



Heathrow

SUSTAINABILITY-LINKED
BOND FRAMEWORK

JUNE 2023

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1. ABOUT HEATHROW

Heathrow Airport Holdings Limited (“we”, “Heathrow” or the “Company”) indirectly owns Heathrow Airport Limited, which owns and operates Heathrow airport, the largest airport in the UK, the busiest airport in Europe and among the top 10 airports worldwide in terms of passenger numbers. 2022 saw the removal of all UK pandemic travel restrictions and Heathrow’s unique position as the UK’s only hub airport provided demand resilience and enabled the airport to return to growth with 61.6 million passengers travelling through the airport. This was just over 75% of 2019 levels and 218% up on 2021, representing the highest passenger increase of any major airport globally in the same period (Source: Heathrow analysis based on publicly available passenger data).

Aviation is a force for good in the world. Flying underpins the global economy, delivering trade and tourism to all corners of the globe. It supports hundreds of millions of people’s livelihoods, builds understanding across cultures and connects family and friends. But those benefits cannot come at any cost. Climate change is an existential threat to our sector and to our planet and must be addressed. We cannot achieve our vision of the Heathrow of the future without making real and radical progress on taking carbon out of flying. Aviation must reach net zero carbon emissions by 2050, which may seem like a long way off, but if the substantive changes that are needed haven’t been made by 2030, the industry won’t be on track for its 2050 goal and the benefits of aviation are at stake. This is the decade to make a difference.

“Heathrow 2.0”¹ is the umbrella strategy that brings our sustainability commitments together in one place. It focuses on delivering outcomes that align with the most material colleague, community and environmental issues for the airport, by taking a leading role in decarbonising the aviation sector and ensuring the communities around the airport can be a great place to live and work. As part of this, we have set two ambitious 2030 goals: to cut carbon in the air by up to 15%, and on the ground by at least 45%, reflecting the urgency to achieve absolute emissions reductions this decade. As a result of our concrete steps towards carbon management, the Airport Carbon Accreditation (ACA)² upgraded Heathrow to Level 4+ (the highest level) in 2022. We are also pleased to be the first airport to achieve the Science Based Targets initiative (SBTi)³ validation for our near-term 2030 goals using the 1.5 degree standard, confirming they are consistent with a 1.5-degree carbon reduction trajectory⁴. At the time of writing, Heathrow is the only major airport to achieve this status.

2. HEATHROW’S SUSTAINABILITY STRATEGY & VISION

2.1. HEATHROW’S SUSTAINABILITY JOURNEY

Our sustainability journey took off around 30 years ago when we published our first environmental policy in 1992. We started to monitor air quality on a continuous basis from 1993 and our first annual sustainability report was published in 1999. In 2000, we launched our first air quality strategy and in 2001, we incorporated noise related landing charges within our aircraft charges. In the subsequent years we initiated our public effort to tackle carbon from air travel, contributing to an ACA accreditation of Level 3 in 2012. Also in 2012, the UK’s first public hydrogen filling station launched at Heathrow, a key part of London’s hydrogen refuelling network, in addition to the opening of a biomass-fuelled combined heat and power plant. In 2016, as we celebrated our 70th anniversary, we announced that “Sustainable Growth” would become one of the four business priorities, leading to the publication of our inaugural Heathrow 2.0 strategy in 2017, marking a step change in our approach to sustainable aviation.

Our refreshed Heathrow 2.0 strategy, “Connecting People and Planet”, was published in February 2022 and continues the journey we started in 2017, acknowledging that the world now looks very different from a few short years ago. Since we first published Heathrow 2.0 in 2017, the aviation industry has confronted the biggest crisis in its history, COVID-19. Priorities have changed and our refreshed strategy seeks to address this updated landscape,

¹ [Link](#) to Heathrow 2.0 Connecting People and Planet, dated February 2022

² Airport Carbon Accreditation is a global carbon management programme for airports that independently assesses and recognises airports efforts to manage and reduce their CO2 emissions

³ The Science Based Targets Initiative is a partnership between World Wildlife Fund (WWF), UN Global Compact, World Resources Institute, and the Carbon Disclosure Project, established to drive ambitious climate action in the private sector by enabling organisations to set science-based emissions reduction targets

⁴ [Link](#) to Heathrow’s press release: A year of progress recorded for Heathrow’s sustainability strategy, dated 23 March 2023

so that everyone at Heathrow, our stakeholders and our partners, can work together towards a new future. The strategy focuses on what we want to achieve over the next decade with targets that are actionable immediately and over the coming years.

2.2. HEATHROW 2.0 CONNECTING PEOPLE AND PLANET

Our sustainability plan seeks to help, inspire and enable a positive future for the aviation sector, the communities around Heathrow and the people who work at the airport. It includes ambitious goals and targets for how we will address the negative impacts of our business and go even further to deliver positive change.

Our strategy is structured around two pillars:

- **Net zero aviation** (with a dedicated strategy explained in our 2022 Net Zero plan⁵) to work towards our vision of sustainable aviation at Heathrow and across our industry. This pillar is centred on two 2030 goals⁶:
 - **up to 15% cut in carbon emissions from flying (or carbon ‘in the air’)** – *this goal is supported by a customer engagement target validated by SBTi in March 2023, stating that 67% of Heathrow’s customers by emissions (airlines), covering use of sold products and services, will set science-based targets by 2027⁷.*
 - **at least 45% cut in carbon emissions ‘on the ground’⁸** – *this goal is supported by the SBTi validation obtained in March 2023, whereby we commit to reduce our ‘on the ground’ emissions, excl. those from the supply chain, by 46.2% by 2030 from a 2019 baseline year. The reduction of supply chain emissions has been validated using a supplier engagement target, stating that 67% of Heathrow’s suppliers by emissions, covering purchased goods and services and capital goods, will set science-based targets by 2027.*
- **A great place to live and work** to improve the quality of life of our colleagues and our neighbours and to make a positive impact in our community. This pillar contains our initiatives and targets around air quality and noise reduction, biodiversity and waste recycling, promoting a sustainable supply chain as well as our continued ambitions towards becoming an inclusive employer and contributing to our thriving local communities.

These are supported by our **responsible business foundations**, which show how Heathrow addresses a range of key issues, including safety, security, and governance through its strategies and policies. The following graph shows our goals across each pillar and how they link to the United Nations (UN) Sustainable Development Goals (SDGs).



