



THE LONDON SCHOOL  
OF ECONOMICS AND  
POLITICAL SCIENCE ■

# LSE Sustainable Finance Framework

**To support the raising of financing to fund  
a range of environmentally and socially  
sustainable projects led by LSE**







# LSE Sustainable Finance Framework

This framework has been developed to support the raising of financing to fund a range of environmentally and socially sustainable projects led by LSE, the Eligible Projects can be found in [section 2.2](#).

**Section 1** of this document provides a general introduction to LSE and its approach to Sustainability.

**Section 2** of this document details the components and management approach to the Sustainable Finance Framework itself.





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# Foreword



LSE opened its doors in 1895 with three rooms and 200 students. Today, LSE students are drawn from over 150 different countries and 69 per cent of all those at the school come from outside the UK.

LSE is a London-based institution with a global focus. Over 11,500 students are studying for degrees at our central London campus, while more than 40,000 more learn on campus or remotely. While much has changed, one thing remains constant; our commitment to the original vision of LSE, as a “community of people and ideas, founded to know the causes of things, for the betterment of society”.

LSE has a unique contribution to make in helping tackle the challenges our world faces including economic uncertainty, a profoundly damaging global pandemic, an immense climate crisis, political divisions, social transformations and a tide of anti-intellectual sentiment. As an internationally renowned and interdisciplinary institution, we have an opportunity, and a duty, to lead on and engage with the major challenges of today and work to shape a pathway to recovery and development that is sustainable, resilient, just and inclusive.

Our LSE 2030 strategy lays out the guiding principles and commitments that will help us shape the world’s future and achieve our ambition of being the leading social science institution with the greatest global impact: “Understand today, influence tomorrow.” The objectives and initiatives developed from these principles are our frameworks for action and provide direction on how to leverage our resources and influence for powerful impact on this critical agenda.

Our Sustainable Finance Framework forms part of a set of initiatives to achieve our ambition and will help us support the raising of financing to fund a range of environmentally and socially sustainable projects led by LSE.

As we look to the future, we do it as an internationally renowned institution, with a reputation for excellence in teaching, research and public engagement in the social sciences. Our strengths give us an opportunity, and a duty, to lead on and engage with the major challenges of today and work to shape the world for the better. What happens at the School has the potential to be world-changing – and in these turbulent times, the social sciences are needed now more than ever.

**Minouche Shafik**

LSE Director





# Section 1: Introduction to the London School of Economics and Political Science

## 1.1 About the London School of Economics and Political Science

The London School of Economics and Political Science (“LSE”, the “School”) is a world-leading university, ranking first in Europe and second globally (QS subject rankings 2021) for social sciences and management.

LSE was founded in 1895 to create and share knowledge addressing major social challenges and to shape a better world. Our mission is to advance knowledge in social science and a range of related fields so as to inform public policy, economic decision-making, and social welfare both nationally and globally. Our ambition today is to be the leading social science university with the greatest global impact, continuously expanding our research horizon to reflect and aid the changing society around us.

We are a global community of people and ideas in the heart of central London. At any given time, we educate over 11,500 students from over 150 countries. We employ around 3,300 members of staff and manage about 30 campus buildings and 8 halls of residence across four London boroughs. Our online delivery of courses has expanded substantially in recent years; we reach over 12,000 students globally via distance learning programmes each year. We are planning to continue and accelerate this growth through the decade to widen the reach of our educational offer whilst reducing our environmental impact and continuing to expand the diversity of the LSE community.

LSE is committed to acting responsibly and sustainably, as set out in both LSE’s 2030 Strategy and our Ethics Code.

## 1.2 LSE's Strategic Objectives

Our vision of being the leading social science university with the greatest global impact requires us to navigate ongoing global challenges, using our guiding principles to shape our decision-making in the years ahead. The following principles guide our long-term strategy, and has formed the foundation of our “LSE 2030” strategy:

**Sustain excellence through an inclusive and diverse community:** We will draw together talent from all places and backgrounds, diversifying our faculty and widening access for students to ensure LSE is a vibrant and stimulating place to work and study, where different perspectives thrive through robust but respectful debate.

**Extend our impact and reach:** We will use our convening power to bring global leaders, innovators and change makers together to tackle difficult issues and deliver meaningful benefit to individuals and communities in all parts of the world. We will collaborate with local, national and international partners to forge new connections and challenge old ways of thinking, involving our alumni, friends and partners in the debate.

**Ensure a sustainable future:** We will lead the way in building a sustainable future for the social sciences, by upholding rigorous standards of enquiry, securing funding for research and scholarships, diversifying our income, and making the best possible use of our resources.

The above principles guided the foundation of our LSE 2030 strategy into three overarching priorities, each of which identifies initiatives to deliver an ambitious vision for our future.

**1 Educate for Impact:** We commit to working with students to provide a life-long learning opportunity, based on an enquiry-led approach to education and research. By creating a strong sense of belonging and ensuring we provide holistic support, we will equip our students with the skills, knowledge and confidence to be critical investigators, confident entrepreneurs and culturally aware agents of change.

**We commit to:** i) fostering fearless intellects; ii) supporting our students to innovate and create real change; iii) creating an inclusive home for learning; and iv) ensuring graduation is just the beginning.

**2 Research for the World:** Building on our leading position in the social sciences, we will broaden our real-world impact by forming a new generation of thought leaders, advocating for the value of the social sciences and becoming the global convenor of influential debate on critical issues. We will achieve this also by reviewing current and future partnerships, fostering collaboration internally and externally, all whilst ensuring that sustainable funding supports our research.



