THE BIG ISSUE INVEST

Threadneedle UK Social Bond Fund

ANNUAL IMPACT REPORT 2020

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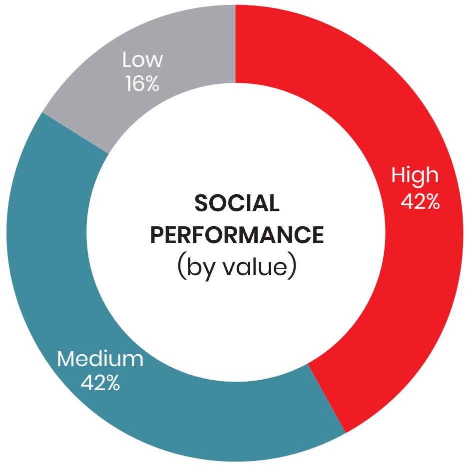
SOCIAL PERFORMANCE HIGHLIGHTS

AS OF 30 JUNE 2020

The Threadneedle UK Social Bond Fund (the "Fund") was launched in January 2014 as the first fixed income fund to offer ordinary people, as well as institutional investors, an opportunity to see their savings and investments deliver positive social change alongside financial returns. The Fund's strategic impact objective is to support more inclusive and sustainable development primarily in the UK. Now in its sixth year, the Fund has seen consistently steady growth in assets under management (AUM). It has generally achieved its objective of delivering financial returns while investing in bonds assessed to deliver positive social and environmental impact. This solid and established five-year track record is now driving more substantial growth in the size of the Fund, with 78% year-on-year growth in AUM from 2019 to 2020.

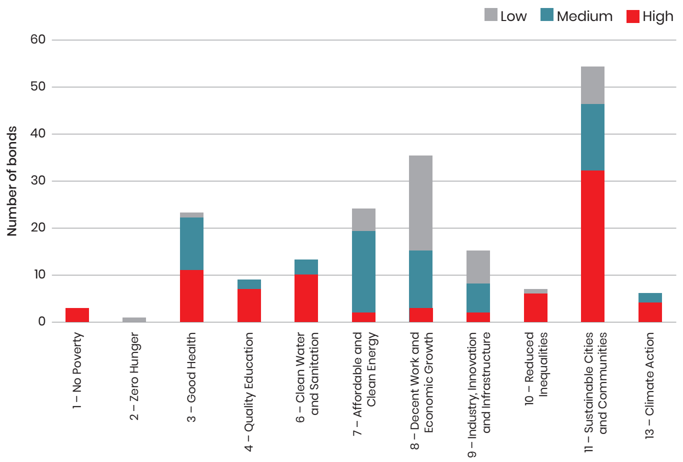
For the period ending 30 June 2020, the following results have been achieved:

SOCIAL PERFORMANCE



84% OF THE FUND HAS A SOCIAL PERFORMANCE RATING OF HIGH OR MEDIUM, WELL ABOVE THE FUND'S TARGET OF 66%

PRIMARY SDG ALIGNMENT (by number of bonds)

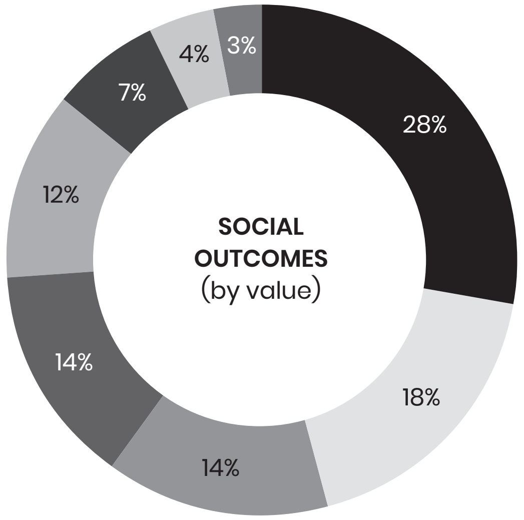


SOCIAL OUTCOMES

£214M INVESTED BY BOTH RETAIL AND INSTITUTIONAL INVESTORS

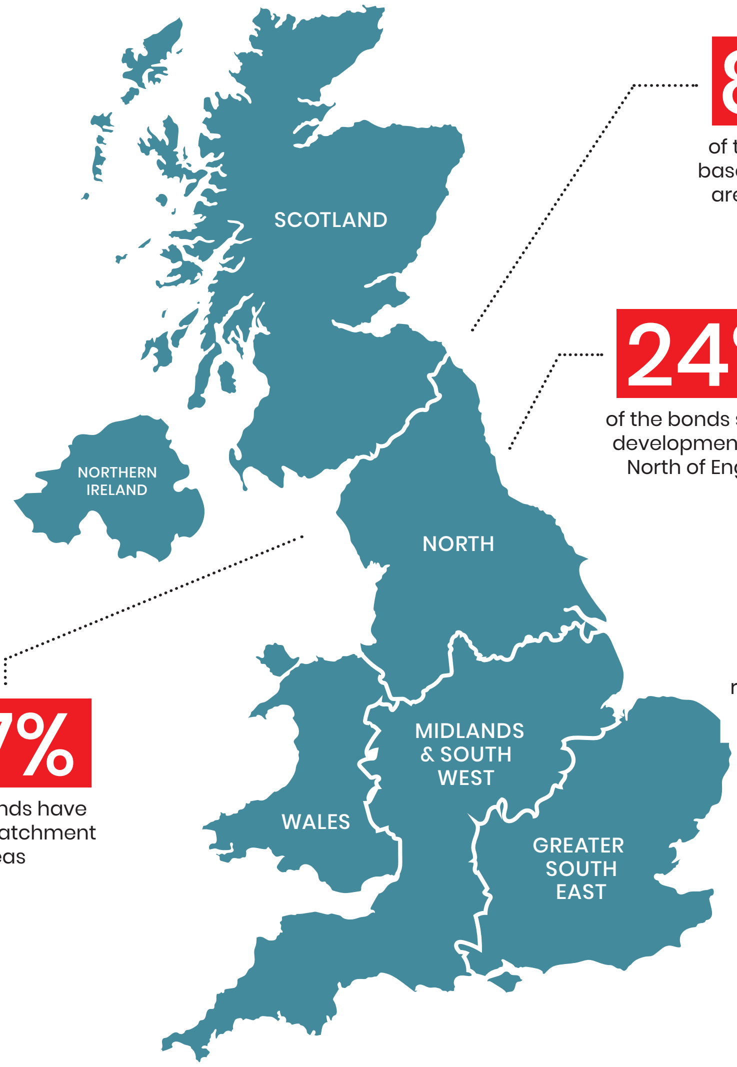
111 ISSUERS 190 BONDS INCLUDING CHARITIES, REGISTERED SOCIAL HOUSING PROVIDERS AND LISTED COMPANIES

DIVERSIFIED PORTFOLIO TARGETING EIGHT OUTCOME AREAS ALIGNED TO THE UN SUSTAINABLE DEVELOPMENT GOALS:



- Utilities and the Environment (28%)
- Transport and Communications Infrastructure (18%)
- Affordable Housing and Property (14%)
- Financial Inclusion (14%)
- Health and Social Care (12%)
- Employment and Training (7%)
- Community Services (4%)
- Education, Learning and Skills (3%)

THE FUND'S IMPACT OBJECTIVE IS TO SUPPORT MORE INCLUSIVE AND SUSTAINABLE DEVELOPMENT PRIMARILY IN THE UK



80% of the bonds are UK based, the remainder are global in reach

24% of the bonds support development in the North of England

59% of the bonds favour regional development outside the Greater South East

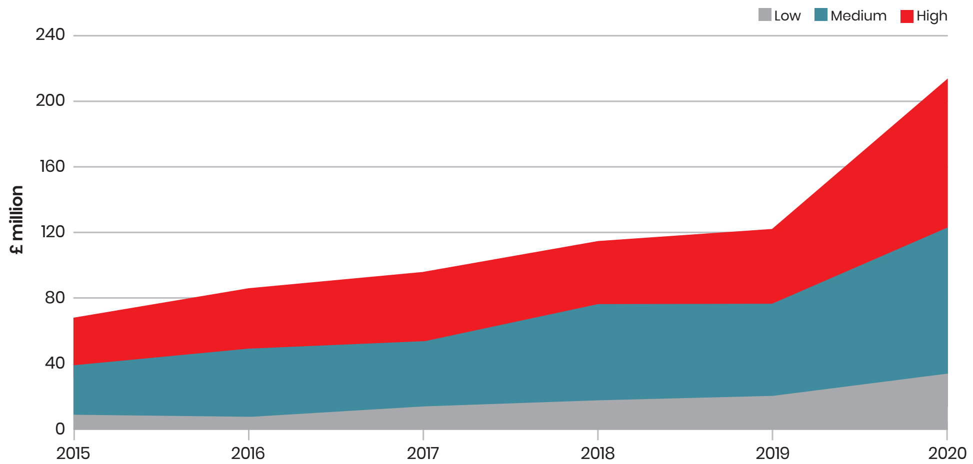
37% of the bonds have regional catchment areas

HIGHLIGHTS OF 2020

The Fund acquired a bond from Lancashire County Council, which became the first local authority to raise financing through a municipal bond issue.

The Big Exchange launched and listed the UK Social Bond Fund as a Gold Medal fund in terms of its contribution to impact.

PORTFOLIO GROWTH AND SOCIAL PERFORMANCE ASSESSMENT OVER TIME



PORTFOLIO OVERVIEW

Outcome Area	No. of Bonds	Year-on-Year Growth in No. of Bonds	Primary SDG Alignment	Social Performance Rating	New Bond Issuers	Case Study and Page Reference
Affordable Housing and Property	44	+10%	11 Sustainable Cities and Communities	Low 9%, Medium 25%, High 66%	- The Guinness Partnership - Accent Group - Longhurst Group	The Guinness Partnership, page 32
Community Services	7	+75%	10 Reduced Inequalities	Low 43%, High 57%	- Lancashire Council - CK Hutchinson Group	Lancashire Council, page 34
Education, Learning and Skills	8	+60%	4 Quality Education	Medium 25%, High 75%	- Pearson Education - University of Southampton	Pearson Education, page 37
Employment and Training	12	-25%	8 Decent Work and Economic Growth	Low 42%, High 33%, Medium 25%	- Royal Bank of Scotland (RBS) - Council of Europe Development Bank - Tesco	RBS Social Bond, page 39

Outcome Area	No. of Bonds	Year-on-Year Growth in No. of Bonds	Primary SDG Alignment	Social Performance Rating	New Bond Issuers	Case Study and Page Reference
Financial Inclusion	24	+140%	8 Decent Work and Economic Growth	Medium 33%, Low 67%	- Prudential Financial - Pension Insurance Corporation	Nationwide Building Society, page 41
Health and Social Care	25	+79%	3 Good Health and Well-Being	Low 4%, Medium 44%, High 52%	- GSK	Covid-response bonds, page 43
Transport and Communications Infrastructure	23	+28%	9 Industry, Innovation and Infrastructure	Low 35%, High 30%, Medium 35%	- Orange - Eversholt Rail - CAF (Development Bank of Latin America)	TFL Green bond, page 45
Utilities and the Environment	47	+24%	7 Affordable and Clean Energy	Low 13%, High 36%, Medium 51%	- Thames Water - Southern Water - Royal Bank of Scotland (RBS)	Iberdrola Green bonds, page 48

Big Issue Invest and Columbia Threadneedle Investments have been early pioneers in impact investing and one of the first to launch a mainstream impact investment product that offers the opportunity for everyone to invest for impact.

FOREWORD 2020

NIGEL KERSHAW OBE
CHAIR OF THE
BIG ISSUE GROUP
DECEMBER 2020

Welcome to the 2020 Threadneedle UK Social Bond Fund Annual Impact Report. In its sixth year, I am pleased to say the Fund has continued to grow to a total of £261m assets under management at the time of writing. During the reporting period, the Fund held 190 bonds and continues to outperform its targets of investing in bonds generating social and environmental impact.

The Fund's continuing success to support sustainable and inclusive development is more important than ever. The Coronavirus-19 (Covid-19) Pandemic continues to have significant health, economic and social impact on us all. The World Economic Forum's 2020 top five risks in terms of likelihood all rightly focused on the impact of climate change and environmental degradation on our society and on future generations.

During this period, the Social Bond Market and particularly the Fund supported the financing of the response and recovery to the Pandemic. The fund has invested in nine bonds issued by supra-national institutions for the response and recovery from Covid-19 (Covid-bonds) with a total value of more than $28bn (see page 43 for more info on the bonds). The team are proud of this swift and effective action in the market. This momentum must be built upon to ensure the gains made in supporting people out of poverty and reducing inequality are not undone by the longer economic and social effects of the Pandemic and the continued impact of climate change.

As the Fund continues to grow, the team at Columbia Threadneedle UK and Big Issue Invest have worked with the Impact Investing Institute and the International Capital Market Association to improve standards of reporting and management. By improving how we genuinely understand and manage impact, the Fund can support more people to confidently invest knowing they are supporting sustainable development.

Following last year's call from the Fund to increase issuance of social, sustainable and green bonds in the UK, progress has been made. The first ever UK Municipal Bond from Lancashire County Council and the UK Government's Green Bond issuance are real achievements, showing what can be done and should spur others to follow suit.

The Fund manager and Big Issue Invest share their recommendations (see section 04 Forward Look) to continue ensuring more bond issuance to support people and institutions to continue delivering positive impact. The coming years will require perseverance not only to recover from the Pandemic but to ensure an inclusive and sustainable recovery for now and future generations.

Finally, I would like to say how proud we are of the seven-year relationship with Columbia Threadneedle and this quote sums up for me all the impact we have achieved together and presented in this annual impact report.

"What is now proved was once only imagined."
William Blake, Auguries of Innocence, 1803

01 INTRODUCTION

This is the sixth Annual Impact Report for the Threadneedle Social Bond Fund ("the Fund"). The Fund was launched in January 2014 as the first mainstream, fixed income impact investment offering in the UK. It aims to achieve both an investment return and contribute to positive social and environmental outcomes by investing in bonds issued by organisations that support social and economic development, primarily in the UK. It is an actively managed, positively screened fund with each bond assessed and selected for its potential to deliver positive impact. This report provides a summary of the Fund's impact performance.

ABOUT THE FUND

The Threadneedle Social Bond Fund was developed by Big Issue Invest (BII), the social investment arm of The Big Issue, in partnership with Columbia Threadneedle Investments (CTI), one of the UK's leading asset managers. CTI manages the Fund and BII acts as the Social Advisor, working with The Good Economy (TGE) who produce this annual Impact Report.

The overall impact objective of the Fund is clear: to support and fund organisations that deliver socially beneficial activities and more inclusive and sustainable development, primarily in the UK. The Fund seeks to contribute to positive social outcomes while delivering investors a financial return in line with the risk associated with investment-grade bonds.

In addition to these primary objectives, the Fund has two secondary market-building objectives:

- **Increase retail investor access to investments that have a positive impact.** The Fund aims to contribute to the democratisation of capital, making it easier for ordinary retail investors to invest for positive impact, as well as institutional investors. This year has seen an increase in the level of investment by retail investors, either directly or via platforms.
- **Promote new bond issuance and the role of bonds as means to finance sustainable development.** CTI and BII are committed to encouraging new bond issues by social purpose organisations, including charities, and bonds which have a specific use of proceeds for a socially useful purpose. CTI has been an active supporter of the Retail Charity Bond Platform[1] since its launch in 2014 and is an active member of the International Capital Markets Association (ICMA) Social Bond Working Group.[2] Also, Simon Bond, the Fund's Portfolio Manager, and Nigel Kershaw, Chair of the Big Issue Group, both sit on the Impact Investing Institute's[3] Advisory Council, which aims to accelerate the growth and effectiveness of the impact investing market.

1. Retail Charity Bonds Platform.
2. ICMA – 2020/21 Social Bond Working Group.
3. Impact Investing Institute.

IMPACT MANAGEMENT APPROACH

The Fund is guided by an impact assessment methodology designed to ensure impact considerations are fully integrated into the investment decision-making and fund management process (see Annex 1 for more details).

This methodology was designed by CTI alongside BII and TGE at the Fund's inception and is reviewed on an annual basis. All parties recognise impact measurement and management is an emerging field. They are committed to reviewing and refining the approach to move in line with emerging industry standards and practice. This year, the Fund has engaged with the Impact Management Project (IMP) to work on aligning with its ABC classification system (see page 27 for more details).

