out such strategies. Future Tokyo sets out the direction of policies to be taken to realize a sustainable Tokyo that strikes a balance between maturity and ongoing growth, and is people-centered, because it is people who generate Tokyo's growth. This is in line with the SDGs' core message of creating an inclusive society where no one is left behind. Under this concept, the policies of the TMG revolve around realizing a Tokyo that cares for people, is full of diversity and inclusiveness, and is where people shine.

The TMG will continue to issue the Tokyo Social Bonds and, through such efforts, realize a bright future Tokyo where people shine, achieve a sustainable recovery from the pandemic, and contribute to achievement of the SDGs.

The Tokyo Social Bonds are compliant with the Social Bond Principles 2023 (hereinafter referred to as SBP) of the International Capital Market Association (hereinafter referred to as ICMA).

The purpose of issuing Tokyo Social Bonds

1. To strongly promote TMG's measures backed by the support provided by companies and investors through their investment in Tokyo Social Bonds.
2. To stimulate the social finance market by accelerating the trend of utilizing market funds to find solutions to societal challenges.
3. To realize a bright future Tokyo where people shine and contribute to achieving the SDGs, through these efforts.

2. About the Tokyo Social Bonds Framework

For issuance of the Tokyo Social Bonds, the TMG has established the Tokyo Social Bonds Framework as follows, which, in accordance with the ICMA's SBP, comprises components including Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting.

(1) Use of Proceeds

Proceeds from the issuance of the Tokyo Social Bonds are scheduled to be allocated to projects listed in the Appendix.

(2) Process for Project Evaluation and Selection

If stipulated in the Local Government Finance Act and other laws, a local government can issue municipal bonds as provided in the budget.¹ The budget must be approved by the local government's assembly before the start of a fiscal year.²

Not only are such procedures necessary to issue the Tokyo Social Bonds as TMG bonds, but the feasibility of the projects and the sustainability of their outcomes are also verified during the process of budgeting. The specific process is as follows.

(a) Evaluation and Selection Criteria

Projects to be allocated Tokyo Social Bond funding in a fiscal year are selected through an evaluation of their eligibility based on criteria covering environmental, social and governance aspects, which are listed in the table below, while also confirming the social issues they address.

Priority is especially given to S-1 and S-2 (social aspects). In this context, consideration is given to the fact that the project is for individuals in need of social support and can be expected to have clear social benefits (generating new benefits or maintaining existing benefits), and that such benefits can be assessed quantitatively.

In addition, in order to reduce environmental and social risks associated with the implementation of the project, confirmation is made that the following measures have been taken.

- Compliance with environmental laws and regulations, and implementation of environmental impact assessments where necessary

¹ Local Autonomy Act, Article 230

² Local Autonomy Act, Article 211

- Provision of adequate explanations to local residents
- Eco-friendly procurement of materials, implementation of measures for environmentally hazardous substances, waste management, and occupational safety considerations

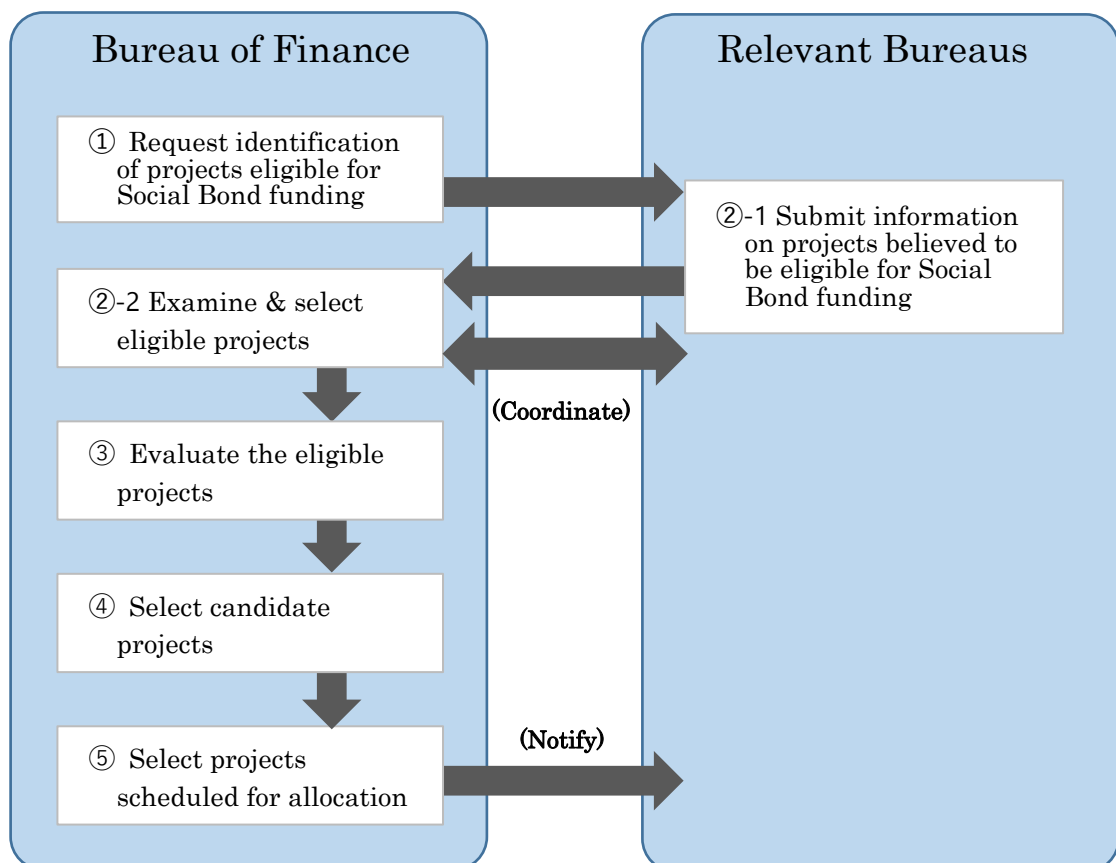
Criteria for the Evaluation & Selection of Eligible Projects