Source: Heathrow Sustainability Report 2022

⁵ [Link](#) to Heathrow’s Net Zero plan, dated February 2022

⁶ 2019 is the baseline year for the goals and the year of “peak carbon” from Heathrow going forwards

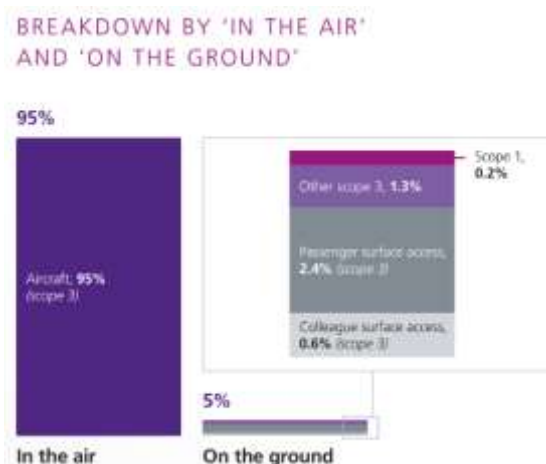
⁷ ‘In the air’ emissions include Scope 3 emissions from aircraft in the landing and take-off (‘LTO’) cycle and cruise phase for departing flights

⁸ The SBTi customer engagement target takes into consideration Scope 3 carbon emissions from aircraft in the LTO cycle

⁹ ‘On the ground’ emissions include Scope 1, 2 and 3 emissions from our buildings and infrastructure, Scopes 1 and 3 airport vehicle emissions, Scope 3 passenger and colleague surface access emissions, and Scope 3 supply chain emissions

2.2.1. NET ZERO AVIATION

In calculating Heathrow’s carbon footprint¹⁰, we monitor all emissions linked to our business, including the operation of the airport itself. This includes all our buildings and vehicles, passenger and colleague travel to and from the airport, the flights that depart from Heathrow all the way to their destination, and more. In 2022, approximately 95% of Heathrow’s carbon footprint came from aircraft (carbon ‘in the air’). The remaining 5% came from people getting to and from the airport on the ground, as well as our supply chain, airport vehicles and buildings (carbon ‘on the ground’). The percentage relating to carbon ‘on the ground’ may be smaller, but we have more influence over those emissions and a responsibility to get our own house in order. It is critical to use our influence and work with others to achieve our target in line with net zero.



Our headline goals in Heathrow 2.0 are to cut carbon ‘in the air’ and ‘on the ground’¹¹, hence addressing our entire carbon footprint. If we were to combine ‘in the air’ and ‘on the ground’, small improvements to ‘in the air’ emissions would overshadow significant reductions in ‘on the ground’ emissions given the proportional split as mentioned above. By keeping them separate, we are committed to reducing all sources of emissions independently. Our Net Zero plan sets out the actions we will take to achieve those goals. Where we do not directly control emissions, the plan establishes how we will work in partnership with and influence others, particularly our airline customers, the many other companies that operate at the airport, and our passengers.

Heathrow can pull different levers to influence emissions – sending the right financial signals (like our sustainable fuels incentive in landing charges), setting the right standards (like our airside vehicle ultra-low emissions zone (ULEZ)) and offering the right products and services (like electric vehicle charging).

Where only the Government can pull the levers that will drive change – like setting a mandate for sustainable fuel use or agreeing a global net zero goal for aviation – the plan sets out what our policy asks are. We will continue to be a vocal advocate for change.

OBJECTIVE 1: Net Zero in the air

By 2030, our goal is that carbon from flights falls by up to 15% from 2019 levels. There are four main solutions to cutting carbon in the air:

Airspace modernisation and operational efficiency	Contribute to 1% of the 2030 goal with technology delivering more efficient operations and by investing £70m modernising airspace around Heathrow. It will not deliver net zero alone but is a vital foundation. Using less fuel for flights delivers the instant benefit of lower carbon emissions and improved air quality.	Degree of Heathrow influence: 5/10	Contribution to cutting carbon by 2030: 1% (0.22Mt)	Contribution to cutting carbon by 2050: 7% (2.19Mt)
New conventional aircraft	Use less fuel, contributing up to 8% of the 2030 goal, as a result of airline fleet renewal with improved conventional aircraft and engines. This will be delivered largely through aircraft and engine manufacturers continuing to design more efficient planes and			

¹⁰ Our methodology for carbon reporting is informed by the Greenhouse Gas Protocol (GHGP) and Airport Carbon Accreditation (ACA) standards. Our annual carbon footprint undergoes external assurance and verification. Our carbon and energy disclosure is in line with the reporting requirements of the Streamlined Energy and Carbon Reporting (SECR). [Link](#) to Heathrow Airport Carbon Footprint Methodology Document, dated 2022

¹¹ To bring clarity to reporting, we have mapped our goals and targets to the GHGP scopes as part of section 3.1 of this document.. ‘In the air’ emissions are entirely part of GHGP scope 3 emissions. ‘On the ground’ emissions include remaining scope 1, 2 and 3 emissions

airlines continuing to buy them. Heathrow’s role as an important hub means the airport tends to attract a greater proportion of newer aircraft than most other airports.

Degree of Heathrow influence:	Contribution to cutting carbon by 2030:	Contribution to cutting carbon by 2050:
1/10	8% (1.6Mt)	22% (7.0Mt)

Change the fuel

Switch to sustainable aviation fuel (“SAF”) pumped into today’s planes, contributing up to 7% of the 2030 goal, accelerated by our SAF landing incentive charges. Many airlines have already committed to using at least 10% SAF by this date and our plan aims for 11%, going beyond the UK Government’s strategy to achieve 10% SAF uplift in the UK by 2030¹². Heathrow’s landing charges financially incentivise airlines to switch out kerosene for SAF. The incentive scheme was oversubscribed, with several key airline partners signing up. In 2023, we tripled our target for the incentive, and it has been oversubscribed for a second year.

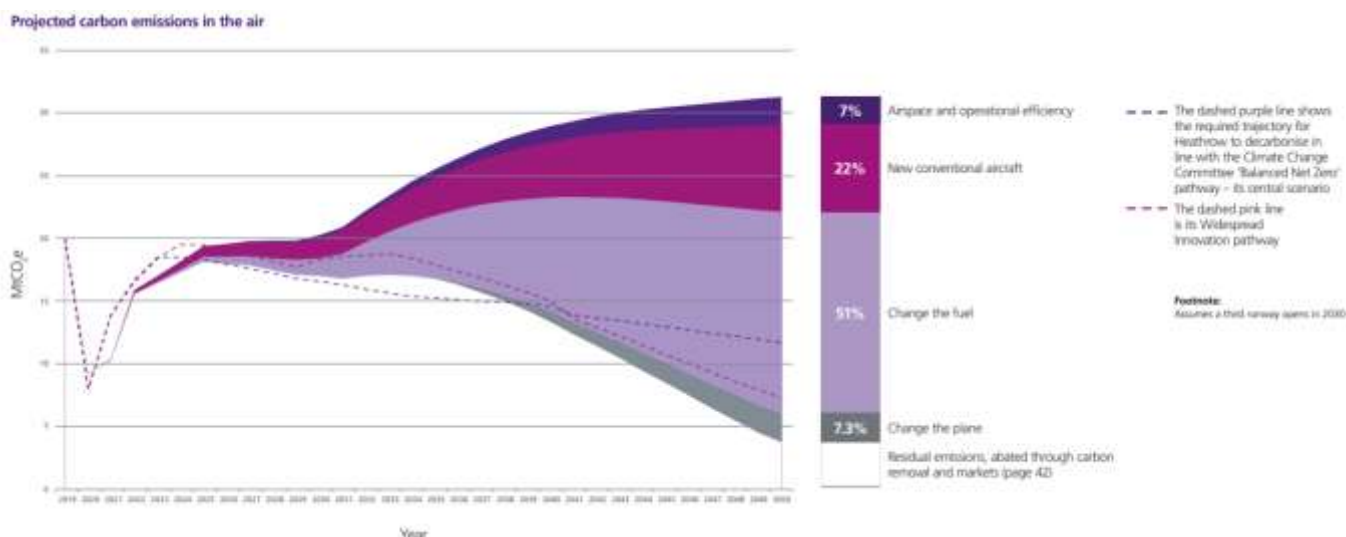
Degree of Heathrow influence:	Contribution to cutting carbon by 2030:	Contribution to cutting carbon by 2050:
3/10	7% (1.4Mt)	51% (16Mt)