The Fund's impact assessment methodology considers investment opportunities in relation to the following key areas:

- **Social outcome area**, making investments that aim to respond directly to the UK's social needs and challenges (taking into account the WHAT, WHO and HOW MUCH dimensions described by the Impact Management Project).[4]
- Consideration of the varied **geography of social need** and the different spatial levels of social value creation (local, regional, national and supranational). (WHERE is impact created).
- **Managing impact risk**, recognising the possibility of negative impact creation, understanding that the benefit expected may not be achieved and the need for constant impact performance monitoring and active impact management (RISK).

A percentage of the Fund's earnings also goes towards supporting BII in its work financing the growth of social enterprises and charities across the UK and contributing to the Big Issue Group's mission to build a world that works for everyone.

STRUCTURE OF THE REPORT

This report is organised as follows:

Section one introduces the Fund, providing an overview of its objectives and the eight outcome areas in which the Fund seeks to invest. This section also provides information on context and wider market developments. This year, focus is particularly on Covid-19 and the response of the bond markets to the global pandemic.

Section two provides an analysis of the performance of the Fund's overall portfolio, analysing the composition of the Fund by SDG alignment, social performance rating, outcome area and geography.

Section three provides a more detailed analysis of the Fund's social performance by outcome area, including the number and social rating of bonds and case studies on individual bonds.

Section four provides a Forward Look focused on four main themes:

1. Increasing social bond issuance in the UK
2. Making it easier for people to invest for positive impact
3. Building a culture of impact integrity
4. Responding to the Covid-19 pandemic.

The Fund seeks to provide its investors with competitive financial returns alongside meaningful positive social benefits that respond to the social needs and development challenges of the UK.

4. The Fund aims to take into account the five dimensions of impact as developed by the Impact Management Project (IMP). This is a global forum of practitioners which reached consensus that impact can be deconstructed into five core dimensions: What, Who, How Much, Contribution and Risk.

CONTEXT AND WIDER MARKET DEVELOPMENTS

COVID-19

The Covid-19 pandemic has presented unprecedented challenges for the UK and all countries, with severe impacts on public health and significant implications for both economic and social development. It has affected societies in ways that look set to have long-term and far-reaching implications far beyond the spread of the disease itself. From a social perspective, early evidence indicates the health and economic impacts are being disproportionately borne by poor and marginalised groups.[5]

In responding to the crisis, the bond markets have an important role to play. This includes the immediate financing of health services to fight the disease, as well as the financing of long-term economic recovery. With increasing calls to 'Build Back Better', there is a fundamental drive to implement a Covid-19 recovery plan that leads to more inclusive and equitable long-term development and more effectively tackles climate change.[6]

The response of the bond markets has been swift and substantial. In the three-week period leading up to 2 April 2020, just as most countries went into lockdown, more than $9 billion of social bonds were issued to tackle Covid-19, all from supranational entities. This included €1 billion issues from both the European Investment Bank and the Council of Europe Development Bank, which were 5.9 and 3.9 times oversubscribed respectively – a barometer of the level of demand that exists. These bonds will support health infrastructure, and products and services contributing to health conditions and maintaining living standards for communities impacted by Covid-19.

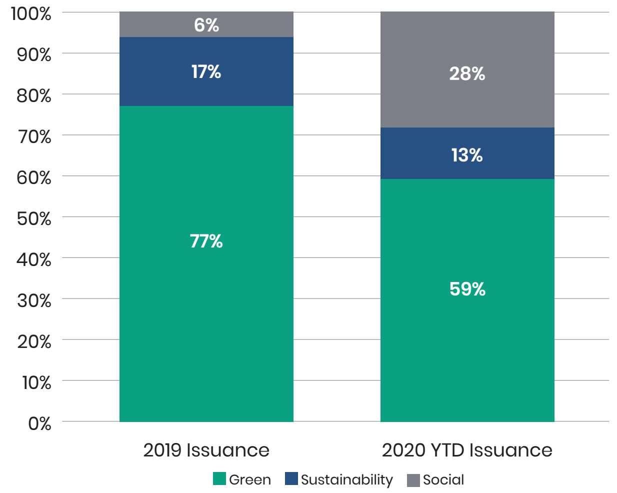
SOCIAL BOND ISSUANCE ON THE RISE

The ICMA's Green and Social Bond Principles and Sustainability Bond Guidelines[7] have played an important role in scaling up the financing of investments that provide social and environmental benefits. The principles aim to promote integrity through voluntary guidelines that recommend transparency, disclosure and reporting with regard to specific "use-of-proceeds" bonds.

This landscape has, however, been largely dominated by green bonds to date, making up 77% of issuance in 2019. This predominance of green bonds gives rise to two further considerations. First, it could be evidence of an emerging global consensus around the need to tackle climate change and the availability of investable solutions. And second, the fact that environmental performance is often easier to commit to and measure, compared to social performance. This "measurability" has resulted in environmental projects generally being a more attractive proposition for investors.

Yet Covid-19 has added impetus to widen the scope of specific use-of-proceeds bonds from green to social and sustainability bonds. In 2019, social bonds represented just 6% of the annual issuance, while as of 30 June 2020, this had more than quadrupled to 28% of the year-to-date figure (see Figure 1). It is thought this trend will continue as the Covid-19 response unfolds.

Figure 1: Allocation of Green, Social and Sustainability Issuance in 2019 and year-to-date 2020 (as of 30 June 2020)



Source: Bloomberg, 30 June 2020

However, it should also be noted the UK continues to lag behind its European counterparts in terms of green, social and sustainability bond issuance – despite strong investor demand. Indeed, UK companies are slow on uptake and the UK government only very recently announced its intention to issue its first specific use-of-proceeds green bond in 2021, though this is a positive step in the right direction. Meanwhile, the likes of the Netherlands, France, Ireland and Belgium have all already issued green bonds in the last three years.

The response of the capital markets has been swift and substantial. In the three-week period leading up to 2 April 2020, just as most countries went into lockdown, more than $9 billion of social bonds were issued to tackle Covid-19, all from supranational entities.

5. United Nations: Department of Economic and Social Affairs, Everyone Included: Social Impact of Covid-19, April 2020.
6. Build Back Better – About Us.
7. Note that Sustainability Bonds are bonds where proceeds will be used to finance or re-finance a combination of Green and Social projects.

IMPACT MEASUREMENT AND REPORTING WITHIN THE BOND MARKETS

As already suggested, the social bond market has, to date, been constrained by a lack of clear definitions and measurable performance targets for the use of proceeds. And this has been a long-standing issue in social investment more generally, due to the complexities involved in measuring social outcomes. Yet with Covid-19 driving an increase in social bond issuance, there will be increased scrutiny from investors and the public around whether funds are successfully fulfilling their stated social purpose.

With this in mind, the Fund was pleased to see impact measurement standards within the bond markets develop further over 2020. The year saw the United Nations Development Programme (UNDP) publish the first draft of its Impact Standards for SDG Bonds.[8] These Standards aim to provide a clear framework to measure, manage and report on SDG impact for defined SDG bond programs. This process is still in the public consultation phase and the final standards are yet to be published. It is, however, expected as the Standards are finalised and become established, issuers will be able to receive independent assurance of bonds making SDG-enabling claims by UN-accredited certifiers. This is a welcome development that should help to safeguard against so-called 'rainbow washing' (another version of 'white washing' or 'green washing'), where the SDGs are used largely superficially for marketing purposes rather than to really drive positive impact creation.

The ICMA has also played an important role in driving improvements in standards over a number of years. Compliance with the ICMA Green or Social Bond Principles or Sustainability Bond Guidelines requires issuers to clearly define the use and management of proceeds and to report on allocation of funds and the impact achieved. As of 30 June 2020, 30% of the Fund's value were green, social or sustainability bonds that have frameworks in accordance with the ICMA's principles. The remaining bonds are general purpose corporate bonds which are assessed by CTI to make a positive contribution to the Fund's objective of supporting inclusive and sustainable development in line with the social assessment methodology.

8. UNDP, Impact Standards for SDG Bonds – First Public Consultation Draft, 2020.

The Fund achieves its impact objective by investing in a diversified portfolio of bonds across eight social outcome areas. These outcome areas are aligned with the Sustainable Development Goals (SDGs).

Social Outcome Area	Primary SDG Alignment	Other Relevant SDGs	Primary Outcomes	Typical Bond Issuers
Affordable Housing and Property	11 Sustainable Cities and Communities	10 Reduced Inequalities	Increased supply of affordable, good quality homes, particularly for people on low incomes, key workers and students	– Registered social and affordable housing providers and property developers
Community Services	10 Reduced Inequalities	1 No Poverty; 16 Peace, Justice and Strong Institutions; 17 Partnerships for the Goals	Increased access to community facilities and services that improve individual and local wellbeing; encouraging bond issuance as a new source of funding for charities	– Charities – Local authorities – Development organisations
Education, Learning and Skills	4 Quality Education	5 Gender Equality; 10 Reduced Inequalities	Supporting wider participation in higher education and promoting social mobility; increasing quality of education for all	– Universities – Providers of educational services and learning materials
Employment and Training	8 Decent Work and Economic Growth	1 No Poverty; 10 Reduced Inequalities	Supporting provision of good jobs, particularly in areas of high unemployment; improved employment opportunities and skills development for young people	– Large UK employers
Financial Inclusion	8 Decent Work and Economic Growth	9 Industry, Innovation and Infrastructure	Universal access to affordable financial services that support decent standards of living	– Banks and financial institutions, including mutuals
Health and Social Care	3 Good Health and Well-Being	2 Zero Hunger; 10 Reduced Inequalities	Improving quality and accessibility of health and social care facilities and services; facilitating financing of healthcare services through insurance products	– Large providers of health and care services and related services, including research, property development and financial products
Transport and Communications Infrastructure	9 Industry, Innovation and Infrastructure	10 Reduced Inequalities; 11 Sustainable Cities and Communities	Improvements in the quality of and access to transport and communications infrastructure and services, particularly outside London and the Greater South East	– Transport and telecommunications companies
Utilities and the Environment	7 Affordable and Clean Energy	6 Clean Water and Sanitation; 12 Responsible Consumption and Production; 13 Climate Action	Supporting the provision of affordable and sustainable utilities provision, including water, waste and energy services	– Utility companies – Development finance institutions

THE BIG ISSUE GROUP

The mission of The Big Issue Group is:

"Building a world that works for everyone. Challenging, innovating and creating self-help and sustainable business solutions, that dismantle poverty now, and for future generations."

Launched in 1991, The Big Issue provides individuals facing poverty or social exclusion, with an opportunity to run their own micro-business by selling The Big Issue magazine to the public. The aim is to equip them with practical business skills and build confidence and self-esteem through daily interaction with customers. Vendors buy The Big Issue magazine for 50% of the cover price, meaning each seller is a micro-entrepreneur who is working, not begging. Every year, there are at least 1,500 active vendors selling the Big Issue across the UK. Before the Covid-19 pandemic hit the UK, the magazine has helped over 100,000 vendors to earn in excess of £115 million.

HOW THE BIG ISSUE IS SUPPORTING VENDORS THROUGH THE COVID-19 PANDEMIC

From March 20th 2020, Big Issue had to halt its trading of the magazines for the safety of the vendors. The Big Issue has since developed a series of support packages, programmes and new Big Issue activities to support vendors. During lockdown, Big Issue had more than 2,000 phone calls with vendors to support mental health and provide access to services and provided over £570,000 over the three-month lockdown between April and June. The Big Issue is also helping vendors to get back to selling with over 1,900 vendors provided with PPE (Personal Protective Equipment) and 400 vendors supported to become 'cashless' to both reduce the risk of transmitting Covid-19 and contributing to the digital inclusion of Big Issue vendors.

The Big Issue continues to innovate to provide vendors with opportunities to becomes micro-entrepreneurs and to grow the Big Issue's resilience against the pandemic. Initiatives such as vendors' selling online subscriptions, a brand new e-bike trial providing employment opportunities and 'refer a friend' schemes all contribute to Big Issue's mission to build a world that works for everyone.

ABOUT BIG ISSUE INVEST

Founded in 2005, Big Issue Invest extends The Big Issue's mission by financing the growth of sustainable social enterprises and charities across the UK. Big Issue Invest offers social enterprises, charities and profit-with purpose businesses, loans and investment from £20,000 to £3 million. It manages or advises on £250 million of social funds, including £63 million assets under direct management. In 2019-2020, £41.6 million of this was directly invested in over 160 organisations across the UK, with 60% of investment in the highest areas of deprivation. Alongside working in areas where it's needed, Big Issue Invest's clients spend at least 50% of their expenditure in local economies and provide services to over 1.03 million people across the UK. The following case studies showcase the work delivered by these clients:

The following case studies showcase the work delivered by these clients:

YMCA CORNWALL

Established in 1877, YMCA Cornwall provides supported housing for vulnerable young people aged 16–25 who are homeless or at risk of homelessness. The independent local charity provides a safe and stable environment for residents to move towards independent living, remain in education and find employment. This is done with the guidance of a dedicated team of support workers. Based in Penzance, YMCA Cornwall provide 47 self-contained flats and bedsits for young people in the community.

As of 2019, Cornwall continued to have 17 neighbourhoods in the top 10% most deprived areas in England. Nearly two thirds of people live in places with populations of less than 3,000, making support more difficult to provide.[9] Due to low pay, seasonal work and zero-hour contracts, young people today are disproportionately affected by unstable housing.

Big Issue Invest provided £150,000 of investment to YMCA Cornwall to provide 20 new homes for vulnerable young people. Between 2018 and 2020, this enabled YMCA Cornwall to support 123 young people with stable accommodation and support. Of these, 86% successfully maintained tenancy for at least six months and 50% of the 44 tenants were in formal employment, training or education.

ST HELENA HOSPICE

St Helena Hospice (SHH), based in Colchester, Essex, has helped local people for more than 35 years. SHH is rated Outstanding by the Care Quality Commission. It supports local people facing incurable illness and bereavement. By supporting patients – as well as their families, friends and carers – it brings comfort and relief to tens of thousands of people. Its ultimate ambition is to give people more choice and dignity at the end of life regardless of their personal circumstances. By reaching out to the community, it prioritises empowering people to plan ahead, convey choices and achieve their wishes at the end of life.

The UK's changing demographic means that there is a projected rise in the number of people dying over the next 25 years. With persons aged 85+ predicted to nearly double between 2018 and 2043 from 1.6 million to 3 million,[10] the future demand for hospice services will increase significantly.[11]

St. Helena aims to improve access to care through a variety of hospice services, day therapies, domiciliary services, a 'singlepoint' 24/7 palliative care coordination centre, virtual wards and family support all targeted at supporting previously vulnerable people.

Big Issue Invest committed £1.5 million of investment for St. Helena to expand an innovative funding model to 21 other hospices and charities to help others improve how they effectively fund quality social and health care to their patients.

9. National Housing Federation, Blog: Reducing 'hidden' homelessness – collaboration and innovation in Cornwall, July 2020.
10. ONS, National population projections: 2018-based.
11. CQC, A different ending: Addressing inequalities in end of life care, May 2016.

The Fund is attracting increasing numbers of retail investors with regular contributions being made through ISAs. This realises BII's ambition to create an impact investment product suitable for everyday investors.

02 PORTFOLIO-LEVEL PERFORMANCE ANALYSIS

As of June 2020, the Fund had £214 million assets under management (AUM), up from £120 million in June 2019 (78% annual increase in AUM). This is the highest annual rate of growth for the Fund to date. The Fund's solid five-year track record means it now meets the requirements of more institutional investors and investment advisors, while it is also available on more platforms enabling individual retail investors to invest.

The Fund is growing with increasing demand among both institutional and retail investors.

As of June 2020, the Fund was invested in 190 bonds from 111 issuers, including charities, registered social housing providers and publicly listed companies.

This year, we are again publishing the full list of bond issuers as a commitment to full transparency on how funds are invested. (see Annex 2)

TOP 25 BOND HOLDINGS, 2020

The top 25 holdings accounted for 55% of the total value of the Fund, as listed below. See Annex 2 for full list of bond issuers.