| No. | Evaluation Aspect | Evaluation Item | Perspective |
|-----|-------------------|--------------------------------|--|
| E-1 | Environmental | Clarity of positive impact | The project's positive environmental outcomes can be measured quantitatively, or are clear. |
| E-2 | Environmental | Reduction of negative impact | Initiatives are in place to reduce the negative impacts of the project. |
| S-1 | Social | Clarity of positive impact | The project's positive social outcomes can be measured quantitatively, or are clear. |
| S-2 | Social | Reduction of negative impact | Initiatives are in place to reduce the negative impacts of the project. |
| G-1 | Governance | Policy & regulatory compliance | The project's plan complies with laws and guidelines such as the Future Tokyo strategy and Japan's Local Government Finance Act. |
| G-2 | Governance | Feasibility /urgency | Special note is made of the feasibility and urgency of the project. |
| G-3 | Governance | Effect sustainability | The positive environmental/social outcomes of the project will be sustainable. |

(b) Evaluation and Selection Procedures and Division of Roles

- ① The Bureau of Finance requests the relevant bureaus to identify projects that could be eligible for Tokyo Social Bond funding.
- ② The bureaus confirm projects believed to meet the requirements of Tokyo Social Bond funding and submit their information to the Bureau of Finance.
- ③ The Bureau of Finance evaluates each of the projects. In the evaluation, based on information submitted on a project, it is confirmed that the project addresses a social issue and evaluations are conducted using criteria such as eligibility from the environmental, social and governance aspects. The measures to reduce environmental and social risks associated with the implementation of the project are confirmed.
- ④ The Bureau of Finance selects candidate projects.
- ⑤ The Bureau of Finance selects the projects to be allocated funds. (Notifies the bureaus of their decision)

Evaluation and Selection Procedure for Projects to Be Allocated Funds



(c) Monitoring

In cooperation with the bureaus and other parties, confirmation that the projects are properly implemented will be made at least once in the following fiscal year. In the event that a problem arises, the situation will be discussed with the relevant bureau and action will be taken promptly to improve the situation.

(3) Management of Proceeds

Local governments must be able to correlate expenditures in each fiscal year to their annual revenue.³ Therefore, in principle, all proceeds of the Tokyo Social Bonds are apportioned within that fiscal year to projects scheduled for allocation. Information on the planned allocated projects and the amount they will be allocated shall be determined after confirmation of their implementation status, etc. by the Bureau of Finance with the bureau responsible for the project, and will be disclosed before the issuance of the bonds.

The Bureau of Finance manages the progress of the projects so that the situation of Tokyo Social Bonds fund allocation can be tracked when necessary, confirms in the following fiscal year that all proceeds have been allocated to the projects, and discloses this information based on the methods of “(4) Reporting”.

After the Tokyo Social Bonds are issued, the proceeds will be managed by classifying them into accounting categories based on the TMG’s budget rules to clarify their use. Until the proceeds are allocated, they will be managed under the TMG Public Money Management Policy. Moreover, at the end of each fiscal year, for all revenue and expenditures, including those related to projects funded by the Tokyo Social Bonds, settlement-related documents will be created and submitted to the Tokyo Metropolitan Audit and Inspection Commissioners for inspection. The documents will be submitted together with the comments of the commissioners to the Tokyo Metropolitan Assembly for certification.⁴

³ Local Autonomy Act, Article 208

⁴ Local Autonomy Act, Article 233

(4) Reporting

By the end of the fiscal year following the year the Tokyo Social Bonds were issued, the outcomes of and other information concerning the projects to which the proceeds were allocated will be disclosed. Specifically, the information will be disclosed on the TMG website through the following procedures. The contents of the disclosures are shown in the table below.

