

Team Sapporo-Hokkaido Green Finance Framework Master Framework



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If there is any inconsistency between Japanese (original) and English texts, the Japanese text shall prevail

1. Introduction

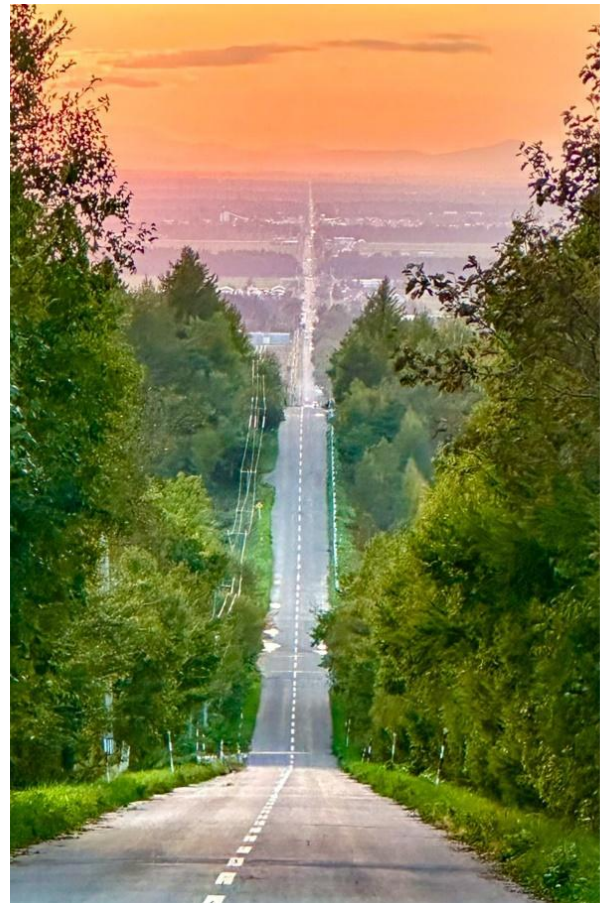
1.1 Global Efforts to Address Climate Change

The global average temperature in 2024 is reported to be the highest since 1850¹. According to the World Economic Forum's "[Global Risks Report 2025 Edition](#)"², "environmental issues such as "extreme weather" and "natural resource scarcity" accounted for half of the top ten severe risks expected over the next decade, including the top four.

As addressing climate change becomes a shared challenge for humanity, the international community is taking coordinated action. Among the 17 goals of the Sustainable Development Goals (SDGs) adopted at the 2015 UN Summit, "take urgent action to combat climate change and its impacts" is explicitly stated. Furthermore, the Paris Agreement that same year established a global target to limit the rise in the world's average temperature to below 2 degrees Celsius compared to pre-industrial levels. Since then, many countries and regions have declared carbon neutrality, aiming for net-zero greenhouse gas emissions. All industries are steering towards realizing a decarbonized society, and in financial markets, "ESG investing," which considers environmental, social, and governance factors, has surged.

The rapid spread of artificial intelligence (AI) is driving digital transformation (DX), and demand for data centers is expanding. This is expected to increase electricity demand, which is essential for promoting economic growth.

Amid rising geopolitical risks around the world, how can we advance "green transformation (GX)," which aims to achieve both environmental protection and economic growth? Efforts are expanding in Japan as well.



¹ From the EU's [Copernicus Climate Change Service](#)

² A report based on survey results from global risk experts and policymakers. This marks its 20th edition.

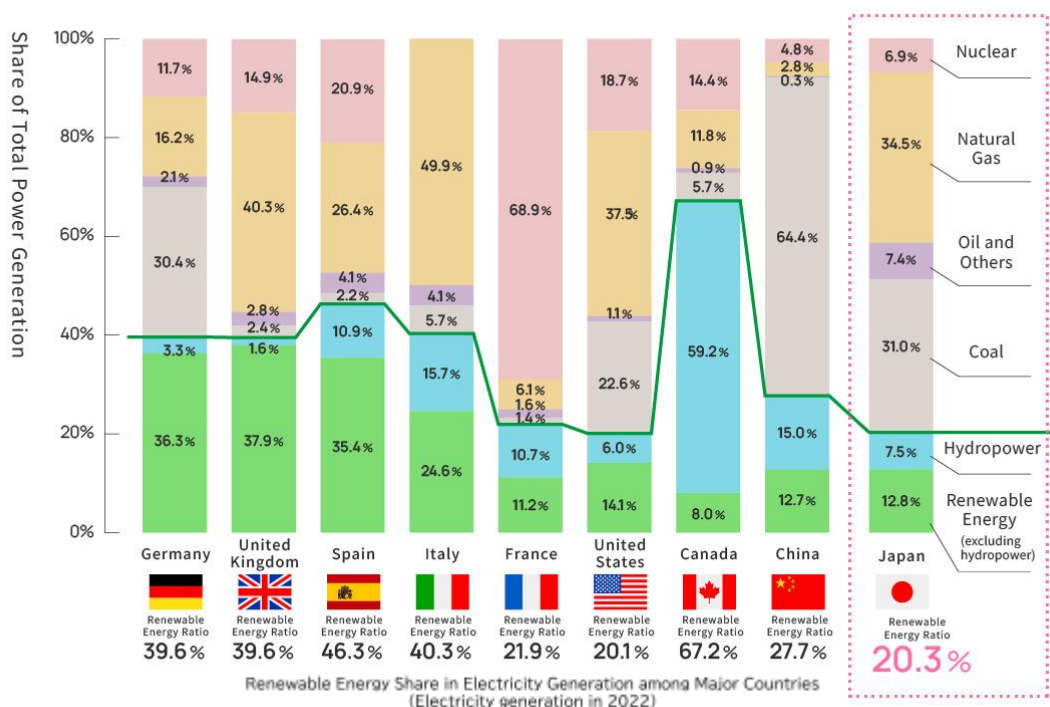
1.2 Promoting GX in Japan

Japan, the world's fifth largest CO₂ emitter, announced its international commitment to climate change measures in 2021. It has set a medium-term target of reducing greenhouse gas emissions by 46% in 2030 (compared to FY2013 levels) in order to achieve carbon neutrality by 2050.