**We commit to:** i) leading the social sciences; ii) sustaining and promoting the social sciences; iii) advancing our influence to increase our contribution to the betterment of society; and iv) convening the world on critical issues.

**3 Developing LSE for Everyone:** We will establish LSE as a strong community by supporting staff, recognising and developing talent, and engaging our alumni, friends and partners so they can remain involved with the school and its mission. We will ensure we can attract and retain the best academics, researchers and professional service staff by embedding equity, diversity, inclusion and sustainability across all our processes and procedures.

**We commit to:** i) investing in our community; ii) being open all life long with alumni, friends and partners; iii) ensuring LSE works for everyone; and iv) creating a sustainable LSE.

For more information on our strategy visit [lse.ac.uk/2030](https://lse.ac.uk/2030)



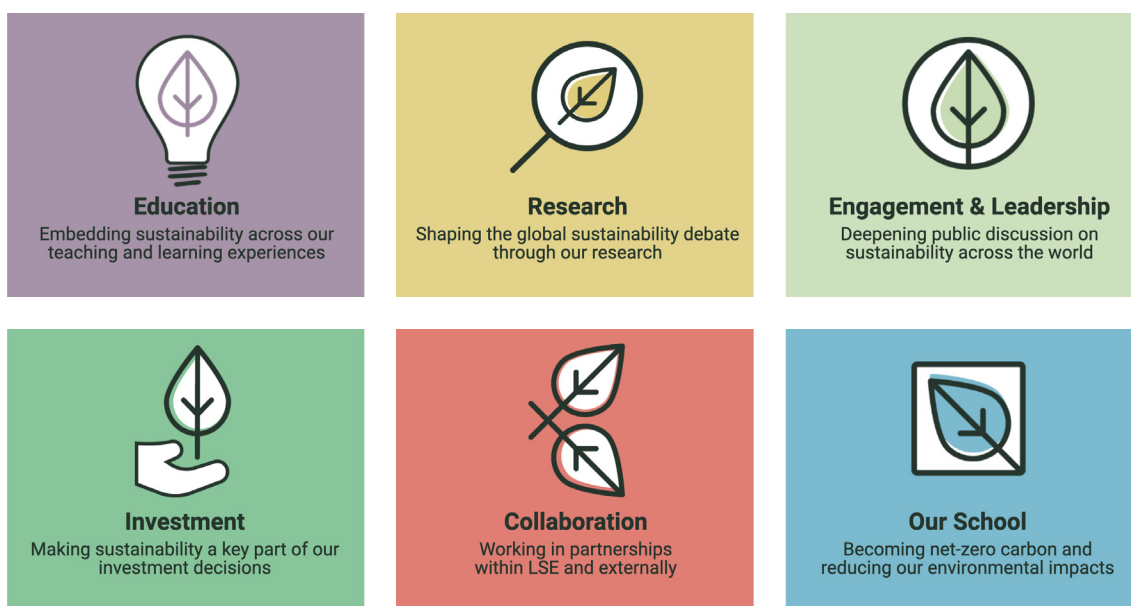
Photo: Rosie Coffey (LSE Volunteer Centre)

## 1.3 LSE's approach to Sustainability

### Our Sustainability Strategic Plan

As a social science school, we have an essential contribution to make to tackle the complex climate, ecological, and social challenges the world faces.

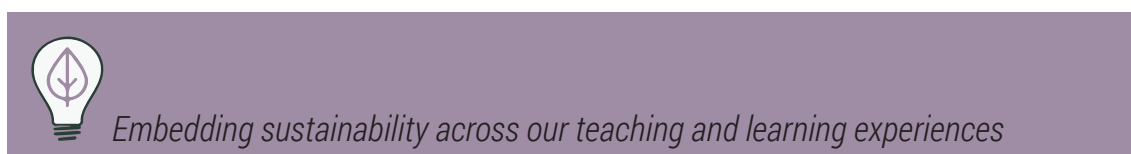
*Creating a Sustainable LSE* is a key commitment of LSE's 2030 strategy. Developed in close consultation with the LSE community, our Sustainability Strategic Plan focuses on six key areas of focus to **maximise our impact in shaping a sustainable world**:



You can find out more about our Sustainability Strategic Plan on our webpage at

[lse.ac.uk/2030/sustainability-strategic-plan](https://lse.ac.uk/2030/sustainability-strategic-plan)

#### 1.3.1 Education



Education for sustainability is an opportunity for LSE to ensure social sciences makes its critical contribution to sustainability, and for LSE students to be prepared for the complex challenges they face and a workplace where sustainability will be a shared responsibility regardless of one's role.

We aim to build on our existing offering by strengthening and promoting existing courses and learning pathways which provide students with a holistic understanding of the environmental and social dimensions of sustainability. We will embed environmental sustainability into the LSE curriculum, promoting interdisciplinary activities and solutions and create new collaborations among key stakeholders within and beyond the School to promote a holistic approach to the sustainability agenda.



Example supporting initiatives include:

- Identifying and promoting areas of the curriculum which include the relation between the subject and environmental sustainability, highlighting these clearly to students.

**LSE's Student Union Sustainable Futures Society** is engaging with volunteer students across departments to identify good practices from other universities for LSE disciplines, and opportunities for embedding sustainability in LSE curriculum.

- Empower students to showcase publicly their sustainability-related learning and perspectives, whether these have been acquired through the formal curriculum or through wider developmental opportunities.

**LSE Sustainable Projects Fund** awards funding to student and staff-led projects that enhance sustainability at LSE. It is run by the LSESU Sustainable Futures Society with support from LSE's sustainability team. In the past years, an average of £12,500 per annum has been awarded to 5- 7 projects.

