



London Borough
of Hounslow

GREEN INVESTMENT FRAMEWORK

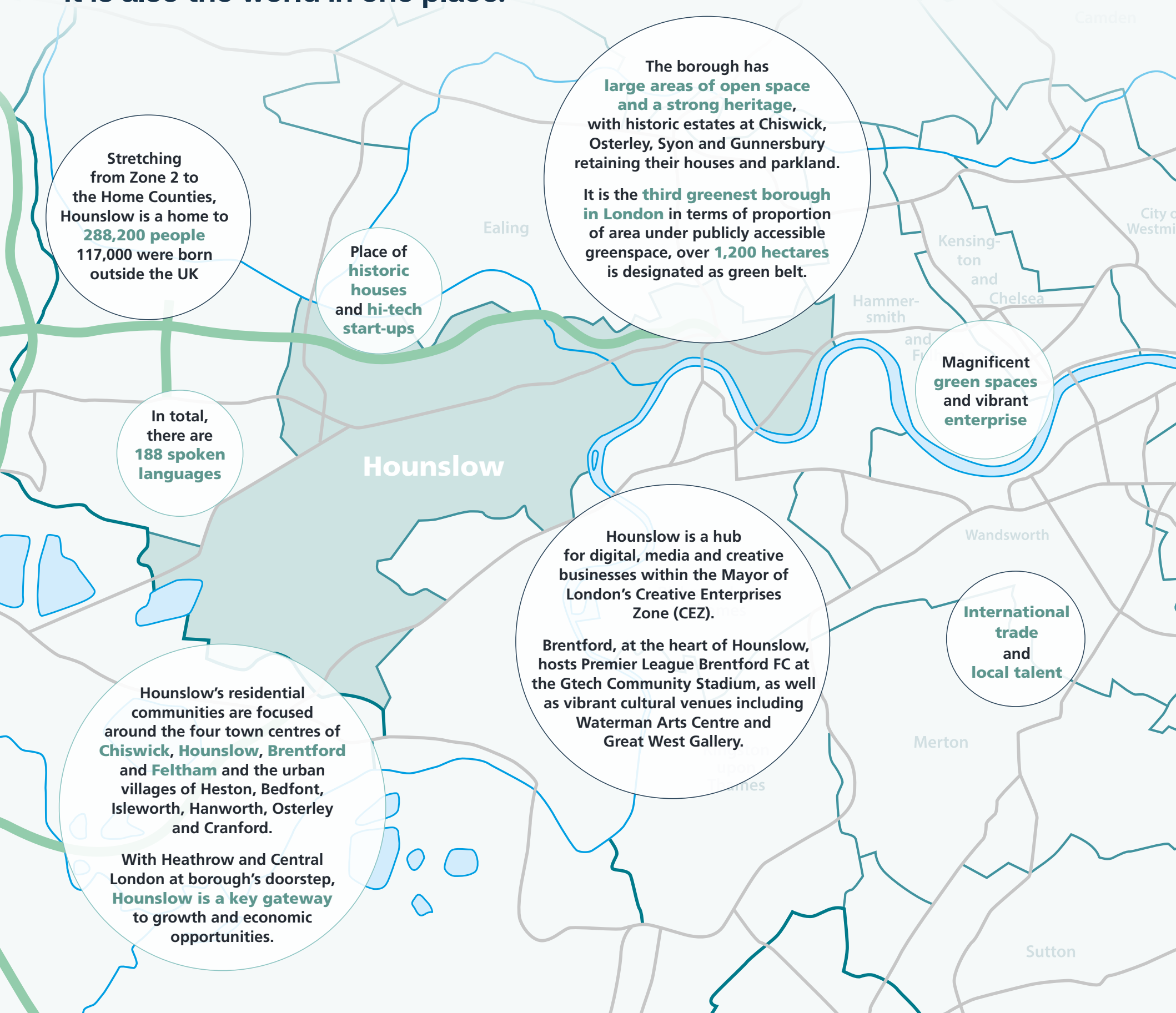
#MakingHounslowGreener



October 2024

INTRODUCTION TO THE COUNCIL

Hounslow is not only London in microcosm, it is also the world in one place.



INTRODUCTION TO OUR CLIMATE EMERGENCY ACTION PLAN

Hounslow declared a climate emergency in 2019 and Cabinet adopted our Climate Emergency Action Plan in 2020. This commits us to achieve net zero for the council's own estate and operations by 2030 whilst influencing wider borough emissions reduction.

The Climate Emergency Action Plan outlines several key programmes to achieve net zero and deliver a greener and more resilient Hounslow:



Retrofit to deliver warmer, healthier and cheaper to run homes



Decarbonisation of public buildings including renewable energy generation



Sustainable travel to encourage model shift to walking, cycling and public transport



Vehicle fleet decarbonisation



Greening the borough by creating more open spaces and planting 22,500 trees, one for every child born in the borough



Develop circular economy practices and net-zero neighbourhoods to reduce waste, and create sustainable, low-carbon communities.



Grow the green economy to deliver a just transition for local businesses and communities

For a summary of the types of projects supported by the Green Investment Framework see page 7



TRACK RECORD TACKLING THE CLIMATE EMERGENCY

✓ RETROFIT AND RENEWABLE ENERGY

The Council has made significant progress on the decarbonisation of its estate, generating 18% of its energy needs from renewable sources and completing retrofit of over 50 schools, leisure centres and public buildings. Hundreds of social housing properties have benefited from warmer and cheaper to heat homes.

