

# FRAMEWORK FOR A TFL GREEN BOND

## **Role of Transport for London**

Transport for London ('TfL') is the owner and operator of the largest integrated transport network in Europe. TfL is a statutory corporation and is a functional body of the Greater London Authority ('GLA'). TfL delivers the Mayor's Transport Strategy in partnership with London's boroughs and other transport providers, such as Network Rail and the train operating companies.

In delivering the Mayor's Transport Strategy, TfL works within a Corporate Environment Framework which is also driven by the Mayor's Environment Strategy Goals and the Transport Emissions Action Plan.

TfL comprises the following business areas:

- London Underground ('LU') – operates London's Tube network;
- Surface Transport – provides and manages a broad range of sustainable transport services and choices, including buses, London's strategic road network, licensing of taxis and private hire vehicles, rivers, cycling and walking;
- London Rail – responsible for Tramlink, the Docklands Light Railway ('DLR'), London Overground ('LO'), Emirates Air Line and, once completed, Crossrail\*.

With London's population expected to exceed 10 million by 2030, TfL will need to increase its service capacity to support such growth. TfL is committed to do so using good practice, innovation and smart technology in order to achieve environmentally-efficient growth, consistent with its driving principles (*"Essential principles" outlined below*).

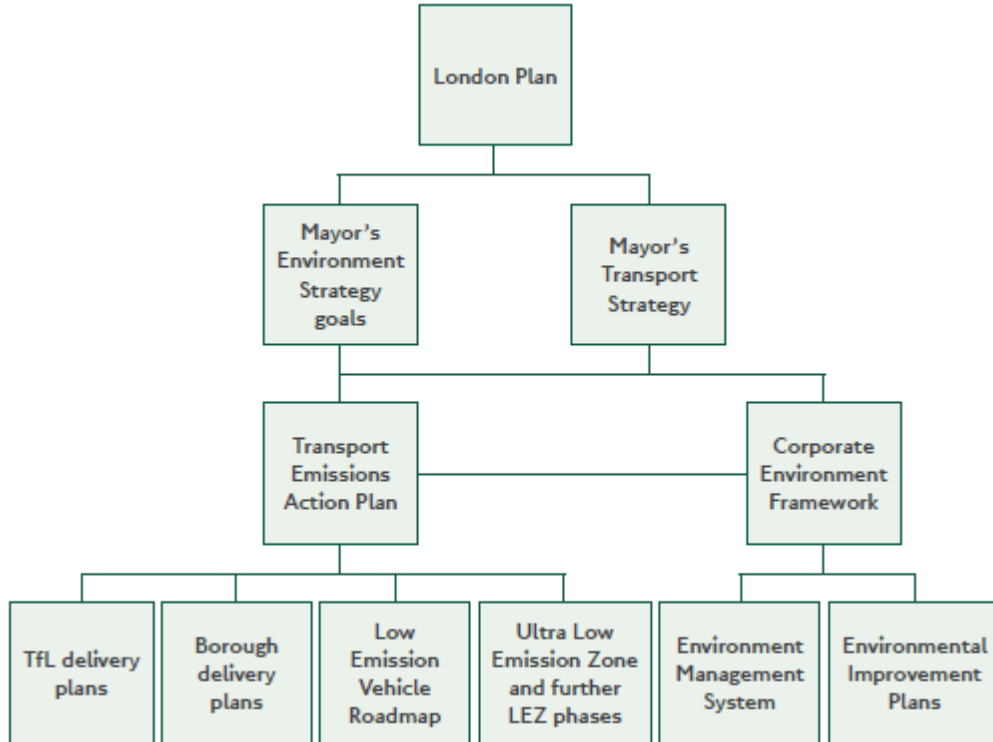
TfL's overarching goal is to keep London working, growing, and making it a better place to live by providing safe, reliable and sustainable transport.

## **TfL Corporate Environment Framework**

- The Corporate Environment Framework ('CEF') sets out TfL's vision and ambition for environmental performance over the longer term.
- The focus environmental areas are set out along with objectives and targets.
- The CEF is TfL's internal document that covers the environmental impacts of its directly managed activities and operations, and the contribution of such activities towards achieving the Mayor's environmental goals.

*\*Crossrail Limited, a wholly owned subsidiary of TfL, is responsible for the delivery of the Crossrail project.*

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*The figure shows how the framework fits into a programme of work that TFL is doing to help achieve Mayoral environmental strategies and policy.*

## Strategic Environmental Areas

Within the CEF, five-year delivery plans have been developed for each of the below strategic goals:

- **Air quality:** Reducing polluting emissions and exposure to air pollution in London;
- **Carbon, energy and climate resilience:** Reducing carbon emissions and preparing for the potential impacts of climate change and extreme weather;
- **Resource management:** Using resources (including water) wisely and minimising waste;
- **Noise:** Managing and controlling transport-related noise and vibration;
- **Natural environment:** Respecting, protecting and enhancing the natural environment and its contribution to the quality of life;
- **Pollution prevention:** Proactively managing our activities to minimise and control pollution;
- **Built environment:** Respecting, protecting and improving the built environment and enhancing the quality of the travel experience.

## Essential Principles

A set of good practice environmental management principles underpin and support the strategic areas:

- Consider the environment an issue that is integral to TfL's business delivery, from inception to completion and operation of capital projects and programmes;

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- Prevent and design out potential causes of negative environmental impacts in the early stages of work;
- Set and regularly review environmental targets and report publicly on progress against objectives;
- Deliver good environmental performance, both in-house and through suppliers;
- Identify and use good practice and innovation when designing, procuring, operating and maintaining transport infrastructure, vehicles and rolling stock;
- Exceed, where possible, relevant environmental legislation to ensure that all operations comply with legislation and encourage good practice;
- Apply responsible environmental management techniques;
- Continue to implement and develop the environmental staff engagement programme.