Name of Issuer	Social Outcome Area	Social Performance Rating	% of Portfolio (June 2020)	% change (2019-20)
Wellcome Trust	Health and Social Care	High	3.08	0.08
LCR Finance	Transport and Communications Infrastructure	Medium	3.00	0.00
Nationwide Building Society	Financial Inclusion	Medium	2.97	1.55
Motability Operations Group	Transport and Communications Infrastructure	High	2.96	-0.26
Transport for London Green Bond	Transport and Communications Infrastructure	Medium	2.82	-0.03
Dwr Cymru (Welsh Water)	Utilities and the Environment	High	2.77	0.41
Royal Bank of Scotland Green Bond & Social Bond	Multiple Outcome Areas	High	2.58	New Issuer
BUPA Finance	Health and Social Care	Medium	2.47	-0.99
Anglian Water	Utilities and the Environment	High	2.44	0.13
Lloyds ESG Bond	Financial Inclusion	Medium	2.41	-0.18
Yorkshire Building Society	Financial Inclusion	Low	2.41	1.06
British Telecommunications	Transport and Communications Infrastructure	Low	2.35	1.26
HSBC SDG Bond	Utilities and the Environment	Medium	2.29	-0.23
Inter-American Development Bank	Multiple Outcome Areas	High	1.98	0.32
Legal and General	Financial Inclusion	Low	1.90	-0.63
Thames Tideway Tunnel	Utilities and the Environment	High	1.87	0.30
Coventry Building Society	Financial Inclusion	Medium	1.76	0.22
Northern Ireland Electric	Utilities and the Environment	Low	1.74	-0.01
Annington Finance	Affordable Housing & Property	Medium	1.60	0.46
Barclays Green Bond	Utilities and the Environment	Medium	1.59	-0.65
Morrisons	Employment & Training	Medium	1.56	-0.52
Electricity North West	Utilities and the Environment	High	1.53	-0.67
Becton Dickinson	Health and Social Care	Medium	1.53	0.17
African Development Bank Social Bonds	Multiple Outcome Areas	High	1.49	0.23
National Australia Bank Green Bond	Utilities and the Environment	Medium	1.45	0.27

SUMMARY OF THREE-YEAR PERFORMANCE TRENDS

The Fund has grown substantially during the year, with AUM up 78% from June 2019 to £214 million. This growth has occurred while maintaining a high level of overall social performance, with 84% of bonds rated High or Medium. Investments have been concentrated in the UK (81%), although the proportion of bonds with a supranational focus has grown again this year, up from 15% to 19%. This is reflective of both the response of the bond market in general and the Fund's own response to the Covid-19 pandemic. The global nature of the challenge presented by the pandemic has prompted substantial growth in issuance from supranational organisations funding efforts to tackle the virus and its wider impacts.

Of investments made within the UK, the Fund consistently favours bonds with a focus outside the Greater South East, although the proportion of such bonds fell slightly this year from 69% to 63%. The Fund remained diversified across its eight outcome areas, although investments in Utilities and Environment, Transport and Communications, Affordable Housing and Property and Financial Inclusion continued to represent approximately three-quarters of the portfolio.

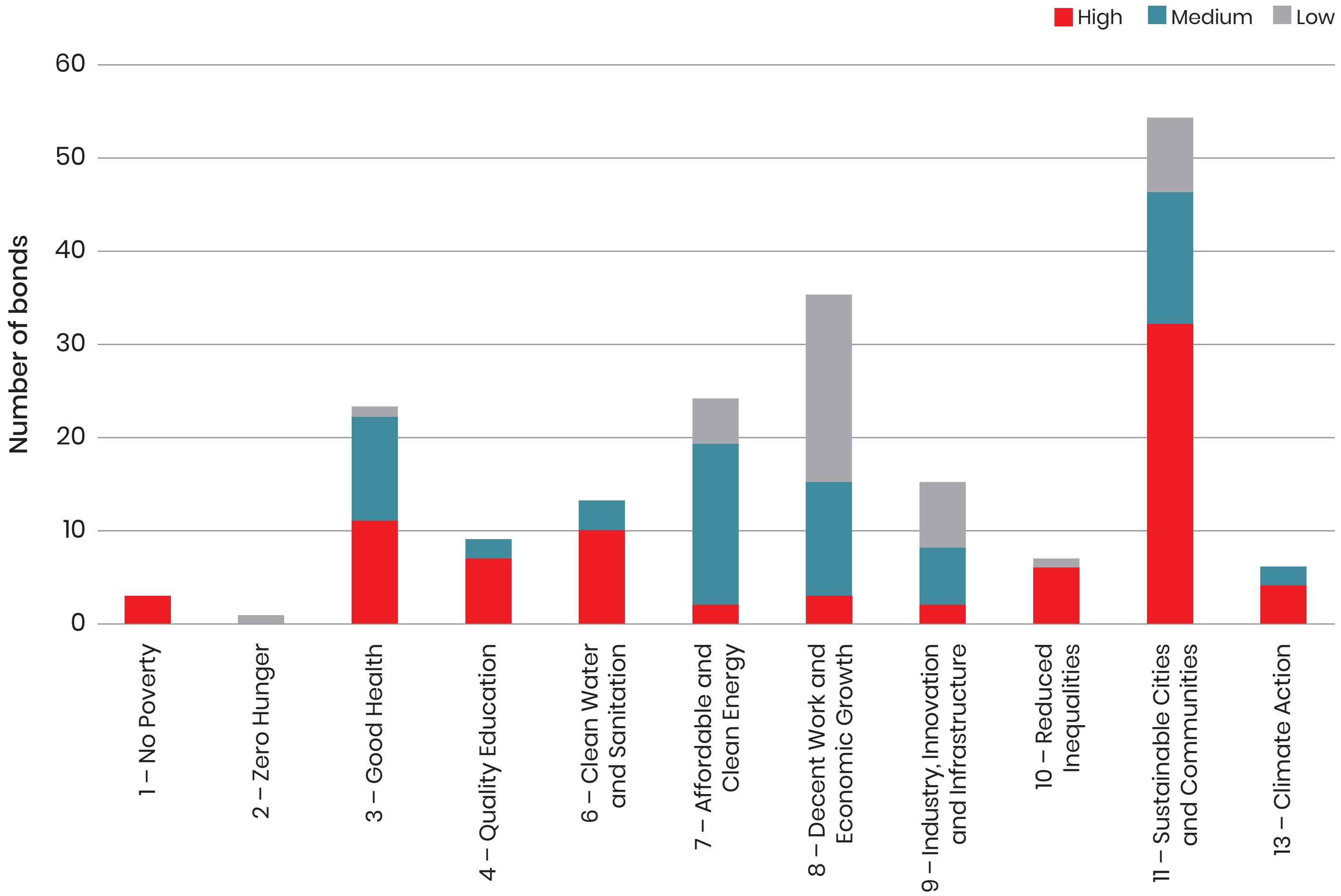
		2018	2019	2020
Portfolio	Value (£ million)	114.4	120.1	214.2
	Number of bonds	108	145	190
	Number of Issuers	80	100	111
	Top 25 Issuers (% of Fund by Value)	61.8	54.3	54.6

		2018 (% of value)	2019 (% of value)	2020 (% of value)
Social Performance	High	32.8	35.8	42.1
	Medium	51.2	46.9	41.7
	Low	16.0	17.3	16.2
Social Outcomes	Affordable Housing and Property	19.3	15.6	14.1
	Community Services	5.6	3.5	3.8
	Education Learning and Skills	2.7	2.5	3.2
	Employment and Training	6.6	7.7	7.2
	Financial Inclusion	13.2	11.1	13.5
	Health and Social Care	9.1	9.5	12.2
	Transport and Communication Infrastructure	19.8	18.5	18.2
	Utilities and the Environment	23.7	31.5	27.8
Social Geography	Regional	41.7	37.7	36.0
	National	46.0	47.2	44.9
	Supranational	12.3	15.2	19.1
Regional Geography	Outside of GSE	66.5	68.5	62.6
	Midlands and South West	20.5	21.3	17.9
	North	20.6	19.9	16.7
	Scotland and Northern Ireland	9.5	7.9	7.4
	Wales	12.5	11.0	11.8
	Multi-Regional	3.5	8.3	8.8
	Greater South East	33.5	31.5	37.4
Job Performance	Favourable Overall Jobs Performance	52.3	55.1	47.6

HEADLINE RESULTS

SDG ALIGNMENT AS OF JUNE 2020 (by number of bonds)

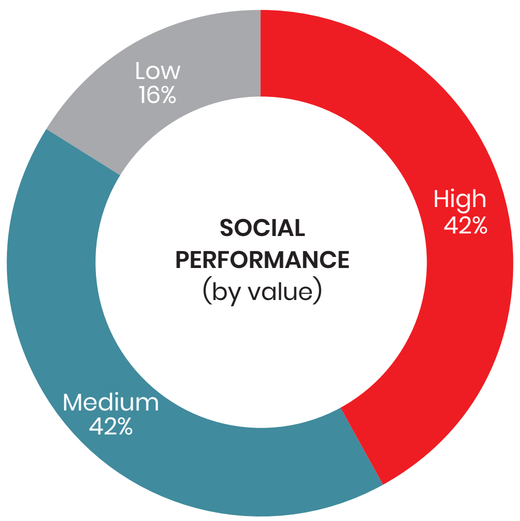
The Fund is making the greatest contribution to SDG 11 – Sustainable Cities and Communities. There are also substantial contributions being made to SDG 8 – Decent Work and Economic Growth, SDG 7 – Affordable and Clean Energy and SDG 3 – Good Health and Wellbeing.



The Fund continues to perform well against its key social performance targets.

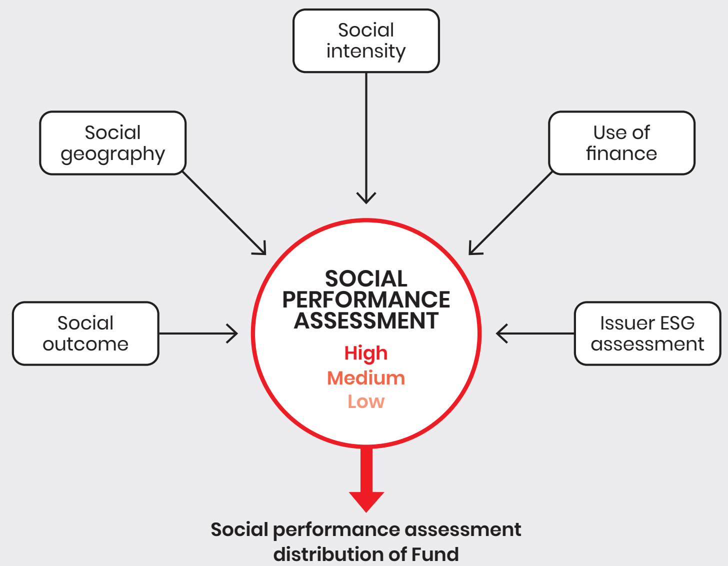
SOCIAL PERFORMANCE RATINGS (by value)

This year, 42% of the Fund's value fell into the High social performance category, 42% into Medium and 16% into Low. Overall, the proportion of the Fund rated as High or Medium increased slightly from 83% to 84% from 2019 to 2020. This is well above the Fund target of having 66% of the portfolio rated as High or Medium. Encouragingly, there was an increase in the proportion of the Fund assessed to have a High social performance rating, from 36% to 42%.



SOCIAL PERFORMANCE RATING

The CTI Responsible Investment team carries out a social due diligence of all eligible bonds prior to investment and provides an overall social performance rating (High, Medium or Low). The assessment has five dimensions:

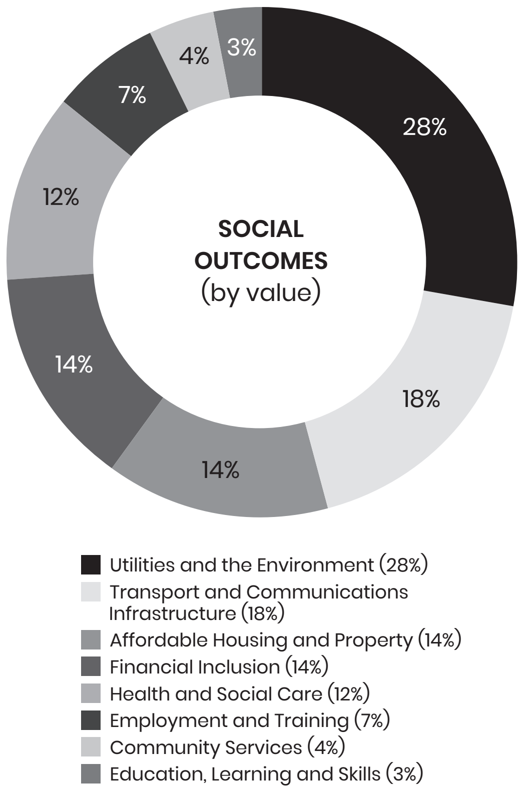


See Annex 1 for a detailed description of the Impact Assessment Methodology.

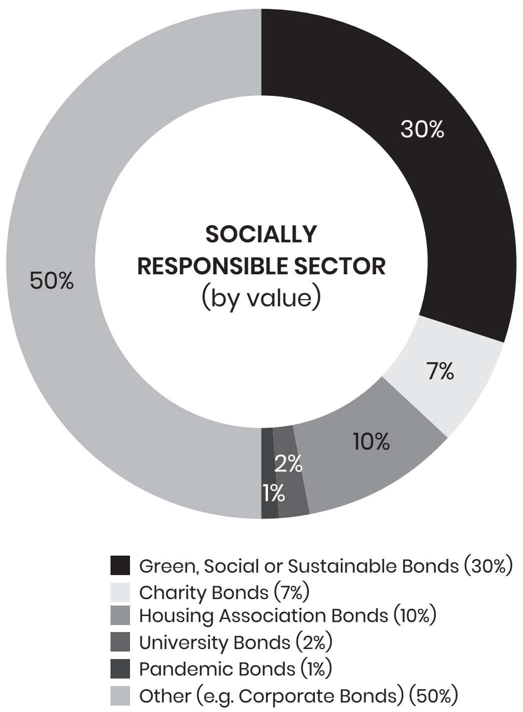
WHAT TYPE OF IMPACT?

SOCIAL OUTCOMES (by value)
The Fund remains diversified across its eight outcome areas. There has been substantial growth in the number of bonds held by the Fund, yet the four largest outcome areas remained the same – Utilities and the Environment (28%), Transport and Communications Infrastructure (18%), Affordable Housing and Property (14%) and Financial Inclusion (14%). These areas continued to comprise approximately three-quarters of the Fund's investment value.

Though it remained the largest outcome area, there was a decrease in the proportion of the Fund directed towards Utilities and the Environment from 32% to 28%. Affordable Housing and Property also decreased slightly from 16% to 14%. The most substantial increase this year came from Financial Inclusion, which grew from 11% to 14% of the Fund's value, while Health and Social Care also grew from 9% to 12% - a reflection of the Fund's investment in a number of specific Covid-recovery bonds (see page 43). The other outcome areas – Transport and Communications Infrastructure, Employment and Training, Community Services, and Education, Learning and Skills all remain the same or very similar in terms of their proportion of the Fund's value from 2019 to 2020.

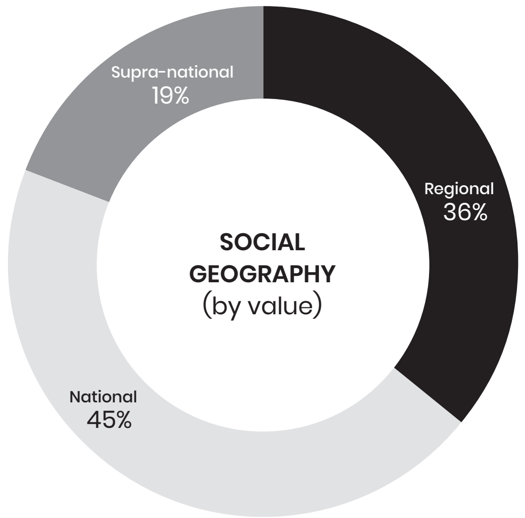


SOCIALLY RESPONSIBLE SECTOR (by value)
The proportion of the Fund invested in bonds defined as coming from 'socially responsible sectors' increased marginally over the 12 months to June 2020 from 46% to 47%. This includes green, social and sustainability bonds, as well as those issued by charities and housing associations. Within this breakdown, there was an increase in the representation of green, social and sustainability bonds year-on-year, from 27% to 30%, while charity bonds fell from 9% to 7% of the Fund's value. Housing association bonds remained consistent at 10%. This year also saw a new type of bond introduced to the Fund's portfolio – Pandemic bonds. These are specific use-of-proceed bonds which will finance both the healthcare response to – and wider economic recovery from – the effects of Covid-19. These bonds constituted 1% of the Fund's value.



WHERE IS IMPACT CREATED?