- Provide educators with the tools, resources and skills needed to embed sustainability across disciplines.

Our **Education for Sustainability initiative** is led by the LSE Eden Centre for Education Enhancement in collaboration with the Sustainability team and academics. The initiative is led by an academic lead appointed by our Pro-Director of Education, and supported by a Programme Manager.

Our **Education for Sustainability network** meets termly and brings together academics from across LSE Departments to share, promote and disseminate good practice and resources to educators across the School.

#### **CASE STUDY: Fashion Can Do Better, Global Circular Challenge 2021**

LSE's Department of Geography and Environment's 2021 Global Circular Challenge brought together over 100 students from universities in the UK, US, Serbia, Denmark, Netherlands, China, Hong Kong, India to participate in an online competition to design solutions that improve the sourcing, manufacturing, use and disposability of fashion products in a circular world. Equipping students with new skills across all curricular levels.



### 1.3.2 Research



*Shaping the global sustainability debate through our research*

LSE academics conduct world-leading research on environmental and social issues, shaping public policy and debate through evidence-based research. We work to reaffirm the contribution social sciences can make to the global sustainability debate, and to focus and strengthen our efforts and resources on impactful sustainability research. We implement structural change and create funding incentives to advance the sustainability agenda whilst fostering internal cross-disciplinary collaboration within LSE to leverage and extend our external partnerships.

LSE's Research for the World makes a significant contribution to sustainability and the UN Sustainable Development Goals, on topics as diverse as palm oil and peat fires, climate emergency declarations, sustainable recovery and many more.



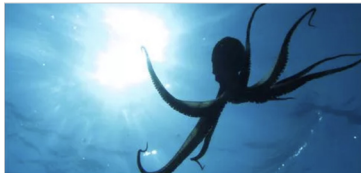


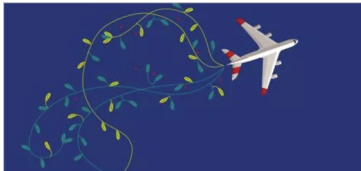
Example initiatives include:

- Ring fence funding to support sustainability research and cross collaboration (eg, LSE Research and Impact Support Fund<sup>1</sup>)
- Work to reduce the environmental impact of research travel such as: hosting PhD visas online as default, carbon offsetting of travel, and encouraging departments to conduct online seminars.
- LSE Research informed UK and international policy-makers on the need to embed sustainability in COVID recovery policies.
- The LSE Festival and Research for the World online portal feature sustainability as a key theme with their own dedicated sustainability sections showcasing some of our top research.

<sup>1</sup> [lse.ac.uk/staff/divisions/research-and-innovation/research/apply-for-funding/lse-research-support-fund](https://lse.ac.uk/staff/divisions/research-and-innovation/research/apply-for-funding/lse-research-support-fund)



## Research projects featured on the sustainability section of LSE's Research for the World portal

 <p><b>We've declared a climate emergency – now what?</b></p> <p>4 May 2021</p>	 <p><b>Coronavirus must be a lesson on how we respond to climate change</b></p> <p>15 Jan 2021</p>	 <p><b>The science of feeling: why octopuses, lobsters and crabs require animal welfare protection</b></p> <p>18 Jan 2022</p>
 <p><b>Giving parks the green light: how can we ensure green space is more accessible?</b></p> <p>18 Jan 2022</p>	 <p><b>Racial currents: can a project to boost trade on Colombia's Magdalena River address historical inequalities?</b></p> <p>9 Nov 2021</p>	 <p><b>Can the world avert a climate emergency?</b></p> <p>15 Jan 2021</p>

### 1.3.3 Engagement and Leadership



*Deepening public discussion on sustainability across the world*

We engage with public, private, and non-governmental organisation actors to promote understanding and informed decision-making about sustainability. We apply our research, knowledge, and skills from across the social sciences to promote action on sustainability and foster sustainable prosperity, well-being, poverty reduction and environmental justice around the world.

We lead by example across the full range of our activities, consistent with our ambition of being the social science institution with the greatest global impact change, with leadership from LSE's Grantham Research Institute on Climate Change and the Environment at LSE. Recent examples include:

- The Grantham Research Institute and its chair Lord Nicholas Stern are making a significant contribution to the global sustainability debate, including recently the Sixth Assessment Report by the IPCC, Her Majesty's Treasury's Net Zero Review, the Third UK Climate Change Risk Assessment, and the recent COP 26 UN Climate Change conference hosted in Glasgow.

- Advising and inputting into international decision-making about the Sustainable Development Goals including through our affiliation to the United Nations Economic and Social Council.
- The Transition Pathway Initiative, a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy, with the recent announcement of an ambitious plan to establish a multi-million pound funded TPI Global Climate Transition Centre, to be based at LSE's Grantham Research Institute on Climate Change and the Environment in partnership with FTSE Russell and the UN supported Principles for Responsible investment.
- Playing a leading role in local, national and international networks such as LSE being a co-founder and co-chair of the Global Alliance of Universities on Climate.

**CASE STUDY: The Global Alliance of Universities on Climate, co-founded by LSE**

The Global Alliance of Universities on Climate (GAUC) was formed in 2019 during the annual meeting of the World Economic Forum and is made of 15 worldleading universities.

GAUC works to advance climate change solutions through research, education, and public outreach. GAUC regularly organises high-profile events on themes such as Climate change research and campus decarbonization, and students' conferences.



### 1.3.4 Investment



*Making sustainability a key part of our investment decisions*

We work to increase focus on the investment incentives open to the School to ensure the transition to a low carbon economy, making environmental sustainability one of the top aims of our Socially Responsible Investment policy. By working with fund managers who actively engage with the companies they invest in, we will encourage transitions to low carbon business models.

