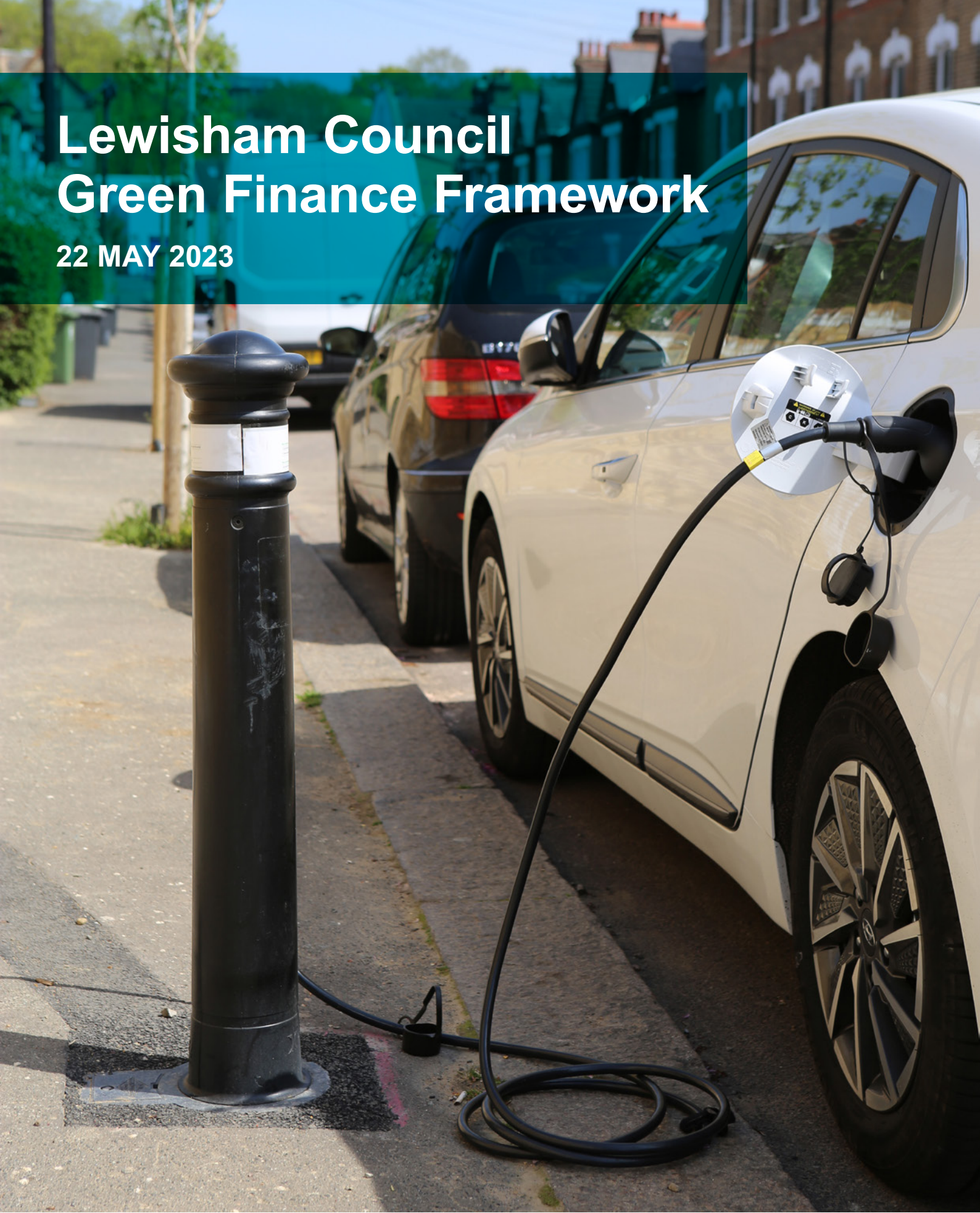


Lewisham Council Green Finance Framework

22 MAY 2023



Introduction to the Council

Lewisham is a vibrant and culturally diverse borough. This is reflected in all aspects of daily life, from the response to the pandemic where the community rallied to support our most vulnerable residents, to the 170 languages spoken in our homes, schools and businesses. We have a rich history of welcoming people from all over the world and are proud to be recognised as the UK's first Borough of Sanctuary, for our work in championing the rights of refugees and migrants.

