

Tokyo Social Bonds Framework

March 2023

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 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 Tokyo Metropolitan Government revolve around realizing a Tokyo that cares for people, is full of diversity and inclusiveness, and is where people shine.

In order to substantially accelerate such movements, the Tokyo Metropolitan Government has been issuing social bonds since 2021 to receive the support of companies and other investors in strongly promoting Tokyo's measures, and at the same time, to stimulate the sustainable finance market by accelerating the trend to use market funds to help solve social problems in Japan.

The Tokyo Metropolitan Government 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 International Capital Market Association's Social Bond Principles 2021.

2. About the Tokyo Social Bonds Framework

For issuance of the Tokyo Social Bonds, the Tokyo Metropolitan Government has established the Tokyo Social Bonds Framework as follows, which, in accordance with the International Capital Market Association's Social Bond Principles, 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 will be allocated to projects that meet the following three criteria.

- ① The project must be for individuals in need of social support.¹
- ② Clear social benefits (generating a new benefit or maintaining an existing benefit) can be expected from the project and such benefits can be assessed quantitatively.
- ③ Financial resources for the project can include municipal bonds in accordance with the provisions of Article 5 of the Local Government Finance Act and other applicable laws and regulations.

The following is an example of how concrete projects that fulfill these three criteria are listed by project category, the social issue the project addresses, and the indicator used to measure its impacts.

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
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

¹ The Social Bond Principles raise as examples of people targeted by the social projects, those with disabilities, the undereducated, unemployed, and other vulnerable groups, including victims of natural disasters.

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		Subsidize costs for safety measures (earthquake resistance of private schools)	Securing the safety of the students in the event of a disaster	Number of subsidized buildings
6		Earthquake resistance of Tokyo metropolitan high schools	Securing the safety of the students in the event of a disaster	Number of completed schools
7		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
8		Duplication and renewal of raw water transmission facilities	<ul style="list-style-type: none"> - 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
9		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
10		Installation of platform doors at stations	Securing the safety and security of station users, including persons with disabilities and the elderly	Number of stations with platform doors installed
11		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
12		Life extension of bridges	Maintaining and managing sustainable infrastructure and securing the safety and security of users	Cumulative number of life-extension projects begun
13		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
14		Port renovation	Maintaining and managing sustainable infrastructure and securing the safety and security of users	Number of ports upgraded
15		Fishing port renovation	Maintaining and managing sustainable infrastructure and securing the safety and security of users	Number of fishing ports upgraded

16		Airport redevelopment	Maintaining and managing sustainable infrastructure and securing the safety and security of users	Number of airports upgraded
17		Renovation of Tokyo metropolitan libraries	Maintaining and managing sustainable infrastructure and securing the safety and security of users	Number of facility users
18		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
19		Upgrade of fire stations	Maintaining and managing sustainable infrastructure and securing the safety and security of users	Number of upgraded facilities
20		Improvement of the Tokyo islands' internet environment	<u>Securing a stable internet environment in the Tokyo islands</u>	<u>Number of upgraded islands</u>
21		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
22		Reconstruction of facilities in water reclamation centers and pumping stations	Securing stable sewage services by reconstructing aging facilities	Number of main equipment renewed
23	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
24	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
25		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
26	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
27		Provision of subsidies to develop special nursing homes for the elderly	Providing services such as personal care and rehabilitation care to	Number of facilities subsidized

			senior citizens who have difficulty living at home	
28	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 children with challenging behavior	Facility capacity
29		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	<u>Facility capacity</u> <u>Number of facilities subsidized</u>
30		Construction and renovation of child welfare facilities	<u>Addressing the needs of children requiring support for transitioning to independent living</u>	Facility capacity
31	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
32	Universal design for accessible public facilities	Make sidewalks barrier-free	Securing walking spaces everyone can use safely, securely and comfortably	Length completed
33		Increase barrier-free routes	Building an environment where everyone can move about safely and comfortably	Number of elevators installed
34		<u>Introduction of people-friendly Toei subway cars</u>	<u>Introducing subway cars that everyone can feel safe and comfortable using</u>	<u>·Daily average number of passengers</u> <u>Number of train formations introduced</u>
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

(2) Process for Project Evaluation and Selection

Projects to be allocated with proceeds from the Tokyo Social Bonds issued in that fiscal year shall be selected prior to the issuance of those bonds from among the projects that meet the three criteria listed in “(1) Use of proceeds,” after coordination between the Tokyo Metropolitan Government’s Bureau of Finance and the bureau in charge of the project. If any of those projects is found to be a direct cause of significant negative impacts on the environment or society, it will be excluded from the selection.

Also, if stipulated in the Local Government Finance Act and other laws, a local government can issue municipal bonds as provided in the budget.² The budget must be approved by the metropolitan assembly before the start of a fiscal year.³ Not only are such procedures necessary to issue Tokyo Metropolitan Government bonds including the Tokyo Social Bonds, but the feasibility of the projects and the sustainability of their outcomes are also verified during the process of budgeting. This also ensures good governance in the process of project evaluation and selection.

(3) Management of Proceeds

Local governments must be able to correlate expenditures in each fiscal year to their annual revenue.⁴ Therefore, in principle, all proceeds of the Tokyo Social Bonds are allocated to target projects within the fiscal year. 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.

After the Tokyo Social Bonds are issued, the proceeds will be managed by classifying them into accounting categories based on the Tokyo Metropolitan Government's budget rules to clarify their use. Until the proceeds are allocated, they will be managed under the Tokyo Metropolitan Government Public Money Management Policy. Moreover, at the end of each fiscal year, for all revenue and expenditures related to projects funded by the Tokyo Social Bonds, the results of execution and 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) Reporting

In the issuance of the Tokyo Social Bonds, in principle, information concerning the use of the proceeds are disclosed on the Tokyo Metropolitan Government's website as follows. With regard to the outcomes of projects to which proceeds were allocated, an impact report will be formulated in the following fiscal year and disclosed on the website.

No.	Content	Timing
1	Tokyo Social Bonds Framework	At all times
2	Decision on target projects	Before issuance

² Local Autonomy Act, Article 230

³ Local Autonomy Act, Article 211

⁴ Local Autonomy Act, Article 208

	<ul style="list-style-type: none"> • Project category • Project • Expected impact • Amount to be allocated 	
3	<p>Outcomes of projects to which proceeds were allocated</p> <ul style="list-style-type: none"> • Project category • Project • Impact • Amount allocated 	Fiscal year following issuance
4	Details of any significant events such as a change in the allocated project	Upon occurrence of an event

(5) External review

With regard to Tokyo social bonds to be issued, studies will be made on whether or not to seek an external review prior to issuance. When it has been decided to receive a review, the Tokyo Metropolitan Government will select an organization that can conduct the review and upon sharing information such as the projects' contents, will receive an external review before issuance of the bonds.

In addition, with regard to Tokyo social bonds post-issuance, studies will be made on whether or not to seek an external review, and when it has been decided to receive a review, in the same manner as reviews for bonds prior to their issuance, an external review will be received from an organization that can conduct the review.

External reviews, both pre- and post- issuance, will be disclosed on the Tokyo Metropolitan Government website.