Example supporting initiatives include:

- LSE being a signatory of the UN supported Principles for Responsible Investment since 2015.



- ESG performance of fund managers - each year, the School actively engages directly with each of its investment fund managers to assess and drive performance on Environmental, Social and Governance (ESG) matters. Our Asset Manager Evaluation Process on ESG Capabilities encourages our fund managers to invest in a socially responsible way consistent with the School's SRI Policy and the UN Principles of Responsible Investing and a broader range of essential ESG issues. The process covers a range of factors, including their ESG policies, ESG voting records, PRI ranking, use of the TCFD (Task Force on Climate-related Financial Disclosures) and specific topics such as Climate Change, Human Rights, Diversity/Inclusion, and the UN's 17 Sustainable Development Goals (SDGs).
- LSE's Socially Responsible Investment policy<sup>2</sup>, adopted in 2015 which seeks to minimise our investment exposure to companies deriving revenues from controversial sectors such as tobacco manufacture, controversial weapons and the most polluting forms of fossil fuels such as tar sands and thermal coal.
- Openness and transparency in communicating our approach to responsible investment, including disclosing the composition of our portfolio and full details of our ESG performance process on the responsible investment section of our website updated annually.

### 1.3.5 Our School



#### *Reaching Net Zero Carbon and reducing our environmental impacts*

We want to lead by example when it comes to addressing our own environmental footprint. We strive to be a hub of environmental good practice in the higher education sector, actively minimising all the environmental impacts of our estate and operations.

We aim to achieve net-zero carbon emissions by 2030 for our most direct emissions (scope 1 and 2) and by 2050 at the latest for our indirect emissions (scope 3), adopting a challenging carbon reduction pathway aligned to climate science and using carbon removal measures for our residual emissions.

We take a systematic approach to continuously improve our environmental performance, using systems externally certified to international standards (ISO 14001/ISO 50 001). We apply environmental best practice across all our key impacts aiming to:

- **Energy** - Operate a highly energy efficient estate and adopt renewable energy sources.
- **Waste and Resources** - Reduce waste and adopt circular economy principles of resources management.
- **Water** - Reduce our water consumption on campus and in Halls of Residence.

<sup>2</sup> [info.lse.ac.uk/staff/divisions/Finance-Division/Responsible-Investment](https://info.lse.ac.uk/staff/divisions/Finance-Division/Responsible-Investment)

- **Built environment** - Adopt the highest environmental standards in our construction and refurbishment projects.
- **Travel** - Reduce emissions associated with commuting and business travel.
- **Catering** - Deliver a sustainable catering service which promotes low-carbon food choices.
- **Pollution and Air quality** - Engage with partners to minimise pollution and improve air quality.
- **Biodiversity** - Enhance biodiversity on the LSE estate by protecting and connecting habitats.
- **Procurement** - Make sustainability a key consideration of our purchasing decisions and supplier relationships.

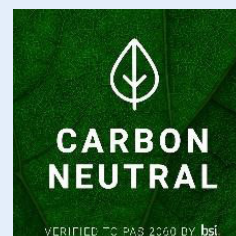
Example initiatives include:

- £4.8 million invested since 2015 in energy efficiency measures for our campus buildings, which has supported a 44 per cent carbon emissions reduction against a 2005 baseline for our scope 1 and 2 emissions. Measures have included LED lighting installation, lighting controls and Building Management Systems upgrades, boiler and chiller plants upgrades.
- Our recent buildings development have been recognised for setting sector-leading sustainability standards including the Saw Swee Hock Student Centre (2014, BREEAM Outstanding), the Centre Building (2019, BREEAM Excellent) and Marshall Building (2021, BREEAM Excellent).
- We are committed that any new construction projects for the LSE campus or residences will meet the highest sustainability standards, including rated BREEAM very good or above, and Net Zero Carbon in alignment with the UK Green Building Council Net Zero Carbon Framework.
- A range of measures and nudges based on behavioral sciences to actively promote the uptake of vegetarian and vegan options on campus, including carbon impact labels on the menus in our catering outlets and catered halls of residence, to raise awareness of the carbon impact of different food types and encourage positive choices.

#### **CASE STUDY: LSE 1st verified Carbon Neutral university in the UK**

LSE became the first Carbon Neutral university in the UK, verified to PAS 2060 by BSI in the academic year 2020/21, thanks to LSE's ongoing work to reduce its carbon footprint (-44 per cent since 2005), combined with our additional mitigation efforts.

LSE mitigate its residual emissions by supporting high-quality forest conservation projects across three continents, to deliver demonstrable carbon reductions, as well as protect biodiversity and create economic opportunities for local communities.





### 1.3.6 Collaboration



*Working in partnerships within LSE and externally*

Across all focus areas outlined above, we seek to foster a collaborative environment across all key stakeholders within and beyond the School to ensure the breadth and depth of views contributing to our strategy and its outcomes reflect the diversity of our global community.

LSE collaborates with a range of organisations to advance sustainability, such as the Ellen MacArthur Foundation for circular economy or the United Nations Race To Zero, to rally leadership for a zero carbon world.



Photo: Dan Reeves (LSE Sustainability team)



The School also works closely with students to get involved in advancing sustainability at LSE, including supporting the LSE Students' Union over 10 environmentally themed societies.

#### **CASE STUDY: LSE Students' Union Annual Green Week**

The annual LSESU Green Week is led by the LSESU team with support from LSE's Sustainability and Volunteering teams, the LSESU clubs and societies, and charities. The LSESU comprises about 15 environmentally themed societies, from Circular Economy to Green Finance. Green Week is an opportunity to raise awareness and encourage dialogue on sustainability issues across the diverse LSE community.