Surrounded by sea and lacking natural resources, Japan faced soaring fuel prices following Russia's invasion of Ukraine in 2022. This highlighted the vulnerability of its energy supply system, underscoring the critical importance of ensuring stability. In 2023, the Japanese government approved "The Strategy for Promoting Structural Transition toward a Decarbonized and Growing Economic Structure (GX Promotion Strategy)" by cabinet decision. It aims to realize over ¥150 trillion in related investments from both public and private sectors by 2032, promoting thorough energy conservation and expanding the use of decarbonized power sources.

Japan's renewable energy ratio remains low compared to major nations. The Agency for Natural Resources and Energy's "Strategic Energy Plan" aims to raise this to 40-55% by FY2040. It will advance the mainstreaming of renewable energy by implementing and expanding next-generation technologies like perovskite solar cells.

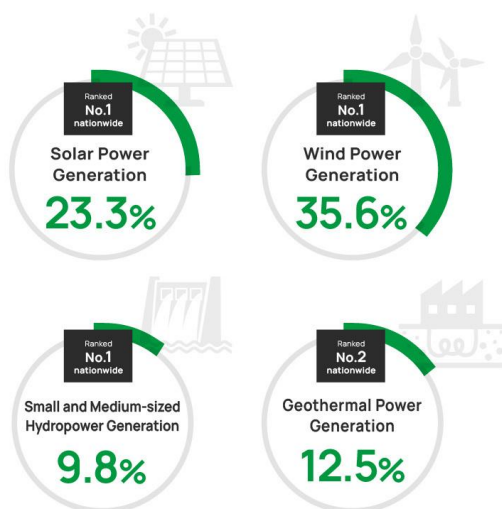
Furthermore, the government plans to create Green Transformation (GX) Economy Transition Bonds and make approximately 20 trillion yen in upfront investments. It will also introduce "The Pro-Growth Carbon Pricing," which assigns a price to CO₂ emissions to incentivize businesses undertaking GX projects.



1.3 Hokkaido's Initiatives

Hokkaido, located in the northernmost part of Japan, boasts rich natural beauty and distinct seasons, making it a popular tourist destination both domestically and internationally. Primary industries thrive here, with both agricultural and marine product production ranking highest in the nation. It also serves as Japan's food base.

In recent years, the effects of climate change have become evident in Hokkaido. The annual average temperature at seven locations within the prefecture (Asahikawa, Abashiri, Sapporo, Obihiro, Nemuro, Suttsu, Hakodate) has risen by approximately 1.63 degrees Celsius over the past 100 years. Changes in ecosystems are observable, such as shifts in the migratory ranges of fish like yellowtail amberjack and the expanding distribution of Ezo deer. In the future, a decline in the quality of certain crops, such as wheat, is also predicted, which is expected to significantly impact livelihoods and industries.



Hokkaido's Share of National Renewable Energy

Furthermore, Hokkaido accounts for approximately 22% of Japan's land area. Due to its regional characteristics of heavy snowfall, cold temperatures, and wide dispersion, fossil fuels such as kerosene for heating and gasoline for transportation (cars and long-distance trucks) are heavily used. Per capita greenhouse gas emissions are approximately 1.3 times the national average (FY2019), requiring further awareness of the need to move toward a decarbonized society.

Based on its fundamental concept of "building a green society with a virtuous cycle of the environment and economy," Hokkaido has set forth the goal of realizing "Zero Carbon Hokkaido," which aims to achieve net-zero greenhouse gas emissions by 2050. While setting a medium-term target of a 48% reduction (compared to FY2013 levels) by FY2030, Hokkaido will focus on promoting the integrated advancement of green and digital technologies and the decarbonization of transportation and logistics using hydrogen and other technologies, thereby contributing to the national climate change countermeasures.

Hokkaido ranks first in Japan in terms of potential for introducing renewable energy, including solar, wind power, and small-to-medium-scale hydroelectric power, and will continue to play a role as Japan's energy supply base.

1.4 Sapporo City's Initiatives

Sapporo, the fourth most populous municipality in Japan, is the administrative center of Hokkaido. It is one of the few cities in the world with a population of over two million that receives nearly five meters of snowfall annually. It is also one of Japan's leading tourist destinations, popular for its rich food culture and winter snow festival. Sapporo has made its mark internationally, having hosted the Winter Olympics in the past. It is the economic center of Hokkaido, home to the Sapporo Stock Exchange, one of Japan's four major stock exchanges.

