

REPORT REVIEW

Tokyo Metropolitan Government Green Bond Report

Tokyo Green Bond Impact Report Tokyo Metropolitan Government

27 January 2023

VERIFICATION PARAMETERS

Type(s) of reporting	<ul style="list-style-type: none">Green Bond Allocation and Impact Report
Relevant standard(s)	<ul style="list-style-type: none">Harmonized Framework for Impact Reporting (HFIR) as administered by the ICMA (as of June 2022)Green Bond Principles as administered by the ICMA (as of June 2021)
Scope of verification	<ul style="list-style-type: none">Tokyo Metropolitan Government's Tokyo Green Bond Impact Report (as of January 19, 2023)Tokyo Metropolitan Government's Green Bonds Framework (as of March, 2021)
Lifecycle	<ul style="list-style-type: none">Post-issuance verification
Validity	<ul style="list-style-type: none">As long as no material changes are undertaken by the issuer to its Tokyo Green Bond Impact Report as of January 19, 2023

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SCOPE OF WORK

Tokyo Metropolitan Government ("the issuer" or "TMG") commissioned ISS Corporate Solutions (ICS) to provide an External Review¹ on its Tokyo Green Bond Impact Report by assessing:

1. The alignment of the TMG's Tokyo Green Bond Impact Report with the commitments set forth in the TMG Green Bonds Framework (as of March 2021)².
2. TMG's Tokyo Green Bond Impact Report - benchmarked against Harmonised Framework for Impact Reporting (HFIR), updated June 2022, as administered by International Capital Market Association (ICMA)
3. The disclosure of proceeds allocation and soundness of reporting indicators – whether the impact metrics align with best market practices and are relevant to the Green Bonds issued.
4. TMG has issued 3 Green bonds in FY2021 (Under the Tokyo Green Bonds Series 5) and targeted two types of investors. A 5-year green bond was issued on October 2021 with 15 billion Japanese Yen (JPY) (Series name: The Metropolis of Tokyo (Tokyo Green Bond (5 Year Bond)) series 5, ISIN code: JP2130002NA6). A 30-year green bond was issued on October 2021 with JPY 15 billion (Series name: The Metropolis of Tokyo (Tokyo Green Bond (30 Year Bond)) series 5, ISIN code JP2130003NA4), both for institutional investors. A 5-year green bond was issued on December 2021 with 122 million Australian Dollar (AUD) (equivalent to JPY 10 billion) (The Metropolis of Tokyo AUD110,000,000 3.63 per cent. Bonds due 2027, ISIN code XS2559491282) for private investors.

¹ A limited or reasonable assurance is not provided on the information presented in TMG Tokyo Green Bond Impact Report. A review of the use of proceeds' allocation and impact reporting is solely conducted against ICMA's Green Bond Principles core principles and recommendations where applicable, and the criteria outlined in the underlying Framework. The assessment is solely based on the information provided in the allocation and impact reporting. The issuer is responsible for the preparation of the report including the application of methods and internal control procedures designed to ensure that the subject matter information is free from material misstatement.

² The Framework was assessed as aligned with the Green Bond Principles as of September 3, 2021.

ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
<p>Part 1.</p> <p>Alignment with the issuer's commitments set forth in the Framework</p>	<p>The TMG's Tokyo Green Bond Impact Report meets the issuer's commitments set forth in the Green Bonds Framework. The proceeds have been used to finance Renewable Energy, Green Buildings, Energy Efficiency, Pollution Prevention and Control, Clean Transportation, Sustainable Wastewater Management, Environmentally Sustainable Management of Land Use, and Climate Change Adaptation in accordance with the eligibility criteria defined in the Framework.</p>	<p>Aligned</p>
<p>Part 2</p> <p>Alignment with the Harmonized Framework for Impact Reporting</p>	<p>The Tokyo Green Bond Impact Report is in line with ICMA's Harmonized Framework for Impact Reporting. The issuer follows core principles and where applicable key recommendations.</p> <p>This is the first impact report for TMG's Tokyo Green Bond Series 5 from issuances. The report will be available on the TMG's website. The Bonds were issued in October and December 2021 following the Framework publication in March 2021. Proceeds have been fully allocated to Green Projects, in line with the eligibility criteria set forth in the underlying Framework. The issuer discloses the share of allocated proceeds transparently.</p>	<p>Aligned</p>
<p>Part 3</p> <p>Disclosure of proceeds allocation and soundness of reporting indicators</p>	<p>The allocation of the bond's proceeds has been disclosed, with a detailed breakdown across different eligible project categories/asset categories as proposed in the Framework³.</p> <p>The TMG's Green Bonds Framework has adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculations methodologies, and granularity reflecting best market practices.</p>	<p>Positive</p>

³ The assessment is based on the information provided in the allocation reporting. The issuer is responsible for the preparation of the report including the application of methods and procedures designed to ensure that the subject matter information is free from material misstatement.

