



# **UK Municipal Bonds Agency (UKMBA) Sustainable Finance Framework**

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# 1. Introduction

## 1.1 Background

The UK Municipal Bonds Agency (“UKMBA” or “the Agency”) was established in June 2014 by the Local Government Association (“LGA”) to diversify the funding sources available to local authorities, reduce reliance on the Public Works Loan Board (“PWLBS”) and to enable investors to more easily fund UK local authority infrastructure. 56 local authority shareholders and the Local Government Association funded the UKMBA.

After a review of its operations in 2019, PFM Financial Advisors LLC (“PFM”), a US company based in Philadelphia, was appointed as the managed service provider to the Agency. PFM acts for the Agency in most day-to-day matters and manages the Agency’s lending operations and borrowing. The LGA was appointed to manage the UKMBA’s secretariat, accounting and IT operations.

## 1.2 UKMBA’s Goals

The UK Municipal Bonds Agency aims to be the most efficient and cheapest provider of capital finance to UK local authorities. To do this, the UKMBA borrows money, primarily by issuing bonds in the capital markets that are bought by pension funds and insurance companies, and lends that money to UK local authorities. The other goals of the UKMBA are to:



The UK Municipal Bonds Agency is not a bank and will only borrow to fund loans it has already agreed to provide. The UKMBA has three lending programmes:

- **Proportionally guaranteed<sup>1</sup>, pooled loans** of £1 million or more for maturities greater than one year.
- **Standalone loans** to a single local authority for £250 million or more for maturities greater than one year. These loans are outside of the proportional guarantee and are guaranteed solely by the borrower, who must obtain an external credit rating from one or more of the major credit rating agencies.

<sup>1</sup> The UKMBA introduced its proportional and several guarantee in late 2019, replacing the joint and several guarantee it had previously required from borrowers. Under the proportional guarantee, the liability of borrowers in the event of a default is pre-programmed. The liability of a borrower is proportional to its share of the total pool of loans allowing for the default e.g. if an authority’s borrowing totals 1 per cent of the pool following a default, it will be liable for 1 per cent of the default. “Several” means an authority can only be held liable for its specific obligations, not those of others. This prevents bondholders using the guarantee to single out a council or small group of councils to cover a default.

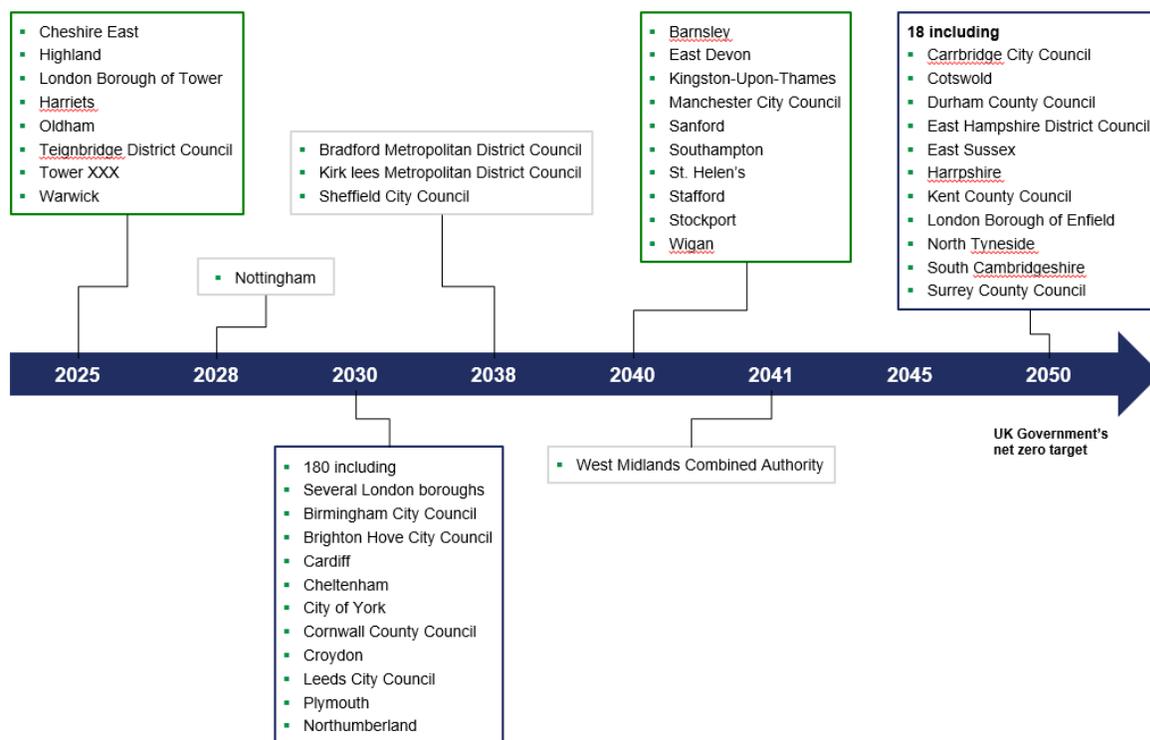
- **Short term, pooled loans**, outside of the proportional guarantee for maturities of less than one year.