In 2020, Sapporo City declared its "Zero Carbon City Declaration," taking the lead ahead of the national government. It set a higher target than the national government, committing to achieving net-zero greenhouse gas emissions by 2050. In 2023, together with Hokkaido, it announced the "Hokkaido/Sapporo Declaration"³, further strengthening its stance on decarbonization to Japan and the world.

1.5 Team Sapporo-Hokkaido

In June 2023, the consortium "Team Sapporo-Hokkaido (TSH)" was launched, comprising 21 institutions from industry, academia, government, and finance. It aims to maximize the utilization of Hokkaido's unparalleled domestic renewable energy potential and realize an "Asian and Global Financial Center" where GX-related information and capital from around the world converge. TSH has initiated various initiatives to attract over ¥150 trillion in public and private investment over ten years, along with corresponding global investment, to Hokkaido and Sapporo.

1.6 GX Financial & Asset Management Special Zone

In June 2024, Hokkaido and Sapporo City were designated as target areas for the "Financial and Asset Management Special Zone"⁴. To attract financial institutions and asset management companies, they are developing the environment, including establishing the "[Sapporo Transnational Expansion and Partnership \(STEP\)](#)" to provide one-stop support in English for everything from business to daily life. Additionally, the Sapporo Securities Exchange, also a member of TSH, has launched a new financial market.

³ Declaration of Japan's and the world's contribution to Green Transformation (GX) during the G7 Climate, Energy, and Environment Ministers' Meeting in Sapporo

⁴ Japan's only initiative aiming to strengthen and concentrate financial functions within Sapporo City and promote GX industries throughout Hokkaido, based on regulatory reforms under the national "Financial and Asset Management Special Zones" and "National Strategic Special Zones" frameworks. Hokkaido and Sapporo City refer to this as the "GX Financial and Asset Management Special Zone."

The national government has selected 14 key growth sectors expected to drive progress toward achieving carbon neutrality by 2050. It has also established "Sector-Specific Investment Strategies" for 16 fields to realize Green Transformation (GX). TSH has also positioned eight fields as the core of GX promotion: offshore wind power generation, hydrogen, data centers, storage batteries, synthetic fuels (SAF⁵, etc.), next-generation semiconductors, submarine DC transmission, and electric and hydrogen transport ships. These fields, including renewable energy as stipulated in the Hokkaido Global Warming Prevention Ordinance, are now eligible for the newly introduced tax incentive system (GX Promotional Tax Incentive) by Hokkaido and Sapporo City.

In addition, a green finance framework consistent with international principles and guidelines has been established, with the use of funds focused on GX projects in the above eight fields. Transition finance, which is used to fund projects necessary for the realization of GX in Japan, is also eligible for evaluation. A new "GX Information Platform" will be established to aggregate related information, creating a system to attract investment from both Japan and overseas.

Column : GX Information Platform

TSH will build a "GX Information Platform" to enable users to view and compare information useful for investment decisions in one place.

By visualizing GX business operators in Hokkaido, their environmental benefits, and their contribution levels, the platform aims to promote and diversify fundraising, thereby advancing GX-related investment and supply chain development.

Projects and financial products utilizing this framework will gain an advantage as high-decarbonization-impact investment targets by registering on the platform. This is expected to facilitate matching between businesses and stimulate related investments.

Furthermore, the platform is envisioned for broad utilization, including progress tracking for individual projects.

⁵ Sustainable Aviation Fuel (SAF). Produced from waste cooking oil and other waste materials, it enables a 60-80% reduction in CO₂ emissions compared to conventional fuels.

2. "Team Sapporo-Hokkaido Green Finance Framework"

2.1 "Team Sapporo-Hokkaido Green Finance Framework"

In order to create an environment where funders interested in global green investment around the world can obtain sufficient information for decision-making, Hokkaido and Sapporo City, the main members of TSH, took the lead in formulating the "Team Sapporo-Hokkaido Green Finance Framework." The framework establishes evaluation criteria based on two perspectives: Green Criteria that indicate the degree of contribution to decarbonization, and Regional Sustainability Criteria that indicate the degree of coexistence with the local community.

As mentioned at the beginning, the green finance market is expanding. According to the Ministry of the Environment, global green bond issuance will reach a record high in 2024. In Japan, the market is also booming, with issuance expected to exceed 2 trillion yen from 2022 onwards.

In 2023, the Japanese government formulated "The Action Plan for Attracting Human and Financial Resources from Overseas." It set a new path for economic growth from an international perspective, including the restructuring of global supply chains. In GX, while riding the major global trend toward Japan, the key to promoting projects will be how to direct interest in green investment toward Hokkaido.



2.2 Benefits of Utilizing this Framework

When utilizing this framework, each stakeholder is expected to enjoy benefits aligned with their respective objectives.