SOCIAL GEOGRAPHY (by value)
The Fund's investments continue to be primarily concentrated in the UK, with a particular focus on driving inclusive development and tackling regional inequality by targeting regions outside the Greater South East. However, the last two years have seen an increase in investment in bonds targeting development outcomes internationally, including in countries in Europe, Africa and Latin America. These supranational bonds increased from 12% to 15% of the Fund's value in the 12 months to June 2019, and they increased again this year to 19%.



It must be stated that the response of the bond markets to the Covid-19 pandemic is the main reason for the growth in the Fund's holdings that have an international focus. The response of the market has been mainly driven by issuances from supranational institutions owing to the global nature of the social challenges caused by Covid-19. The Fund has simply responded to those patterns of issuance. This is something to be commended – it demonstrates both the Fund and the bond market in general responding quickly and efficiently to one of the most pressing social challenges of our time. Within the UK allocation, the proportion of the Fund's value with a national reach fell from 47% to 45%, while investment with a regional focus also fell from 38% to 36% of the portfolio. In 2017, such bonds constituted 50% of the Fund's value so this drop in the proportion of bonds with a regional focus has been a consistent trend over a number of years.

Of the Fund's regional investments, 63% are concentrated outside the Greater South East. However, it should be noted this fell from 69% in 2019. Regional investments in the Midlands and the South West fell from 21% to 18%, while the North also fell from 21% to 17% during the year. Scotland and Northern Ireland's combined share also decreased marginally, from 8% to 7% of the Fund's regional investment. Meanwhile, Wales' share increased slightly from 11% to 12%, while bonds with a multi-regional focus also increased from 8% to 9%.

The Fund is invested in every nation and region of the UK, contributing to or aligning with more balanced and inclusive development.

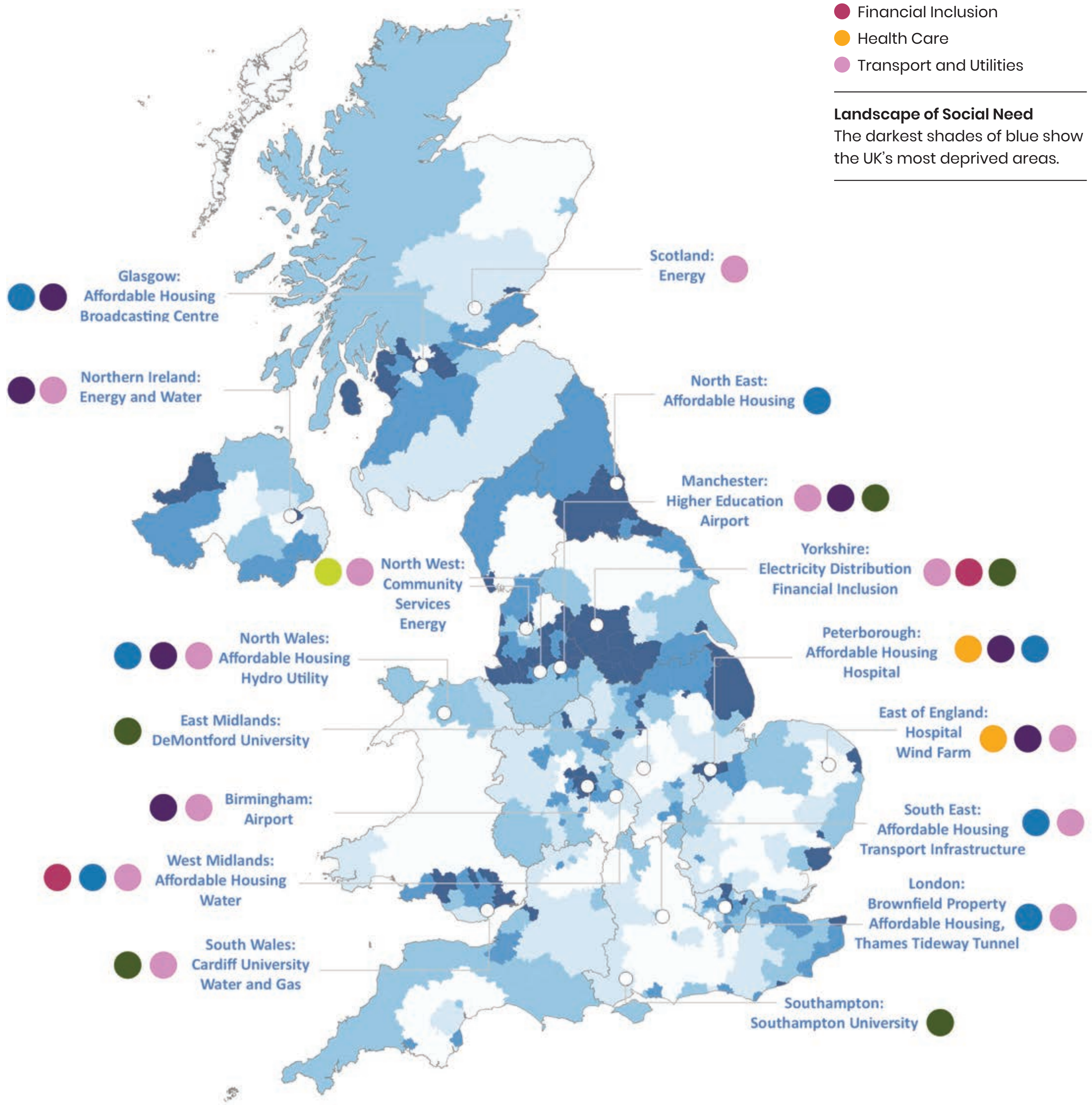
When the investments are mapped on to the UK's landscape of socio-economic deprivation, it is clear the Fund is supporting many of the country's most disadvantaged communities.

INVESTMENT FOR INCLUSIVE AND SUSTAINABLE DEVELOPMENT IN THE UK

The locational geography of the Fund's bond investments (selected holdings), according to stated Use of Bond Proceeds.

Social Outcome Areas
- Affordable Housing
- Community Services
- Education, Learning and Skills
- Employment and Training
- Financial Inclusion
- Health Care
- Transport and Utilities

Landscape of Social Need
The darkest shades of blue show the UK's most deprived areas.



 Data sources: English Indices of Deprivation (2019), Northern Ireland Multiple Deprivation Measure (2017), Scottish Index of Multiple Deprivation (2020) and Welsh Indices of Deprivation (2019). Measure % of Local Authorities neighbourhoods (LSOAs) in the 20% most deprived nationally.

IMPACT MANAGEMENT PROJECT'S ABC CLASSIFICATION

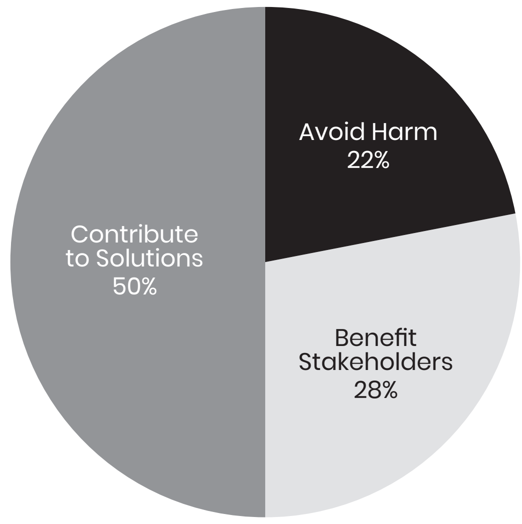
During 2020, the Fund began working on classifying the bonds it holds according to the Impact Management Project's (IMP) ABC approach.[12] This is an increasingly widespread and accepted set of norms for classifying the impact of an asset that makes it easier for investors to understand and compare investment opportunities. The Fund is therefore keen to ensure it engages with these emerging practices.

The approach classifies assets into one of the following impact categories:

- Does or may cause harm
- **A**: Act to avoid harm
- **B**: Benefit stakeholders
- **C**: Contribute to solutions.

This year, an initial alignment exercise was undertaken to compare the Fund's own Social Performance Assessment methodology and the method used to classify investments using the IMP's ABC system. This alignment exercise used a rules-based system to provide an approximate classification of all bonds in the portfolio as either Avoid Harm, Benefit Stakeholders or Contribute to Solutions. As a positively screened fund, all bonds already go through a Social Performance Assessment that assesses their expected impact performance. This assessment process therefore screens out bonds that would be classed as 'Does or may cause harm'.

The provisional results of this initial alignment exercise produced the following results for the 190 bonds within the portfolio:



It must be stressed these are provisional results following an initial alignment exercise and the criteria used in the rules-based system are not yet fully aligned with the IMP's criteria for classifying assets according to the ABC method. The Fund will be working over the coming year to align the methods further and to ensure all the data that is required to fully classify assets under the ABC system is captured for each bond. Therefore, these results may shift as the method is refined.

12. IMP – A Guide to Classifying the Impact of an Investment. Note that this approach classifies both the impact of the underlying asset (A-C) as well as the investor contribution (1-6). However, the exercise undertaken by the Fund this year was only looking to classify the impact of the underlying assets (i.e. the bonds) on a bond-by-bond basis. The Fund has, however, been classified by the IMP according to its overall impact class – as a Fund, it is rated as B1 (see link above for more details on what this means).

AN OVERVIEW OF JOBS PERFORMANCE

This section provides an approximate assessment of the Fund's overall supportiveness of inclusive job growth in the UK by analysing the concentration of the Fund's investments in sectors of the economy that perform favourably on good job creation.

The UK faces a 'good jobs challenge'. Even with the impact of Covid-19, the unemployment rate is relatively low, but the country does face the challenge of achieving "a more equitable distribution of good job opportunities, both socially and geographically" (OECD). Prevalent challenges to achieving more equitable job opportunities in the UK include high incidences of in-work poverty, under-employment and localised hotspots of high unemployment.

Employment and Training is the only social outcome area in which the Fund invests with the primary intention of directly addressing the good jobs challenge (SDG8). This occurs through the Fund's investments in the Retail sector, which are assessed to contribute to inclusive job growth owing to the sector's spread throughout the country and the wide range of intermediate training and employment opportunities which are offered (see page 38 for more details).

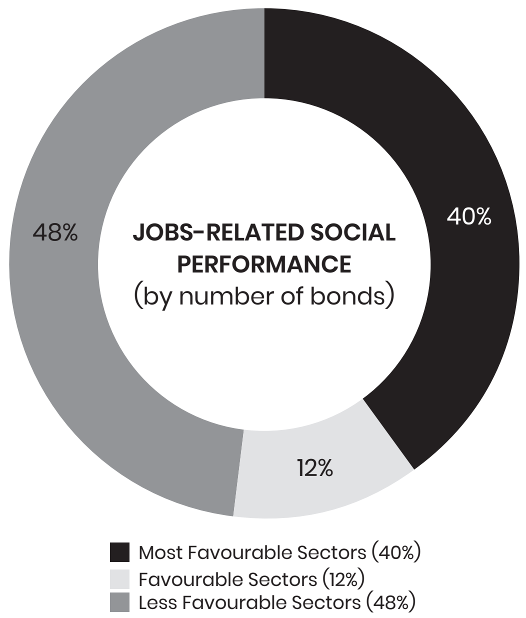
However, numerous other sectors in which the Fund invests also have the potential to positively support inclusive job growth. The Fund uses BII's Jobs Assessment Methodology (JAM) as a screening mechanism to analyse the 'good jobs' performance of sectors when making investments. The resulting analysis does not therefore provide evidence that the Fund is actively contributing to the creation of good jobs. However, it does demonstrate that the Fund looks to make investments in sectors of the economy which have been shown to positively contribute to good job creation.

The JAM uses four criteria to analyse the 'good jobs' performance of sectors:

- **Employment Generation:** Size and growth of the sector's direct workforce
- **Wage Quality:** Median earnings in the sector relative to the Voluntary (Real) Living Wage
- **Career Progression:** Share of the workforce with intermediate vocational qualifications
- **Geography:** Concentration of the sector's employment in areas of high employment deprivation

According to the JAM, 52% of the Fund's investments are concentrated in sectors that have a favourable good jobs performance. These sectors include Health, Utilities and Transport. The favourable jobs-performance share has dropped by 3% from 55% in 2019.

It should be noted that the JAM is based on sector data for which the most recent data release was 2019. Therefore, this data predates the Covid-19 pandemic and so the job impacts resulting from the pandemic will not be represented in this methodology.



Sectors by Good Job Performance (2014-2019)	
Most Favourable Sectors	Construction High/Medium Tech Manufacturing Housing Associations Transportation and Storage Utilities
Favourable Sectors	Health Low Tech Manufacturing Professional, Scientific and Technical Public Administration and Defence Wholesale and Retail Trade
Less Favourable Sectors	Accommodation and Food Services Administrative and Support Services Agriculture, Forestry and Fishing Arts, Entertainment and Recreation Education Financial and Insurance Information and Communication Oil and Gas Other Service Activities Other Real Estate Activities Water and Waste

65% of bonds are concentrated in sectors with a strong employer presence in the most deprived areas of the UK (down from 81% in 2019 – mostly due to the smaller relative fund share of Housing Associations and issuers within Retail sector).

61% of bonds are concentrated in sectors with favourable median earnings, (up from 46% in 2019 – largely due to the increased presence of issuers within the Financial and Insurance sector).

49% of bonds are concentrated in sectors that provide intermediate (NVQ3) level job opportunities, including apprenticeships (down from 63% in 2019 – again due to the increased presence of issuers within the Financial and Insurance sector).

44% of bonds are concentrated in sectors with favourable employment scale and/or growth profiles (up from 36% in 2019 – driven by Utilities having the largest growth rate from 2014 – 2019 and therefore moving from Less Favourable to Favourable in the Employment index).

03 PERFORMANCE BY SOCIAL OUTCOME AREA

AFFORDABLE HOUSING AND PROPERTY

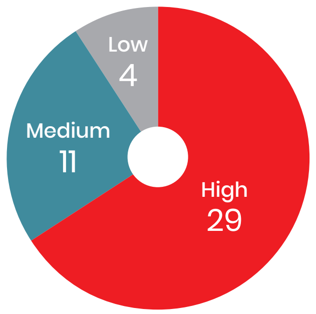
INCREASING THE PROVISION OF QUALITY, AFFORDABLE HOMES FOR LOW-INCOME HOUSEHOLDS

44 HOLDINGS

31 ISSUERS

£29m INVESTED

14% of total amount invested[13]



SOCIAL PERFORMANCE ASSESSMENT (by number of bonds)

Lack of quality affordable housing remains a major social challenge for the UK. Affordability – both of rental and purchase property – is a key concern, with the gap between earnings and high property prices meaning home ownership is increasingly out of reach. ONS data shows between 1997 and 2017, median house prices increased by 259% while median earnings only increased 68% over the same period.[14]

Homelessness is also on the rise – analysis from the charity Shelter reveals more than 307,000 people in Britain are estimated to be homeless.[15] This is the equivalent of one in every 200 people. The government estimates 300,000 homes need to be built each year by the mid-2020s to meet the country's substantial housing need.[16]

Registered social housing providers are a crucial part of the solution to the housing crisis. They are the major providers of affordable homes for people on low-incomes and those with specialist housing needs, including the homeless, older people and people with disabilities and other specialist needs.

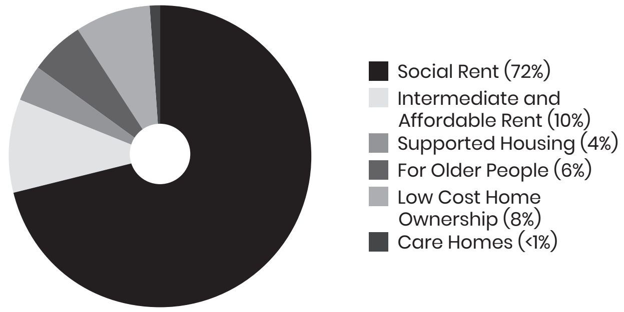
An increasing number of housing associations are accessing the bond market to raise funding to finance new housing development to tackle this shortage. Ten new bonds were added to the Fund this year within the "Affordable Housing and Property" outcome area. This included issuances from a number of organisations with bonds already held by the Fund, as well as issuances from three housing associations that are new to the Fund – **Accent Group**, **Longhurst Group** and **The Guinness Partnership**.

