

ATTACHMENT 1



City of Toronto

Sustainable Debenture Framework

Final

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Introduction

The City of Toronto (“the City”) is Canada’s largest municipality, with a population of over 3 million people and a diverse economy that contributes significantly to both provincial and national GDP. As a municipal government, the City is responsible for delivering essential services, managing infrastructure, and planning for long-term growth. Sustainability is a key priority in the City’s policies, budgeting, and operations.

Toronto has established a number of strategies and targets to address environmental, social, and climate-related challenges. These are informed by Council-adopted policies and supported by ongoing public reporting. The City’s approach to sustainability includes actions across climate mitigation and adaptation, housing and social equity, biodiversity, clean transportation, Indigenous reconciliation, and infrastructure resilience.

For detailed information on the City of Toronto’s ESG priorities, consult the City’s annual Environmental, Social and Governance (ESG) Performance Report, available on the [Investor Relations](#) section of the City of Toronto’s website.

Environmental Sustainability and Climate Action

In 2021, Toronto City Council adopted the [TransformTO Net Zero Strategy](#) which commits the City to achieving net-zero greenhouse gas (GHG) emissions community-wide by 2040. Interim goals include reducing GHG emissions by:

- 30% by 2020 compared to 1990 (achieved)
- 65% by 2030 compared to 1990
- Net-zero by 2040

In 2025, the [TransformTO Net Zero Strategy: Action Plan \(2026–2030\)](#) was approved by Council. The Plan focuses on opportunities with greater impact on greenhouse gas emissions reductions and advances critical steps toward achieving net zero. It also includes enabling actions that engage and connect people and facilitate climate action.

Additionally, the Strategic Forest Management Plan was developed as a means to identify the efforts required to achieve a healthy, sustainable urban forest. It sets out strategic goals including increase canopy cover and increasing biodiversity. It also identified key challenges and recommended actions to achieve the strategic goals.

The Strategic Forest Management Plan continues to be the guiding document for urban forestry management across the city. It has more recently been strengthened by additional studies, strategies and initiatives that ensure data-driven decisions informed by equity and evidence-based management approaches.

Housing, Equity, and Social Infrastructure

The [HousingTO 2020–2030 Action Plan](#) commits the City to creating 40,000 new affordable rental homes, including 18,000 supportive homes. The plan focuses on affordability, access to housing, and targeted support for vulnerable populations.

It is supported by other strategies such as the [Poverty Reduction Strategy](#), which is the City's long-term strategy to address immediate needs, create pathways to prosperity, and drive systemic change for those living in poverty in the city.

Sustainable Transportation

The city's [Multi-year Accessibility Plan](#) identifies, removes and prevents accessibility barriers across the organization by committing to specific initiatives and outcomes. Transportation is included as one of the eight Action Areas in the plan, outlining requirements to prevent and remove barriers in public transportation for people with disabilities.

The Toronto Transit Commission (TTC) is responsible for conventional (bus and subway networks) and specialized transit (Wheel-Trans) within the City of Toronto. The [TTC Accessibility Plan](#) guides the system-wide accessibility improvements to work to provide a barrier-free transit system.

Community Safety and Wellbeing

The City is taking a bold and different approach to advancing community safety by working collaboratively across sectors, communities and governments. [SafeTO](#) will drive 26 priority actions across seven strategic goals, which together aim to bring about a safe Toronto that promotes and celebrates the wellbeing and resilience of all residents.

The [Vision Zero Road Safety Plan](#) focuses on reducing traffic-related fatalities and serious injuries on Toronto's streets.