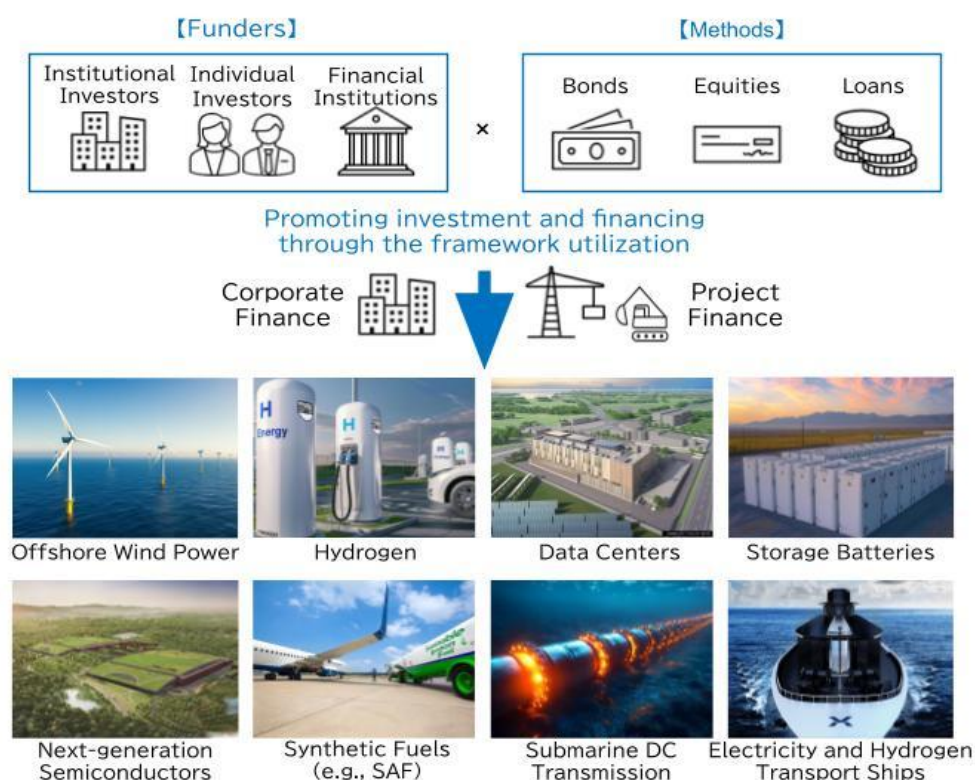
This framework was developed primarily by Hokkaido and Sapporo City, the main constituents of TSH. It enables external review bodies to independently assess compliance with the established evaluation criteria, including quantitative criteria.

GX business operators can enhance their credibility and attractiveness as investment targets by obtaining third-party evaluations from external review bodies confirming their projects meet the criteria. While funding methods—such as loans, bonds, or equity—vary depending on project scale and phase, providing a financial toolkit through this framework is expected to facilitate smooth capital supply.

For funders, GX projects with high decarbonization potential and regional contributions become immediately apparent, clarifying investment decisions.

By increasing the number of projects utilizing this framework, we aim to advance regional revitalization through coexistence with local communities, not just decarbonization. The primary purpose of this framework is to encourage investment expansion. In the future, it is hoped that its use will expand to include locally-based companies and startups within Hokkaido, as well as impact investing addressing social issues.

Furthermore, listing projects on the "GX Information Platform" created by TSH facilitates easier access to project information, potentially attracting increased investment from both domestic and international sources.



2.3 Process for Obtaining Third-Party Evaluation and Registration on the GX Information Platform

This framework assumes an operational approach where, in the context of establishing a finance framework for funding GX projects (project finance) or funding entities undertaking GX projects (corporate finance), the funder declares alignment with this framework. An external reviewer selected by the funder then provides a third-party evaluation, thereby supporting the investor's funding decision.

When a GX project obtains a "Green Premium" or "Green" rating, it is necessary to confirm consistency with evaluation standards such as the Climate Bonds Standard (CBS) and the EU Taxonomy. Therefore, a third-party evaluation must be conducted by [an external reviewer registered with the ICMA⁶](#), or an external reviewer registered as [Climate Bonds Initiative Approved Verifier](#). In the case of "transition," in addition to the above, third-party evaluations by institutions registered as [issuers \(External review division\) under the Ministry of the Environment's Green Finance Supporters System](#) or institutions that agree to the code of conduct for [ESG assessment and data providers of the Financial Services Agency](#) are also valid (details of each assessment are described in the following section).

When a GX project that has obtained a third-party evaluation is registered on the GX Information Platform, the following documents must be submitted.

- Registration Request Form (Form 1)
- Checklist for Framework Use (Form 2)
- Third-Party Evaluation Report (copy)

Hokkaido and Sapporo City will register the GX project on the GX Information Platform upon receiving a registration request from the business operator and confirming the submitted documents. Business operators conducting registered GX projects are required to submit an Annual Report (Form 3) every year.

Until the GX Information Platform is established, information will be disseminated via TSH's website and other channels.

For GX projects outside Hokkaido that independently utilize these evaluation criteria, the above document submission procedures are not required.

⁶ The International Capital Market Association

3. Use of Proceeds

Green finance requires that the proceeds be allocated to eligible green projects that have an environmental improvement effect. This framework establishes the following evaluation criteria to determine whether a project is eligible.

3.1 Green Criteria

The main purpose of establishing this framework is to attract investment to Hokkaido from both within Japan and abroad. To achieve this, it is essential to ensure a high level of reliability and transparency for GX projects. This framework refers to international standards widely recognized and used in the green finance market, such as [the Climate Bonds Standard \(CBS\)](#)⁷ and [the EU Taxonomy](#)⁸. It establishes quantitative evaluation criteria to clarify highly green projects and creates a framework to appeal to overseas financiers. It also establishes a "Transition"⁹ evaluation label for projects necessary for realizing GX in Hokkaido.

These Green Criteria are defined primarily around climate change mitigation (decarbonization), with additional consideration given to other environmental goals (water, pollution prevention, circular economy, climate change adaptation, and biodiversity).

3.1.1 Definition of Green Criteria

This framework evaluates Green Criteria from the perspective of meeting international standards and not causing adverse effects associated with project implementation (DNSH¹⁰).