HOUSING ASSOCIATION HOLDINGS

722,510 REGULATED PROPERTIES

The Fund holds bonds from 24 Housing Associations. In total, these organisations own and manage 722,510 regulated properties. See the breakdown on the right and Annex 4 for more details.[17]

TOTAL PORTFOLIO SOCIAL HOUSING STOCK OF HAs IN THE FUND (by provision type)



These bonds all received a social performance rating of High, with the proceeds to be used to fund the organisations' development programmes:

- Accent Group is looking to deliver 2,000 affordable homes between 2019-2024
- Longhurst Group is aiming to deliver 700 homes per year, 600 of which will be for affordable rent and shared ownership
- The Guinness Partnership are aiming to complete 5,500 homes by 2024, 5,000 of which will be affordable (see case study on page 32 for more details).

13. Note that the total AUM figure of £214m includes approximately £7m in cash holdings. These case holdings are not included in the social analysis undertaken within this report. The cumulative total of the amount invested for each outcome area will therefore not add up to the total AUM of £214m.
14. ONS, Housing Affordability in England and Wales.
15. Shelter, Far from Alone: Homeless in Britain in 2017, Nov 2017.
16. Gov.uk, Government announces new housing measures, Oct 2018.

17. Note that this is based on data from 2019 rather than 2020. This is because the release of the Regulator of Social Housing's Statistical Data Return (SDR) for 2020 has been delayed due to Covid-19.

THE GUINNESS PARTNERSHIP

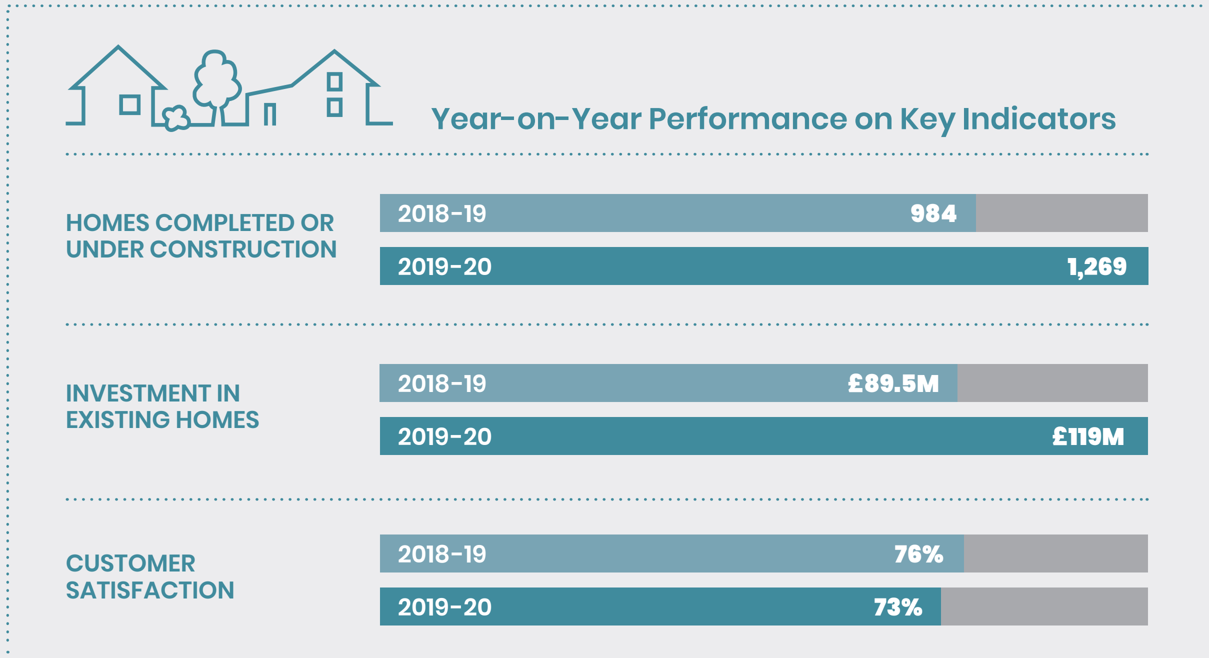
The Guinness Partnership is one of the largest affordable housing and care providers in England, with around 65,000 homes and 140,000 customers across the country.

The Guinness Partnership operates in 155 local authorities throughout England and provides a range of affordable rented housing and affordable home ownership options, as well as homes and care services for older people. It aims to improve people's lives by providing the high-quality homes and care services most needed by customers. It is committed to building new homes, seeking to play a part in tackling the country's housing crisis.

In 2019-20, it had over 1,000 homes under construction and over 3,000 in their development pipeline. By 2024, the organisation aims to complete 5,500 new homes, of which 5,000 will be affordable.

THE BOND

Two Guinness Partnership bonds were added to the fund this year. One was issued in 2014 and the other in April 2020. This year's £400 million issuance was significantly oversubscribed, with £250 million issued to investors and £150 million retained by the housing association for later sale. The bonds are contributing to the Guinness Partnership's development programme, financing the targeted 5,500 homes by 2024, and its longer-term goal of 12,500 homes over the next 10 years.



Source: The Guinness Partnership Ltd, Annual Review 2018-19 and 2019-20.

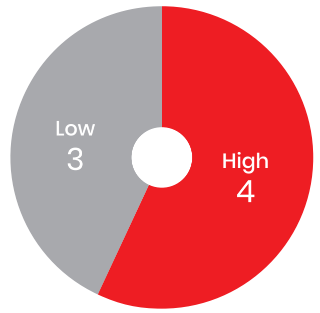
COMMUNITY SERVICES

IMPROVING THE AVAILABILITY OF COMMUNITY SERVICES FOR PEOPLE WITH SPECIFIC SOCIAL NEEDS

7 HOLDINGS

6 ISSUERS

£8m INVESTED
4% of total amount invested



SOCIAL PERFORMANCE ASSESSMENT
(by number of bonds)

Within this outcome area, the Fund seeks to make investments in charities and organisations providing services to support the most vulnerable or those assessed to improve community wellbeing.

New to the Fund this year is the UK's first municipal bond issued by **Lancashire County Council** (see case study), as well as a sustainability bond from the **Inter-American Development Bank**. The latter is an international organisation which is the largest source of development financing for Latin America and the Caribbean. This is the second bond within the "Community Services" outcome area that aims to promote social and economic development in developing countries – the Fund already holds a social bond issued by the **African Development Bank**.

The Fund continues to hold two bonds issued by leisure business **Center Parcs**. These have been categorised under the "Community Services" outcome area because the benefits have the potential to improve wellbeing by providing low-cost family breaks. However, since these did not target vulnerable individuals, these bonds were given a Low social performance rating.

In addition, the Fund also holds a bond from **Charities Aid Foundation**, an organisation which provides services to charities, donors and companies to create greater value for charities and social enterprises. This bond was issued through the Retail Charity Bond platform, which CTI has supported the development of since its launch in 2014.

To date, the Fund has also approved investments in two other bonds issued through the Retail Charity Bond platform, from **Golden Lane Housing** and **Hightown Housing Association**. These have both been classified under the Affordable Housing and Property outcome area – both organisations aim to provide housing to low-income and vulnerable groups.

LANCASHIRE COUNTY COUNCIL

Lancashire County Council is the local authority for the non-metropolitan county of Lancashire. The council serves a range of functions including education, health and social care, transport, waste disposal, support for businesses and many more areas that impact on the everyday lives of those living and working in Lancashire. In March 2020, it became the first council in the UK to raise funding through a municipal bond issue.

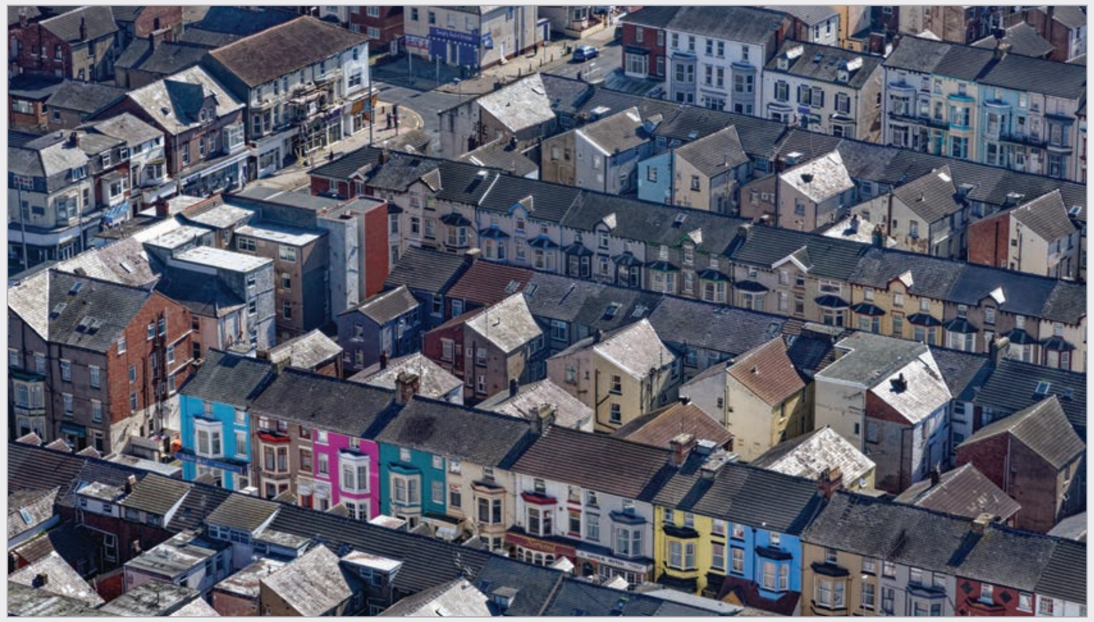
The area covered by Lancashire County Council ranks as the most deprived of the 26 county councils in the 2019 English Indices of Deprivation – 11.2% of the working-age population are defined as 'employment deprived' and 16.7% of children aged 0-15 live in 'income deprived families'.[18] The Council works to promote socio-economic development in Lancashire, and to protect the most vulnerable members of the community who need extra support. This includes education services and family support, benefits and financial help and arranging housing for those unable to secure their own home.

THE BOND

The bond is new to the fund this year. It was issued in March 2020 by the UK Municipal Bonds Agency (UKMBA) on behalf of Lancashire County Council for a total value of £350m. The council is the first local authority to raise funding through UKMBA and has since launched a second bond in August 2020.

Since the launch of the Fund, CTI, BII and TGE have advocated for greater fiscal decentralisation to enable more bond issuance in the UK, including among local government. Local authority budgets have been hit hard in recent years – the National Audit Office revealed that local authority's central government funding fell by 49 percent between 2011 and 2018.[19] Moreover, with the impact of Covid-19, there is increasing pressure to ensure local authorities are funded sufficiently to provide services to their residents, particularly those made more vulnerable as a result of the pandemic.

The issuance of this bond by a local authority represents a positive and long overdue step in the right direction. The Fund encourages more local authorities to look to bonds as an effective route to raise financing, especially within the context of the Covid-19 recovery.



18. Lancashire County Council – 2019 Deprivation Analysis.
19. National Audit Office – Financial sustainability of local authorities 2018.

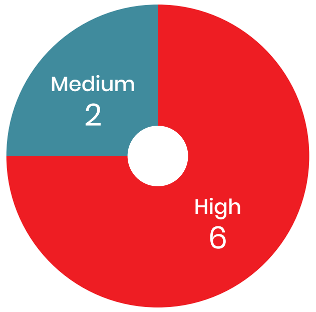
EDUCATION, LEARNING AND SKILLS

SUPPORTING WIDER PARTICIPATION IN HIGHER EDUCATION WITH A FOCUS ON PROMOTING SOCIAL MOBILITY

8 HOLDINGS

7 ISSUERS

£7m INVESTED
3% of total amount invested



SOCIAL PERFORMANCE ASSESSMENT
(by number of bonds)

Within this outcome area, the Fund seeks to make investments that contribute to widening participation and expanding access to education. This includes investing directly into higher education (HE) providers assessed to perform well in terms of promoting social mobility, as well as investments into other organisations running or financing educational programs (see **Pearson** case study).

Within the UK, access to higher education remains inequitable. While only 6% of UK pupils attend private schools, in 15 institutions (mostly Russell Group universities) the proportion of privately educated pupils is more than 30%.[20] In spite of pressure from ministers and the higher education regulator to boost participation of people from less privileged backgrounds, these official figures highlight the scale of the challenge that persists. There has, however, been some progress in this area in recent years. Between 2010 and 2019, the proportion of UK 18-year-olds from low participation neighbourhoods accepted to study a full-time undergraduate degree rose from 13% to 21%.[21]

The Fund has held bonds from several universities for a number of years – **Cardiff**, **De Montfort**, **Leeds** and **Manchester** – and this year added a bond from the **University of Southampton** to its portfolio. Since Southampton is not an area of particularly high deprivation, the bond has been assigned a Medium social performance rating. In contrast, the bonds held from the other four UK universities have all been assigned a High rating because of their locations in areas of relatively higher deprivation.

The bond screening and selection process is informed by a University Social Mobility Rating system developed by The Good Economy (see table on page 36). This system covers 125 UK HE institutions and incorporates data on graduate prospects, participation and continuation rates of students from low participation backgrounds and the overall quality of teaching.

All five universities performed better than the UK average in terms of graduate prospects. Only De Montfort had an intake of students from low participation neighbourhoods that exceeded the national average. However, it should also be noted De Montfort's continuation rate for such students is worse than the national average. In other words, while De Montfort had a higher rate of enrolment of students from low participation backgrounds it also had a higher rate of drop-out among those same students. Overall, Leeds and Manchester were placed in the top 15% of the 125 universities covered by the Social Mobility Rating System with a score of 18. De Montfort, Cardiff and Southampton received an overall score of 12, placing them in the top 37%.

20. Higher Education Statistics Agency (HESA), UK – Student numbers and characteristics.
21. UCAS – End of Cycle Report 2019.

University	Graduate Prospects (Employability Score out of 100)	Students from low participation neighbourhoods (%)	Students from low participation neighbourhoods no longer in HE the year following entry (%)	The Good Economy University Rating	Teaching Excellence Framework Outcome	Social Mobility Rating System – Rank among UK HE Institutions
Leeds	82 (A)	9.1 (B)	3.9 (A)	Silver	18	Top 15%
Manchester	82 (A)	7.9 (B)	3.5 (A)	Silver	18	Top 15%
De Montfort	83 (A)	14.9 (B)	8.9 (B)	Gold	12	Top 37%
Cardiff	81 (B)	8.1 (B)	3.2 (A)	Gold	12	Top 37%
Southampton	80 (B)	7.4 (B)	3.6 (A)	Silver	12	Top 37%
UK	76.1	10.4	7.2	–	–	–

*A refers to the top 25% of UK universities, **B** to the next 26% – 74%, and C to the bottom 25%. The Good Economy University Rating is the product of each indicator (A – 3, B – 2, C – 1. A score of 27 indicates the university is in the top 25% across all measures, a rating of 1 indicates it is in the bottom 25% across all measures. The 19 top scoring universities in 2020 scored 18 on The Good Economy University Rating, while 27 universities scored 12.)

Data sources used in The Good Economy University Ratings: Graduate Prospects 2021 – The Complete University Guide; Wider Participation and Continuation Rates 2018-19 – Higher Education Statistics Agency Limited (HESA); Teaching Excellence Framework Outcomes – Office for Students.

UPDATE ON DE MONTFORT UNIVERSITY INVESTIGATION BY THE OFFICE FOR STUDENTS

In last year's Impact Report, we provided an update on an investigation by the higher education regulator, the Office for Students (OfS), into governance matters at De Montfort University (DMU), which took place in February 2019. The investigation found weaknesses in the university's governance system, and the vice-chancellor and chair of governors subsequently resigned. However, no penalties were imposed on the university because of its action plan and co-operation. The Fund decided to continue to hold the bond as a result of this.

Since last year's Impact Report was published, the university has itself undergone an independent Governance Effectiveness Review by consultants Advance HE. A report, published in March 2020, set out 15 recommendations for the university. By June 2020, the Board of Governors had agreed its response to the review and published its own response to all 15 of the recommendations.

PEARSON EDUCATION BOND

Pearson is a British-owned education company with more than 22,500 employees in 70 countries around the world. It provides content, assessment and digital services to learners, educational institutions, employers, governments and other partners globally.

THE BOND

This year, the Fund added Pearson's first Education-linked Social Bond, which was issued in June 2020. The proceeds are to be used exclusively for initiatives which support the provision of online learning services, as well as further educational and vocational qualifications. The primary recipients will be underserved learners and communities, including those from low-income backgrounds, those with disabilities and the unemployed. The beneficiaries will be primarily in the US, with around 80% of the spend expected to be allocated to the Connections Program (see details below). The proceeds are expected to contribute to two main social objectives: access to education, and socioeconomic advancement and empowerment.