Sustainable Debenture Framework

Building on the Green Debenture Framework first published in 2018 and the Social Debenture Framework first published in 2020, the City has developed an updated Sustainable Debenture Framework (“Framework”) under which it may issue three types of debentures (“Debentures”):

1. Green Debentures – debenture instruments where the proceeds will be exclusively applied to finance, in part or in full, new and/or existing Green Capital Projects (as defined in “Use of Proceeds” below) and which are aligned with the four core components of this Framework.
2. Social Debentures – debenture instruments where the proceeds will be exclusively applied to finance, in part or in full, new and/or existing Social Capital Projects (as defined in “Use of Proceeds” below) and which are aligned with the four core components of this Framework.
3. Sustainability Debentures – debenture instruments where the proceeds will be exclusively applied to finance, in part or in full, new and/or existing Green Capital Projects and Social Capital Projects (as both terms are defined in “Use of Proceeds” below) and which are aligned with the four core components of this Framework.





Following the International Capital Market Association (“ICMA”) Green Bond Principles (2025), Social Bond Principles (2025) and Sustainability Bond Guidelines (2021), the Framework is based on four core components:

1. Use of proceeds
2. Process for evaluation and selection
3. Management of proceeds
4. Reporting





The Framework also describes the manner in which the City’s Green, Social and Sustainability Debentures support and contribute towards meeting the United Nations Sustainable Development Goals (SDGs). Upon issuance, additional details regarding the objective of the debenture and Eligible Projects (defined below) may be disclosed.




I. Use of Proceeds

Green Categories

ICMA Category	Eligible Expenditures	UN SDGs
Renewable energy	<p>Construction, development, acquisition, maintenance, connection, transmission and distribution of renewable energy generation sources such as:</p> <ul style="list-style-type: none"> a) Wind b) Solar c) Geothermal with direct emissions less than 100gCO_{2e}/kWh d) Wastewater energy transfer e) Waste biomass or biofuel with direct emissions less than 100g of CO_{2e}/kWh¹ 	 
Energy efficiency	<p>Construction, development, acquisition and maintenance of products and systems that increase energy efficiency and/or reduce energy consumption or mitigate greenhouse gas (GHG) emissions intensity by 30% or more over the initial performance, including any of:</p> <ul style="list-style-type: none"> a) Energy efficient heating and cooling systems, lighting, technologies and equipment including ground source heat pumps under Toronto's Home Renovation Savings program b) Energy management and reduction systems such as smart grids, demand response units and associated infrastructure that enables more efficient monitoring transmission and distribution of energy, facilitation of adding renewable electricity to the grid c) Building energy retrofit projects and building control optimization projects that reduce energy consumption or increase energy efficiency. This may include residential, commercial or City-owned buildings, including private sector 	 



¹ Biomass feedstocks will not include aquaculture and fisheries residues, palm oil or waste from industrial scale livestock operations, animal fats, oil and other animal processing by-products

<p>Pollution prevention and control</p>	<p>Construction, development, acquisition and maintenance of land, facilities, systems or equipment used for activities such as:</p> <ul style="list-style-type: none"> a) Development of and enhancement of waste management activities and infrastructure such as waste prevention, diversion, reduction, recycling and recovery b) Collection, treatment/remediation, recycling or reuse of waste, hazardous waste, or contaminated soil c) Collecting, transporting, and processing of recyclables, composting, and household hazardous waste for the public 	 
<p>Clean transportation</p>	<p>Construction, development, acquisition and maintenance of low carbon transportation assets, including:</p> <ul style="list-style-type: none"> a) Fully electric, hydrogen, or other zero-direct emissions transport including private vehicles, public transit such as public bus fleet, ferry boats and the light metro transit system, and their directly supporting infrastructure b) Hybrid land vehicles (with CO₂ emission threshold of <50 grams of CO₂/p-km) c) Cycling and walking infrastructure d) Electric charging and hydrogen fueling infrastructure 	
<p>Climate change adaption</p>	<p>Construction, development, acquisition and maintenance of infrastructure for:</p> <ul style="list-style-type: none"> a) Designing, retrofitting, installation and/or upgrading of buildings, berms, pumping stations, transit, transportation and other infrastructure to mitigate physical impacts of climate change and build resilience to extreme weather events such as high wind, flooding, extreme temperatures, ice storms or extended power outages b) Climate risk information and communication systems (e.g., climate observation, early warning systems) and related projects, including risk and preparedness assessment and monitoring; heat/air quality mapping; integrated water drainage modelling; Climate Lens approach development. c) Community outreach and capacity building to support climate risk mitigation and preparedness 	