## **1.4 LSE Approach to Equity, Diversity and Inclusion**

From the start, LSE was open to women and men and welcomed students from overseas. Shaped by our history, LSE today is a university with multiple established platforms for scholars and students alike to address the core barriers to equity, diversity and inclusion globally:

- Since 1895, LSE has had continued engagement with African students, scholars and organisations culminating in the establishment of the Firoz Lalji Institute for Africa in 2021, strengthening LSE's commitment to placing Africa at the heart of understandings and debates on global issues.
- The Atlantic Fellows for Social and Economic Equity is an innovative fully-funded fellowship that brings together policy-makers, activists and movement-builders from around the world to explore and challenge the root causes of inequality. This is one of seven Atlantic Fellowships worldwide working to create a global community to advance fairer, healthier and more inclusive societies
- Launched in 2015, the LSE Centre for Women, Peace and Security is an academic space for scholars, practitioners, activists, policy-makers and students to develop strategies to promote justice, human rights and participation of women in conflict-affected situations around the world.

Therefore creating a truly inclusive LSE is the first guiding principle of LSE 2030, and is woven throughout the three priorities of our strategy. To achieve this, we have developed Equity, Diversity and Inclusion ("EDI") Objectives for 2019-2023 in consultation with staff and students which form the foundations of our action plan to achieve a truly inclusive and diverse LSE. For example, we plan to:

- Develop an Inclusive Education Action Plan, which is defined as "to teach and learn in a way that dismantles the dominant structures within higher education embedded in whiteness, able-bodied and heteronormative culture";
- Improving gender equity;
- Expand our Race Equity Framework; and
- Achieve equality Charter Marks and awards.

We publish annual equality statistics for the School in line with the Public Sector Equality Duty which requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out activities.

Our latest data published 2019-20 shows that although progress has been made, there remains inequalities across staff and student representation, particularly for ethnic diversity. To achieve a truly inclusive and diverse LSE, we have specific KPIs for staff and students in relation to gender and race, and will develop KPIs for other protected groups as work progresses. For more information on our EDI Objectives, Strategy and KPIs, please visit our webpage at [info.lse.ac.uk/Staff/Divisions/Equity-Diversity-and-Inclusion](https://info.lse.ac.uk/Staff/Divisions/Equity-Diversity-and-Inclusion)

#### **CASE STUDY: LSE Safe Contacts Scheme**

LSE have trained members of staff from over 25 departments and divisions who offer a confidential “signposting” service for staff and students. The Safe Contacts Scheme supports individuals who have experienced bullying, harassment, or discriminatory behaviour of any nature; helping the individual navigate the support available (internal and external) as well as providing a “listening” ear.



## **1.5 Governance and reporting**

The Council is the Governing Body of LSE. It has ultimate authority and accountability for exercising LSE’s powers in pursuit of advancing education, learning and research for the public benefit. Council members are company directors, charity trustees and members of the company as well as governors of a higher education institution. The Council is directly responsible for:

- 1** Approving LSE’s strategy;
- 2** Approving annual estimates of income and expenditure;
- 3** Approving annual audited accounts;
- 4** Appointing the Director and School Secretary; and
- 5** Changing any byelaws or regulations made under the Articles.

The Council has a series of standing committees to which specific governance authority is delegated and includes Audit, Ethics, Governance, Remuneration Committees and Finance and Estate Committee with an Investments Sub-Committee, and the Academic Board.

The School has processes in place to support effective delivery and decision-making to deliver its sustainability ambitions. The LSE Sustainability Team coordinate the School's approach, working with teams across the LSE community.

Several committees and working groups (see graphic on next page) support delivery. We seek diverse views to inform our decision making, with both staff and student representation on sustainability groups.

As part of our certified management systems, objectives are set and tracked using Action plans, including tracking delivery of our Sustainability Strategic Plan through an Implementation plan.

### **Tracking progress and reporting**

We work to continuously increase engagement with our sustainability strategy among key stakeholders within and beyond the School to ensure our sustainability agenda remains reflective of LSE's diverse and global community.

To achieve this, we publish a regular progress update on the implementation of our Sustainability Strategic Plan and set up several committees and working groups with staff and student representatives (see [section 1.5](#)).

We have reported on our sustainability progress since 2006 and published Annual Sustainability Reports since 2012/13. We also publish regular progress updates, including a termly update to our sustainability operations action plan and a 6 monthly update to our progress tracker for our Sustainability Strategic Plan.

This framework highlights our commitment to transparency, and we will continue to provide regular updates on the progress of our Sustainability Strategy.



## 1.6 Framework rationale

The establishment of this Sustainable Finance Framework aligns our social purpose and Sustainability Strategic Plan with our funding and financial strategy. We have selected several eligible areas which are fundamental elements of our School and deliver the most positive societal and environmental impacts.

It will not be possible to achieve our ambitious goals in isolation, and so we seek to engage and collaborate with all of our stakeholders – including staff, students, alumni and friends of LSE - to help us achieve our guiding principle of “ensuring a sustainable future”. We are committed to making an essential contribution to the global analysis and debates on how to tackle the complex climate, ecological, and social challenges we face.

The framework gives us the flexibility to issue financial instruments to support our commitment to achieve a broad range of sustainability outcomes. We intend that such instruments will be appealing to a broad range of the ESG-focused investor community who will be valuable allies in supporting our sustainability objectives.