Change the plane

New zero carbon aircraft entering into service will deliver further carbon reductions. We will continue R&D to prepare the airport infrastructure for zero carbon flight. New aircraft powered using hydrogen – either to power a fuel cell or be burnt directly in turbines – could play an important role in getting to net zero.

Degree of Heathrow influence:	Contribution to cutting carbon by 2030:	Contribution to cutting carbon by 2050:
4/10	----	7.3% (2.3Mt)

By 2050, our goal is that carbon from aircraft falls by over 80%, even with a new runway. This would leave less than 20% of carbon emissions to be removed from the atmosphere to reach net zero. These figures are based on a set of detailed assumptions regarding ongoing fleet efficiency improvements, roll-out of zero carbon aircraft from 2035 and most significantly, the scale-up of SAF to replace 90% of the remaining kerosene by 2050.



Source: Heathrow’s Net Zero Plan, dated February 2022

¹² [Link](#) to the UK Department for Transport’s Jet Zero Strategy, published in July 2022

OBJECTIVE 2: Net Zero on the ground

On the ground, we will cut carbon by at least 45% by 2030 compared to 2019. Our key activities to meet this goal revolve around:

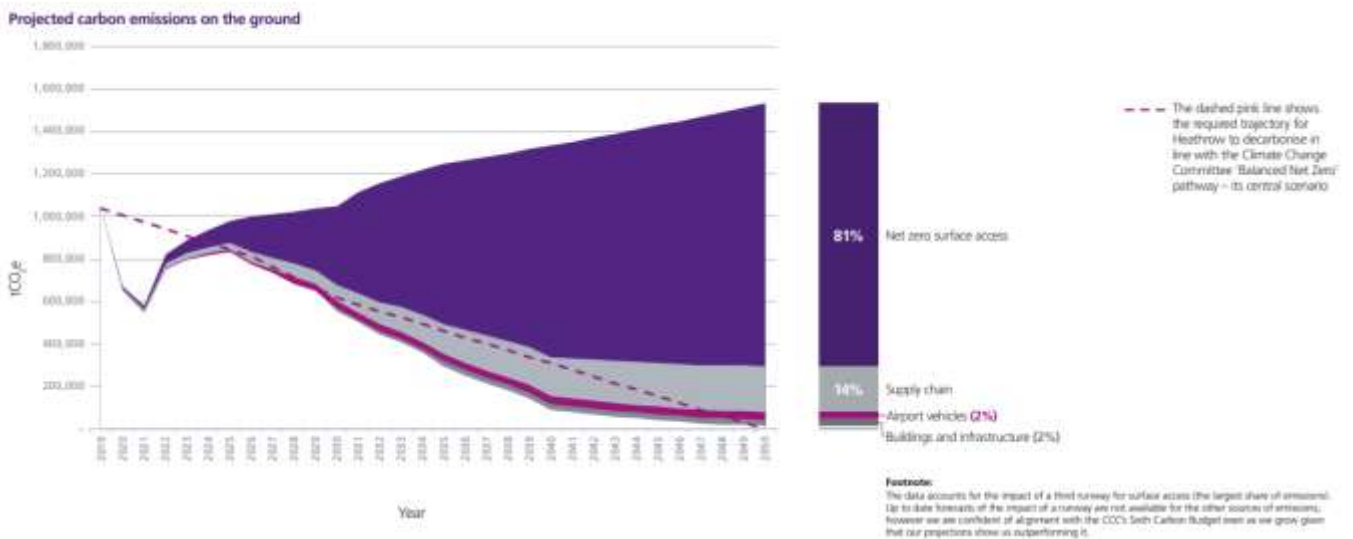
<p>Net Zero Surface access</p>	<p>Changes to surface access for passengers and colleagues, cutting carbon by 49% by 2030, through the switch to electrical vehicles and new public transport links. We have invested in rail connections like Heathrow Express and the Elizabeth Line, supported long-distance coach links, and subsidised public transport for colleagues. In August 2022, in our Surface Access Strategy we set out concrete targets and steps to make traveling to and from Heathrow more sustainable. As such, we have continued to roll out the Sustainable Travel Zone¹³, launched early 2022. Highlights included the introduction of free travel between Hatton Cross and Heathrow terminals on the Piccadilly line and improved timetables on several bus and coach routes to the north, west and south of the airport. Where people travel by car, we promote efficient journeys and provide the right infrastructure and services to support zero emission vehicles.</p>			
	<table border="0"> <tr> <td data-bbox="443 768 686 869"> <p>Degree of Heathrow influence: 6/10</p> </td> <td data-bbox="751 779 1053 853"> <p>49% cut in surface access emissions by 2030</p> </td> <td data-bbox="1086 768 1399 869"> <p>Complete decarbonization of surface access emissions by 2050</p> </td> </tr> </table>	<p>Degree of Heathrow influence: 6/10</p>	<p>49% cut in surface access emissions by 2030</p>	<p>Complete decarbonization of surface access emissions by 2050</p>
<p>Degree of Heathrow influence: 6/10</p>	<p>49% cut in surface access emissions by 2030</p>	<p>Complete decarbonization of surface access emissions by 2050</p>		
<p>Supply chain</p>	<p>Leveraging our procurement role to deliver a net zero supply chain, cutting carbon by 35% by working with suppliers to set and deliver their net zero targets. Construction is the biggest source of carbon in our supply chain – representing 70% of emissions on the ground in 2019. We will focus on developing alternatives to high-carbon materials like concrete. Our suppliers are actively engaged in cutting carbon, with 70% of our strategic suppliers already having set their own net zero targets. Through our Balanced Scorecard approach, we will proactively seek to collaborate with suppliers sharing new ideas, experience and solutions.</p>			
	<table border="0"> <tr> <td data-bbox="443 1193 686 1294"> <p>Degree of Heathrow influence: 7/10</p> </td> <td data-bbox="751 1205 1053 1279"> <p>35% cut in emissions from supply chain by 2030</p> </td> <td data-bbox="1086 1205 1399 1279"> <p>96% cut in emissions from supply chain by 2050</p> </td> </tr> </table>	<p>Degree of Heathrow influence: 7/10</p>	<p>35% cut in emissions from supply chain by 2030</p>	<p>96% cut in emissions from supply chain by 2050</p>
<p>Degree of Heathrow influence: 7/10</p>	<p>35% cut in emissions from supply chain by 2030</p>	<p>96% cut in emissions from supply chain by 2050</p>		
<p>Airport vehicles</p>	<p>Shifting airport vehicles to zero emissions, cutting carbon by 87%. Up to 8000 vehicles have licences to operate airside at Heathrow. Around 300 of these are owned by Heathrow. The rest are operated by airlines, ground-handlers and other companies. We have already announced plans for an ultra-low emissions zone for airside vehicles from 2025. Our goal by 2030 is for all vehicles airside to be zero emissions. Some of the more specialist vehicles may not have alternatives available by then. For these, we will promote biodiesel as an interim measure.</p>			
	<table border="0"> <tr> <td data-bbox="443 1581 686 1682"> <p>Degree of Heathrow influence: 8/10</p> </td> <td data-bbox="751 1592 1053 1666"> <p>87% cut in emissions from airport vehicles by 2030</p> </td> <td data-bbox="1225 1621 1257 1644"> <p>---</p> </td> </tr> </table>	<p>Degree of Heathrow influence: 8/10</p>	<p>87% cut in emissions from airport vehicles by 2030</p>	<p>---</p>
<p>Degree of Heathrow influence: 8/10</p>	<p>87% cut in emissions from airport vehicles by 2030</p>	<p>---</p>		
<p>Buildings and infrastructure</p>	<p>Energy efficiency and technology, cutting carbon by 39% by 2030 from our buildings and infrastructure, including through starting to switch off gas. The biggest source of carbon that we directly control is the gas we burn to heat Heathrow's buildings. In 2022 we began work on developing a new zero carbon heating network which will allow us to reduce carbon from heating our buildings in phases, and ultimately deliver zero carbon heat by the mid-2030s.</p>			