REPORT REVIEW ASSESSMENT

PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE GREEN BONDS FRAMEWORK⁴

The following table evaluates the Tokyo Green Bond Impact Report against the commitments set forth in TMG's Framework, which are based on the core requirements of the Green Bond Principles as well as best market practices.

GBP	OPINION	ALIGNMENT WITH COMMITMENT
1. Use of Proceeds	<p>TMG confirms to follow the Use of Proceeds' description provided by TMG's Green Bonds Framework. The report is in line with the initial commitments set in the TMG's Green Bonds Framework: Renewable Energy, Green Buildings, Energy Efficiency, Pollution Prevention and Control, Clean Transportation, Sustainable Wastewater Management, Environmentally Sustainable Management of Land Use, and Climate Change Adaptation.</p> <p>The issuer's green categories align with the project categories and are in accordance with the eligibility criteria as proposed by the TMG's Green Bonds Framework. Environmental benefits project level are also described.</p> <p>The issuer is transparent that JPY 40.107 billion of proceed is fully allocated for new projects. About 50% of the total proceed was allocated to the "Adaptation for Climate Change" category.</p>	✓
2. Process for Project Evaluation and Selection	<p>TMG confirms to follow the Process for Project Evaluation and Selection description provided by TMG's Green Bonds Framework. The report is in line with the initial commitments set in the TMG's Green Bonds Framework: Involving different government departments and their contributions in the process of project evaluation and selection.</p> <p>The projects selected are defined and structured in a congruous manner. The issuer ensures compliance with the Eligibility Criteria. ESG risks associated with the project categories are identified and managed through an appropriate process.</p>	✓

⁴ The TMG Green Bonds Framework was assessed as aligned with the Green Bond Principles as of September 3, 2021.

<p>3. Management of Proceeds</p>	<p>TMG confirms to follow the Process for Management of Proceeds description provided by TMG's Green Bonds Framework.</p> <p>The proceeds collected are equal to 100% of the amount allocated to eligible projects, with no exceptions. The proceeds are tracked in an appropriate manner and attested by the Audit and Inspection Commissioners as of September 2022.</p>	<p>✓</p>
<p>4. Reporting</p>	<p>The TMG Impact Report is coherent with the Reporting description provided by TMG's Green Bonds Framework. The report is in line with the initial commitments set in the TMG's Green Bonds Framework: If Tokyo Green bond funds are to be appropriated to a single project over multiple years, it must be stated, and the report will be available on TMG website to investors.</p> <p>The provided information in the Tokyo Green Bond Impact Report complies with the pre-issuance commitment expressed in the framework. TMG discloses the result of the appropriation, including the project names with the amount of proceeds allocated (millions of JPY), the environmental category according to the Tokyo Green Bond classification, and the environmental impact result achieved or estimated.</p> <p><i>Further analysis of this section is available in Part III of this report.</i></p>	<p>✓</p>
<p>5. Verification</p>	<p>ISS ESG provided a Second Party Opinion (SPO) on TMG's Green Bonds Framework in September 2021.</p>	

PART II: ASSESSMENT AGAINST THE ICMA HARMONISED FRAMEWORK FOR IMPACT REPORTING

Reporting is a core component of the GBP and transparency is of particular value in communicating the expected and/or achieved impact of projects in the form of annual reporting. Green bond issuers are required to report on both the use of green bond proceeds, as well as the environmental impacts at least on an annual basis until full allocation or maturity of the bond. Harmonized Framework for Impact Reporting has been chosen as a benchmark for this analysis as it represents the most widely adopted standard.

The table below evaluates TMG Tokyo Green Bond Impact Report against ICMA Harmonized Framework for Impact Reporting.