### 1.3 The Role of UK Local Authorities and Sustainable Finance

UK regional and local government plays a key role in delivering sustainable growth and social infrastructure including local roads, public transport, schools, care homes, libraries, street lighting, waste disposal facilities, parks, leisure centres and local flood defences. The Covid-19 pandemic has highlighted the extent of social deprivation that local authorities have been working to address for a long time.

In March 2020, the Local Government Association undertook a survey relating to climate change. Results from 89 councils showed lack of funding was the single largest barrier to delivery.<sup>2</sup> Over the past two years, over 75 per cent of local authorities have declared a climate emergency,<sup>3</sup> with many also committing to becoming ‘net-zero’ emitters of greenhouse gases. Figures 1 and 2 provide further details of the commitments that councils have made to becoming net-zero emitters of carbon dioxide.

**Figure 1: Commitments made by local authorities to achieve net-zero<sup>4</sup>**



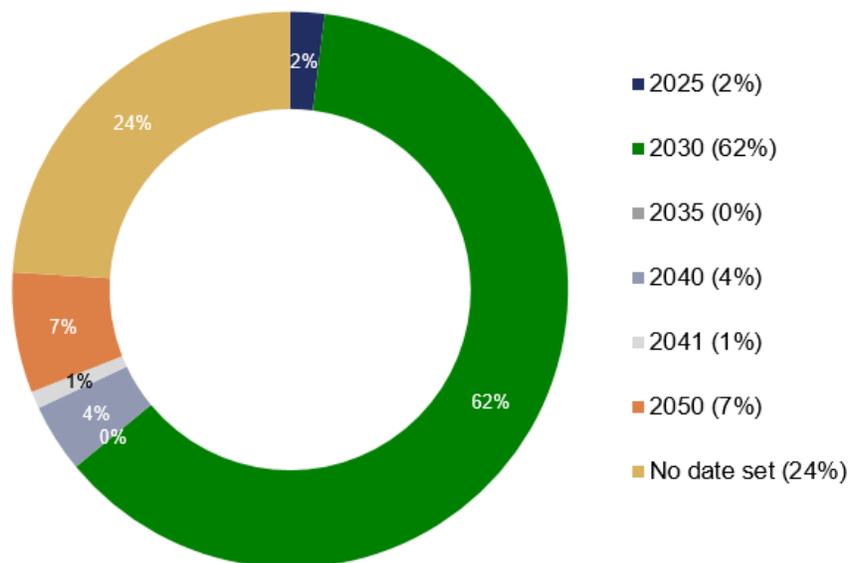
<sup>2</sup> Local Government Association Climate Change Survey 2020:

<https://www.local.gov.uk/sites/default/files/documents/Climate%20Change%20Survey%202020.pdf>

<sup>3</sup> List of Councils who declared a Climate Emergency: <https://www.climateemergency.uk/blog/list-of-councils/>

<sup>4</sup> Local green jobs – accelerating a sustainable economic recovery February 2020 [https://www.ecuity.com/wp-content/uploads/2020/06/Local-green-jobs-accelerating-a-sustainable-economic-recovery\\_final.pdf](https://www.ecuity.com/wp-content/uploads/2020/06/Local-green-jobs-accelerating-a-sustainable-economic-recovery_final.pdf)

**Figure 2: Proportion of local authorities committing to achieve net-zero by date**



***Local authorities are driving the agenda at a local level, with some ambitious targets beginning to influence local economic growth plans and skills programmes.***