## SUSTAINABILITY DECISION-MAKING



### GOVERNANCE



#### COUNCIL

General oversight of sustainability progress

### LEADERSHIP



#### SCHOOL MANAGEMENT COMMITTEE

Provided oversight of sustainability progress

#### SUSTAINABILITY LEADERSHIP BOARD

Oversee and monitor the delivery of the Sustainability Strategic plan

### DELIVERY



Education

#### EDUCATION COMMITTEE



Research

#### RESEARCH COMMITTEE



Engagement and Leadership



Collaboration



Investment

#### INVESTMENT SUB COMMITTEE



Our School

#### SUSTAINABILITY OPERATIONS GROUP

Environmental working groups  
(Estates, Students, Residences, Catering)

Local working groups  
(eg, Green Impact)

### CONSULTATION AND ENGAGEMENT



#### STUDENTS AND STAFF

Input various means – working groups, Green Impact teams, events, engagement with the sustainability team.





# Section 2: Sustainable Finance Framework

## 2.1 Framework components

The International Capital Markets Association (“ICMA”) and Loan Markets Association (“LMA”) provides a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the sustainable finance market by clarifying the approach for raising Sustainable Finance.

This Sustainable Finance Framework has been drafted in alignment with the ICMA Green Bond Principles 2021<sup>3</sup> (“GBP”), ICMA Social Bond Principles 2021<sup>4</sup> (“SBP”) and the ICMA Sustainability Bond Guidelines 2021<sup>5</sup> (“SBG”) or as they may be subsequently amended. Loans issued under the framework will be aligned to the Loan Market Association (“LMA”) Green Loan Principles 2021<sup>6</sup> (“GLP”) and the LMA Social Loan Principles 2021<sup>7</sup> (“SLP”) or as they may be subsequently amended.

This Sustainable Finance Framework has five core components:

- 1 Use of proceeds;
- 2 Process for project evaluation and selection;
- 3 Management of proceeds;
- 4 Reporting; and
- 5 External review.

This Framework enables LSE to issue a broad range of Sustainable debt instruments, such as private placements, loans and bonds, funding a mixture of Green and Social projects.

We may further update or expand the Framework to align with emerging market standards and best practices, such as the EU Green Bond Standard, EU Taxonomy, UK Taxonomy or other relevant standards and guidelines.

<sup>3</sup> [icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf](https://icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf)

<sup>4</sup> [icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-140621.pdf](https://icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-140621.pdf)

<sup>5</sup> [icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf](https://icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf)

<sup>6</sup> [lsta.org/content/green-loan-principles/](https://lsta.org/content/green-loan-principles/)

<sup>7</sup> [lsta.org/content/social-loan-principles-slp/](https://lsta.org/content/social-loan-principles-slp/)



## 2.2 Use of Proceeds

We are committed to investing in projects that support environmentally and socially sustainable outcomes for the benefit of society, the environment and identified target populations.

An amount equivalent to the net proceeds raised under this Sustainable Finance Framework will be used to finance and/or refinance in whole or in part new or existing Eligible Projects in the categories below, subject to the ICMA and LMA principles.

Dependent on the nature of the project, the investment in the Eligible Projects can be measured through asset value, capital expenditure ("Capex") or operating expenditure ("Opex").






For capital or operating expenditures, a look-back period of up to 36 months prior to the time of debt issuance will be applied.

We intend to allocate an amount equivalent to the net proceeds raised by any sustainably labelled debt instruments to Eligible Projects within 24 months of issuance.















## Eligible Projects

Label	Eligible ICMA/LMA Project category	Project description and eligibility criteria	Reference financial line item	Alignment to	
				Our Sustainability Strategic Plan	UN SDG <sup>8</sup>
Green	Green Buildings	Construction or refurbishment of energy efficient buildings on campus that have received or are expected to receive one (or more) of the following certifications: EPC ≥ B; LEED ≥ Gold; BREEAM ≥ "Very good" or similar recognised national or international standard.	Capex	Our School 	 
		Re-financing of existing buildings that have received at least one of the following certifications: EPC ≥ B; LEED ≥ Gold; BREEAM ≥ "Very good" or similar recognised national or international standard.	Asset value		
		Renovation of existing buildings, resulting in an improvement in energy efficiency that can demonstrate an energy saving of 20 per cent or more compared to baseline energy consumption.	Capex/Opex		
	Energy efficiency and Carbon savings	Expenditure to reduce energy consumption or greenhouse gas (GHG) emission intensity and/or manage and store energy including but not limited to upgrading/ replacement of heating, cooling and ventilation systems, lighting, electrical equipment, equipment for monitoring energy performance such as digital controls, sensors and/or building information systems, and/or energy management software/ systems.  Eg, use of sensors and building management technologies, and heat pumps.	Capex	Our School 	

<sup>8</sup> [un.org/sustainabledevelopment/sustainable-development-goals/](https://un.org/sustainabledevelopment/sustainable-development-goals/)