CORE PRINCIPLES		
ICMA HFIR	TOKYO GREEN BOND IMPACT REPORT	ASSESSMENT
Reporting on an annual basis	TMG has reported on the first fiscal year after issuance and all the proceeds have been fully allocated. The report will be available on TMG's website.	✓
Illustrating the environmental impacts or outcomes	<p>The assessment and measurement of the impacts generated by TMG Green Bonds covered the following areas:</p> <ul style="list-style-type: none"> a. Expected annual capacity of installed photovoltaic facilities b. Expanded green area c. Reduce energy consumption d. Power generation (including power selling) e. Reduce energy consumption f. Reduce GHG emissions g. Develop and extend length of cycling routes h. Develop and extend length of heat insulation and water absorption i. Reduction of the emission of regulated substances j. Capacity of storage facility for sewerage system k. Avoidance rate from drainage system flooding caused by 50 mm/h rain l. Completion of river development m. Capacity of regulating reservoir n. Develop and extend length o. Expand development scale and number of facilities 	✓

ESG Risk Management	ESG risks associated with the project categories are identified and managed (evaluation method) during project evaluation and selection processes.	✓
Allocation of proceeds - Transparency on the currency	All green Bond-related cash-flows are reported in one currency – JPY when allocating the green bond proceeds and reporting on the projects, given that the green bonds were issued based on the two currencies JPY and AUD. The issuer also provides the exchange amount in JPY after computing the exchange rate between JPY and AUD for transparency.	✓

RECOMMENDATIONS

ICMA HFIR	TOKYO GREEN BOND IMPACT REPORT	ASSESSMENT
Define and disclose period and process for Project Evaluation and Selection	<p>Proceeds have been fully allocated to Green Projects.</p> <p>The issuer followed a transparent process for the selection and evaluation of Eligible Green Projects. Projects financed and/or refinanced through the green bonds issued under Green Bond Framework were evaluated and selected based on compliance with the Eligibility Criteria as laid out in the Framework.</p>	✓
Disclose total amount of proceeds allocated to eligible disbursements	A total of JPY 40,107 million has been raised through the issuer's 3 Green Bonds in its green bond series 5 (with the redemption date of Friday, September 18, 2026, Wednesday, September 20, 2051 and Friday, December 4, 2026). 100% of the proceeds have been allocated to Green Assets.	✓
Formal internal process for the allocation of proceeds and to report on the allocation of proceeds	The issuer followed a transparent process for the allocation of proceeds.	✓
Report at project or portfolio level	The Tokyo Green Bond Impact Report includes the total amount of proceeds allocated per eligible project.	✓

<p>Describe the approach to impact reporting</p>	<p>Identifies the specific projects and clearly defines, for each project, the total project results (including financing from all financiers) with information about the total project size and the issuer's share of total financing.</p>	<p>✓</p>
<p>Report the estimated lifetime results and/or project economic life (in years)</p>	<p>The issuer does not report on the average portfolio lifetime (in years) or the project's economic life. After communicating with the issuer, the issuer will include the duration of the refinance in the future. Meanwhile, the issuer has no plans to disclose the duration for new projects at this moment but, depending on future market trends and will consider disclosing the duration information.</p>	<p>○</p>
<p>Ex-post verification of specific projects</p>	<p>The issuer currently does not have ex-post verifications for its projects.</p>	<p>NA</p>
<p>Report on at least a limited number of sector specific core indicators</p>	<p>The issuer reports on sector-specific core indicators and other sustainability indicators as outlined in the underlying Framework and in line with the proposed indicators by ICMA.</p>	<p>✓</p>
<p>If there is no single commonly-used standard, issuers may follow and disclose their own calculation methodologies</p>	<p>The issuer disclosed most of the calculation methodologies for the impact indicators in the impact report to the public and provided some non-disclosed calculation methodologies during the review, which include:</p> <p>Non-public disclosed calculation methodology included:</p> <p>Energy consumption reduced: Electricity consumption of existing facility</p> <p>Public disclosed calculation methodologies included:</p> <p>Calculate power generated by new renewable energy facilities from the average annual solar radiation, loss factor, system capacity and factor, system capacity, and number of annual generation days</p> <p>Calculation: Average annual solar radiation per day of the installed surface location × loss</p>	<p>✓</p>