UK local authorities are well placed to drive green and social infrastructure projects thereby transforming the UK Government’s objectives into concrete and efficient measures that support sustainable growth, as recognised by the UK Government, the LGA and the United Nations (UN). Given their understanding of their localities and their democratic mandates, local authorities can approach goals and targets in a realistic way and ensure residents understand how local action contributes to their achievement. Many councils across the UK are already actively engaged in and progressing their plans to implement the UN Sustainable Development Goals (UN SDGs).<sup>5</sup>

Meeting environmental commitments and the social needs of a growing population and changing demographic will require significant investment from both the public and private sector. Given local authorities’ response to the COVID-19 pandemic has strained their revenue budgets, most authorities will need to rely on capital financing to deliver key projects. In its *Green Finance Strategy (2019)*,<sup>6</sup> the UK Government recognised the role local authorities can play in accessing and utilising green finance to meet economic

<sup>5</sup> UN SDGs: A Guide for Councils July 2020: [https://30312f94-9adb-4918-80dd-708c590bada3.usrfiles.com/ugd/30312f\\_79b08331d11e44bc888e1ee08c05474e.pdf](https://30312f94-9adb-4918-80dd-708c590bada3.usrfiles.com/ugd/30312f_79b08331d11e44bc888e1ee08c05474e.pdf)

<sup>6</sup> Green Finance Strategy July 2019: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/820284/190716\\_BEIS\\_Green\\_Finance\\_Strategy\\_Accessible\\_Final.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/820284/190716_BEIS_Green_Finance_Strategy_Accessible_Final.pdf)

recovery goals and the climate emergency in the aftermath of the COVID-19 pandemic.<sup>7</sup> In this context, local authorities have a key role to play in contributing to the delivery of the UN's SDGs.

#### **1.4 Rationale for Green, Social, or Sustainability Financing Instrument Issuance**

The UKMBA's mandate, as discussed in section 1.2 above, explicitly requires the UKMBA to tailor its programmes to suit the needs of local authorities. With investors' appetite for sustainable financing instruments increasing, and local authorities' focus on public services and tackling climate change, the UKMBA is well placed to marry the needs of both investors and borrowers. The UKMBA has further developed its funding strategy to support local authorities' capital projects that are aligned to the UN's SDGs and contribute to the sustainable development of their areas.

Issuing sustainable financing instruments is an effective means to channel investments towards local authority programmes that have both environmental and social benefits while increasing transparency to investors and residents alike. Furthermore, by issuing sustainable financing instruments, the UKMBA will ensure that local authorities' actions to deliver their democratic mandates to enhance local services and to tackling climate change, and their key role in delivering both the UN's SDGs and the UK's sustainable growth and Net Zero ambitions, achieves wider recognition.

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<sup>7</sup> LGA Financing Green Ambitions: <https://www.local.gov.uk/financing-green-ambitions-full-report#introduction-to-green-finance>

## 2. UKMBA Sustainable Finance Framework

In order to meet the commitments described above and to finance projects that will deliver environmental / social benefits the UKMBA has elected to create a *Sustainable Finance Framework* (the “Framework”), under which it can issue all forms of green, social and sustainable finance including, but not limited to, Public Bonds, Private Placements, Commercial Paper, and other debt instruments (together known as “Sustainable Financing Instruments”). This Framework is in accordance with the Social Bond Principles June 2021<sup>8</sup> (“SBP”), the Sustainability Bond Guidelines – June 2021<sup>9</sup> (“SBG”), the Green Bond Principles – June 2021<sup>10</sup> (“GBP”), the Green Loan Principles – February 2021<sup>11</sup> (“GLP”) and Social Loan Principles – April 2021<sup>12</sup> (“SLP”) as published by the International Capital Markets Association (“ICMA”) and Loan Market Association (LMA”).

- (i) Green financing instrument– where proceeds are used to finance ‘Eligible Green Projects’ as defined in section 2.1 ‘Use of Proceeds’
  - (ii) Social financing instrument – where proceeds are used to finance ‘Eligible Social Projects’ as defined in section 2.1 ‘Use of Proceeds’
- financing instrument– where proceeds are used to finance ‘Eligible Green Projects’ and ‘Eligible Social Projects’ as defined in section 2.1 ‘Use of Proceeds’

In alignment with these Principles, for each Sustainable Financing Instrument issued, UKMBA asserts that it will adopt the following, as set out in this Framework:

- 1) Use of Proceeds
- 2) Process for Project Evaluation and Selection
- 3) Management of Proceeds
- 4) Reporting

The framework contributes to the UN SDGs, and the UKMBA will, on a best effort basis, align the framework with the EU's classification of environmentally-sustainable economic activities “EU Taxonomy Climate Delegated Act”<sup>13</sup> and similarly take into consideration the UK Taxonomy, as and when developed.