As we plan ahead, we are working towards a fairer, greener, healthier and more economically sound future for all in Lewisham. This means continuing our efforts to tackle climate change for generations to come; ensuring that good health and wellbeing is equally accessible to everyone; and safeguarding local jobs and upskilling residents with tools they need to succeed. Building on the community spirit and activism that has helped us through the pandemic, we are committed to creating a Future Lewisham we can all have a part in.

Lewisham Council's Climate Emergency Action Plan

In 2019, Lewisham was one of the first boroughs in London to declare a Climate Emergency.

The Council published its Climate Emergency Action Plan in 2020, setting out how it aims to make the borough net-zero by 2030. This is focused around five main areas:

- Leading by example: reducing carbon emissions from the Council's corporate estate.
- Sustainable housing: reducing the environmental impact of new and existing homes in the borough.
- Decarbonised transport: supporting a shift to more sustainable forms of transport.
- Greener, adaptive Lewisham: improving air quality, protecting biodiversity and supporting a carbon-neutral waste strategy.
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Updates on the Council's Climate Emergency Action Plan are published on an annual basis to record and measure the progress being made in delivery on its aims.

Council Track Record on Climate

Lewisham Council has delivered a range of initiatives to cut their own corporate emissions and improve the local environment.

They have switched over to 100% renewable energy in all Council buildings, delivered important energy efficiency upgrades to their housing stock and local schools and upgraded their waste and recycling fleet to comply with the highest standards of emissions, with more electric vehicles.

The Council has also been extremely active in delivering projects to help residents and businesses take climate action and improve the local environment. In the past year, they have installed 150 electric vehicle charging points across the borough to help people switch from polluting vehicles, installed over 100 cycle hangars to encourage more people to cycle, trialled a new electric cargo bike loan scheme for businesses to help businesses become more sustainable and planted more than 500 new street trees to create a greener and healthier environment.

Since 2005, borough-wide CO₂ emissions in Lewisham have fallen by 44% and the Council's corporate carbon emissions have been reduced by 18% since 2018/19.

Lewisham Borough CO₂ Emissions



Source: gov.uk/government/statistics/uk-local-authority-and-regional-greenhouse-gas-emissions-national-statistics-2005-to-2020

Green Finance Framework

The Council has prepared this Green Finance Framework (the framework) with the intention of raising capital via the issuance of:

- Green Municipal Investments (GMI) in the form of bonds and P2P Loan Agreements to (re)finance Eligible Green Projects).

The framework provides overarching criteria and guidelines as to how the Council will issue the above products and manage them on an ongoing basis. The Council has developed the framework in line with various applicable market standards as below:

- GMI align to the International Capital Market Association (ICMA) 2021 Green Bond Principles (GBP1) and Loan Market Association (LMA) 2020 Green Loan Principles (GLP2) or as these principles may be subsequently amended.

The principles referenced within the framework are voluntary process guidelines and, at the date of this publication, are globally accepted as the standard guidelines. They also follow the principles underpinning the UK Government's Green Gilt and Green N&SI saving bond products.

Abundance Investment Ltd will provide assurance that the projects funded by Use of Proceeds are Eligible Green Projects and that all the Use of Proceeds are spent on Eligible Green Projects.

The Council's Section 151 Officer with assistance from the Executive Director for Place, will hold responsibility and accountability for the framework, including all compliance, throughout the life the green bonds and loans.

The Council is committed to following best practice and appreciates any feedback from market participants on the approaches set out in this framework.

This framework may be updated from time to time to ensure continued alignment with voluntary market best practices and emerging standards. For instance, these documents may be amended to align with the UK Government Green Taxonomy when it is published. Any updated version of this framework will either maintain or improve the current levels of transparency and reporting disclosures, including the corresponding external review.

Considering the Social Co-Benefits of Green Investment

A just transition seeks to ensure that the substantial benefits of a green economy transition are shared widely.