- (a) The Bureau of Finance confirms the expenditures situation of projects scheduled for allocation with the relevant bureaus.
- (b) The Bureau of Finance finalizes the breakdown of the allocated proceeds of the Tokyo Social Bonds.
- (c) The outcomes of the allocation are compiled and the impact report is prepared.
- (d) (c) is disclosed on the TMG website.
- (e) If Tokyo Social Bond proceeds will be allocated to a single project over multiple fiscal years, information pertaining to this must also be disclosed.

Contents of Information Disclosure on Tokyo Social Bonds

| No. | Content | Timing |
|-----|---|--------------------------------|
| 1 | Tokyo Social Bonds Framework | At all times |
| 2 | Details of the decision on projects to be allocated proceeds <ul style="list-style-type: none">• Project category• Project name (including refinanced projects)• Expected impact• Amount to be allocated (refinanced) <The following is also disclosed in the case of refinancing> <ul style="list-style-type: none">• Age of asset• Remaining useful life of asset (Authorized remaining bond redemption years*) | Before issuance |
| 3 | Outcomes of projects to which proceeds were allocated and impact report <ul style="list-style-type: none">• Project category• Project name (including refinanced projects)• Impact• Amount allocated (refinanced) <The following is also disclosed in the case of refinancing> <ul style="list-style-type: none">• Age of asset• Remaining useful life of asset (Authorized remaining bond redemption years*) | Fiscal year following issuance |

| | | |
|---|--|-----------------------------|
| 4 | Details of any significant events such as a change in a project scheduled for allocation | Upon occurrence of an event |
|---|--|-----------------------------|

* Authorized remaining bond redemption years is obtained by subtracting the age of the asset from the maximum years for bond redemption (within the years of useful life of the public or official facility which is planned to be built using the funds procured from this local government bond) submitted to and approved by the Ministry of Internal Affairs and Communications at the time of the issuance of the local government bond.

3 External review

(1) Pre-issuance External Review (Second Party Opinion)

The TMG has obtained a second party opinion (hereinafter referred to as SPO) from Rating and Investment Information, Inc. regarding the alignment with the ICMA's SBP. The SPO is available on the TMG website.

(2) Post-issuance External Review

In the fiscal year following the issuance, the TMG will select an organization that can conduct an external review, and upon sharing information, such as the contents in "2 (4) Reporting," will be subject to a review and will disclose the results.

Appendix

Projects scheduled to be allocated proceeds from
the Tokyo Social Bonds to be issued in FY2024

| No. | Project category | Project | Social issue addressed | Measurement of effectiveness |
|-----|--|---|---|---|
| 1 | Disaster countermeasures for facilities and infrastructure | Removal of utility poles | Strengthening urban disaster management functions (Securing safe and enjoyable walking spaces) (Creating a scenic city) | Length completed, Number of airports upgraded, Number of ports upgraded |
| 2 | | Development of facilities for parks designated as emergency evacuation sites | Securing sites for evacuation, and rescue and relief activities in the event of a disaster | Number of upgraded parks |
| 3 | | Earthquake and water resistance of river facilities | Securing seismic and water resistance of river facilities in order to protect the low-lying eastern part of Tokyo from flooding resulting from earthquake-triggered tsunami and other causes. | Total length completed |
| 4 | | Construction of waste disposal sites in the Port of Tokyo (Shinkaimen Landfill Site, Outer Central Breakwater Reclamation Area) | Constructing waste landfill sites that are difficult to secure in the crowded area of inland Tokyo | Area of constructed landfill sites |
| 5 | | Subsidizing the costs of promoting safety measures (earthquake resistance of private schools) | Securing the safety of the students in the event of a disaster | Number of buildings subsidized |
| 6 | | Installation and reinforcement of emergency backup power generation systems in water supply and other facilities | Securing stable water supply in emergency such as a large-scale power failure | Percentage of water supply that can be secured at the time of a large-scale power failure |
| 7 | | Duplication and renewal of raw water transmission facilities | - Securing stable water supply in the event of a disaster or accident - Renewing old raw water transmission facilities | Percentage of duplicated raw water transmission facilities |