### 2.1 Use of Proceeds

An amount equivalent to the net proceeds raised through the Sustainable Financing Instrument issued under Framework will be exclusively used to finance or refinance, in whole or in part, Eligible Projects that fall within the Eligible Categories defined below.

<sup>8</sup> [Social-Bond-Principles-June-2021-140621.pdf \(icmagroup.org\)](https://www.icmagroup.org/standards/principles-guidelines/guidelines/social-bond-principles-june-2021/)

<sup>9</sup> [Sustainability-Bond-Guidelines-June-2021-140621.pdf \(icmagroup.org\)](https://www.icmagroup.org/standards/principles-guidelines/guidelines/sustainability-bond-guidelines-june-2021/)

<sup>10</sup> [Green-Bond-Principles-June-2021-140621.pdf \(icmagroup.org\)](https://www.icmagroup.org/standards/principles-guidelines/guidelines/green-bond-principles-june-2021/)

<sup>11</sup> [Green Loan Principles Feb2021 V04.pdf \(lma.eu.com\)](https://www.lma.eu.com/standards/principles-guidelines/guidelines/green-loan-principles-feb-2021/)

<sup>12</sup> [Social Loan Principles.pdf \(lma.eu.com\)](https://www.lma.eu.com/standards/principles-guidelines/guidelines/social-loan-principles-apr-2021/)

<sup>13</sup> EU Taxonomy Climate Delegated Acts: [https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts\\_en](https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en)

**a. Exclusions<sup>14</sup>:**

- Vehicles powered by fossil-fuel combustion, ethanol and biofuels
- Nuclear energy
- Large-scale hydro energy (>25MW)
- Alcohol, weapons, tobacco, gaming, or palm oil industries

**b. Green Eligible Projects:**

Eligible Category per ICMA/LMA Green Bond/loans Principles	Green Projects Eligibility Criteria	Example Projects
<p><b>1. Renewable Energy</b></p> 	<p>Financing investments dedicated to generation, transmission and distribution of energy from renewable sources operating at lifecycle emissions of less than 100gCO<sub>2</sub>/kWh including:</p> <ol style="list-style-type: none"> <li>Wind</li> <li>Solar</li> <li>Geothermal</li> <li>Hydropower run-of-river plant which does not have an artificial reservoir with power density &gt; 5W/m</li> <li>Waste biomass restricted to sustainable feedstocks that are certified by the Forest Stewardship Council (FSC), Sustainable Biomass Program, ISCC EU or Green Gold Label, or equivalent third party standard, as well as waste sources that do not compete with food products or contribute to deforestation</li> </ol>	<ul style="list-style-type: none"> <li>• Installing solar panels on council buildings</li> <li>• Balancing services and smart grids</li> </ul>
<p><b>2. Energy Efficiency</b></p>  	<p>Financing investments that reduce energy consumption, including:</p> <ol style="list-style-type: none"> <li>Energy efficient heating, ventilation, air conditioning, refrigeration, lighting and electrical equipment that result in improved primary energy demand of at least 30%</li> <li>Projects that reduce losses in the delivery of bulk energy services or enhance integration of intermittent renewables such as energy storage, smart grids, demand response</li> <li>Projects that enable monitoring and optimisation of the amount and timing of energy consumption such as smart meters, load control systems, sensors or building information systems</li> </ol>	<ul style="list-style-type: none"> <li>• Upgrading street lighting to LED lighting</li> <li>• Replacing boilers with energy efficient models</li> <li>• Other retrofit measures such as fabric improvements, additional insulation, and the decarbonisation of heat</li> </ul>
<p><b>3. Green Buildings</b></p> 	<p>Financing investments in new or existing commercial or residential local authority buildings that have:</p> <ol style="list-style-type: none"> <li>achieved or expect to achieve, based on third-party assessment, energy performance in the top 15% of their local building stock, or</li> </ol>	<ul style="list-style-type: none"> <li>• Projects aimed at building energy efficiency for private sector buildings and Local Authority buildings, for example based on EPC Framework</li> </ul>

<sup>14</sup> Please note that the exclusions below contain activities not normally supported by local authorities. They are included to make it clear that they will not be funded under this Framework.