Pearson has developed a Social Bond Framework in alignment with the ICMA Social Bond Principles 2018. A second-party opinion has also been obtained from the specialist ratings agency Vigeo Eiris, which provided its highest level of assurance that the intended use of proceeds are aligned with the Social Bond Principles and are likely to have a positive impact in the identified areas.

The Social Bond Principles

USE OF PROCEEDS

With this Social Bond issuance, Pearson intends to finance the following initiatives:

- **Connections Program**: Pearson's virtual schools network, which serves more than 76,000 students across the US, many of whom are unable to get to school or who struggle in a traditional classroom environment.
- **GED Program**: offers the opportunity for US students who did not complete high school to earn a high school equivalency certificate to allow them to make further progress in their education.
- **BTEC Program**: provides vocational qualifications and technical training services across a range of sectors. Funds are to be spent on the development of the BTEC Program in developing countries as defined by the OECD.

Pearson has committed to reporting on the allocation of proceeds as well as output indicators at the end of year one and thereafter for the duration of the bond. Data will be disclosed showing the number of learners taking and completing courses and the percentage increase in the number of learners completing courses. The Fund positively views this transparent reporting and will monitor this data moving forward as it becomes available.

The proceeds of eligible projects will be primarily used to help achieve SDG 4, as well as SDGs 8 and 10.

4 QUALITY EDUCATION + 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES

EMPLOYMENT AND TRAINING

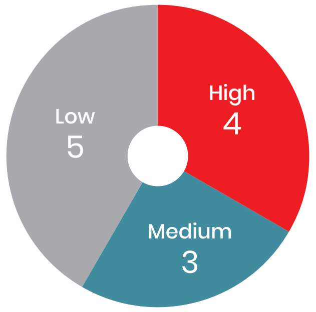
SUPPORTING INCLUSIVE JOB GROWTH

12 HOLDINGS

10 ISSUERS

£15m INVESTED

7% of total amount invested



SOCIAL PERFORMANCE ASSESSMENT
(by number of bonds)

The Fund invests directly in outcomes related to Employment and Training only with respect to its investment holdings in the retail sector. The rationale for this is retail is the largest private sector employer,[22] spread throughout the country (including disadvantaged areas) and offers a wide range of intermediate training and employment opportunities. The social value of these roles, particularly supermarket staff, was also brought into sharp focus during this year's Covid-19 pandemic. There has been widespread recognition of the important role supermarket staff have played as 'key workers' throughout the pandemic and increasing calls for their pay to reflect this.

Yet the job-creation and employment role of the retail sector was under threat before Covid-19, and despite increasing recognition of the important role performed by retail staff, the shift to more online shopping caused by the pandemic is likely to put these jobs under further threat. Even before Covid, a report by Alvarez & Marshal found major UK retailers were occupying approximately 20% more store space than they could financially justify. As shopping habits change and automation becomes more widespread, the retail workforce is expected to shrink considerably in the coming years. The British Retail Consortium (BRC) has predicted the emergence of a smaller but more highly skilled and better paid workforce.

The Fund makes direct investments in UK retailers committed to paying the living wage and investing in workforce development. These are usually general-purpose corporate bonds that go towards financing general operational expenditures.

This year, the Fund added **Tesco** as a new issuer, as well as another bond from **Marks & Spencer (M&S)**. This adds to the Fund's portfolio of bonds from high-street retailers, which includes the **Co-Operative**, **Sainsbury's**, **John Lewis** and **Morrisons**, as well as a bond from the shopping centre group **Meadowhall**, located in Sheffield. Although these issuances support companies which create job opportunities for lower-income households spread throughout the UK, the bonds are general purpose corporate bonds and so have been assigned either a Low or Medium social performance rating.

In addition to direct investments in UK retailers, the Fund also makes investments in bonds that aim to promote good job creation in a wider sense. This year, the Fund added the **RBS Social Bond** (see case study) and the **Council of Europe Development Bank Social Bond**, which finances a range of projects, including those supporting MSMEs in the creation and preservation of viable jobs across Europe. The Fund also holds the **Inter-American Development Bank's EYE Bond** which aims to promote Education, Youth and Employment initiatives across Latin America and the Caribbean.

The Fund's retail holdings show a relatively difficult picture in terms of recent job growth. All six of the high street retailers with bonds held by the Fund reported decreases in their headcount in their most recent annual reports. The most substantial decrease was at Tesco, who reported a fall of nearly 25,000 employees in the UK and Ireland between 2019 and 2020. However, these results related to the period to the end of February 2020, the early stages of the Covid-19 pandemic. The subsequent surge in online grocery trade, resulted in Tesco reporting in August of the same year it would permanently employ 16,000 additional staff taken on during the pandemic to work as pickers, drivers and store and distribution staff.

22. ONS – Employees in the UK by industry: 2018.

ROYAL BANK OF SCOTLAND SOCIAL BOND

The Royal Bank of Scotland (RBS) is a major retail and commercial bank with more than two million customers in Scotland alone. In 2019, RBS launched a social bond aimed at supporting regional development by increasing lending to businesses in areas of high unemployment.

THE BOND

The RBS Social Bond was issued in November 2019 and added to the fund in 2020. This bond has been categorised under the Employment and Training outcome area since the proceeds aim to support the creation of jobs in areas of highest need. The proceeds will be used to provide loans to small and medium-sized enterprises (SMEs) to create employment in deprived areas of the UK. Office for National Statistics data is used to target SMEs in areas of the UK with the highest levels of unemployment and lowest job creation. It is the first social bond released by a UK financial institution, and first issuance under RBS's Green, Social and Sustainability Bonds Framework.

The bond is aligned to the ICMA Social Bond Principles, as set out in the RBS Green, Social and Sustainability Bond Framework. A second party opinion from Sustainalytics reviewed the bond framework and methodology to confirm the bank was well positioned to issue green, social and sustainability bonds in line with ICMA principles.

The Social Bond Principles

USE OF PROCEEDS

This Social Bond issuance is targeting the ICMA category of SME lending, by financing/refinancing of loans to customers or projects with geo-scoring of areas with high unemployment, low income or low job creation. This may include targeting specific sectoral activity codes. RBS intends to report annually on the allocation of proceeds including the expected impact of the projects, with the first report available within 12 months of issuance, in line with ICMA recommendations. The report will use input/output tables to demonstrate the total employment impact of jobs created and jobs retained, through direct, indirect and induced employment inputs.

DIRECT
Additional employment due to the higher output of a firm

INDIRECT
Additional employment in the firm's supply chain

INDUCED
Additional employment in the economy due to the higher consumption

TOTAL EMPLOYMENT IMPACT
Jobs Created
Jobs Retained

The proceeds for eligible Social Loans will be used to achieve SDG 8, as well as SDGs 1, 5 and 10.

8 DECENT WORK AND ECONOMIC GROWTH + 1 NO POVERTY 5 GENDER EQUALITY 10 REDUCED INEQUALITIES

FINANCIAL INCLUSION

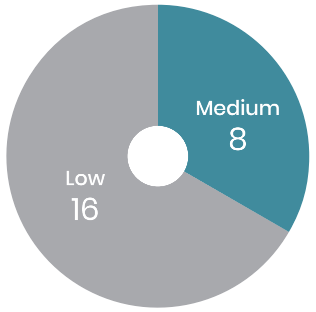
IMPROVING ACCESS TO AFFORDABLE FINANCIAL SERVICES FOR ALL

24 HOLDINGS

8 ISSUERS

£28m INVESTED

14% of total amount invested



SOCIAL PERFORMANCE ASSESSMENT
(by number of bonds)

The Fund's holdings in the financial sector are focused on improving the accessibility and affordability of financial services for all, including loans, savings accounts and mortgages for first-time borrowers. The figures below highlight some of the challenges in the UK:[23]

- 3% of adults do not have a bank account
- 3.1 million adults rely on high cost loans to meet the regular costs of living
- 44% of all UK retirees rely entirely on the State Pension for their retirement income
- 4 in 10 (16.8 million) working age people across the nation have less than £100 in savings available to them at any time.

Bonds held by issuers from the financial sector make up 14% of the Fund's value. This year, the Fund has increased its holdings in this area from 10 bonds in 2019 to 24 in 2020. The majority of these new bonds are from existing issuers, though there have been bonds added this year from new issuers **Prudential** and **Pension Insurance Corporation**. Neither of these holdings have a strong focus on providing financial services to particularly underserved groups and so both have been assigned a Low social performance rating.

Holdings in this area favour mutual and regional building societies owned by and accountable to their customers rather than high street banks. The Fund continues to hold bonds issued by the UK's three largest building societies – **Nationwide** (see case study), **Coventry Building Society** and **Yorkshire Building Society** – this year increasing its holdings from all three. Additional bonds were also added this year from **Royal London** and **Legal & General**. As with the building societies mentioned above, these are also existing issuers with other bonds already held by the Fund.

The Fund also continues to hold **Lloyds' ESG bond**, the proceeds of which are used to support the bank's 'Helping Britain Prosper Plan'. This plan is aimed at addressing a number of social, economic and environmental challenges faced by the UK. This includes funding some of Lloyds' core banking and lending activities as well as funding projects which go above and beyond the bank's financial services offer to contribute to wider positive outcomes. These wider outcomes include building capability through providing digital skills training, funding renewable energy projects to help the transition to a low-carbon future and supporting charities that are aimed at tackling social disadvantage across Britain.

23. Financial Conduct Authority (FCA) – Financial Lives Survey 2017.

NATIONWIDE BUILDING SOCIETY

Nationwide is the world's largest building society with nearly 16 million members. As a mutual organisation, Nationwide is run by and for the benefit of its members, who help shape the society and the products and services it offers.

The Fund holds five bonds issued by Nationwide, with four of those added to the portfolio during the last year. All of these are general purpose corporate bonds.

Nationwide's stated purpose is to help its members achieve their financial goals, whether that be owning a home, saving for the future, or looking after everyday finances. Against these core categories, in 2019 Nationwide achieved the following results:[24]

- **Owning a home** – in 2019, Nationwide helped 77,000 first-time buyers secure their own home (this is one in every five first-time buyers)
- **Saving for the future** – Nationwide looked after £1 in every £10 saved in the UK
- **Looking after everyday finances** – almost 10% of all current accounts in the UK were with Nationwide.

In May of this year, Nationwide also committed to not repossessing any homes over the next 12 months where households were facing financial difficulty caused by Covid-19.[25] This meant no Nationwide mortgage member who fell into arrears would lose their home until May 2021 – on the condition they worked alongside Nationwide to get their finances back on track. Nationwide also announced it would give mortgage holders payment breaks of up to six months if required – a move in line with the recommendation of the Financial Conduct Authority (FCA).[26]

"There is a real need to reassure people, particularly those on mortgage payment breaks who are worried what will happen next. At a time when people are concerned about their jobs, bills and health, we want to do everything possible to ensure they don't worry about having a roof over their heads."
Joe Garner, CEO of Nationwide

24. Nationwide – Annual Reports and Accounts 2019.
25. Homes and Property, Nationwide pledges not to repossess, May 2020.
26. Financial Conduct Authority, Press Release: FCA announces support for customers who are struggling to pay their mortgage due to coronavirus, May 2020.

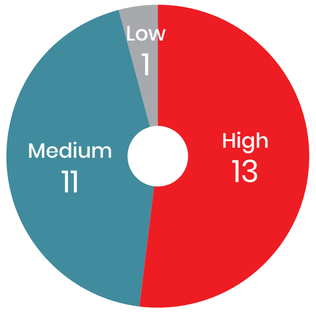
HEALTH AND SOCIAL CARE

SUPPORTING UNIVERSAL ACCESS TO HIGH QUALITY HEALTH AND SOCIAL CARE SERVICES

25 HOLDINGS

13 ISSUERS

£25m INVESTED
12% of total amount invested



SOCIAL PERFORMANCE ASSESSMENT
(by number of bonds)

The Fund invests in bonds with outcomes related to improving public health and care services. Given the scale of the public health emergency brought about by Covid-19, the Fund has substantially increased its health-related holdings this year from 14 to 25. This growth in health-related bonds held by the Fund has been driven in large part by specific use-of-proceeds bonds issued by supranational organisations. These bonds are aimed at financing projects to aid the Covid-19 response and recovery across a range of countries (see case study box for more details).

In addition, the Fund continues to invest in bonds that support the development of products and services that promote positive health outcomes more generally. Given the UK health and social care system was already under substantial pressure even before Covid-19, this is particularly significant.

Demographic challenges,[27] financial and staffing pressures on health services,[28] and the evolving nature of healthcare needs, all conspire to create a considerable need for investment in services and organisations that improve public health.

The Fund continues to hold bonds that have supported the construction and financing of an **NHS hospital in Peterborough** and the operation of the **Norfolk and Norwich University Hospital**. This university hospital employs 6,500 people and provides healthcare services to the people of Norfolk, as well as training to a wide range of health professionals.

As well as the direct financing of health services, the Fund also holds bonds issued by companies supporting medical research, practice and development. Bonds were added this year from the private healthcare provider **BUPA Finance**, an existing issuer, while bonds continue to be held from **Becton Dickinson**, a medical technology company, and **Wellcome Trust**, a charitable organisation that funds medical research and delivers public health programmes worldwide.

Two bonds were also added this year from the international pharmaceutical company **GSK**, a new issuer to be held by the Fund. These are general-purpose corporate bonds which received a Medium social performance rating. However, it should be noted that GSK (in partnership with Sanofi) is playing a leading role in running clinical trials of a potential Covid-19 vaccine which is a potentially high impact area.

Continuing on this theme, a bond from the **International Finance Facility for Immunisation (IFFIM)** is also held by the Fund. IFFIM exists to raise funds for the GAVI Alliance, an organisation which works to rapidly accelerate the availability and predictability of funds for immunisation. In 2019 alone, 65 million children were immunised, and 1.5 million future deaths were prevented as a result of GAVI-funded vaccines. In relation to Covid-19, IFFIM has explicitly stated it stands ready to raise fast, flexible financing on a large scale to fund the development of a Covid-19 vaccine as well as its rapid deployment to affected countries once available.

27. ONS – National population projections: 2018-based.
28. The Health Foundation, Rising pressure: The NHS workforce challenge, Oct 2017.

COVID-19 RESPONSE BONDS

Responding to Covid-19, the Fund acquired nine bonds from supranational institutions. The proceeds will be used to finance the response to, and recovery from, the effects of the pandemic. All nine bonds have been assigned a social performance rating of High. Details of the intended use of proceeds are set out below.

Bond	Issue Date	Target Geography	Use of proceeds
International Finance Corporation (IFC), Social Bond	3 March 2020	Developing countries	The IFC is a sister organisation of the World Bank and the largest global development institution focused on the private sector in developing economies. In response to Covid-19, the IFC issued two bonds to address and attempt to mitigate its effects. The Fund holds one of these bonds, a $1bn Social Bond designed to support the private sector and jobs in developing countries affected by the Covid-19 outbreak.
African Development Bank (AfDB), Social Bond	3 April 2020	Africa	The AfDB's $3bn Fight Covid-19 Social Bond is the largest dollar-denominated social bond ever launched in the international capital markets. The proceeds are being used to help alleviate the impact of the pandemic on the livelihoods of African citizens and lessening the economic and social impact on its regional member countries and Africa's private sector. The bond was also selected in October 2020 as the winner of the GlobalCapital Bond Awards as the best issuer in 2020 of a Covid-19 bond.
Inter-American Development Bank (IADB), Sustainable Development Bonds (x2)	3 and 22 April 2020	Latin America and the Caribbean	The IADB's two sustainable development bonds are $2bn and $4.25bn issuances respectively. The bonds aim to target SDG3: Good Health and Wellbeing, providing additional lending support to countries in their response to the Covid-19 pandemic and its consequences. This will include the immediate public health response; safety nets for vulnerable populations; financing programs to support economic productivity and employment; and support to countries in designing and implementing effective fiscal policies.
European Investment Bank (EIB), Sustainability Bond	15 April 2020	Europe	In April 2020, the EIB issued a €1bn Sustainability Awareness Bond (SAB) that was seven times oversubscribed. The proceeds are earmarked for the EIB's lending activities contributing to sustainability objectives, including Universal Access to Health Services (SDG3) within Europe. The eligibilities under the SAB framework have been extended to other financing areas directly related to the fight against Covid-19. These include support to national health authorities and hospitals; laboratory facilities; medical equipment (e.g. ventilators, beds) and mobile testing units.
International Bank for Reconstruction and Development (IBRD), Sustainable Development Bonds (x4)	22 April to 14 May 2020	World Bank member countries	The IBRD is the world's largest development bank, owned and administered by the World Bank. The organisation has issued numerous Sustainable Development Bonds since the onset of the pandemic. These issuances aim to facilitate progress towards sustainable development, including financing immediate health responses and supporting member countries to prevent, detect and respond to the spread of Covid-19. The Fund has purchased four of these bonds, all of which were issued by the IBRD between April and May. The four issuances total more than $17bn, and include an $8bn issuance, which is the largest ever US-dollar denominated bond issued by a supranational.