	<p>factor × system capacity × number of annual generation days</p> <p>Calculate by comparing the energy consumption of conventional lights and LEDs</p> <p>Calculation: Number of LED lights × reduction of energy consumption per a LED light (kW) × hours used in one year</p> <p>Calculate by comparing the emission control regulatory caps of the previous vehicle (long term) and the new vehicle</p> <p>Length of cycling routes and areas, Length of heat island countermeasures, length of tsunami protection facilities, development of parks, greening along water sides, development of medium and small size rivers and development of Tokyo port facilities and islands coastal protection facilities by actual measurements.</p>	
Disclosure on the conversion approach (if applicable)	The issuer elects to convert units reported for individual projects based on a standard conversion factor	✓
Projects with partial eligibility	All financed projects all fully eligible.	N/A
When the expected impacts of different project components may not be reported separately, issuers may use (and disclose) the attribution approach	The impact of TMG's projects is reported separately per project and category on an aggregated basis.	N/A

OPINION

The TMG follows Harmonized Framework for Impact Reporting's core principles and key recommendations. The issuer provides transparency on the level of expected reporting as well as on the frequency, scope and duration, aligned with best practices.

PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS

Use of Proceeds Allocation

Use of Proceeds allocation reporting is key to put the impacts into perspective with the number of investments allocated to the respective Use of Proceeds projects.

The Use of Proceeds allocation reporting occurred within the fiscal year following issuance (October and December 2021), after full allocation of the proceeds.

Proceeds allocated to Eligible Projects/Assets

The proceeds' allocation is broken down at the project category level, by type of project. The issuer has provided details about the type of projects included in the portfolio.

The allocation report section of the Tokyo Green Bond Impact Report of TMG aligns with best-market practices by providing information on:

- The number of projects (re-)financed
- The total amount of proceeds in millions of JPY
- Breakdown of the allocated amount per project type
- Case studies of eligible projects (Smart Energy & Urban Development and Adaptation to Climate Change)

Impact Reporting Indicators

The table below presents an independent assessment of the issuer's report and disclosure on the output, outcome, and/or impact of projects/assets using impact indicators.

ELEMENT	ASSESSMENT
<p>Relevance</p>	<p>The impact indicator chosen by the issuer for this bond is the following:</p> <p>Smart Energy & Urban Development</p> <ul style="list-style-type: none"> a) Expected annual capacity of installed photovoltaic facilities b) Reduce energy consumption c) Power generation (including power selling) d) Reduce GHG emissions e) Develop and extend length of cycling routes <p>Natural Environment Conservation</p> <ul style="list-style-type: none"> f) Expanded green area g) Expand developed greening/ parks area <p>Improvement of Living Environment</p> <ul style="list-style-type: none"> h) Develop and extend length of heat insulation and water absorption i) Reduction of the emission of regulated substances (NO_x, PM) j) Capacity of storage facility for sewerage system <p>Adaptation for Climate Change</p> <ul style="list-style-type: none"> k) Avoidance rate from drainage system flooding caused by 50 mm/h rain l) Completion of river development m) Capacity of regulating reservoir n) Develop and extend length of revetment o) Expand development scale and number of facilities <p>These indicators are quantitative and material to the Use of Proceeds categories financed through this bond and broadly in line with the Suggested Impact Reporting metrics for Green Bonds by the ICMA Harmonized Framework for Impact Report for Environmental and Social Bonds. Some indicators were designed by the issuer to capture the specificity of their projects. This aligns with best market practices.</p>
<p>Data sourcing and methodologies of quantitative assessment</p>	<p>The environmental impacts are based on the environmental yielded by the end of FY2021 or expected to be yielded. TMG has provided the calculation methodology for applicable indicators.</p>

Baseline selection	Some of the reporting indicators have been benchmarked against a specific baseline. For instance, GHG emission avoided, annual energy consumption reduced per lighting/LED and emission control regulatory caps of the previous vehicle (long term) and the new vehicle. For avoidance rate from drainage system flooding indicator, the issuer calculates the percentage of the area of the 23 wards of Tokyo where water damage is prevented during heavy rainfall of 50mm/hour due to the provision of sewerage backbone facilities. Other impacts indicators are actual measurements.
Scale and granularity	The impact data is presented at the Use of Proceed project level for the indicators.

High-level mapping of the impact indicators with the UN Sustainable Development Goals

Based on the project categories financed by the bonds as disclosed in the issuer's Tokyo Green Bond Impact Report, The Impact indicator(s) adopted by TMG for its Green Bonds can be mapped to the following SDGs, according to the ICMA "A High -Level Mapping to the Sustainable Development Goals"⁵.