- ii. received, or expect to receive based on its design, construction and operational plans, third party verified green building certification such as:
  - A. EPC A or B
  - B. BREEAM Excellent or Outstanding
  - C. other equivalent certification schemes

Eligible Category per ICMA/LMA Green Bond/Loans Principles	Green Projects Eligibility Criteria	Example Projects
<p><b>4. Clean Transportation</b></p> 	<p>Financing investments in low-carbon transport projects, including:</p> <ul style="list-style-type: none"> <li>i. Zero direct emission vehicles and associated infrastructure (incl. hydrogen, fuel cell, electric)</li> <li>ii. Infrastructure, rolling stock and vehicles for electrified public transport and freight, except where the primary purpose is fossil fuel transport</li> <li>iii. Motor-free mobility such as cycling and pedestrian infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Electric vehicle charging infrastructure</li> <li>• Replacing small and medium sized internal combustion powered vehicles with electric vehicles</li> <li>• Replacing large internal combustion powered vehicles with low emissions vehicles</li> <li>• Physical measures to improve cycling and walking e.g. new cycleways, widening pavements, junction improvements, cycle storage etc</li> <li>• Schemes to encourage staff to cycle or invest in EVs</li> <li>• Public transport infrastructure such as stations, rail and tram track and rolling stock</li> </ul>
<p><b>5. Sustainable Water and Wastewater Management</b></p>  	<p>Financing investments that improve water quality, water efficiency, or climate change resilience, including:</p> <ul style="list-style-type: none"> <li>i. Technologies and projects for collection, distribution, treatment, recycling or reuse of water, rainwater or wastewater</li> </ul>	<ul style="list-style-type: none"> <li>• Separation of grey water from sewerage systems</li> <li>• Reuse of grey water</li> <li>• Drainage system construction, maintenance and upgrades to reduce pollution and contamination of water courses</li> </ul>
<p><b>6. Pollution Prevention and Control</b></p> 	<p>Financing investments that reduce and manage emissions and waste generated, including:</p> <ul style="list-style-type: none"> <li>i. Technologies and projects for collection, sorting, treatment, recycling or re-use of emissions, waste, hazardous waste or contaminated soil</li> <li>ii. Technologies and projects to salvage, use, reuse, and recycle post-consumer waste products</li> <li>iii. Waste treatment and environmental remediation projects, including land treatment and brownfield clean-up, soil washing, chemical oxidation, bioremediation</li> </ul> <p>Financing investments in facilities which produce power and/or heat/cooling by the thermal processing of residual waste which meet the following criteria<sup>15</sup>:</p> <ul style="list-style-type: none"> <li>iv. Plant efficiency &gt;= 25%; and</li> <li>v. Bottom ash recovery; and</li> <li>vi. &gt;= 90% recovery of metal from ash; and</li> </ul>	<ul style="list-style-type: none"> <li>• Recycling infrastructure</li> <li>• Separation of food wastes for anaerobic digestion</li> <li>• Funding the treatment of electrical and electronic equipment waste</li> <li>• Decontamination of brownfield sites</li> <li>• Energy from waste facilities</li> </ul>

<sup>15</sup> Climate Bonds Initiative: Waste Management Criteria – The Climate Bonds Standard & Certification Scheme's Waste Management Criteria, December 2019 p.12

	<ul style="list-style-type: none"> <li>ii. Average carbon intensity of electricity and/or heat over the life of the plant &lt;= waste management allowance; and</li> <li>iii. The capacity of the plant does not exceed the calculated residual waste at any time in the plant's life</li> </ul>	
<b>7. Environmentally Sustainable Management of Living Natural Resources and Land Use</b> 	Financing investments towards the protection, restoration, and enhancement of terrestrial and marine biodiversity, ecosystems and natural capital, including: <ul style="list-style-type: none"> <li>i. Sustainable land use and protection</li> <li>ii. Reforestation programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Repair of damaged areas to reconstruct distorted natural habitats</li> <li>• Planting of new woodland</li> <li>• Funding of educational facilities to enhance parks and other environmental spaces</li> </ul>
<b>8. Climate Change Adaptation</b> 	Financing of plans of action and activities to reduce the impacts of extreme climatic events in vulnerable areas, such as flood, drought, forest fire, etc	<ul style="list-style-type: none"> <li>• Managing Flood Risk and carry out flood risk management works on minor watercourses</li> <li>• Infrastructure for flood prevention, flood defences or storm-water management</li> </ul>