¹³ The Sustainable Travel Zone is a network of subsidised travel routes to and from the airport to make it more attractive for colleagues and passengers to take public transport, reducing congestion on local roads and improving local air quality

Degree of Heathrow influence: **10/10**

39% cut in emissions from buildings and infrastructure by 2030

Net zero by the mid-2030s



Source: Heathrow's Net Zero Plan, dated February 2022

2.2.2. A GREAT PLACE TO LIVE AND WORK

Heathrow's proximity to London is an advantage for our passengers, but it also means that the airport is located close to many homes and local communities. We recognise that our airport impacts those communities, and we want to make sure it is as positive as possible. Heathrow must be a great place to live near, work in and travel through. The great place to live and work pillar of Heathrow 2.0 prioritises action to improve the quality of life of our colleagues and our neighbours through listening to the issues that our communities tell us matter most – noise, air quality, the local environment, opportunities for business and investing in our communities.

OBJECTIVE 3: Clean air at and around the airport

Goal: Reduce NOx airside by 18% compared to 2019

Although the actions in our Net Zero Plan will deliver air quality benefits alongside carbon reduction, we have also set out specific goals and targets to improve air quality with measures focused on reducing emissions from road transport and from airside vehicles. Our overarching goal focuses on reducing emissions of nitrous oxides (NOx) from all airside sources and we have set targets for Heathrow's operational vehicles as this is where we can make the most meaningful difference. We also remain focused on sustainable surface access, reducing carbon emissions, assisting in the improvement of local air quality and reducing congestion in the communities around the airport.

OBJECTIVE 4: Quieter nights, quieter flights

Goal: Limit and where possible reduce the number of people highly sleep disturbed and highly annoyed compared to 2019

We understand that noise can impact people's quality of life in different ways. When we experience noise, everything from its volume, our attitude towards it, to whether we can control it, determines how it affects us. Our goal focuses on tackling the negative impact that noise can have on sleep disturbance and annoyance. We want to limit the number of people whose health is affected in this way and ensure that all our targets lead to improvements for our local communities.

OBJECTIVE 5: Nature positive airport

Goal: Work with partners to support a nature network around Heathrow

Protecting nature is a key tool in slowing the rate of climate change and helping wildlife, people, and communities to adapt to it. Heathrow is helping to reduce harm and is working towards restoring nature. At Heathrow we currently manage around 170 hectares across 13 sites for nature conservation purposes – roughly 10% of the entire airport footprint. We will continue to preserve these green spaces for future generations to enjoy, supporting flora and fauna to thrive around the airport. We have also funded several projects to regenerate natural ecosystems in the UK, including peatlands and woodlands in areas of Scotland, Wales, and England. The primary purpose of these projects is to cut and capture carbon emissions and store them in ecosystems, but we have chosen these for the wider benefits they also deliver – particularly their role in nature’s recovery.

OBJECTIVE 6: Zero waste airport

Goal: Maximise reuse, recycling and recovery of materials used at Heathrow

Heathrow’s size and scale creates unique challenges for resource efficiency. The airport is akin to a small city, so when looking to reduce waste or water, it is imperative that we work with our partners and take a whole system approach. Our aim is to become a resource efficient, zero waste airport, shifting our focus from managing waste to managing materials so we can implement a circular approach to our use of resources.

OBJECTIVE 7: Thriving sustainable supply chain

Goal: Maximise suppliers achieving gold standard against our Balanced Scorecard¹⁴

With thousands of companies operating from or supplying goods and services to Heathrow, our influence stretches far beyond our boundary. We want to use that influence to encourage others to adopt ethical, low carbon and sustainable practices. Heathrow’s new Balanced Scorecard will enable clear communication of priorities to strategic partners, and a collaborative approach to working together to deliver our desired outcomes.

OBJECTIVE 8: Better quality of life in Heathrow’s neighbouring communities

Goal: Give back to 1 million people in our local communities

For Heathrow, being a responsible neighbour is a priority. It is important that we share the benefits of the airport with the communities, families, and organisations that live and operate locally. However, we recognise that there are also adverse impacts from living near to an airport, and we strive to build relationships with an engaged local community, so we are able to listen to what matters most and use this to guide our approach to managing and improving these issues. We aim to have a positive impact on the communities around Heathrow, collaborating with local people and partners on projects that make their areas even better places to live. We have set ourselves an ambitious goal for more than one million local residents to benefit from our community investment programmes by 2030.