A rapid increase in the speed and scale of actions required to reduce the risks of climate change will create new economic opportunities, but at the same time it may move economic activity away from damaging industries and can carry costs for consumers.

We aim to identify where the challenges will occur and plan the transition, so it minimises the costs to more vulnerable sections of the community. In our reporting we will communicate mitigants that we have put in place when delivering individual eligible green projects to support a just transition.

GLAS: Green Bonds and Green Loans

This section of the framework sets out how the Council proposes to issue and manage its GMI on an ongoing basis. Green bonds and loans are defined in this framework as bonds and loans established to finance Eligible Green Projects. These are projects or assets that deliver positive environmental outcomes.

The Council developed the framework in line with the GBP and GLP and therefore the methodology includes the following four key components:

- Use of Proceeds
- Process for evaluation and selection
- Management of proceeds
- Reporting.







Use of Proceeds

The Use of Funds is defined in the legal documentation for each GMI issued. It is an amount equivalent to the net proceeds (funding raised after costs) of green bonds and loans issued under the framework and can only be allocated to the financing of Eligible Green Projects. These are projects with positive environmental outcomes, which contributed to a low carbon and climate resilient future.

Each GLAS will detail which specific projects, asset or project themes the GLAS is funding. Where eligible projects and assets are jointly funded between the Council and another party (e.g. Central Government), funding will be applied only to the Council's share of the eligible scheme.

Eligible Green Projects

The following tables outline the categories of Eligible Green Projects. The Eligible Green Projects are derived from the categories laid out in the ICMA Green Bond Principles, but for consistency follow the framework established by the UK Government for the countries Green Gilt and Green N&SI savings product scheme as well as the UK Taxonomy objectives.

Eligibility sectors	UK Taxonomy Objectives	Eligibility criteria
Renewable Energy 	Climate Change Mitigation	<ul style="list-style-type: none"> Schemes generating energy from renewable sources such as wind, solar, geothermal, hydropower (provided environmental and social impact assessments are undertaken and no significant controversies are identified) and bioenergy with lifecycle emissions of less than 100g CO₂e/kWh, declining to 0g CO₂e/kWh by 2050 and only second generation biofuels are used Energy storage facilities Schemes for renewable heat such as district heating and heat pumps where energy is derived from renewable sources
Energy Efficiency 	Climate Change Mitigation	<ul style="list-style-type: none"> Schemes that reduce the energy use (heat and electricity) and therefore the carbon intensity of buildings used by the Council or buildings owned by the Council but rented out for social housing or commercial purposes Schemes that support or provide services to the private residential or commercial market to encourage or implement energy efficiency measures Schemes that utilise energy more effectively to generate heat or utilise waste heat
Clean Transportation 	Climate Change Mitigation	<ul style="list-style-type: none"> Schemes that support low and zero emission mobility, including EV charging infrastructure, EV fleet conversion, cycle way improvement, car reduction schemes and other schemes that encourage cleaner transportation
Pollution Prevention and Control 	Climate Change Mitigation Pollution Prevention and Control Transition to a Circular Economy	<ul style="list-style-type: none"> Schemes that support waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy Reduction of air and water emissions and greenhouse gas control Schemes that support the circular economy
Climate Change Adaptation 	Climate Change Adaptation	<ul style="list-style-type: none"> Schemes that deliver flood protection, resilience and other risk mitigation programmes Schemes that deliver heat protection, resilience and other risk mitigation programmes Engineering activities and technical consultancy dedicated to adaptation to climate change
Living and Natural Resources 	The Protection and Restoration of Biodiversity and Ecosystems Sustainable use and Protection of Water and Marine Resources Climate Change Mitigation Climate Change Adaptation	<ul style="list-style-type: none"> Schemes that protect and enhance terrestrial and marine biodiversity, ecosystems and natural capital Schemes that support sustainable land use and protection, including environmentally sustainable agriculture Schemes that support environmentally sustainable clean water, water storage and wastewater management Funding for environmental activities of third sector partners

Process for Evaluation and Selection

For new and existing bonds and loans, the Council will manage the eligible scheme selection process by applying professional judgement, discretion, sustainability knowledge and by considering the following objectives, features and benefits:

- Conformance with the relevant principles
- Conformance with the eligible criteria set
- Alignment with the Council's Transport Strategy and Local Implementation Plan, Climate Emergency Action Plan, and Air Quality Action Plan.
- Broader environmental and/or social risks associated with the project.