### c. Social Eligible Projects:

Eligible Category per ICMA/LMA Social Bond/Loan Principles	Social Projects Eligibility Criteria	Example Projects
<b>2. Access to Essential Services – Health/ Education</b>  	Financing investments that enhance access to public, not-for-profit, free or subsidised essential services, including: <ul style="list-style-type: none"> <li>i. Healthcare, children and young people's care, and older people's care</li> <li>ii. Education, including schools, adult education and vocational training</li> <li>iii. Infrastructure for sport, leisure and cultural services</li> <li>iv. Public order and safety</li> </ul> <p><b>Target Population:</b> General Public</p>	<ul style="list-style-type: none"> <li>• Construction, refurbishment and equipping of schools, colleges and libraries</li> <li>• Construction, refurbishment and equipping of leisure centres and equipment</li> <li>• Financing of public libraries and museums</li> <li>• Development, refurbishment and modernisation of healthcare and public health facilities</li> </ul>
<b>3. Affordable Housing</b> 	Provision and financing of social, intermediate, affordable and shared ownership housing as set out in UK Government's Policy Statement on Rents for Social Housing <p><b>Target Population:</b> may vary between Local Authorities but UKMBA aims support those vulnerable people served by its Local Authority borrowers including people on low incomes, homeless, aging populations, vulnerable youth</p>	<ul style="list-style-type: none"> <li>• Social housing</li> <li>• Affordable and intermediate rental properties</li> <li>• Supported housing</li> <li>• Financing of housing built and operated by social landlords organisations, such as housing associations</li> </ul>

**4. Employment Generation through SME Financing**



Financing for micro, small and medium sized enterprises (MSMEs) and businesses, as defined in the UK Companies Act 2006 in vulnerable areas or areas with high unemployment rates with the aim to alleviate poverty and create employment opportunities

Financing micro, small and medium sized enterprises (MSMEs) and businesses to support business continuity in the case of extraordinary circumstances (e.g. natural disasters, pandemics, or other crises).

**Target Population:** MSMEs and businesses, unemployed people

- Providing finance to MSMEs to support employment
- Construction and refurbishment of offices for use by small businesses
- Provision of vehicles and equipment to small businesses

**5. Affordable Basic Infrastructure**



Financing projects that increase or provide access to:

- Public transport facilities in rural areas
- Access to broadband and internet connections
- Public services and facilities in rural areas

**Target Population:** General Public

- Renovation, upgrade, safety of existing public buildings and public infrastructure, facilities supporting rural development, and street lighting
- Roll out of 5G and fibre broadband

**2.2 Project Evaluation and Selection Process**

Eligible green and social projects will be subject to the following due diligence to ensure that they meet the criteria set out in Section 2.1 *Use of Proceeds* above. When assessing and selecting projects to be funded through the Sustainable Financing Instrument, the UKMBA will be guided by the project information provided by local authorities. The Agency’s process for project evaluation will be comprised of the following steps:

- A: Each prospective borrower must complete an associated information sheet for each of the projects it wishes to fund through a Sustainable Financing Instrument issued by the UKMBA. Where a local authority has developed a project to meet its own green, social or sustainable objectives, as applicable, either the detailed assessment of the project or the papers that sought approval for the project should be provided to the Agency. These should include any details of environmental and social standards met or certifications received or which will be received upon completion of the project. Local authorities would also be expected to demonstrate if any sustainability assessment has been conducted and wider ESG impacts of projects financed have been taken into consideration. Prospective borrowers are also required to identify the project categories (as set out above) that apply to the projects under consideration. Where the UKMBA intends to finance social projects, the UKMBA will evaluate each project diligently to ensure that the project is enabling access to social services and infrastructure and/or targeting vulnerable or disadvantaged populations.

- B: On the basis of the information on the information sheet and supporting documents, the UKMBA will analyse the project information to determine if it is compliant with the criteria defined in the Framework in section 2.1. The climate, environmental, and social benefits will be reviewed, evaluated and quantified (where possible). The borrower's ESG risk policies and sustainability practices will also be considered. The UKMBA will then draw up a list of eligible projects that in principle it is prepared to fund through a Sustainable Financing Instrument in line with this Framework.
- C: The UKMBA's Board will approve the projects in tandem with its approval of the relevant Sustainable Financing Instrument issue and, for pooled Sustainable Financing Instrument, final credit approval of the borrowers.
- D: Prospective borrowers will be required to represent and warrant to the UKMBA that all proceeds will be used for purposes agreed by the UKMBA's Board and that any re-allocation of funds will be subject to the approval of the UKMBA and that re-allocation will both comply with this Framework and the specific requirements of the relevant issue.