Label	Eligible ICMA/LMA Project category	Project description and eligibility criteria	Reference financial line item	Alignment to	
				Our Sustainability Strategic Plan	UN SDG <sup>8</sup>
Green	Sustainable water and wastewater management	Expenditure to reduce water consumption and/ or increase water re-use, eg, water recycling and treatment systems, water consumption monitoring systems.	Capex	Our School 	
		Expenditure on sustainable urban drainage systems and other forms of flooding mitigation eg, leak detection.	Capex		
	Renewable energy	On-site or off-site renewable energy investments including but not limited to installation of solar panels across campuses and student residences.	Capex	Our School 	
		Purchase of renewable electricity backed by Renewable Energy Guarantees of Origin (REGO). Similar nationally or internationally recognised certificates of equal or higher standards may be considered in future.	Opex		
	Pollution prevention and control	Expenditures to improve waste management systems that achieve waste prevention, waste reduction, and/ or increased waste recycling.	Capex/ Opex	Our School 	
	Terrestrial and aquatic biodiversity conservation	Investments into nature-based solutions to increase climate resilience and support biodiversity net gain including the installation of green walls, biodiverse roofs such as Sedum and Brown roofs and pocket gardens.	Capex	Our School 	
	Clean transportation	Purchase of electric vehicles and/or electric vehicle infrastructure.	Capex/ Opex	Our School 	
		Construction and maintenance of bicycle facilities and facilities for cyclists.	Capex/ Opex		
		Investments to reduce transportation use that leads to a reduction in harmful emissions eg, investment in new technologies to reduce travel such as Audio Visual facilities.	Capex/ Opex		

<sup>8</sup> [un.org/sustainabledevelopment/sustainable-development-goals/](https://un.org/sustainabledevelopment/sustainable-development-goals/)



Label	Eligible ICMA/LMA Project category	Project description and eligibility criteria	Reference financial line item	Alignment to	
				Our Sustainability Strategic Plan	UN SDG <sup>8</sup>
Social	Socioeconomic advancement and empowerment	Support of PhD research through full scholarships (fees and stipend), with a particular emphasis on research that advances one or more of the UN SDGs and contributes to scientific or societal advancement. Examples include, but not limited to, analysing and challenging inequalities, health policy and sustainable cities and demography <sup>9</sup> .	Opex	Education 	
		Training and development of staff advancing UN SDG themes eg, apprenticeship schemes, and training on Equality Diversity and Inclusion.	Opex	Research 	
		Activities including research, education, service, civic and international engagement activities that advances one or more of the UN SDGs eg, Alliance for Sustainability Leadership in Education (EAUC).	Opex	Engagement and Leadership 	
	Access to essential services	Access/outreach programmes and bursaries which support students from underrepresented groups access an undergraduate education at LSE, such as care leavers, Black and Minority Ethnic ("BME") students, young people with caring responsibilities, and applicants from low socio-economic backgrounds. These are outlined in the School's Access and Participation Plan <sup>10</sup> .	Opex	Education 	
		Access to education scholarships for asylum-seekers, refugees, people with humanitarian protection or those who have been resident in the UK and have been granted Discretionary/Limited Leave to Remain in the UK. These scholarships are available for undergraduate and taught graduate study.	Opex	Engagement and Leadership 	

<sup>8</sup> [un.org/sustainabledevelopment/sustainable-development-goals/](https://un.org/sustainabledevelopment/sustainable-development-goals/)

<sup>9</sup> Eligibility will be assessed at the level of the individual PhD research thesis and objectives.

<sup>10</sup> [lse.ac.uk/study-at-lse/Undergraduate/widening-participation/About/lse-access-and-participation-plan](https://lse.ac.uk/study-at-lse/Undergraduate/widening-participation/About/lse-access-and-participation-plan)

## 2.3 Project evaluation and selection

In order to select the most suitable Eligible Projects, and ensure robust checks and balances, LSE will seek approval via a two-stage process that encompasses senior individuals from across the School. We will first seek approval from the Finance Management Board ("FMB"), which consists of the School Director, Chief Operating Officer, Chief Financial Officer and Pro-Director (Planning and Resources). The FMB meets twice per academic term (6 times per year). The FMB will ensure that Eligible Sustainable Projects are aligned with LSE's strategic sustainability targets and recognised by the environmental and social standards such as the ICMA 2021 GBP, SBP and SBG; as well as the LMA 2021 GLP and SLP. The FMB's responsibilities include:

- Ongoing review and update of the framework to reflect changes in LSE's strategy and market standards (such as relevant ICMA and LMA principles);
- Approval of the addition of Eligible Projects;
- Oversight of the Eligible Project portfolio, confirming its continued compliance with LSE's Sustainable Finance Framework and internal policies and standards, as well as all applicable environmental and social laws and regulations;
- Exclusion of projects or investments that no longer comply with the eligibility criteria or have been disposed of and replacing them on a best-efforts basis;
- Oversight of environmental and social risk management policies in respect of Eligible Projects;
- Development of mitigants to possible negative social and/or environmental impacts of Eligible Projects, where relevant; and
- Preparation of allocation and impact reports associated with the Sustainable Finance Framework.

Upon receipt of approval from the FMB, the Eligible Projects and associated information above will be reviewed by the Finance and Estates Committee ("FEC"), a sub-committee of the School's Council, composed of three Independent Council members; two additional Independent Council or External members; two Academic Council members; General Secretary of the Students' Union; School Director; and Pro-Director (Planning and Resources). FEC typically meets 4 times per year and reports to the governing body of LSE (Council). The FEC's general responsibilities can be found on our webpage at [info.lse.ac.uk/staff/divisions/Secretaries-Division/Governance/Committees-and-Working-Groups](https://info.lse.ac.uk/staff/divisions/Secretaries-Division/Governance/Committees-and-Working-Groups)

## 2.4 Management of proceeds

LSE intends to allocate an amount equal to the net proceeds from its sustainable debt instruments to eligible sustainable projects, selected in accordance with the eligibility criteria and project evaluation and selection process presented above. LSE will determine the amount through its established financial reporting systems which allow for detailed analysis of expenditure and cash receipts. The amounts will be tracked by the CFO and reported on a regular basis to the FMB.