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
<p>Smart Energy & Urban Development</p> <ul style="list-style-type: none"> ▪ Rebuilding and repairment of facilities (photovoltaic facilities) ▪ Installation of LED in facilities and roads ▪ Energy saving of water and sewage facilities ▪ Development of cycling routes and areas <p>a) Expected annual capacity of installed photovoltaic facilities b) Reduce energy consumption c) Power generation d) Reduce GHG emissions e) Develop and extend length of cycling routes</p>	
<p>Natural Environment Conservation</p> <ul style="list-style-type: none"> ▪ Rebuilding and repairment of facilities (green space development) ▪ Development of parks ▪ Greening along watersides <p>a) Expanded green area</p>	

⁵ ICMA's Mapping-SDGs-to-Green-Social-and-Sustainability-Bonds

<p>b) Expand developed parks/ greening areas</p>	
<p>Improvements of Living Environment</p> <p>Heat island countermeasures</p> <p>a) Develop and extend length of heat insulation and water absorption</p>	
<p>Improvements of Living Environment</p> <p>Installation of environment-friendly metropolitan buses</p> <p>a) Reduction of the emission of regulated substances (NOx, PM)</p>	
<p>Improvements of Living Environment</p> <p>Improvement of centralized sewerage system</p> <p>a) Capacity of storage facility</p>	
<p>Adaptation for Climate Change</p> <ul style="list-style-type: none"> ▪ Countermeasures against floods ▪ Development of medium and small size rivers ▪ Development of tsunami protection facilities ▪ Development Tokyo port facilities and islands coastal protection facilities <p>a) Avoidance rate from drainage system flooding caused by 50 mm/h rain</p> <p>b) Completion of river development</p> <p>c) Capacity of regulating reservoir</p> <p>d) Develop and extend length of revetment</p> <p>e) Expand development scale and number of facilities</p>	

OPINION

The allocation of the bonds' proceeds has been disclosed, with a detailed breakdown across different eligible project categories/asset categories as proposed in the Framework and the TMG's Green Bonds Framework has adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculations methodologies and granularity reflecting best market practices. Besides, the impact indicators used align with best market practices using ICMA's recommended metrics in the HFIR.

DISCLAIMER

1. Validity of the External Review ("External Review"): Valid as long as no material changes are undertaken by the issuer to its Tokyo Green Bond Impact Report as of January 19, 2023
2. ISS Corporate Solutions, Inc. ("ICS"), a wholly-owned subsidiary of Institutional Shareholder Services Inc. ("ISS"), sells/distributes External Reviews which are prepared and issued by ISS ESG, the responsible investment arm of ISS, on the basis of ISS ESG's proprietary methodology. In doing so, ISS adheres to standardized procedures to ensure consistent quality of responsibility research worldwide. Information on ISS's methodology is available upon request.
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ANNEX 1: Methodology

Review of the post-issuance Reports

The external review of post-issuance reports provides the Issuer with an independent opinion on the soundness of its post-issuance report and of its alignment with recognized market guidelines and it provides investors with independent information regarding the reliability of the report produced. On the basis of the information provided by the issuer, the alignment of the report is assessed with recognized market guidelines, the metrics chosen by the issuer and the soundness of process and methodology of reporting. The metrics are analyzed based on specific sets of indicators using proprietary method referring to common market guidelines.

High-level mapping to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method based on ICMA's Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, the extent to which the issuers reporting and project categories contribute to related SDGs is identified.

ANNEX 2: Quality management processes

SCOPE

TMG commissioned ICS to compile an External Review on its Bond Report. The External Review process includes verifying whether the Bond Report aligns with the issuer's Green, Social and Sustainability Bond Framework and the respective market standards, i.e. the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines and to assess the robustness and completeness of the reporting methodologies.

CRITERIA

Relevant Standards for this Report Review:

- ICMA Green Bond Principles
- ICMA Harmonized Framework for Impact Report for Environmental
- ICMA A High-Level Mapping to the Sustainable Development Goals

ISSUER'S RESPONSIBILITY

Issuer's responsibility was to provide information and documentation on:

- Tokyo Green Bond Impact Report
- Green Bonds Framework
- Proceeds Allocation
- Reporting Impact Indicators
- ESG Risk Management

ISS ESG's VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent External Review has been conducted by following the ICMA Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews, and its methodology, considering, when relevant, the ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The engagement with TMG took place from December 2022 to January 2023.

ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this External Review

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyzes companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green Bond Principles, Social Bond Principles and Sustainable Bond Guidelines), analyze the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent External Review so that investors are as well informed as possible about the quality of the bond/loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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