<p>Green buildings</p>	<p>Construction, development, operation, acquisition and maintenance of buildings that have received, or expect to receive based on their design, construction and operation plans, certification according to the following third party verified building standards:</p> <ul style="list-style-type: none"> • Leadership Energy and Environmental Design (LEED) Gold or Platinum • Building Owners and Managers Association (BOMA) BEST Gold or Platinum • ENERGY STAR (score >85) • BuiltGreen High Density Gold or Platinum • NovoClimat Big-Multiple Unit Building • Passive House Classic, Plus or Premium • CaGBC Zero Carbon Building Standard (Flexible, Passive or Renewable²) • Buildings that align with Toronto Green Standard (Tier 2, 3 or 4) 	
<p>Environmentally sustainable management of living natural resources and land use</p>	<p>Construction, development, acquisition and maintenance of infrastructure for:</p> <p>a) Conservation, restoration and enhancement for the management of the urban forest, wetlands, watercourses (stream bank stabilization or naturalization) and other natural habitats and landscapes, including to trees, islands, wetlands/ponds, woodlands, ravines, beaches/bluffs and conservation areas</p> <p>b) Projects that support, protect or restore biological diversity in urban areas including parks, ravines, and other green spaces, natural environment trails and green roofs.</p>	 



² Canada Green Building Council (CaGBC) Zero Carbon Building Standard Passive and Renewable Certification approaches must achieve a 20% improvement over The National Energy Code of Canada for Buildings (NECB) 2015 or later in order to qualify

Social Categories

ICMA Category	Eligible Expenditures	UN SDGs
Affordable basic infrastructure	<p>Funding of facilities, services, systems or equipment that enhance the affordability of basic municipal infrastructure, examples of which include transportation, water and energy.</p> <p>Safe, public and universal accessibility improvements to transportation infrastructure, such as pedestrian crossovers, audible traffic and crosswalk signals, and sidewalks, and improving accessible public transportation</p>	
Access to essential services	<p>Funding of assets in support of publicly available, not-for-profit, free or subsidized essential services, including any of:</p> <ul style="list-style-type: none"> a) Education (including training centres and education and training programs and services to vulnerable population groups) b) Healthcare (including public hospitals, clinics, health counselling, medical equipment, dental programs, mental health and addiction facilities and programs, health promotion, homes or health facilities for the general public) c) Care Centres (including EarlyON childcare centres³, recreation and community centres, long term care centers, seniors’ centres, and support for organizations that provide similar services to target populations such as newcomers, homeless, victim of human trafficking or domestic violence, asylum claim status, Indigenous) d) Residential Care (domiciliary hostel) program that provides financial support for housing to adults who cannot live on their own and need some help with daily living activities⁴ 	


³ Families with children from 0-6 years old

⁴ Eligible residents are those typically living with a psychiatric, developmental or physical illness or disability

<p>Affordable housing</p>	<p>i) Construction, development, purchase, and maintenance of new or existing buildings that provide social and/or affordable housing which includes:</p> <ul style="list-style-type: none"> a) Housing for households or individuals whose income is 120% of the area median income (AMI) and where housing for households⁵ or individuals whose rents are ≤30% median income⁶ b) No-cost housing solutions such as homeless shelters and transition housing for homeless families and individuals c) Delivery of federal, provincial and municipal affordable housing programs including the Home Ownership Assistance Program, and the provision of rent supplement, such as the Housing First programme that aim to increase the supply of affordable housing for low-income households and vulnerable groups d) Provision of the City’s Rent Supplement or Housing Allowance programs for low-income individuals and families, such as Rent-Geared-to-Income, Toronto Rent Bank, and Housing Stabilization Fund (HSF) <p>ii) Renovation, maintenance and improvements of shelters, and social and affordable housing projects (i.e. capital projects to enhance accessibility)</p>	 
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⁵ Housing costs include principal or rent + interest + taxes + heat divided by gross annual income.