OBJECTIVE 9: Inclusive employer of choice for local diverse talent

Goal: Reflect the diversity of our local community at all levels

Goal: 10,000 external jobs, apprenticeships, and early career opportunities

We want Heathrow to become a truly great place to work where anyone can fulfil their potential. Equality, diversity, and inclusion (ED&I) remain a fundamental part of our business strategy, so we are redoubling our efforts and putting in place a roadmap to help us achieve our goal by an extended timeframe of 2030. We have also set milestone targets for our next five-year regulatory period, H7, which runs from 2022-2026, to help ensure that we are making the progress we need to.

¹⁴ Heathrow’s Balanced Scorecard will record our suppliers’ progress on sustainability and engage them in contributing to our key goals. ‘Gold’ is the highest level they can achieve

2.3. STRONG MANAGEMENT AND LEADERSHIP TO SUPPORT OUR SUSTAINABILITY AMBITIONS

Sustainability is embedded in our culture and through our governance structures. Key aspects include:

- **Heathrow Airport Holdings Limited Board of Directors:** Our Board has a dedicated subcommittee which discusses sustainability issues quarterly: the Sustainability and Operational Risk Committee (SORC).
- **Executive team:** Our Chief Executive Officer and the Executive leadership team provide strategic direction for the delivery of Heathrow 2.0 through their functions.
- **Carbon and Sustainability Delivery Committee (CSDC):** This group of senior departmental leaders had a dual remit in 2022:
 - Ensuring that Heathrow 2.0 is embedded and implemented across the business, and shapes departmental sustainability plans.
 - Carbon Programme¹⁵ sponsorship, reporting and performance review.

In 2023 these became two separate committees: the Heathrow 2.0 Leadership Committee and the Carbon Programme Committee.

In addition, **several Heathrow's senior leaders** – including the Company's Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Chief of Staff and Carbon, the Director of Carbon Strategy and the Director of Communities and Sustainability - **are Chair, or Members of, external and recognised groups and coalitions that focus on sustainability**, further highlighting their active commitments¹⁶.

2.4. HEATHROW, A LEADER IN SUSTAINABILITY

Globally, the International Civil Aviation Organisation (ICAO) reached in October 2022 a landmark agreement for net zero aviation by 2050. Through its advocacy, Heathrow contributed to building support for the agreement, including at the Commonwealth Heads of Government Meeting in Rwanda attended by our CEO John Holland-Kaye in his capacity as Chair of the Sustainable Markets Initiative (SMI) Aviation Task Force. Heathrow is taking an active role in pursuing the actions that will be needed to achieve this. These include scaling up production of SAF as quickly as possible.

In the UK, the Government has announced plans for a mandate of 10% SAF use by 2030, and offered £165m investment in SAF plants. To further signal demand for SAF, through the SMI, Heathrow is calling on global companies to take a lead in committing to buying SAF whenever their employees travel, with a target of 30% SAF usage by 2030.

Over the next five years we will invest at least £200m of capital in everything from modernising airspace to building cycle lanes in the tunnels to Terminals 2 and 3. In 2022 we invested in net zero transport solutions in and around Heathrow, such as electric buses for colleague parking and trialling a plug-in electric air-conditioning system for planes parked on stands. In addition, we launched a new Sustainable Travel Zone with the aim of enabling Heathrow colleagues and local communities to get to Heathrow in a more sustainable and affordable way, whether that's by public transport, car sharing, cycling or walking. It is a part of our wider Heathrow 2.0 Strategy and goal to make Heathrow a great place to live and work. Colleagues will receive updates on new bus services, discount offers and cycle schemes through internal communication channels. As well as implementing a credible plan to decarbonise, Heathrow's ability to operate and to grow depends on our progress in minimising the negative impact of the airport on local communities and maximise the benefits.

In 2022 it was confirmed that Heathrow has successfully retained the Wildlife Trust's Biodiversity Benchmark Award for the 14th year running, recognising our continued commitment to biodiversity and nature. We also celebrated passing a milestone as 4,000 species have now been identified on Heathrow's biodiversity sites.






¹⁵ The Carbon Programme is a one of the six capital programmes at Heathrow. This programme underpins the investment necessary to delivery on our net zero plan

¹⁶ More details included on page 59 of Heathrow's Sustainability Report 2022 ([link](#))

In 2022, the Heathrow Employment and Skills Academy supported over 2,500 employment opportunities, representing a significant step towards our longer-term goal of 10,000 external jobs, apprenticeships, and early career opportunities by 2030. 2,731 workday experiences were also delivered during the year through the Virtual Work Experience programme, T-Level placements, and Essential Skills Masterclasses for young people with additional learning needs. An additional 300 workday experiences were delivered to primary school children as part of the Heathrow Young Explorers activity. This supports the target within Heathrow 2.0 of 15,000 experience of work days by 2030.

Finally, in January 2023, we published Heathrow’s new Giving Back Programme¹⁷, aligned with objective 8 of our Heathrow 2.0 strategy, that aims to collectively benefit at least one million local residents by 2030, focusing on employability, nature and the local environment. We will achieve this through activities such as our Heathrow Community Rangers¹⁸, our local primary school partnerships, community volunteering, and supporting local charities and community groups through the Heathrow Community Trust¹⁹. The Giving Back Programme builds on our history of community investment over many years.

2.5. CERTIFICATIONS & AWARDS

 <p><i>Carbon targets certified by SBTi as aligned with a 1.5°C pathway</i></p>	 <p>Airport Carbon Accreditation <i>4+ (highest level)</i></p>	 <p><i>Finalist for The Net Zero Strategy of the Year at the 2022 BusinessGreen Leaders Awards</i></p>
 <p><i>Awarded the Wildlife Trust's Biodiversity Benchmark Award for the 14th year running</i></p>	 <p><i>Diversity Leader status</i></p>	

3. SUSTAINABILITY-LINKED BOND FRAMEWORK

Rationale for setting up a Sustainability-Linked Bond Framework

Heathrow proposes to take a further step in its commitment to sustainability by incorporating sustainability in its funding strategy. To do this, we set out the Sustainability-Linked Bond Framework (the “Framework”) presented in the next sections.

We selected Key Performance Indicators (“KPIs”) that are relevant, core and material to our business, and we have set ambitious Sustainability Performance Targets (“SPTs”) that support our overall strategy and will help us meet our sustainability objectives over the next years.

¹⁷ [Link](#) to Heathrow’s Giving Back Programme

¹⁸ The Heathrow Community Rangers are a team of 4 colleagues who work full time in and around the local communities to Heathrow, undertaking landscaping, gardening, painting and litter picking activities, to help improve the local area, support local community groups and help councils when they are stretched

¹⁹ Heathrow Community Trust is an independently run grant-making charity that funds projects that improve quality of life for communities near the airport

This Framework allows the issuance of sustainability-linked financing note instruments, which may include public bonds, private placements “PPs”, US private placements “USPPs” and any other sustainability-linked bond instruments.

Alignment with the ICMA Sustainability-Linked Bond Principles

The Framework is aligned with the five core components of the International Capital Market Association (“ICMA”) Sustainability-Linked Bond Principles (“SLBPs”)²⁰:

- I. Selection of Key Performance Indicators,
- II. Calibration of Sustainability Performance Targets,
- III. Bond Characteristics,
- IV. Reporting, and
- V. Verification.