## **Project Criteria**

TfL's overarching goal is to keep London working, growing, and making it a better place to live by providing safe, reliable and sustainable transport.

Sustainable transport, including mass urban transit and cycling, is commonly assessed as an eligible green bond category, as recognized by the Green Bond Principles and the Climate Bonds Initiative Taxonomy.

In order for a project category to be eligible for inclusion in this bond, it will need to contribute to at least two of the Strategic Environmental Areas described above, which directly support TfL's overarching goal.

## **Eligible Green Project Categories**

### **1. London Rail Capacity and Enhancement Projects**

Examples of projects in this category are: LO capacity improvement projects, LO station upgrade projects, DLR capacity upgrades at stations, the expansion of double tracking along DLR routes, the replacement of DLR's existing rolling stock, double tracking of London Tramlink single track sections, additional platform and new tram infrastructure at Wimbledon, and four new trams to increase capacity.

### **2. World Class Capacity**

The programme will provide additional capacity on the LU network beyond that delivered by the first wave of upgrades on the Victoria, Jubilee and Northern lines, with an aspiration to provide up to 36 trains per hour at peak times. The initiatives include a programme to minimise energy usage through implementing improvements to regenerative braking and increased coasting.

### **3. Station Upgrades and Station Capacity**

This category includes projects aimed at increasing capacity and reducing congestion at some of London's busiest stations (particularly important due to London's growing population). The category also includes investment in the renewal of 26 stations to improve asset condition, the built environment and energy efficiency (i.e. the Integrated Stations Programme).

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## 4. New Routemaster Buses ('NRM') and bus fleet upgrades

The NRMs are TfL owned hybrid buses, running on a combination of diesel and electricity. Part of the NRMs will have the new ultra-low emission Euro VI engine which is expected to cut CO<sub>2</sub> / NO<sub>x</sub> emissions. This category would also fund the on-cost (over the equivalent diesel vehicle) of procuring low emission and low CO<sub>2</sub> buses, and the retrofit of Selective Catalytic Reduction ('SCR') onto buses to reduce their NO<sub>x</sub> emissions.

## 5. Cycling improvements

TfL's cycling programme improves the safety of cycling and promotes its growth in London. The Cycle Superhighways programme is delivering cycle commuter routes from outer to central London. The better junctions programme comprises a set of high-profile junctions which are recognised barriers to cycling, and where substantial changes could be made to improve vulnerable road user safety and utility.

## Eligibility Analysis

PROJECTS / ENVIRONMENTAL AREAS	<i>Air quality</i>	<i>Carbon, energy and climate resilience</i>	<i>Resource Management</i>	<i>Noise</i>	<i>Natural Environment</i>	<i>Pollution Prevention</i>	<i>Built Environment</i>
1. London Rail Capacity and Enhancements Projects			✓		✓	✓	
2. World Class Capacity		✓		✓		✓	
3. Station Upgrades and Station Capacity		✓	✓			✓	✓
4. NRM and bus fleet upgrades	✓	✓		✓			
5. Cycling improvements	✓	✓		✓			✓

## Use of Proceeds Management

An amount equal to the net proceeds of the issue of the Notes will be allocated to the general TfL cash pool and tracked so that this cash is linked to TfL's expenditure in the Eligible Green Project Categories. So long as the Notes are outstanding, the balance of the net proceeds will be reduced, at the end of each four weekly accounting period, by amounts allocated during that accounting period to fund spend in the Eligible Green Project Categories.

Pending such allocation, the balance will be invested in cash or short-term, liquid money market instruments ('Eligible Instruments').

At the end of each four weekly accounting period, Group Financial Accounting will review the capital spend incurred in the TfL Group as a whole using the reporting functionality within TfL's

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accounting system (currently SAP), and with the support of TfL Group Treasury and the relevant project teams, will identify the sub-set of capital spend incurred in the Eligible Green Project Categories.

At the end of each four weekly accounting period, an amount of borrowings equating to no more of the accrued project spend for that period will be deducted from the balance of net proceeds as it represents monies spent on the Eligible Green Project Categories.

At each year end, when borrowing is passed down from TfL to its subsidiaries, Group Financial Accounting (with the support of Group Treasury and the relevant project teams) will review the allocation of borrowings undertaken over the full year (as per above), make any amendments which might be required for accounting, tax or other reasons, and formally allocate the borrowing against the full year spend for the Eligible Green Project Categories. It is this final allocation which will be reported to the investors by TfL on an annual basis. For the avoidance of doubt, the annual allocation of the net proceeds of the Green Bond will be restricted to projects included in any of the Eligible Green Project Categories.

### **Reporting**

During the life of the Green Bonds, TfL will continue to report a number of qualitative and quantitative non-project specific environmental performance measures. Reporting measures may change from year to year and may include some of the following measures:

- Emissions of CO<sub>2</sub> by mode of public transport;
- Emissions of CO<sub>2</sub> per passenger kilometre travelled;
- Total CO<sub>2</sub> emissions for TfL and its business units;
- Total NO<sub>x</sub> emissions from TfL operations;
- PM<sub>10</sub> emissions from TfL operations;
- Construction and demolition waste.

The available qualitative and quantitative measures will be reported in TfL's Health, Safety and Environment Report.

On an annual basis TfL will publish on its website an assertion by management that an amount equal to the net proceeds of the Bond have been invested either in qualifying Eligible Green Project Categories or in Eligible Instruments. To the extent that some of the net proceeds have been invested in Eligible Green Project Categories, TfL will provide details of the proceeds invested by Eligible Green Project Category.