⁶ Aligned with the definition of affordable housing provided by the Canada Mortgage and Housing Corporation.

<p>Socioeconomic advancement and empowerment</p>	<p>Funding of assets in support of publicly available, free or subsidized services that promote socioeconomic advancement and empowerment, including any of:</p> <ul style="list-style-type: none"> a) Providing employment and social supports to youth, new immigrants, social assistance recipients, low-income individuals and other underserved populations b) Ensuring safe, affordable and universal accessibility to the public transportation for disadvantaged targeted populations (e.g. children, disabled, low-income, seniors) c) Supporting older adults and/or people with disabilities such as care homes, day centres, rehabilitation and specialized assistance that allow maximizing the development of their capacities and possibilities of social integration, etc. d) Providing free and equitable access to public library services e) Shelter homes, and counselling for victims of human trafficking or domestic violence 	 <p>The image shows three vertically stacked icons for Sustainable Development Goals. The top icon is red and labeled '1 NO POVERTY' with a family silhouette. The middle icon is dark red and labeled '8 DECENT WORK AND ECONOMIC GROWTH' with a bar chart and upward arrow. The bottom icon is pink and labeled '10 REDUCED INEQUALITIES' with a four-pointed star.</p>
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II. Project Evaluation and Selection

The selection of eligible Green and Social Capital Projects is the responsibility of the Capital Markets Division (CMD) in consultation with internal and external expert stakeholders, which may include Environment, Climate and Forestry, City Planning, Solid Waste Management Services, Parks, Forestry and Recreation, Toronto Water, Community and Social Services, Infrastructure and Development Services, and Legal Services Divisions and other City Divisions, Agencies and Corporations, as required.

CMD will select the eligible capital project(s) that meet the guidelines for use of proceeds as described in the Sustainable Debenture Framework. Projects must also comply with all applicable laws and regulations, and policies of the City of Toronto including assessments of the social and environmental risks of a given project. CMD will verify the suitability and eligibility in collaboration with the Division Heads (or designates) of the preliminary selected projects. The list of selected eligible Green and Social Capital Projects will be dynamic and change over time. The lookback period to allocate debenture proceeds to eligible projects is 3 years from the time of project completion. In accordance with the City of Toronto Act, debenture proceeds must be fully allocated to specific capital projects at the time of issuance and included in the certified debenture by-law.

The City will follow its current debt issuance procedure in accordance with the City of Toronto's Financing of Capital Works Policy and Goals. The Mayor or the Mayor's Alternate and the CFO are authorized to issue debt within the annual limit approved by Council. The internal or external legal representative(s) will draft a debenture by-law outlining the use of proceeds, amongst other items, that includes a schedule to the by-law listing the capital projects to be financed by the debenture, and the list of capital projects will also be shared on the City's website. The debenture by-law shall be passed by the City's Debenture Committee.

III. Management of Proceeds

The funding sources (including debt financing) of capital projects are approved by Council. For each debenture issue, a debenture by-law is enacted at the time of debenture issuance which lists the dollar allocation of debenture proceeds to specific projects.

Proceeds of a debenture are usually used to provide permanent financing to capital projects, as per funding source allocation approved by Council, that have been paid by the City's working capital temporarily. In these common instances, the proceeds from the debenture will be applied directly to the project to repay the City's temporary funding for the project. Where substantial completion has not been met on an Eligible Project, the funds will be invested and held in an account of the City to be managed in line with Toronto's normal liquidity management practices, with an exclusion on assets that are carbon-intensive.

In the rare case where substantial completion has been achieved and excess funds exist, the funds will be applied to other projects classified as Eligible Projects under this Sustainable Debenture Framework and amendment to the debenture by-law is required to be passed by the Debenture Committee.