Integration of the ICMA Climate Transition Finance Handbook

Heathrow will use its best efforts to follow the disclosure guidelines found in the Climate Transition Finance Handbook, 2023 version²¹, as published by ICMA (the “Handbook”). The Handbook clarifies the issuer-level disclosures recommended by ICMA to credibly position the issuance of sustainability-linked instruments to finance climate transition, particularly of ‘hard-to-abate’ sectors.

As such, Heathrow will be transparent with regards to:

- climate transition strategy and governance,
- business model environmental materiality,
- climate transition strategy and targets to be ‘science-based’, and
- Implementation transparency.

Relevant disclosures are included in this Framework as well as in Heathrow’s Net Zero Plan and Sustainability Report for 2022. Transparency following implementation will be maintained through regular disclosures as part of Heathrow’s annual reports, sustainability reports, investor presentations, and/or other publicly accessible documents.

3.1. SELECTION OF THE KEY PERFORMANCE INDICATORS



Heathrow has selected the following two KPIs, which are core, relevant and material to its business:

- KPI #1: Reduction of ‘in the air’ carbon emissions
- KPI #2: Reduction of ‘on the ground’ carbon emissions

KPI #1 Reduction of ‘in the air’ carbon emissions	
Definition	Absolute ‘in the air’ carbon emissions (Scope 3) expressed in tonnes of CO2 equivalent.
	This indicator covers absolute Scope 3 emissions coming from aircraft (GHGP category 11 - use of sold products) and includes:
	<ul style="list-style-type: none"> • Landing & take-off cycle (3,000ft) • Cruise (departing flights)

²⁰ [Link](#) to the ICMA SLB Principles

²¹ [Link](#) to the ICMA Climate Transition Finance Handbook

Materiality and relevance of the KPI to Heathrow's sustainability strategy	<p>Climate change is an existential threat to our sector and to our planet and we must address it. We must take the carbon out of flying, achieve net zero carbon emissions by 2050 and protect the benefits of aviation for the future. That may seem like a long time, but if the substantive changes that are needed haven't been made by 2030, the industry won't be on track for its 2050 goal.</p> <p>Scope 3 emissions account for more than 99% of Heathrow's carbon footprint. 'In the air' emissions are entirely part of GHGP scope 3 emissions and represent alone approximately 95% of Heathrow's total emissions. Even though such emissions are not in our direct control, we are committed to being part of the solution and as such, the proposed KPI #1 and the reduction target fall in that scope.</p>
Relevant methodology & benchmark reference	<p>Our methodology for carbon reporting is informed by the Greenhouse Gas Protocol (GHGP) and Airport Carbon Accreditation (ACA) standards. Our carbon energy disclosure is in line with the reporting requirements of the Streamlined Energy and Carbon Reporting (SECR).</p> <p>Heathrow was the first airport among its peers to commit to a carbon reduction target that includes aircraft emissions (including both LTO cycle and cruise for departing flights), with an intermediary milestone in 2030. We remain one of the most advanced airports in this field (only one other airport among its peers has committed to a carbon reduction target that includes aircraft emissions).</p> <p>This commitment is supported by an SBTi customer engagement target for LTO emissions, whereby 67% of our customers by emissions will have science-based targets by 2027.</p>
Relevant UN SDGs	 
KPI #2 Reduction of 'on the ground' carbon emissions	
Definition	<p>Absolute 'on the ground' carbon emissions (Scope 1, 2 and 3) expressed in tonnes of CO2 equivalent.</p> <p>This indicator covers absolute carbon emissions coming from:</p> <ul style="list-style-type: none"> • Surface access (passengers and colleagues): Scope 3 (GHGP categories 9 - Downstream transportation and distribution and 7 – employee commuting) • Supply chain: Scope 3 (GHGP category 2 – capital goods) • Airport vehicles: Scope 1 & 3 (GHGP category 4 – Upstream Transportation and Distribution) • Buildings and infrastructure: Scope 1, 2 and 3 (GHGP category 13 - Downstream leased assets)
Materiality and relevance of the KPI to Heathrow's sustainability strategy	<p>Emissions 'on the ground' account for approximately 5% of our total emissions and are part of GHGP scope 1, 2 and 3 emissions. Even though not all of these emissions are in our direct control, we are committed to being part of the solution and as such, the proposed KPI #2 and the reduction target fall in that scope.</p>

Relevant methodology & benchmark reference

Our methodology for carbon reporting is informed by the Greenhouse Gas Protocol (GHGP) and Airport Carbon Accreditation (ACA) standards. Our carbon energy disclosure is in line with the reporting requirements of the Streamlined Energy and Carbon Reporting (SECR).

Our 'on the ground' target covers both direct emissions (scope 1 and 2) and indirect emissions (scope 3) such as surface access and supply chain. This positions Heathrow among the most ambitious European airports committed to reducing all absolute 'on the ground' emissions.

In March 2023 we secured validation from the Science Based Targets initiative (SBTi) that our 2030 carbon reduction targets are in line with a 1.5 degree pathway. We commit to reduce absolute scope 1, 2 and scope 3 GHG emissions from upstream transportation and distribution, waste generated in operations, business travel, employee commuting, and downstream leased assets 46.2% by 2030 from a 2019 base year. In addition, we commit to a supplier engagement target, whereby 67% of our suppliers by emissions will have science-based targets by 2027.

Relevant UN SDGs



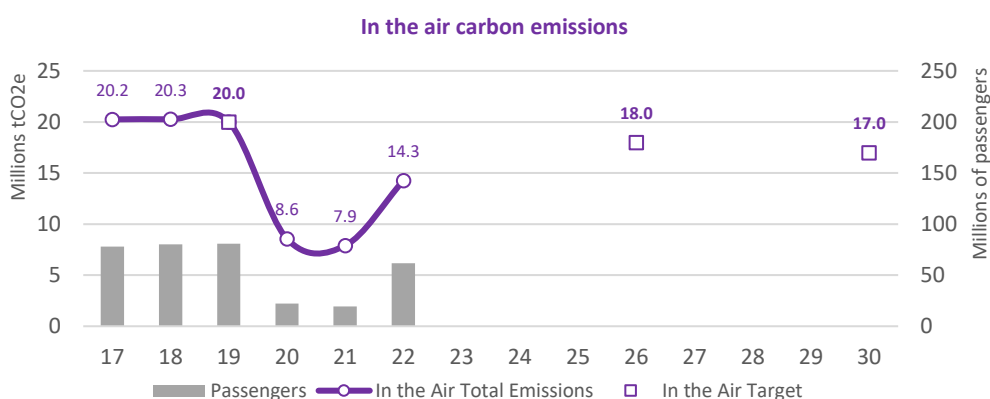
3.2. CALIBRATION OF THE SUSTAINABILITY PERFORMANCE TARGETS

SPTs for KPI #1 Reduction of 'in the air' carbon emissions

- SPTs
- SPT 1.1: A 10% cut in carbon emissions 'in the air' by 31/12/2026, compared to a 2019 baseline
 - SPT 1.2: A 15% cut in carbon emissions 'in the air' by 31/12/2030, compared to a 2019 baseline