✓ HESTON IN THE LOOP

A Circular Economy Neighbourhood initiative in Heston, helping the community waste less and recycle more. By working with over 20 organisations, the program encourages reuse, repair, and sharing. Interventions have engaged 11 businesses, 6 schools, 5 hair salons, 365 children, and over 3,000 residents, embedding sustainability throughout the area.

✓ 6 LOCAL COMMUNITY GROUPS AWARDED FUNDING

via the Hounslow Community Energy Fund to design and develop projects that will improve the energy efficiency of community buildings, with more funding to be awarded in 2024.

✓ 300+ ENERGY EFFICIENCY MEASURES INSTALLED

in homes across the borough through the Green Homes Grant Local Authority Delivery Scheme (GHG LAD).

✓ 1,148 ADULTS TRAINED

via the Council's free cycle training.

✓ 1,568 CHILDREN TRAINED

via the Council's free cycle training.

✓ 36 HOUNSLOW RESIDENTS TRAINED VIA THE COUNCIL'S GREEN SKILLS BOOTCAMP

focusing on land management and arboriculture to provide training, work experience and guaranteed interviews for employment.

✓ Launched GROW FOR THE FUTURE and NATURE RECOVERY ACTION PLAN.

✓ OVER 25,000 TREES PLANTED

exceeding the boroughs target to plant one tree for every child born in the borough.

✓ 203 TREES HAVE BEEN PLANTED ON THE KERBSIDE.

✓ 948 TREES GIVEN OUT TO RESIDENTS

as part of the Council Free Trees for Hounslow initiative.

✓ £5M INVESTED IN IMPROVING THE BOROUGH'S PARKS AND OPEN SPACES

from creating habitats and encouraging nature conservation, improvements to visitor facilities and developing masterplans.

✓ 25 SCHOOL AIR QUALITY AUDITS CONDUCTED

across the borough to assess air quality stressors affecting the children's health in and around the school gates. Audits will continue to be rolled out across Hounslow in the upcoming year.

✓ 37 SCHOOL STREETS

introduced across the borough since 2020 with a further ten due to be implemented by end of 2023.

✓ 30 ECO SCHOOLS

from the last school year with 14 Green Flags.



GREEN INVESTMENT 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. 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&S 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 Director of Climate and Strategic Programmes 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, while also supporting those who stand to lose economically – be they, industries, communities, workers or consumers.

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 existing 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.

GMI: 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 or refinance Council debt that delivered these projects earlier in the financial year that the individual offer was made.

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

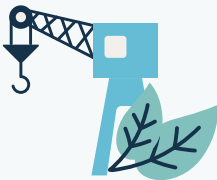
- Use of proceeds
- Process for evaluation and selection
- Management of proceeds
- Reporting.

Use of Funds

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 contributes to a low carbon and climate resilient future, or the refinance of corporate debt that supports Eligible Green Projects. Refinance can only be for projects delivered in the financial year the borrowing is drawn down.

Each GMI will detail which specific projects, assets or project themes the GMI 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 table outlines 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.

Eligible Sectors	Eligibility Criteria	Example scheme
Renewable Energy	<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	Installation of solar panels to provide onsite energy generation for a library

Eligible Sectors	Eligibility Criteria	Example scheme
Energy Efficiency	<div>→ 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</div> <div>→ Schemes that support or provide services to the private residential or commercial market to encourage or implement energy efficiency measures</div> <div>→ Schemes that utilise energy more effectively to generate heat or utilise waste heat</div>	Retrofit of a community centre to lower energy bills and reduce carbon emissions
Clean Transportation	<div>→ 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</div>	<div>Installation of residential EV charging points</div> <div>Cycle hubs and bike parking facilities</div>
Pollution Prevention and Control	<div>→ Schemes that support waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy</div> <div>→ Reduction of air and water emissions and greenhouse gas control</div> <div>→ Schemes that support the circular economy</div>	Repair hubs for fixing and repurposing electrical, and household goods
Climate Change Adaptation	<div>→ Schemes that deliver flood protection, resilience and other risk mitigation programmes</div> <div>→ Schemes that deliver heat protection, resilience and other risk mitigation programmes</div> <div>→ Engineering activities and technical consultancy dedicated to adaptation to climate change</div>	Installation of rain gardens and sustainable urban drainage to create more green spaces and stop flash flooding
Living and Natural Resources	<div>→ Schemes that protect and enhance terrestrial and marine biodiversity, ecosystems and natural capital</div> <div>→ Schemes that support sustainable land use and protection, including environmentally sustainable agriculture</div> <div>→ Schemes that support environmentally sustainable clean water, water storage and wastewater management initiatives</div> <div>→ Funding for environmental activities of third sector partners</div>	Plantings trees, wildflower verges and hedgerows to increase biodiversity



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 Climate Emergency 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 Funds details associated with an individual GMI.

Before a GMI 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 sought.



Management of proceeds

To manage the risk of holding unallocated proceeds from GMI, the combined value of the GMI 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 GMI
- Abundance Project Page, the same information will be published on the Council GMI webpage so that any member of the public can view the information
- Council Website, the same information will be published on the Council Website, or a link provided to the Council page on the Abundance website.

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 Council's 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.



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