The UKMBA will review the management of proceeds and undertake reporting.

## 2.3 Management of Proceeds Allocation, Monitoring and Confirming the Use of Proceeds,

### a. Allocations

The UKMBA lends fully back-to-back and therefore will not dynamically allocate the net proceeds of each Sustainable Financing Instrument issue. The net proceeds will be paid to the relevant local authority borrowers, at closing, in line with the allocations set out in the relevant *Information Memorandum*.

### b. Monitoring and Confirming the Use of Proceeds

The methodology for monitoring and reporting the use of proceeds is as follows. For **standalone Financing Instrument issues**:

- The borrower will be responsible for monitoring and reporting the application of proceeds to the approved eligible green, social and sustainable projects. This will be on a semi-annual basis and be reported to the Agency until the proceeds are spent.
- The information will be posted on the UKMBA's website on a semi-annual basis and be included in the Agency's *Sustainable Financing Programme Annual Report*.

For **pooled Financing Instrument issues**:

- The UKMBA will monitor the use of proceeds by each borrower and the application of proceeds to the approved eligible green, social and sustainable projects.
- The UKMBA will aggregate the data and report on a semi-annual basis until the proceeds are spent. The information will be posted on the UKMBA's website and be included in the Agency's *Sustainable Financing Programme Annual Report*.

Any re-allocation of proceeds by borrowers to different projects from those originally approved will be subject to the approval of the UKMBA and that re-allocation will need to comply with this Framework and the specific requirements of the relevant Sustainable Financing Instrument issue as set out in the relevant *Information Memorandum*. Any re-allocations will be reported monthly via UKMBA's website be included in the Agency's *Sustainable Financing Programme Annual Report*.

While the UKMBA permits both new financing and refinancing in the Loans portfolio, it aims for the majority of Sustainable Financing Instrument proceeds to be used to finance new projects. The UKMBA will permit local authorities to lookback three years and forwards two years when allocating net proceeds to projects. Typically, local authorities will spend net proceeds within one year or be able to allocate them to projects within the lookback period.

## 2.4 Reporting

### a. Impact Reporting

Where feasible and on an on-going basis, the UKMBA will provide reporting on relevant potential impact metrics for the sustainable projects it funds, examples of which are provided below. These will be reported annually and posted on the UKMBA's website and included in the Agency's *Sustainable Financing Programme Annual Report*.

Where feasible to do so, additional information will also be disclosed through case studies that detail the contribution of UKMBA's loans to a given local authority.

Eligible Green Category	Potential Impact Reporting data
<b>1. Renewable Energy</b>	<ul style="list-style-type: none"> <li>Annual renewable energy generation in MWh/GWh (electricity) (or other applicable SI units)</li> <li>Capacity of renewable energy plant(s) constructed or rehabilitated in MW</li> <li>Annual GHG emissions reduced / avoided in tonnes of CO2 equivalent</li> </ul>
<b>2. Energy Efficiency</b>	<ul style="list-style-type: none"> <li>Annual energy savings in MWh / GWh</li> <li>Annual GHG emissions reduced / avoided in tonnes of CO2 equivalent</li> </ul>
<b>3. Green Buildings</b>	<ul style="list-style-type: none"> <li>Area of certified green buildings in square feet / square metres and by certification level</li> <li>Annual amount of waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and / or in absolute amount in tonnes per annum</li> <li>Annual absolute (gross) water use before and after the project in m<sup>3</sup> per annum / reduction in water use in %</li> <li>Annual GHG emissions reduced / avoided in tonnes of CO2 equivalent per annum</li> </ul>
<b>4. Clean Transportation</b>	<ul style="list-style-type: none"> <li>Passenger miles travelled</li> <li>Annual GHG emissions reduced / avoided in tonnes of CO2 equivalent per annum</li> <li>Reduction of air pollutants: particulate matter (PM), sulphur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs)</li> </ul>
<b>5. Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>Annual absolute (gross) water use before and after the project in m<sup>3</sup>/a, reduction in water use in %</li> <li>Annual absolute (gross) amount of grey water reused and not sent for treatment, before and after the project in m<sup>3</sup> per annum / reduction in water use as a %</li> </ul>
<b>6. Pollution Prevention and Control</b>	<ul style="list-style-type: none"> <li>Tonnes of waste reduced</li> <li>Tonnes of secondary raw materials or compost produced</li> <li>Absolute or % reduction in air / water pollutants</li> <li>Number of people or % of population provided with improved municipal waste treatment or disposal services</li> <li>Number of people or % of population with access to waste collection under the project</li> <li>The absolute amount or % of residual non-separated waste before and after the project</li> <li>Added monetary value created using waste</li> </ul>
<b>7. Environmentally Sustainable Management of Living Natural Resources and Land Use</b>	<ul style="list-style-type: none"> <li>Total surface financed (hectares), with reference to specific certification schemes where relevant</li> <li>Amount of organic products procured (metric tonnes)</li> <li>Number of organic products offered</li> <li>Environmentally sensitive areas protected (acres)</li> </ul>
<b>8. Climate change adaptation</b>	<ul style="list-style-type: none"> <li>Reduction in number of flood events</li> <li>Number of households protected from flooding through flood defence works</li> </ul>