Baseline 19,993,153 tCO₂e in 2019

Track record



Factors that support achieving the target

- Heathrow has mobilised an at least £200 million 'Carbon Programme' to deliver on our net zero plan
- Airspace modernisation and operational efficiency: use less fossil fuel by operating more efficiently and by modernising airspace contributing up to 1% of the 2030 goal

-
- New conventional aircraft: use less fuel by improving conventional aircraft and engines contributing up to 8% of the 2030 goal
 - Change the fuel: SAF used by today's planes contributing up to 7% of the 2030 goal. Promoting uptake of SAF by our airline customers through our SAF incentive scheme and calling on government to put policy in place to make SAF available and affordable in the UK
 - Change the plane: to new zero emissions planes, likely hydrogen-fuelled, which would contribute to cutting carbon from the 2030s onwards. Continued research and development, working with key aviation stakeholders from engine manufactures and airlines, planning to enable zero emissions flight through incorporating hydrogen infrastructure requirements into master planning. Leading the 2021 project NAPKIN²² (New Aviation Propulsion Knowledge and Innovation Network)
-

Risks to the achievement of the target

Scope 3 emissions are not in our direct control and as such, achieving the target relies on the commitment of and delivery by several stakeholders.

Key risks that may impact the achievement of the target are:

- Delayed or unambitious UK SAF policy: SAF policy which fails to incorporate effective incentives and support mechanisms to encourage sufficient production, widespread distribution and widespread adoption of SAF by airlines, has the potential to result in the prolonged use of conventional jet fuel. Consequently, this may hinder the timely and necessary decarbonisation of emissions in the aviation industry, impeding progress towards achieving this target
 - Financial constraints: funding constraints on vital decarbonisation capital projects such as airspace modernisation, pose significant challenges to decarbonisation progress. The sufficiency of funding for capital projects hinges upon the regulatory approval process overseen by the Economic Regulator, the Civil Aviation Authority (CAA) and agreement with airlines on capital prioritisation
 - Stakeholder engagement: challenges arising from limited stakeholder engagement for instance due to inadequate coordination and communication can hinder the successful implementation of joint initiatives. The adoption of SAF requires collaborative efforts from all stakeholders involved. Insufficient coordination and communication among these stakeholders may present barriers to the effective integration and utilisation of SAF
 - Macroeconomic volatility: fluctuations in energy prices and economic downturns, can have an adverse effect on the feasibility of planned sustainable investments, thus disrupting the attainment of this target. The Government, through its economic and energy policies, holds the potential to mitigate the impact of such conditions. For instance, incentivising large-scale production and distribution of SAF to reduce costs can enhance its adoption and help mitigate the challenges posed by volatile economic conditions
 - Complexity of delivering interdependent net zero solutions and behaviours in a capacity constrained airport with legacy infrastructure
 - Data quality and availability: lack of robust, automated data could lead to sub-optimal decision-making and less ability to course correct. Carbon reduction outcomes cannot be accurately quantified without robust data
-

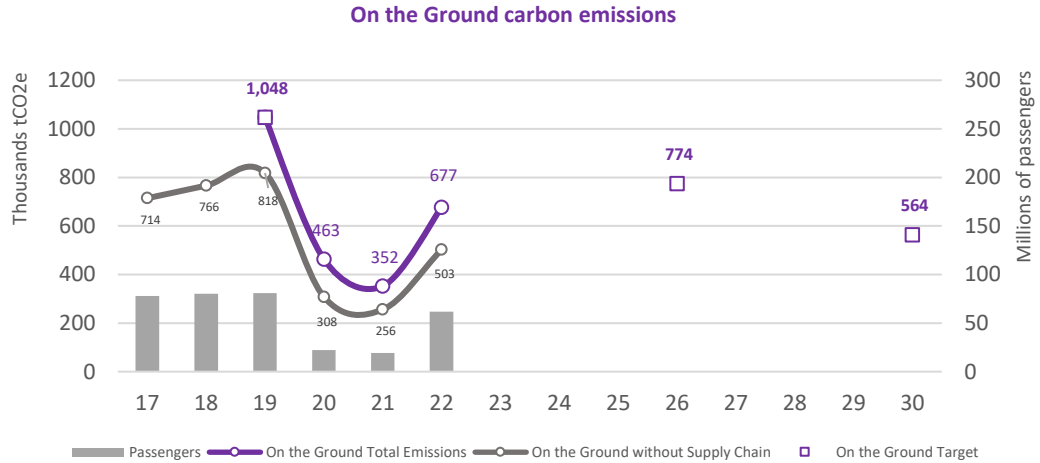
²² Project NAPKIN is a Heathrow-led collaborative project funded by Innovate UK's Future Flight programme to research what is needed to introduce zero carbon aircraft and the conditions necessary to enable them ([link](#))

SPTs for KPI #2 Reduction of 'on the ground' carbon emissions

- SPTs
- SPT 2.1: A 26% cut in carbon emissions 'on the ground' by 31/12/2026, compared to a 2019 baseline
 - SPT 2.2: A 46.2% cut in carbon emissions 'on the ground' by 31/12/2030, compared to a 2019 baseline

Baseline 1,047,588 tCO₂e in 2019

Track record



Factors that support achieving the target

- Net zero surface access: enable net zero surface access for passengers and colleagues cutting carbon by 49% by 2030
- Supply chain: leverage our procurement role to deliver a net zero supply chain, cutting carbon by 35% by 2030
- Airport vehicles: shift airport vehicles to zero carbon vehicles, cutting carbon by 87% by 2030
- Building and infrastructure: get our buildings and infrastructure to zero carbon, cutting carbon by 39% by 2030

Risks to the achievement of the target

- Changes in Government policy that diverge from the net zero plan might come with new requirements that can disrupt the achievement of this target
- Financial constraints: sufficient financial resources are essential for investing in infrastructure aimed at decarbonising ground airport emissions. The sufficiency of funding for capital projects hinges upon the regulatory approval process overseen by the Economic Regulator, the Civil Aviation Authority (CAA) and agreement with airlines on capital prioritisation
- Surface Access: insufficient national progress in transitioning to zero-emission vehicles due to affordability, supportive policy, charging infrastructure and associated grid capacity, vehicle availability and other factors outside Heathrow's control
- Supply chain challenges: for instance, insufficient decarbonisation progress among sectors that contribute most to Heathrow's supply chain emissions (construction and maintenance, logistics and information technology)
- Complexity of delivering interdependent net zero solutions and behaviours in a capacity constrained airport with legacy infrastructure
- Data quality and availability: lack of robust, automated data could lead to sub-optimal decision-making and ability to course correct. Carbon reduction outcomes cannot be accurately quantified without robust data

3.3. SUSTAINABILITY-LINKED BOND CHARACTERISTICS

Unless otherwise stated in any Sustainability-Linked Bond, the net proceeds of any Sustainability-Linked Bond issued under this Framework, where applicable, will be applied by the Group for general corporate purposes.