GX projects that meet international standards are classified as "Green," and GX projects that meet international standards and demonstrate high improvement effects in each environmental goal are classified as "Green Premium" as drivers of GX toward achieving carbon neutrality by 2050. In addition, with a view to future compliance with international standards, GX projects that are consistent with Japan's GX promotion strategy and sector-specific technology roadmaps are evaluated as "Transition."

See the figure below for detailed definitions. Details of the evaluation criteria for each field are described in the sub-framework.

⁷ Evaluation criteria for green bonds, such as their contribution to the environment, formulated by the international NGO Climate Bonds Initiative.

⁸ Evaluation criteria established by the European Union (EU) to classify environmentally conscious economic activities. Established as part of the sustainable finance strategy.

⁹ Generally refers to "steady transition toward decarbonization, including energy conservation and fuel conversion."

¹⁰ Do No Significant Harm: The EU taxonomy requires that there be no significant impact on the surrounding environment.

Evaluation Label	Definition	Key Reference Standard
Green Premium	Demonstrates notable improvement effects in climate change mitigation (Applicable international climate change mitigation Green Standard (hereinafter referred to as "International GreenStandard*1")) or Meets applicable international green standards Green standards for five environmental goals other than climate change mitigation (water, pollution prevention, circular economy, climate change adaptation, biodiversity) Meet at least one of the above	Climate Bonds Standard (CBS) Sector Criteria EU Taxonomy
Green	Meets applicable international green standards	
Transition*2	There is a specific plan*3 to meet international green standards in the future and uses the best available technology at this point in time (Consistent with Japan's GX Roadmap and sector-specific roadmaps)	GX Promotion Strategy Sector-specific technology Roadmap
Not Applicable	If none of the above green standards are met, or if the standards are met but DNSH is not met	

*1 International Green Standards: At the start of operation, the Climate Bonds Standard (CBS) and EU Taxonomy will be adopted as reference standards for the following four areas, which are expected to expand rapidly.

- Climate Bonds Standard (CBS): Offshore Wind, Hydrogen, Battery Storage
- EU Taxonomy: Offshore Wind Power, Hydrogen, Data Centers, Battery Storage

For areas to be established in the future, applicable international green standards (Climate Bonds Standard (CBS), EU Taxonomy, etc.) will be adopted at the time of establishment. When referring to each standard, elements required by each standard (e.g., calculation methods, DNSH, etc.) will be applied with reference to equivalent or similar domestic laws, ordinances, regulations, or guidelines, where applicable.

*2 Transition assumes that the GX promotion strategy and sector-specific technology roadmaps are not aligned with international green standards, and may not exist in some sectors.

*3 Business plans that are consistent with the transition strategy (equivalent to the GX roadmap in Japan) and classification (such as the ASEAN taxonomy) of the country or region where the project is implemented, as well as the technology and implementation timeline.

3.2 Regional Sustainability Criteria

A major feature of this framework is the establishment of "Regional Sustainability Criteria," which evaluate GX projects from the perspective that their coexistence with local communities leads to business growth and sustainability.

The national government is advancing legal frameworks based on policies promoting the expansion of renewable energy with community coexistence as a prerequisite, and linking GX to regional revitalization. Hokkaido also aims to build a "society with a virtuous cycle of economy and environment" by solving regional issues and leaving a rich environment for future generations, and plans to attract and support GX projects that coexist with the region.

By evaluating projects from both the perspective of environmental criteria and Regional Sustainability Criteria, it aims to create the world's first framework for the sustainable growth of both the region and GX business operators.

3.2.1 Definition of Regional Sustainability Criteria

Regional Sustainability Criteria are evaluated based on seven items, including initiatives that contribute to revitalizing the regional economy, solving regional issues, and coexisting with the community. Items ① and ② are mandatory, and GX projects that satisfy at least one of items ③ to ⑦ are eligible for evaluation. Projects are ranked from S7 to S3 according to the number of items satisfied. Refer to the figure below for each item.

The regional sustainability criteria evaluate the additional social effects achieved by GX projects, assuming their inherent greenness. Therefore, evaluation based solely on the regional sustainability criteria is not anticipated.



Evaluation Label	Item		
Number of items met number of items will be assigned S7 to S3	Required	<u>1 Environmental Impact Assessment</u> Proper implementation of procedures based on the Environmental Impact Assessment Law and Hokkaido Environmental Impact Assessment Ordinance, and, where necessary, measures exceeding legal and ordinance requirements to give full consideration to the environment and landscapes valued by the community	Regional Coexistence
		<u>2 Fostering local understanding</u> Communicate with the community and regarding the implementation of eligible projects by appropriately conducting explanatory meetings based on various relevant laws and regulations and, if necessary, implementing measures that exceed the requirements of the laws and regulations	
	Must meet at least one criterion	<u>3 Solving local issues and promoting regional development</u> Initiatives to regional challenges and promote regional development in municipalities hosting eligible project facilities (e.g., human resource development through GX-related education/vocational training, disaster prevention/mitigation such as power supply during disasters, collaborative agreements for community development)	
		<u>4 Participation in Community Activities</u> Initiatives to preserve and pass on the culture, traditions, appeal, value, and irreplaceable natural environment of the municipalities where Qualified Project facilities are located to future generations (e.g., participation in traditional events, promoting the appeal of local products, landscape conservation)	Regional Economic Revitalization
		<u>5 Number of Employees</u> 3 new regular employees (including those transferred from outside Hokkaido) at offices/business establishments set up within the municipality implementing the Qualified Project (at least 1 for power generation projects).	
		<u>6 Procurement Ratio</u> Procurement ratio from Hokkaido-based companies during the project period or more (design, construction, material purchases)	
		<u>7 Value-Added Creation Amount</u> The value-added creation amount during the business plan period of a qualified project must exceed ¥46.11 million (assumed over 5 years; prorated according to the period)	