TRANSPORT AND COMMUNICATIONS INFRASTRUCTURE

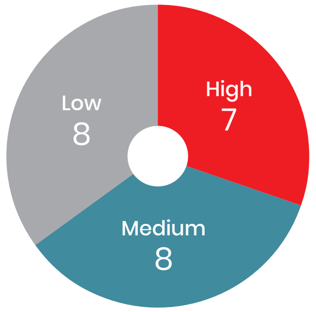
ENSURING UNIVERSAL ACCESS TO BASIC INFRASTRUCTURE AND SERVICES

23 HOLDINGS

15 ISSUERS

£38m INVESTED

18% of total amount invested



SOCIAL PERFORMANCE ASSESSMENT
(by number of bonds)

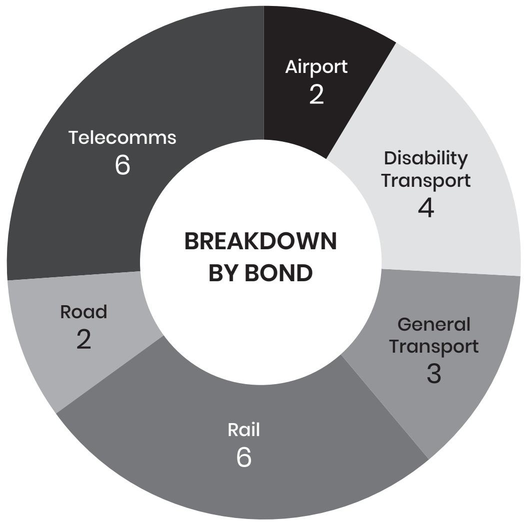
Within this outcome area, the Fund seeks to make investments that improve the quality of and access to transport and communications infrastructure across the UK. Providing adequate access to appropriate transport and communications is a key element of the government's Industrial Strategy.[29] It is fundamental to economic development since it ensures the mobility of people, goods and information. Moreover, there are increasingly important environmental pressures underpinning the need to invest in upgrading our transport and communications systems. Outdated infrastructure and technology increase the level of pollution produced and impact on the UK's ability to meet carbon emissions and air quality targets.

The Fund's holdings in this area are diverse. They cover railways, roads, airports, port infrastructure as well as telecommunications providers. In addition, the Fund continues to support access to personal transport for disabled people, holding four bonds from the charity **Motability**.

This year, the Fund increased the number of bonds it holds which support the work of telecommunications providers. More bonds have been added from **BT**, an existing issuer, as well as bonds from the French provider **Orange**, who are new to the Fund. These issuers received a Low and Medium social performance rating respectively but this year in particular, it is worth noting the importance of the social and economic role played by such firms in keeping us connected.

Another new issuer to the Fund this year is **Eversholt Rail**, which owns UK passenger and freight rolling stock. This is a general-purpose corporate bond which has been added to the Fund largely on the basis of Eversholt's commitment to investing in innovative technologies that will facilitate significant emissions reductions – namely hydrogen trains. Moreover, there could also be potential social benefits through the creation of up to 200 high-quality engineering jobs in Widnes, in the North West of England, where the trains are to be built.

Bonds were also added this year from **Corporacion Andina de Fomento (CAF)**, the development bank of Latin America. CAF invests in projects which cut across numerous sectors including finance, education, energy and water. However, for now the bonds have been categorised under Transport and Communications on the basis that, in the organisation's latest impact report, transport was the sector which constituted the largest share of its investment portfolio.



29. HM Government, Industrial Strategy – Building a Britain fit for the future, Nov 2017.

TRANSPORT FOR LONDON GREEN BOND

Transport for London (TfL) runs most of London's public transport services. TfL aims to meet the Mayor's Transport Strategy target for 80% of all journeys to be made on foot, by bike, or by using public transport by 2041.

The Bond
The TfL Green Bond was issued in 2015 and has been held by the Fund since then, making it one of the Fund's longest held bonds. The proceeds are used to fund projects relating to the following environmental areas:

- Air quality
- Carbon, energy and climate resilience
- Resource management
- Noise
- Natural environment
- Pollution prevention
- Built environment.

The Bond is aligned to the ICMA Green Bond principles. A second party opinion from Sustainalytics confirmed this alignment and highlighted the clear environmental benefits of the bond in contributing to air quality improvements and decreasing the GHG emissions of the public transport system. TfL was one of the first green bond issuers in the UK, encouraging the issuance of other low-carbon transport green bonds in the UK.

The Green Bond Principles

Use of Proceeds
The £400m issuance has been fully used to fund, in whole or in part, eligible green projects as categorised below:

- **£288.2m on Station Upgrades and Station Capacity** – aimed at increasing capacity at some of London's busiest stations, as well as improving asset condition, the built environment and energy efficiency
- **£42.2m on World Class Capacity** – providing additional capacity on London underground and funding initiatives to minimise energy usage, for example through implementing improvements to regenerative braking and increased coasting
- **£39.6m on London Rail Capacity and Enhancements** – examples of projects in this category include London Overground capacity improvements and station upgrades, replacement of DLR's existing rolling stock, additional platform and tram infrastructure
- **£20m on New Routemaster Buses ('NRMs') and bus fleet upgrades** – NRMs are TfL-owned buses running on a combination of diesel and electricity. This category also funds the cost of procuring low-emission buses and the retrofitting of existing buses to reduce their emissions
- **£10m on Cycling Improvements** – improving the safety and utility of cycling networks throughout London.

UTILITIES AND ENVIRONMENT

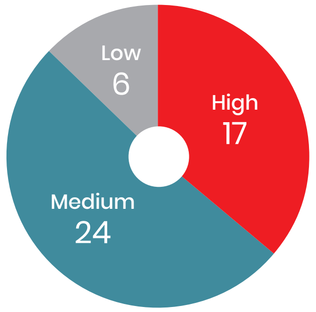
SUPPORTING THE PROVISION OF AFFORDABLE AND SUSTAINABLE WATER, ENERGY AND OTHER ESSENTIAL SERVICES

47 HOLDINGS

27 ISSUERS

£58m INVESTED

28% of total amount invested



SOCIAL PERFORMANCE ASSESSMENT
(by number of bonds)

The Fund invests in the UK energy and utilities sector which is critical to delivering on the UK's objectives of environmental sustainability and building a 'green economy'. The sector is at the forefront of the government's "Clean Growth Strategy" involving £2.5 billion public R&D investment on low carbon energy, transport, agriculture and waste.[30] In October 2020, Boris Johnson committed to enabling the country to "build back greener" as a key component of the Covid-19 recovery. This began with a pledge for offshore wind farms to produce enough electricity to power every home in the country by 2030.[31] This is the first of 10-point plan for a Green Industrial Revolution with the rest of the details expected in late 2020.

Investment in green infrastructure and energy systems is evidently aimed at generating environmental benefits and facilitating the UK's reduction of carbon emissions to its net zero target by 2050. However, it is also important to recognise the links between the environmental and social benefits of such investments. A report produced by the Local Government Association (LGA) in June 2020 stated that up to 694,000 'green jobs' could be created within a decade, around half of which would be in the renewable energy generation sector.[32] It is also worth noting the geographical distribution of these potential new roles, with Yorkshire and the Humber and the North West identified by the LGA as potential hotspots. Such investment therefore has the potential to aid more inclusive job growth across the UK's regions.

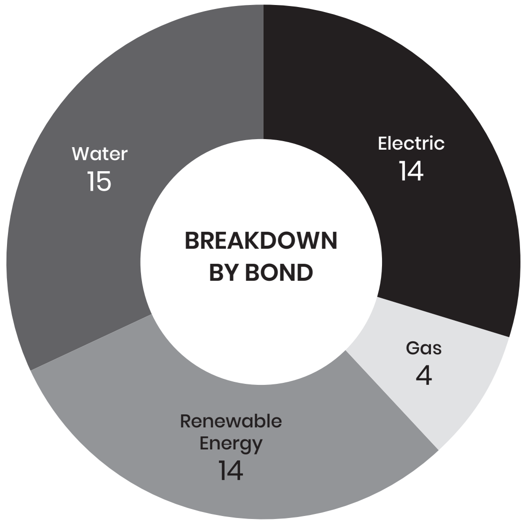
Utilities and the Environment continues to take up the largest allocation of the bond portfolio, constituting 28% of the total allocation. In the 12 months to June 2020, the number of holdings increasing from 38 to 47. This substantial number of holdings is largely representative of the fact that it is an area with many opportunities to invest, as to date there have typically been more green and sustainability bonds issued in comparison to social bonds. This is reflected in the fact that, of the 47 holdings within this outcome area, 16 are classed as green bonds and six are sustainability bonds.

This year, the Fund added bonds from new issuers **Southern Water** and **Thames Water**, which brings the total number of water companies with bonds held by the Fund up to seven. The other new issuer for 2020 within this outcome area was **RBS**, with the Fund purchasing RBS's Green Bond, which was issued in May 2020. The proceeds of this green bond are directed towards the development of solar, wind and hydropower technology across a number of projects.

There were also a number of bonds added this year from energy companies that were existing issuers with bonds already held by the Fund. These included **Scottish and Southern Energy (SSE)**, **National Grid** and **Western Power Distribution**. The Fund focuses on tracking energy companies' strategies to help tackle 'fuel poverty', favouring companies with a clear commitment and track record of action in this area.

The Fund also added a new type of bond to the Fund this year, purchasing the UK's first "transition bond" from the gas distributor **Cadent**. Transition bonds are issuances targeted at the so-called "brown industries" – those with high greenhouse gas (GHG) emissions – with the proceeds to be used to shift to more green business activities. Cadent provides services that keep energy flowing to 11 million homes, offices and businesses. The proceeds of its transition bond will be used to retrofit gas pipelines, with the long-term aim of reducing GHG emissions by 80% against a 1990 baseline by 2050.

30. HM Government, Clean Growth Strategy – Leading the way to a low carbon future, Oct 2017.
31. BBC News, Boris Johnson: Wind farms could power every home by 2030, Oct 2020.
32. LGA, Local green jobs – accelerating a sustainable economic recovery, June 2020.



HSBC ENERGY POLICY UPDATE

Last year we reported HSBC had faced criticism over its energy policy which allowed it to continue lending to coal-powered projects in three emerging economies – Bangladesh, Vietnam and Indonesia – until 2023.

HSBC had defended this decision on the basis it was a time-limited exemption to emerging markets and there was a need to balance local humanitarian needs with the need to transition to a low carbon economy. However, in April 2020, HSBC stated it had amended its policy to close the loophole, with the aim of phasing out support of coal-powered projects, removing the previous exemption of those three countries.[33]

*The Fund holds HSBC's SDG Bond which aims to contribute towards the achievement of seven selected SDGs, including SDG 7 – Affordable and Clean Energy.

33. Business Insider, HSBC stops funding new coal power stations, May 2020.

WATER LEAKAGE UPDATE

Last year we commented on the performance of the water companies with bonds held by the Fund in terms of their level of water leakage. This has become an increasingly important issue in recent years, with the regulator Ofwat ordering companies to cut the amount of water lost to leaks by 16% by 2025, as well as instructing them to cut bills to customers by £50 over the same period.

We reported in last year's report that all six of the water companies held by the Fund met or exceeded their water leakage targets for their most recent year.

This year, there are seven water companies with bonds held by the Fund. Of those, for 2018/19:[34]

- Five met or exceeded their water leakage targets (**Anglian Water**, **Yorkshire Water**, **Welsh Water**, **Severn Trent Water** and **United Utilities**)
- **Thames Water** failed to achieve its water leakage target. This is the second consecutive year the company has failed to meet its target (note this is a new issuer to the Fund in 2020)
- **Southern Water's** performance is only assessed in 2019/20. An annualised milestone was therefore not achieved in 2018/19 as there is not a relevant target.

34. Ofwat, Service Delivery Report 2018/19, Oct 2019.

IBERDROLA

Iberdrola is a Spanish multinational energy provider, supplying energy to more than 100 million people around the world. It is the leading producer of wind power in the world and is also one of the world's leading sustainable financing companies, having issued a total of 12 green bonds to date.

The Bond

The Fund holds three green bonds issued by Iberdrola, all of which have been assigned a Medium social performance rating by the Fund. The bonds were issued in March 2018, June 2018 and February 2019. As stated within the company's "Framework for Green Financing", the proceeds of these issuances are to be used to finance eligible green projects that contribute towards the following areas: smart grids, renewable energy capacity, sustainable customer solutions and electric mobility projects.

For all three bonds held by the Fund, Iberdrola obtained a second-party opinion from the specialist ratings agency Vigeo Eiris. All three of these reviews confirmed that the issuances were in alignment with the ICMA Green Bond Principles 2018, with Vigeo Eiris providing its highest level of assurance on the three bond's contributions to sustainability.

The Green Bond Principles

Use of Proceeds

See below for an overview of how the proceeds for the three bonds have been allocated:

- **March 2018** – a €700m issuance going towards the financing of offshore and onshore wind farms in the UK, Spain, Germany and Mexico, as well as a hydroelectric plant in Portugal. The UK-directed funds have gone towards an offshore wind farm in East Anglia and onshore wind farms in Whitelee, Ewe Hill and Hare Hill, all in Scotland
- **June 2018** – a €750m issuance going entirely towards the financing of Iberdrola's offshore wind farm in East Anglia, UK
- **February 2019** – an €800m issuance with funds directed towards its offshore wind farm in East Anglia, UK and another in Wikinger, Germany.

On behalf of Iberdrola, Vigeo Eiris has confirmed that the proceeds of eligible projects are likely to contribute towards SDGs 7, 12 and 13.

7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

IBERDROLA'S EAST ANGLIA WIND FARM

With the support of financing from its bonds issues, Iberdrola's offshore wind farm in East Anglia is now the company's largest wind farm. Located around 50km off the coast of Suffolk, it consists of 102 turbines, producing clean energy for 630,000 British homes.

As well as the clear environmental benefits produced, the construction of this wind farm is also driving Europe's emerging wind farm industry, employing 3,500 people across several countries including the UK, Spain and the Netherlands. In addition, 100 permanent and skilled jobs have been created for the operation and maintenance of the park. These jobs will be located at the farm's Lowestoft base on the east cost of the UK.

This use of proceeds has led to the following outcomes set out in the table below:[35]

Bond	Number of projects financed through bond proceeds	Sustainability Indicators		
		Installed capacity attributable to the bond (MW)	2019 production attributable to the bond (GWh)	CO2 avoided due to the bond (Tm)
March 2018	18	519	309	65,446
June 2018	1 (East Anglia)	228	60	15,349
February 2019	2 (East Anglia and Wikinger)	231	232	93,265

It should be noted the quality of Iberdrola's reporting on the use of proceeds and impact performance of its bonds is an example of good practice. The measure 'CO2 avoided due to the bond' provides a particularly useful insight into the contribution of the bond to sustainability outcomes. Iberdrola is transparent in terms of how proceeds have been allocated and provides good quality performance data on the sustainability outcomes these proceeds have contributed to. The quality of Iberdrola's reporting has been mentioned in a report by the Climate Bonds Initiative on Post-Issuance Reporting in the Green Bond Market.[36] This practice should be commended and held up as an example for other issuers to follow.

35. Iberdrola – Report on Green Financing Returns 2019.
36. Climate Bonds Initiative, Post-Issuance Reporting in the Green Bond Market, 2019.

04 FORWARD LOOK

We see four main trends which are likely to shape the future of the Fund and the wider movement to support the transformation of the financial sector into a positive force for sustainable development.

INCREASING SOCIAL BOND ISSUANCE IN THE UK

Encouraging new social bond issuance has been an objective of the Fund from the outset. Bonds are a good financial instrument for a range of entities to raise capital to invest in projects that support sustainable development priorities, including infrastructure, affordable housing and renewable energy projects.

This year, with the host of major social challenges brought about by Covid-19, the need for such issuances has intensified. And with the substantial increase in the number of social bonds issued since the onset of the pandemic, it is clear investor focus has been sharpened around this need to respond to these challenges.