The relevant KPI(s), corresponding SPT(s) and financial characteristics of any Sustainability-Linked Bond issued under this Framework will be specified in the documentation of the specific transaction, such as the final terms of the relevant instrument. An instrument may specify one or more KPIs and one or more SPTs.

Each Sustainability-Linked Bond will include a sustainability-linked mechanism which sets out the financial implications of the achievement or non-achievement of the SPT(s) at the relevant target observation date(s), as specified in the documentation of the relevant instrument.

These financial implications may include, but are not limited to, a coupon adjustment such as a step-up, or a premium payment at maturity, depending on the nature of the instrument as specified in the documentation of the relevant instrument. In each case these implications will be commensurate, meaningful and aligned with market practice.

Such financial implications will occur if:

- Performance in respect of one or more of the selected KPI(s) failed to satisfy the applicable SPT(s) by the relevant target observation date (and note the issuer will be required to notify the investors of the achievement or non-achievement of the applicable SPT(s) within 180 days after the last day of the relevant financial year),
- The verification (as per the External Verification section of this Framework) of the SPT(s) has not been published within 180 days after the last day of the relevant financial year, or
- Any one or more of the KPIs cannot be calculated, observed or reported as required by the terms of the relevant instrument.

If Heathrow has achieved its SPT(s), as identified in the documentation of the relevant instrument, and reporting and verification for the SPT have been provided and made public in accordance with the reporting and verification sections of this Framework and the terms of the relevant documentation of the instrument, the financial characteristics of the Sustainability-Linked Bond will remain unchanged.

3.4. REPORTING

Heathrow intends to disclose the performance of the selected KPIs in its Sustainability Report and/or its Annual Report and Accounts and/or a standalone document (such as a “Heathrow 2.0 Progress Update”).

The company will report on such performance annually and, in any case, for any target observation date and period relevant for assessing the SPT performance leading to a potential financial implication on an instrument issued under this Framework.

The reporting may include:

- Up-to-date information on the performance of the KPIs, including the baseline where relevant,
- A verification assurance report relative to the SPTs outlining the performance against the SPT and the related impact, and timing of such impact, on a financial sustainability-linked instrument(s), and
- Any relevant information enabling investors to monitor the progress of the SPT(s).

When feasible and possible, information may also include:

- A qualitative or quantitative explanation of the contribution of the main factors, behind the evolution of the performance against the KPI,
- Illustration of the positive sustainability impacts of any performance improvement,
- If relevant, any re-assessments of KPI(s) and/or restatements of SPT(s) and/or pro forma adjustments of baseline(s) or KPI(s) scope.

Such reporting will be available on Heathrow’s corporate website.

3.5. EXTERNAL VERIFICATION

Pre-issuance external verification

Heathrow has appointed DNV Business Assurance Services UK Limited (“DNV”) to provide a Second Party Opinion (“SPO”) on this Framework to confirm its alignment with the ICMA SLBPs. The SPO will be made publicly available on Heathrow’s corporate website.

Post-issuance external verification

Post-issuance and on an annual basis at least for the duration of the SPTs, Heathrow will report performance of the KPIs against the SPTs and will engage an external verifier (an auditor or another qualified provider of third-party assurance or attestation services) to provide at least a limited assurance regarding such information.

4. AMENDMENTS TO THE FRAMEWORK

Heathrow will review this Framework, including its alignment to updated ICMA SLBPs, from time to time with the aim of adhering to best practice in the market.

Heathrow will also review the Framework if there is a material change in:

- Heathrow’s business,
- the methodology for calculating any KPI or SPT or the calibration of any KPI or SPT, and
- the regulatory framework applicable to Heathrow.

Any such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of a qualified provider of an SPO. Any future updated version of this Framework will either maintain or improve the current levels of transparency and reporting disclosures as set out in this Framework, including the corresponding review by an External Verifier. Any updated framework will be published on Heathrow’s corporate website and will replace this Framework.

Recalculation policy

Any SPT and/or baseline may be recalculated and/or any KPI be redefined in good faith by Heathrow and applied to outstanding sustainability-linked instruments to reflect:

- material changes in the calculation methodology of a KPI and/or baseline, for example following a change in data or in GHG accounting methodology,
- discovery of data errors,
- amendments to applicable laws, regulations, rules, officially published standards and/or industry guidelines and policies relevant to the determination of an SPT and/or KPI,
- changes to the structure of the Group as a result of any acquisition, merger, disposal, or any other organisational structural changes.

Such recalculation may be performed and applied to outstanding sustainability-linked instruments on the condition that an External Reviewer has confirmed that as a result of any such recalculation, the amended SPT(s) and/or KPI(s) are (i) at least in line with or more ambitious than the relevant SPT(s) and KPI(s) as set out in this Framework, and (ii) remain consistent with Heathrow’s sustainability strategy. Any adjustment to any baseline, SPT and/or KPI will be reported by the Company in its Sustainability Report and/or its Annual Report and Accounts and/or a standalone document (such as a “Heathrow 2.0 Progress Update” or an independent report or document), in each case, which will be available to investors on Heathrow’s corporate website.

5. DISCLAIMER

The information and opinions contained in this document (the "Framework") are provided as of the date of the Framework and are subject to change without notice. The Framework contains certain forward-looking statements and targets regarding Heathrow's sustainability performance, objectives and ambitions. These statements and targets reflect Heathrow's current views, plans and expectations, based on the information available at the time of publication, and are subject to various risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed or implied. Heathrow does not undertake any obligation to update, modify or amend the Framework or the statements contained herein to reflect actual changes in assumptions or changes in factors affecting these statements or to otherwise notify any addressee if any information, opinion, projection, expectations, forecast or estimate set forth herein changes or subsequently becomes inaccurate or impracticable.

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The achievement of the SPTs and the related impact on the sustainability-linked instruments are subject to various factors, risks, and uncertainties, some of which are beyond Heathrow's control, such as changes in market conditions, regulatory frameworks, environmental and social trends, technological developments, or unforeseen events. Therefore, Heathrow does not guarantee or warrant that the SPTs will be met or that the sustainability-linked instruments will achieve the intended sustainability outcomes or benefits. Heathrow disclaims any liability for any failure to meet the SPTs or any adverse consequences arising from such failure, and does not assume any obligation to compensate or indemnify any investor, lender, or other stakeholder for any loss or damage resulting from such failure or any change in the terms or conditions of the sustainability-linked instruments.

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