4.1 Eight GX Fields

In Hokkaido, five zones were selected as "promising zones" for offshore wind power generation in 2023, and two of these zones were designated as "promotion zones" in 2025. A policy for developing a new submarine DC transmission network connecting Hokkaido and Honshu has also been announced, and the location for a next-generation semiconductor manufacturing base has been decided. Furthermore, Hokkaido, along with Kyushu, has been positioned as a core hub for digital infrastructure. Demonstration projects related to hydrogen supply and utilization are progressing across Hokkaido, and various initiatives aimed at clustering GX projects related to renewable energy and other uses are beginning to take shape.

TSH has identified eight particularly promising fields for advancing Hokkaido's GX development: offshore wind power generation, hydrogen, data centers, storage batteries, next-generation semiconductors, synthetic fuels (e.g., SAF), submarine DC transmission, and electric and hydrogen transport ships.

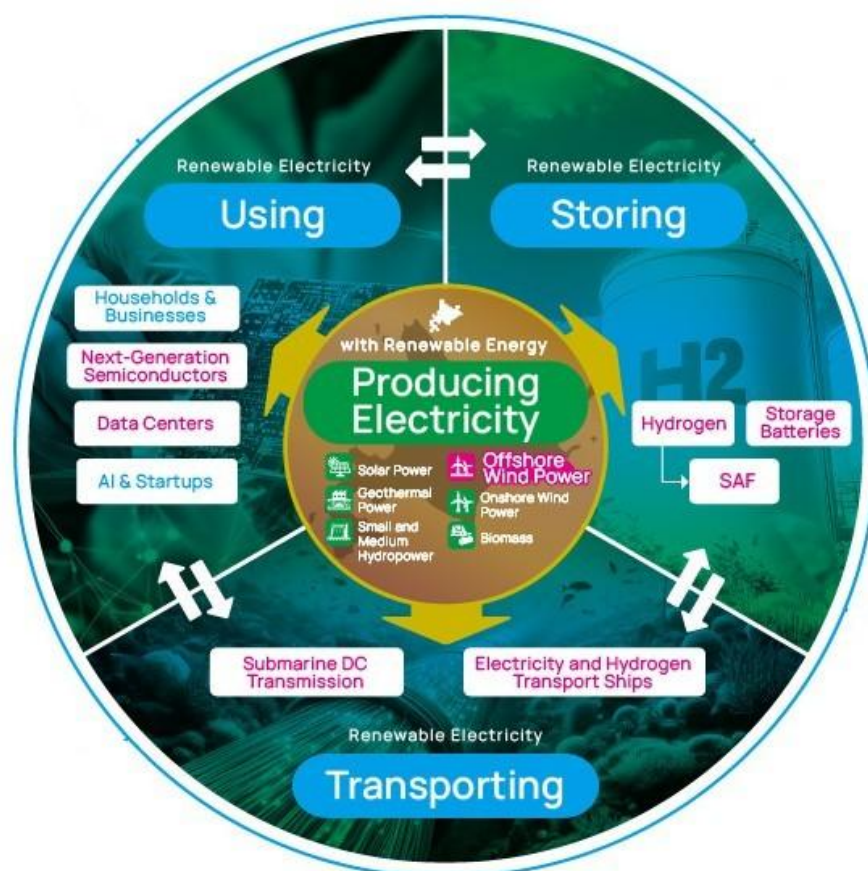
Offshore wind power enables large-scale deployment and cost reduction, positioning it as the key solution for making renewable energy the primary power source. The national target for offshore wind power deployment (by 2040) is approximately 45 GW at maximum, with Hokkaido accounting for about one-third of this, or roughly 15 GW. Estimated to require approximately 1,000 15MW-class turbines and a project cost of around 3 trillion yen, it promises significant ripple effects for the local economy beyond decarbonization, including revitalizing regional industries and creating jobs.

Abundant renewable energy, such as offshore wind power, will be supplied to next-generation semiconductor manufacturing bases and data centers, while surplus power will be converted into green hydrogen and used for power generation and heat utilization. In addition, the future utilization of SAF synthesized from green hydrogen and CO₂ is also expected. Furthermore, concepts are expanding for installing storage batteries to adjust supply and demand for power stabilization, developing undersea DC power transmission lines connecting to major consumption areas such as the Kanto region, and utilizing electricity and hydrogen carriers.

In this way, the eight fields are interconnected in their roles of "generating," "using," "storing," and "transporting" electricity, and promoting each of them is expected to produce significant synergistic effects.

4.2 Target Areas of This Framework

This framework establishes evaluation criteria primarily for projects targeting renewable energy as stipulated in the Hokkaido Global Warming Prevention Measures Ordinance, in addition to the above eight fields. Among these, evaluation criteria are being established first for the following four fields, where early project expansion is anticipated. The scope will be expanded sequentially thereafter.