LSE will ensure that sustainable projects financed at all times exceed net proceeds raised under our Sustainable Finance Framework until maturity of the debt instruments. Any excess in requirement for the funding of sustainable initiatives and expenditure will be met by alternative financing such as School reserves.

Eligible assets will be monitored regularly and in case of divestment or identification of any assets that no longer meet the eligibility criteria listed above, the FMB intend to reallocate the funds to other Eligible Projects.

Pending the allocation of the net proceeds to Eligible Projects, LSE is permitted to use any unallocated funds for other transactions in line with our treasury policy - which can include deposits, money market funds and other similar products. As noted above, LSE intends to allocate an amount equivalent to the net proceeds raised under this framework to Eligible Projects within 24 months of issuance.

## 2.5 Reporting

To enable investors to follow the progress and to provide insight into prioritised areas, LSE will provide Allocation and Impact reporting on an annual basis until full allocation of the proceeds, and thereafter in case of any material change to the allocation.

### 2.5.1 Allocation Reporting

Allocation reporting will include:

- The type of financing instruments used and respective outstanding amounts;
- Total amount of proceeds allocated to Eligible Projects, by category for small projects (with examples for context) or by project for larger projects
- The amount and/or percentage of new and existing projects (share of financing and refinancing) and financial line item (share of expenditure and asset value); and
- Any further information on how unallocated proceeds have been held.

This information will be provided on our webpages and will be reviewed by an independent third party (see [section 2.6.2](#)).

### 2.5.2 Impact Reporting

LSE will share the progress and positive impact delivered with the Sustainable Finance Framework in its Impact reporting. The report will include the impact metrics (KPIs), methodology and key assumptions used to calculate metrics and targets, quantitatively measure the progress made against the KPIs where feasible, and where available, case studies will be provided.

LSE intends to align, on a best effort basis, the reporting with the portfolio approach described in the ICMA Harmonised Framework for Impact Reporting<sup>11</sup>. Examples of the relevant KPIs could include the below:

Label	Eligible categories	Example KPIs
Green	Green buildings	<ul style="list-style-type: none"> <li>• EPC, LEED, BREEAM or equivalent certifications and assessments obtained</li> <li>• kWh of energy or CO<sub>2</sub> equivalent per m<sup>2</sup> Net Internal Area (NIA)</li> </ul>
Green	Energy efficiency	<ul style="list-style-type: none"> <li>• Energy savings achieved (kWh)</li> <li>• Scope 1 and 2 GHG emissions in tonnes CO<sub>2</sub>e</li> <li>• Annual GHG emissions reduced/avoided compared to previous baseline (tonnes CO<sub>2</sub>e)</li> </ul>
Green	Sustainable water and wastewater management	<ul style="list-style-type: none"> <li>• Volume of water saved/ reduced (m<sup>3</sup>)</li> </ul>
Green	Renewable energy	<ul style="list-style-type: none"> <li>• kWh of renewable electricity purchased backed by relevant certificates</li> <li>• Annual renewable energy generation in kWh</li> <li>• Annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent</li> </ul>
Green	Pollution prevention and control	<ul style="list-style-type: none"> <li>• Annual recycling rate (per cent)</li> <li>• Annual waste disposal rates</li> <li>• Annual GHG emissions in tonnes of CO<sub>2</sub> equivalent</li> </ul>
Green	Terrestrial and aquatic biodiversity conservation	<ul style="list-style-type: none"> <li>• Absolute number of biodiversity protected areas</li> </ul>
Green	Clean transportation	<ul style="list-style-type: none"> <li>• Number of bicycle spaces</li> <li>• Annual GHG emissions from business travel (air and rail) in tonnes CO<sub>2</sub>e and reductions compared to baseline</li> </ul>

<sup>11</sup> [icmagroup.org/assets/documents/Regulatory/Green-Bonds/Handbook-Harmonized-Framework-for-Impact-Reporting-December-2020-151220.pdf](https://icmagroup.org/assets/documents/Regulatory/Green-Bonds/Handbook-Harmonized-Framework-for-Impact-Reporting-December-2020-151220.pdf)



Label	Eligible categories	Example KPIs
Social	Access to essential services	<ul style="list-style-type: none"> <li>• Number of students from underrepresented groups (eg, care leavers, black and minority ethnic students, applicants from low socio-economic backgrounds) benefitting from LSE's access/outreach programmes and bursaries</li> <li>• Number and value of education scholarships awarded to asylum-seekers, refugees, people with humanitarian protection or those who have been resident in the UK and have been granted Discretionary/Limited Leave to Remain in the UK</li> </ul>
Social	Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> <li>• Number of postgraduate research students and value of funding and fee waivers</li> <li>• Number and value of PhDs scholarships that advance one of more of the UN SDGs</li> <li>• Number of staff benefitting from training and development programmes</li> </ul>

## 2.6 External Review

### 2.6.1 Second Party Opinion

This framework has been reviewed by S&P, an appointed external specialist who has issued a Second Party Opinion ("SPO") to confirm that the framework is aligned with ICMA's 2021 GBP, SBP, SBG, and LMA's 2021 GLP and SLP.

The SPO, including the full scope of its review, is available at our website.

### 2.6.2 External verification

External verification of the allocated and unallocated portions of the net proceeds will be provided by an external auditor along with any allocation reports issued whilst Sustainable Financing Instruments are outstanding. Verification will cover:

- The compliance of assets financed by the Green, Social or Sustainable Financing Instrument proceeds with eligibility criteria defined in the use of proceeds section in this Framework
- Allocated amount related to the eligible Green and/or Social projects financed by the Sustainable Financing proceeds
- The management of proceeds and unallocated proceeds amount
- The external verification will be published on LSE's website.

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