| No. | Project category | Project | Social issue addressed | Measurement of effectiveness |
|-----|---|---|---|---|
| 8 | | Earthquake countermeasures for water reclamation centers and pumping facilities | Securing sewer system functions in the event of a large earthquake directly striking Tokyo, etc. | Number of facilities that have installed emergency backup power generation systems to ensure stable operations even in the event of a power failure |
| 9 | | Upgrade to elevators equipped with restart functions | Securing the safety and security of users (reducing the risk of being trapped in elevators in the event of an earthquake, etc.) | Number of elevator units installed |
| 10 | Measures for aging public facilities and infrastructure | Life extension of bridges | Maintaining and managing sustainable infrastructure and securing the safety and security of users | Cumulative number of life-extension projects begun |
| 11 | | Life extension of port facilities | Maintaining and managing sustainable infrastructure and securing the safety and security of users | Cumulative number of life-extension projects begun |
| 12 | | Port renovation | Maintaining and managing sustainable infrastructure and securing the safety and security of users | Number of ports upgraded |
| 13 | | Fishing port renovation | Maintaining and managing sustainable infrastructure and securing the safety and security of users | Number of fishing ports upgraded |
| 14 | | Airport redevelopment | Maintaining and managing sustainable infrastructure and securing the safety and security of users | Number of airports upgraded |
| 15 | | Renovation of Tokyo metropolitan libraries | Maintaining and managing sustainable infrastructure and securing the safety and security of users | Number of facility users |
| 16 | | Renovation of cultural facility (renovation of the Edo-Tokyo Museum) | Maintaining and managing sustainable infrastructure and securing the safety and security of users | Number of facility users |
| 17 | | Upgrade of police facilities | Maintaining and managing sustainable infrastructure and securing the safety and security of residents | Number of upgraded facilities |
| 18 | | Upgrade of fire stations | Maintaining and managing sustainable infrastructure and securing the safety and security of residents | Number of upgraded facilities |
| 19 | | Improvement of the Tokyo islands' internet environment | Securing a stable internet environment in the Tokyo islands | Number of upgraded islands |

| No. | Project category | Project | Social issue addressed | Measurement of effectiveness |
|-----|--|--|---|--|
| 20 | | New establishment, expansion and renewal of water supply stations | Securing a stable water supply by resolving uneven distribution of service reservoir capacity of water supply stations | Stable water supply securement rate |
| 21 | | Reconstruction of facilities in water reclamation centers and pumping stations | Securing stable sewage services by reconstructing aging facilities | Number of main equipment renewed |
| 22 | Promotion of industry and employment continuity and generation | Renovation of employment and job placement promotion facilities, etc. (renovating facilities such as Tokyo Shigoto Center) | Providing employment and job placement support to Tokyo residents | Number of facility users |
| 23 | Building an educational environment to fully draw out the individuality and potentials of each student | Construction and renovation of Tokyo metropolitan schools | Achieving education that leaves no one behind and allows all children to hold hopes for the future and to take the initiative to grow | School capacity |
| 24 | | Construction and renovation of schools for special needs education | Supporting proactive efforts toward the independence and social participation of young children, students with disabilities | School capacity |
| 25 | Infrastructure development for long-term care services | Provision of subsidies to develop geriatric health services facilities | Helping senior citizens requiring long-term care to resume life at home | Number of facilities subsidized |
| 26 | | Provision of subsidies to develop special nursing homes for the elderly | Providing services such as personal care and rehabilitation care to senior citizens who have difficulty living at home | Number of facilities subsidized |
| 27 | Development of child welfare facilities, etc. | Construction and renovation of facilities for individuals (children) with intellectual disabilities | Supporting severe and medical care dependent intellectually disabled individuals (children) with challenging behavior | Facility capacity |
| 28 | | Provision of subsidies to develop facilities for individuals (children) with disabilities | Providing support for securing necessary services and promoting the development of infrastructure for realization of a society where individual (children) with disabilities can live in their communities with peace of mind | Facility capacity, Number of facilities subsidized |

| No. | Project category | Project | Social issue addressed | Measurement of effectiveness |
|-----|---|---|---|--|
| 29 | | Construction and renovation of child welfare facilities | Addressing the needs of children requiring support for transitioning to independent living | Facility capacity |
| 30 | Strengthening the housing safety net | Construction of public housing | Reconstructing aging public housing for low income residents who are unable to secure adequate housing on their own | Number of reconstructed units |
| 31 | | Repairment of housing | Repairs to address issues such as aging public housing for low income residents who are unable to secure adequate housing on their own | Number of units with exterior wall repaired |
| 32 | Universal design for accessible public facilities | Make sidewalks barrier-free | Securing an environment where everyone can move about safely and smoothly | Length completed |
| 33 | | Increase barrier-free routes | Building an environment where everyone can move about safely and comfortably | Number of elevators installed |
| 34 | | Introduction of people-friendly Toei subway cars | Introducing subway cars that everyone can feel safe and comfortable using | Daily average number of passengers, Number of train formations introduced |
| 35 | Enhance the healthcare provision system | Loans to the Tokyo Metropolitan Hospital Organization | Providing high quality healthcare, such as provision of government-led healthcare services and enhancement of local healthcare, amid the aging population and changing healthcare environment | Number of outpatients and inpatients |