5. Management of Proceeds

The descriptions in this section are in accordance with the [Green Bond and Green Loan Guidelines](#)¹¹ (Ministry of the Environment: 2024 edition). For information not included in this section, please refer to the above document.

5.1 General Matters

The fundraiser should track and manage the proceeds using appropriate methods to ensure that the funds raised are allocated exclusively to eligible projects, and such tracking and management should be controlled by the fundraiser's internal processes.

In addition, until the proceeds are fully redeemed, the fundraiser should regularly verify, at least once a year, that either the allocation amount to eligible projects is equal to or exceeds the total proceeds, or the sum of the allocation amount to eligible projects and the amount of unallocated proceeds is aligned with the total proceeds. If unallocated proceeds temporarily arise, the fundraiser should explain to funders in advance the intended management method for such unallocated proceeds and endeavor to allocate them to eligible projects as soon as possible. Furthermore, it is desirable that the management of proceeds be supplemented by an external auditor or other third-party organization.

5.2 Prior Explanation to Funders Regarding Methods for Tracking Proceeds

The method for tracking and managing proceeds should be explained to the funder in advance. It is desirable to properly retain supporting documents and other evidence for management purposes.

5.3 Early allocation of proceeds

It is desirable that the proceeds be allocated to the green project at an early stage, and allocation to the target project without reasonable grounds should be avoided.

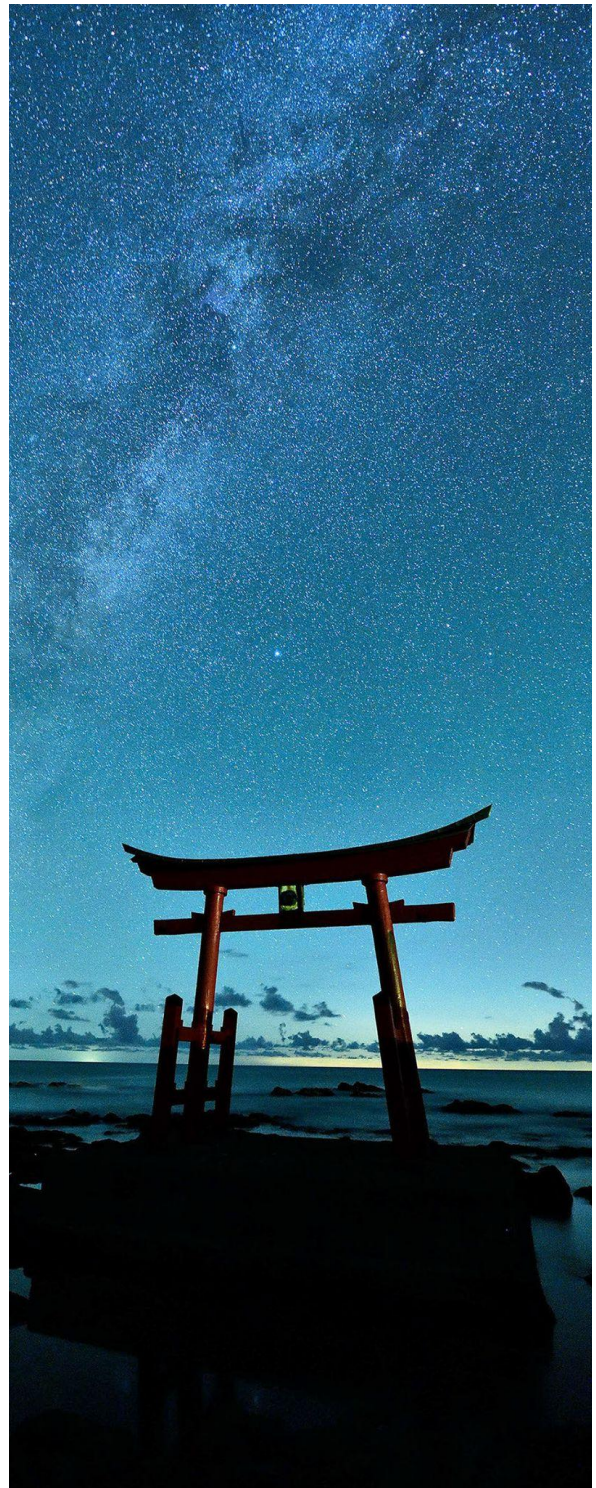
5.4 Advance explanation to funders regarding the management of unallocated proceeds

If the project to which the proceeds will be allocated has not been decided, or if the project has been decided but the timing for allocation has not yet arrived, resulting in the funds being temporarily unallocated, the method of managing the unallocated proceeds should be explained to the funder in advance.

¹¹ Practical guidelines formulated by the Ministry of the Environment in 2017 with the aim of promoting green bonds in Japan, achieving both the reliability of the environmental improvement effects of green bonds and the reduction of costs and administrative burdens for fundraisers.

5.5 Management of Unallocated Proceeds

It is desirable to manage unallocated proceeds using highly secure and liquid assets such as cash or cash equivalents and short-term financial assets. An advanced example of managing unallocated proceeds is depositing them in accounts at financial institutions with appropriate environmental management policies, from the perspective of respecting the funder's environmental intentions. This approach is considered meaningful when there are funders who strongly prefer that funds be managed using ESG-related or green financial products.



6. Reporting

The descriptions in this section are in accordance with the Green Bond and Green Loan Guidelines (Ministry of the Environment: 2024 Edition). For items not described in this section, please refer to the Guidelines.