The resultant list of eligible assets and their budgets will be provided in the Use of Proceeds details associated with an individual GLAS.

Before a GLAS is launched Abundance will validate that the Use of Proceeds only includes Eligible Green Projects. In cases where Abundance and the Council do not agree on the classification of a project as green, a third party opinion may be sort.

Management of Proceeds

To manage the risk of holding unallocated proceeds from GLAS, the combined value of the GLAS will be less than the total value of the eligible assets and any balance of funding will be met through existing funding sources.

Tracking of proceeds

The Council tracks the receipt and Use of Proceeds via its internal reporting systems, ensuring Eligible Green Projects (re)financed are appropriately identified.

In addition, to ensure appropriate earmarking for the purpose of internal monitoring and external reporting of proceeds, the Council has established a register that contains details (including value) of all Eligible Green Projects (re) financed by or able to be (re)financed by Green Bonds and Loans.

The Council will service its debt obligations under Green Bonds and Loans out of general cashflows and not specifically from revenues generated by eligible projects alone.

Unallocated proceeds

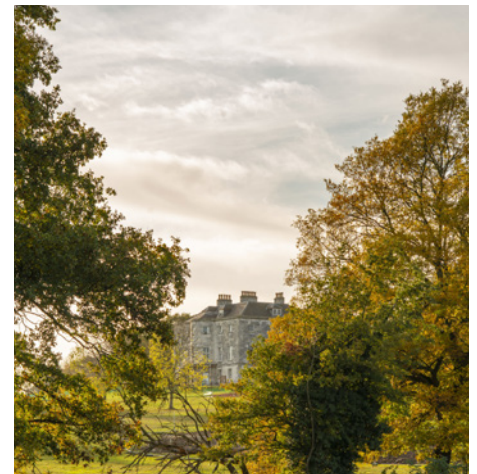
To the extent that Green Bond and Loans proceeds have not been allocated to eligible assets at issuance, or if during the life of the Green Bond and Loans proceeds become unallocated ("Unallocated Proceeds") (for example, because an eligible asset has been sold), the amount of unallocated proceeds shall be:

- held in temporary investment instruments that are cash, or cash equivalent instruments, within a treasury function; or
- held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or
- applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to eligible assets.

Should unallocated proceeds arise for any outstanding Green Bond or Loan:

- The Council will disclose this information within the annual use of proceeds reporting
- No contractual right of review or repayment will arise, and no loss of green classification will occur.

The Council expects there to be adequate headroom of eligible assets and will endeavour to ensure that funds are disbursed to eligible assets within 24 months of the issuance of the Green Bonds and Loans.



Reporting

The Council will publish information on the Use of Proceeds as follows:

- Details of the schemes (re)financed and amount of money spent on each project
- A summary of the environmental outcomes that have been delivered by the projects

The information will be published as follows:

- Investor Update, this is the digital communication emailed to all investors in a specific GLAS
- Abundance Project Page, the same information will be published on the Council GLAS webpage so that any member of the public can view the information.

Assurance

The Council is committed to pursuing the highest standards of integrity relating to its GMI programme. By providing an independent and third party check Abundance Investment provide assurance that the program is being delivered in line with the GBP and GLP and that the schemes selected are Eligible Green Projects.

The projects selected to be financed by the Use of Proceeds will be reviewed by Abundance to ensure they qualify as Eligible Green Projects. Where the green credentials of a project are not clear, Abundance might recommend the recruitment of a technical expert to provide an expert opinion on the qualification of a project.

Abundance from time to time will spot check the Councils programme to ensure that the updates provided are accurate and the internal systems and controls remain in place to ensure that ongoing compliance with the framework is assured.