Eligible Social Category	Potential Impact Reporting data
<b>1. Access to Essential Services</b>	<ul style="list-style-type: none"> <li>• Number of care beds built / upgraded</li> <li>• Number of pupils in new or refurbished schools</li> <li>• Number of older people enabled to remain in their own homes</li> <li>• Number of library users</li> <li>• Number of trips taken using public transport</li> </ul>
<b>2. Affordable Housing</b>	<ul style="list-style-type: none"> <li>• Number of households provided with properties at social, intermediate and affordable rents</li> <li>• Number of housing units built or funded</li> <li>• Number of homes acquired for social and affordable housing</li> </ul>
<b>3. Employment Generation through SME Financing</b>	<ul style="list-style-type: none"> <li>• Number and value of loans to MSMEs</li> <li>• Number and value of loans to women / minority-owned MSMEs</li> <li>• Number of jobs supported / created / retained</li> <li>• Number of projects supported</li> </ul>
<b>4. Socioeconomic advancement and empowerment</b>	<ul style="list-style-type: none"> <li>• Number of beneficiaries</li> <li>• Share of people with broadband network</li> </ul>
<b>5. Affordable basic infrastructure</b>	<ul style="list-style-type: none"> <li>• Number of households benefiting from improved access</li> </ul>

### ***b. Allocation Reporting***

All loans made by the UKMBA are reported monthly on the UKMBA’s website. For loans funded by Sustainable Financing Instruments the reports will include the purpose of the loan, relevant project categories and high-level details of the project and its benefits.

## **3. External Review**

The UKMBA aims to adhere to the highest standards in terms of external review of the Sustainable Finance Framework.

### **3.1 Second-Party Opinion**

UKMBA has appointed DNV as the second party opinion provider to provide an external review of the Framework and its ongoing implementation. This will provide investors and other interested parties with independent assurance regarding the Framework and to confirm its alignment with the ICMA’s *Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines* and LMA’s *Green Loan Principles and Social Loan Principles*.

The review may include an assessment of the Agency's overarching objectives, strategy, policy and / or processes relating to sustainability, and an evaluation of the sustainability features of the type of projects intended for the Use of Proceeds. The second party opinion will be made available on UKMBA's website.

### **3.2 Post issuance external verification**

UKMBA's annual reporting will be subject to external verification by independent provider. The review will verify:

- The allocation of Sustainable Financing Instrument proceeds as set out in the *Information Memorandum*
- Compliance with the eligibility criteria governing the use of proceeds, as set out in this Framework
- The monitoring and confirmation of the use of proceeds
- Review of the environmental and social impact of projects

The external reviewer's report and the list of eligible loans that were part of the review will be published on UKMBA's website.

## 4. Amendments to this Framework

The UKMBA will review this Framework on a regular basis, including its alignment to updated versions of GBP/SBP/SBG/GLP/SLP as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended.

Material updates will be subject to the approval of the UKMBA's Board and reviewed by the Second Party Opinion provider. Unless enhanced, any updated version of this Framework will maintain the current levels of transparency and reporting disclosures. The updated Framework, if any, will be published on UKMBA's website and will replace the prior version of the Framework.