6.1 General Disclosure on the Use of Proceeds Using this Framework

Funders make investments and provide financing with the expectation that their contributed funds will be allocated to the target project and that the project will deliver environmental improvement effects. Therefore, the impact expressed in reporting is a crucial element for funders to continuously monitor the effectiveness of their investments and financing.

Furthermore, as a fundraiser, ensuring transparency is necessary to assert and demonstrate that the proceeds are allocated to the target project and to gain societal support. Considering these points, the fundraiser should disclose the latest information regarding the use of the proceeds and publish it in a location easily accessible to funders (including online platforms such as websites).

6.2 Timing of Disclosure

The fundraiser should report or disclose the status of fund usage at least once a year until all funds are allocated, and whenever there is a significant change in circumstances. Even after all funds have been allocated, timely disclosure should be made whenever there is a significant change in circumstances.

Significant changes in circumstances include, but are not limited to, events that affect the greenness of the project, such as the sale of assets or businesses that are the intended use of the funds, or serious accidents in the business.

6.3 Reporting and Disclosure Items and Methods

The above reporting and disclosure items should include the following items.

- List of projects for which the proceeds were used
- Overview of each project (including progress)
- Amount of proceeds allocated to each project
- Expected environmental benefits of each project
- Benefits each project brings to the region (if applicable to regional sustainability criteria assessments)
- If any unallocated proceeds remain, their amount or percentage, planned allocation date, and period of non-allocation

Furthermore, if the proceeds are used to refinance an existing target business, the disclosure should ideally include: i) the approximate amount (or percentage) of the proceeds allocated to refinancing, and ii) which target business (or business segment) the refinancing was allocated to.

The above disclosures should ideally be made for each individual business unit. However, in cases where confidentiality agreements exist, competitive considerations are necessary, or the number of business units is large, it may be appropriate to present the information in an aggregated format (for example, aggregating and presenting information related to each of the above items by business category, such as “Wind Power Generation Business,” “Business Related to the Introduction of Energy-Efficient Equipment,” or “Business Related to the Construction and Operation of Waste Recycling Facilities”).

6.4 Indicators and calculation methods for environmental benefits and social benefits

When disclosing environmental benefits and social benefits, appropriate indicators should be used, taking into account consistency with “3.1 Green Criteria” and “3.2 Regional Sustainability Criteria” stipulated in “3. Use of Proceeds” and the characteristics of the project.

From the perspective of transparency, it is important to disclose the expected or actual improvement effects when disclosing environmental benefits and social benefits. Furthermore, quantitative indicators should be used whenever possible, and their calculation methods and assumptions should be presented.

There are domestic and international movements in which funders calculate the greenhouse gas emissions of their own investments and aim for net zero, making the quantification of environmental benefits an important factor from the funders’ perspective.



Column : Insights from Overseas

Hokkaido and Sapporo City issued a joint statement with the international NGO Climate Bonds Initiative in 2024. They agreed on the need to accelerate regional revitalization by improving the environment through the GX Finance and Asset Management Special Zone.

The Climate Bonds Initiative was quick to establish the Climate Bonds Standards (CBS) in 2013, which are used to ensure the reliability and transparency of green bonds and were referenced in the formulation of this framework. It is a leader in the green finance market in Europe and around the world. Hokkaido and Sapporo City will strengthen their activities with the support of this wealth of knowledge in order to contribute to the expansion of financial functions through the concentration of data centers and GX-related industries.

This framework also draws on the example of Luxembourg, which has established itself as a leading European financial center. In 2023, Sapporo Mayor Katsuhiro Akimoto and other TSH members will visit the Luxembourg Stock Exchange and other institutions. They will seek to strengthen Sapporo's financial functions by drawing inspiration from this "powerhouse" of green finance, which has earned the trust and attention of ESG investors worldwide.

Comment by Sean Kidney, CEO, Climate Bonds Initiative

"Japan faces an enormous challenge with energy security - in a time of geo-political tensions we still import 83% of our energy - as well as in meeting our climate goals. We have the opportunity in Hokkaido to massively scale up renewable energy, creating local jobs while improving our energy security - and helping meet our climate action goals. It's win-win-win.

Team Sapporo-Hokkaido Green Finance Framework provides clear and transparent guidance on how investment will contribute to that green future.

It's a model for how regional economies can integrate decarbonisation with economic revitalisation; and will help position Sapporo-Hokkaido as a hub for GX finance and asset management."

7. External Review

An independent external reviewer, DNV, has provided a third-party evaluation of the consistency of this framework with the following frameworks.

【Applied】

- ICMA Green Bond Principles 2025
- LMA Green Loan Principles 2025
- ICMA Social Bond Principles 2025
- LMA Social Loan Principles 2025
- Ministry of the Environment Green Bond Guidelines 2024 Edition
- Ministry of the Environment Green Loan Guidelines 2024 Edition
- Financial Services Agency Social Bond Guidelines 2021 Edition
- ICMA Sustainability Bond Guidelines 2021

【Reference】

- Climate Bonds Standards (applicable technical criteria)
- EU Taxonomy (applicable technical criteria)
- ICMA Climate Transition Finance Handbook 2023
- FSA, METI, and MOE Basic Guidelines on Climate Transition Finance 2025 Edition

*Applied: Eligibility for all core elements to each principle or guideline was assessed.

*Reference: Based on the green project and implementation plans, relevant contents were partially considered.



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