Accounting Services Division keeps track of funding status and funding sources of each capital project.

IV. Reporting

Allocation Reporting

The City of Toronto will provide information on allocation of the net proceeds of its Green, Social or Sustainability Debenture issuances on its website at least annually until full allocation, and on a timely basis in case of material developments. The information will contain at least the following details:

- Funds raised from each Green, Social or Sustainability Debentures
- Overview of allocated funds to each of the Eligible Project Categories
- Updates with respect to distribution of unspent debenture proceeds
- A summary of the City's green, social or sustainability debenture developments including existing and future projects
- Project updates and status reports for Eligible Projects, when possible

Impact Reporting

City of Toronto will report on relevant environmental and social impact metrics, where feasible. Examples of metrics that may be reported are found in the below table. The report will be made available on the City of Toronto's website.

ICMA Category	Impact Reporting Metrics
Renewable energy	<ul style="list-style-type: none"> • Installed renewable energy generation and added capacity (MW) • GHG emissions that were avoided/reduced (tonnes of CO₂ equivalent)
Energy efficiency	<ul style="list-style-type: none"> • Energy savings (MWh/GWh) • GHG emissions reduced/avoided (tonnes of CO₂ equivalent)
Pollution prevention and control	<ul style="list-style-type: none"> • Total GHG emissions (megatonnes CO₂ equivalent) • Corporate GHG emissions (tonnes CO₂)
Clean transportation	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided by public transit vehicle type (tonnes of CO₂ equivalent) • Total in kilometers of new and renewed bikeways • City fleet transitioned to zero-emissions vehicles (%) • Annual GHG emissions reduced (tonnes of CO₂ equivalent) • Annual public EV charging implementation
Climate change adaption	<ul style="list-style-type: none"> • Count of completed projects by type • Number of residents who receive early warnings through municipal systems • Number of assets assessed using a climate risk tool or climate lens tool • Number of local projects supported • Number and diversity of participants engaged (e.g., age, income, neighborhood) • Number of community organizations trained or partnered with
Green buildings	<ul style="list-style-type: none"> • Number of green building certifications
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> • Number of trees/seedlings/shrubs planted • Hectares of natural area managed • Meters of natural surface trails built or restored • Hectares of natural surface trail footprint
Affordable basic infrastructure	<ul style="list-style-type: none"> • Number of new household water connections • Usage of accessible transit (e.g. WheelTrans)
Access to essential services	<ul style="list-style-type: none"> • Number of target population individuals benefiting from training/education programs • Number of health facilities, hospitals, clinics, health centres, health research centres, built or upgraded

Affordable housing	<ul style="list-style-type: none"> • Number of individuals benefiting from shelter beds • Number of individuals / families benefiting from subsidized housing
Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> • Number of target population individuals benefiting from training/education programs • Youth unemployment rate

Compliance Review

Prior to the first anniversary of a Green, Social or Sustainability Debenture Issuance, CMD will review the lending financed by the City’s Green, Social or Sustainability Debenture in order to assess the compliance of the lending with the Sustainability Debenture Framework. This review will be conducted annually until full allocation of the net proceeds from the City’s Green, Social or Sustainability Debenture. The CFO and Treasurer will provide a compliance letter, which the City will publish on its website. In an unlikely event that the annual review identifies allocations made to activities that do not comply with the Sustainable Debenture Framework, the City will allocate the corresponding amounts to different lending activities that are compliant with the Sustainable Debenture Framework.

The issuance of debentures pursuant to this Framework will be implemented in accordance with the City of Toronto Act and directives issued by City Council as applicable.

V. External Review

Second-Party Opinion

The City of Toronto has retained Moody’s Ratings to provide a Second Party Opinion (“SPO”) on its Sustainable Bond Framework, to confirm alignment with the Green Bond Principles (2025), Social Bond Principles (2025) and Sustainability Bond Guidelines (2021). The SPO will be available on the City’s website.