Yet the level of bond issuance in the UK has been relatively low and continues to lag behind other European countries, despite strong investor demand. As stated in previous years' impact reports, CTI and BII have long been supportive of encouraging more bond issuance amongst UK companies as well as local government and sovereign bond issuance. To that end, 2020 marked a positive step in the right direction with the Fund investing in the first bond from a UK local authority, Lancashire County Council.

The Fund has also recently taken a leading role among a group of more than 30 asset owners and investors supporting the Green+ Gilt proposal which was presented to government in October 2020. The proposal highlighted how the UK could issue a sovereign bond that finances the UK's plans to deliver a resilient, net-zero economy that would also aid the recovery from the effects of the pandemic. The response from government was virtually immediate. In November 2020, Rishi Sunak announced that in 2021, the government would launch its first green sovereign bond. The proceeds will fund projects to tackle climate change, build infrastructure and create 'green jobs'. This is a landmark moment which the Fund has long called for.

MAKING IT EASIER FOR PEOPLE TO INVEST FOR POSITIVE IMPACT

A key driver for The Big Issue Group when launching the Fund was to give everyone the opportunity to invest in businesses and organisations that have a positive impact on people and the planet. The Fund's inclusion on an increasing number of investment platforms is helping to increase retail access as evidenced by the growing investment inflows from individual investors.

In October 2020, BII achieved an important landmark in its efforts to democratise access to impact investment opportunities with the launch of The Big Exchange. This is the first mobile-enabled investment platform to exclusively offer access to investment funds that aim to make a positive impact for people and planet. Users are able to invest as little as £25 per month. The platform is starting with a range of 36 funds from 11 asset managers, including the Threadneedle UK Social Bond Fund as one of the founding partners.

During 2020, the Make My Money Matter campaign was also launched, which aims to inform the public about how most pensions are invested, empowering people to demand their pensions are invested more sustainably and in line with their personal preferences. This public-facing campaign has the potential to be a key driver in motivating people to become more active in directing their own savings and investments towards impactful funds.

BUILDING A CULTURE OF IMPACT INTEGRITY

Impact investment was born out of the desire to change the culture of the financial sector and direct more capital flows to investments that intentionally set out to have a positive impact for people and planet, alongside positive financial returns.

One of the concerns in the impact investing market is the risk of 'impact washing' – that existing investment practises are being repackaged and labelled as 'impact investing' but fundamentally nothing new or different is being done. Hence, CTI, BII and TGE are all strong advocates of the need for robust impact management and measurement practices. This means integrating impact considerations into investment decision-making process and assessing and reporting on impact creation, risks and additionality, based on data analysis and evidence. We welcome many of the market-building initiatives in this area in recent years.

Within the impact investing space, the IFC's 'Operating Principles for Impact Management' and the Impact Management Project (IMP) present important frameworks that offer much-needed consensus on how to measure and manage for impact. Within the bond markets specifically, 2020 saw the UNDP publish the first draft of its Impact Standards for SDG Bonds. Once fully developed, these should allow assurance of bonds making SDG-enabling claims by UN-accredited certifiers, safeguarding against superficial use of the SDGs as marketing tools in the bond markets.

Moreover, each year we are seeing more bonds issued in line with the ICMA's Green and Social Bond Principles and Sustainability Bond Guidelines. This is encouraging since the ICMA guidelines emphasise transparency and reporting on the allocation and performance of use-of-proceeds bonds that aim to create a positive social or environmental impact.

The Fund continues to be wholly committed to full transparency and accountability – this Impact Report, produced by The Good Economy on behalf of BII, provides tangible demonstration of this commitment. We are the first investment fund to publish a full list of bond issuers and will continue to assess and report on the performance of the Fund on an annual basis. We welcome feedback on this report and your comments or questions.

RESPONDING TO THE COVID-19 PANDEMIC

Covid-19 has impacted all aspects of society throughout 2020 and has fundamentally changed how our societies function. The immediate public health impacts are evident but there will be long-lasting social and economic impacts beyond the spread of the disease. This has created a clear demand for investment and support from the capital markets.

In response to the pandemic, the bond markets and the Fund acted quickly and effectively to scale up issuances aimed at tackling the pandemic and its impacts. As a global issue affecting virtually all regions and countries, this has been led by supranational institutions who have driven the coordination of responding to a pandemic across borders.

This series of issuance and the take up of the bond market should be highlighted as a positive in terms of the bond market's response to a major social challenge. The international nature of the Covid-19 pandemic has prompted an international response. While this has shifted the UK Social Bond Fund's focus from previous years, this demonstrates a market able to mobilise to support the most vulnerable in times of crises.

As the response to Covid-19 continues, we would expect more issuance within the UK aimed at tackling the impacts of the pandemic and the subsequent recovery. The UK government's announcement of its first sovereign green bonds to be issued in 2021 as part of its Covid-19 stimulus planning, is a positive step in the right direction to building a climate resilient economy. We would also expect and encourage further issuance from companies within the UK which are specifically aimed at financing the response to and recovery from Covid-19, as well as from local authority's whose budgets have been hit hard.

Overall, the recovery from Covid-19 will continue to shape and characterise patterns of bond issuance for years to come, both in the UK and internationally. The Fund's own investments will therefore remain reflective of these patterns as both public, private and supranational organisations tap into the bond markets in response to the various social challenges which have been caused by the pandemic.

We thank all the Fund's investors – individuals and organisations – for their support of the Fund. BII and CTI remain strong partners and will look to grow the Fund in the coming year and focus on investing in bonds that deliver tangible benefits and more inclusive and sustainable development in the UK.

ANNEX 1: IMPACT ASSESSMENT METHODOLOGY

The Threadneedle UK Social Bond Fund is a positively screened, actively managed fund. Each bond is assessed and selected for its potential to deliver positive societal benefits.

The Fund's assessment methodology ensures impact considerations are fully integrated into investment decision-making and on-going fund management. We review the methodology on an annual basis and will develop and improve our approach taking into account emerging global industry standards on impact measurement and reporting.

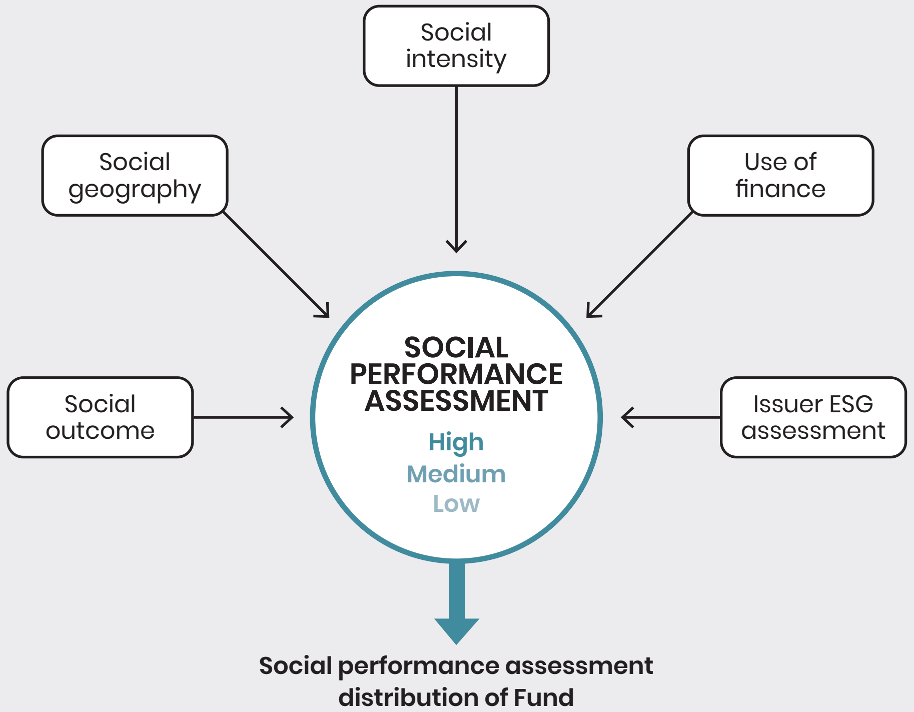
1. DEFINING THE UNIVERSE: TARGETING EIGHT SOCIAL OUTCOME AREAS

Investment is directed towards eight core social outcomes areas with the following aims:

Social Outcome Area	Primary Outcomes	Typical Bond Issuers
Affordable Housing and Property	Increased supply of affordable, good quality homes, particularly for people on low incomes, key workers and students	– Registered social housing providers and property developers
Community Services	Increased access to community facilities and services that improve individual and local well-being; encouraging bond issuance as a new source of funding for charities	– Charities – Local authorities – Development organisations
Education, Learning and Skills	Supporting wider participation in higher education and promoting social mobility; increasing quality of education for all	– Universities – Providers of educational services and learning materials
Employment and Training	Supporting provision of good jobs, particularly in areas of high unemployment; improved employment opportunities and skills development for young people	– Large UK employers
Financial Inclusion	Universal access to affordable financial services that support decent standards of living	– Banks and financial institutions, including mutuals
Health and Social Care	Improving quality and accessibility of health and social care facilities and services; facilitating financing of healthcare services through insurance products	– Large providers of health and care services and related services, including research, property development and financial products
Transport and Communications Infrastructure	Improvements in the quality and access to transport and communications infrastructure and services, particularly outside London and the Greater South East	– Transport and telecommunications companies
Utilities and the Environment	Supporting the provision of affordable and sustainable utilities provision, including water, waste and energy services	– Utility companies – Development finance institutions

2. ANALYSING SOCIAL IMPACT PERFORMANCE

The CTI Responsible Investment (RI) team carries out a social due diligence of all eligible bonds prior to investment and provides an overall social performance rating (High, Medium or Low). The assessment has five dimensions:



i. **Social Outcome**: analysis is made of both the primary outcome area (e.g. provision of transport infrastructure), and the secondary outcome (e.g. job creation). A higher rating is given to bonds with clear intentionality to create positive impact and have specified, defined and measurable output and outcome metrics.

ii. **Social Geography**: the extent to which the project or activities financed by the bond has a geographical footprint benefiting disadvantaged communities and the UK's poorer regions.

iii. **Social Intensity**: the extent to which the bond directly targets people and communities most in social need. A higher rating is given to bonds which benefit specific disadvantaged groups, for example, low-income households or people with disabilities.

iv. **Use of Proceeds**: the Fund favours "specific use-of-proceeds", which means the financing is exclusively channelled to pre-identified projects with social or environmental outcomes, rather than bonds issued for general corporate purposes. The Fund also favours new bond issues where it can contribute to growing a new or under-supplied capital market, such as for charities.

v. **ESG Rating of the Issuer**: the bond should have an Issuer with a good Environmental, Social and Governance (ESG) rating. CTI's Responsible Investment team carries out this assessment using its own well developed ESG methodology and approach.

Each bond's overall Social Performance Rating is based on combining its scores for the five different assessment criteria. The Fund's portfolio includes a mix of bonds with High, Medium and Low social performance ratings. The Fund's overall social performance target is to have at least two-thirds of bonds rated as High and Medium social performance.

On top of this overall Impact Assessment Methodology, the Fund also uses more specific granular methodologies in a number of outcome areas to assess the impact of investments. Under Education, Leaning and Skills, The Good Economy's University Ratings is used to assess the performance of higher education institutions in contributing to social inclusion and mobility, continuation rates and graduate prospects.

Cutting across numerous outcome areas of the Fund, BII's Jobs Assessment Methodology (JAM) is also used to provide an approximate assessment of the Fund's overall supportiveness of inclusive job growth in the UK. This is done by analysing the concentration of the Fund's investments in sectors of the economy that perform favourably on good job creation.

The JAM analyses the 'good jobs' performance of sectors using four criteria:

- Employment Generation: Size and growth of the sector's direct workforce
- Wage Quality: Median earnings in the sector relative to the Voluntary (Real) Living Wage
- Career Progression: Share of the workforce with intermediate vocational qualifications
- Geography: Concentration of the sector's employment in areas of high employment deprivation.

This year, the Fund has also begun work to undertake an initial alignment exercise of its Social Performance Rating with the IMP's ABC classification. This method is used to classify the impact of an asset as either Avoid Harm, Benefit Stakeholders or Contribute to Solutions. The Fund will be looking to refine this method over the coming year.

3. MONITORING AND REPORTING

A **Social Advisory Committee (SAC)** meets quarterly to review and challenge individual bond social assessments, assess risks and provide advice on sector developments and development of the social assessment methodology. The Committee comprises an independent Chair (John Hale, formerly a manager in Investment Affairs at the Association of British Insurers), BII appointed members (Nigel Kershaw, Chair of The Big Issue Group, Danyal Sattar, CEO, Big Issue Invest, Sarah Forster and Mark Hepworth of The Good Economy,) and two Columbia Threadneedle Investments members (Iain Richards, Head of Responsible Investment and Simon Bond, Fund Manager). See Annex 5 for biographies.

Performance monitoring.
CTI monitors the financial and social performance of the bonds on an ongoing basis. All bonds are subject to a reassessment of their social rating on the fourth anniversary of their inclusion in the Fund. During 2017-18, the methodology was reviewed and the SAC codified policies and procedures to address situations where ESG or impact risks have arisen. Should serious issues arise CTI will seek evidence. This may include engagement with the company to reassess the social characteristics. A special SAC meeting may be convened to discuss the holding. If the Committee decides that a holding no longer meets the social and reputational requirements of the Fund, the Fund manager will outline an appropriate action plan to the Committee. This is likely to include reducing or eliminating the holding, mindful of both the social and financial goals of the Fund.

Annual reporting.
BII, in association with The Good Economy, monitor and analyse social performance data, where available, and report on social performance annually through this report.

The Fund does not claim direct attribution for impact creation. However, it contributes to impact through its investment decision-making. The greatest contribution to impact creation is made when the Fund invests in new issues that are rated High from a social performance perspective. These new bond issues are analysed in the Annual Report.

The quality of impact measurement and management varies across the Fund's portfolio. Organisations issuing bonds for a specific social purpose, such as registered social housing providers and charities, typically track and report on results achieved with well-defined metrics. For bonds that are issued for general corporate purposes and which have a more indirect impact, we report relevant performance data from Annual Reports in this report.

Both BII and CTI recognise that impact measurement is an emerging field. We are committed to being actively engaged in this field and will continue to review and refine our approach in line with industry developments and global standards, as well as the emergence of improved impact reporting by bond issuers.

ANNEX 2: FULL LIST OF BOND ISSUERS

Name of Issuer	Outcome Area	Social Assessment
A2 Dominion Housing Association	Affordable Housing and Property	High
Accent Group	Affordable Housing and Property	High
Affordable Housing	Affordable Housing and Property	High
Aster Housing Association	Affordable Housing and Property	High
Bromford Housing Association	Affordable Housing and Property	High
Catalyst Housing	Affordable Housing and Property	High
Clarion Housing	Affordable Housing and Property	High
Cross Keys Housing Association	Affordable Housing and Property	High
Futures Housing Group	Affordable Housing and Property	High
Golden Lane Housing	Affordable Housing and Property	High
The Guinness Partnership	Affordable Housing and Property	High
Hightown Housing Association	Affordable Housing and Property	High
Home Group	Affordable Housing and Property	High
Housing Association Funding	Affordable Housing and Property	High
Karbon Homes	Affordable Housing and Property	High
Longhurst Group	Affordable Housing and Property	High
Optivo Housing Association	Affordable Housing and Property	High
Peabody Trust	Affordable Housing and Property	High
Penarian Housing Association	Affordable Housing and Property	High
THFC Funding	Affordable Housing and Property	High
Walsall Housing Association	Affordable Housing and Property	High
Wheatley Housing Association	Affordable Housing and Property	High
Annington Finance	Affordable Housing and Property	Medium
Incommunities Group Ltd	Affordable Housing and Property	Medium
London & Quadrant Housing Association	Affordable Housing and Property	Medium
Paragon Asra Housing Ltd	Affordable Housing and Property	Medium
Places for People Homes	Affordable Housing and Property	Medium
PRS Housing Agency	Affordable Housing and Property	Medium
Grainger Trust	Affordable Housing and Property	Low
Liberty Living	Affordable Housing and Property	Low
UNITE Students	Affordable Housing and Property	Low
African Development Bank	Community Services	High
Charities Aid Foundation	Community Services	High
IADB Sustainability Bond	Community Services	High
Lancashire Council	Community Services	High
Center Parcs	Community Services	Low
CK Hutchinson Group	Community Services	Low
Cardiff University	Education, Learning and Skills	High
De Montfort University	Education, Learning and Skills	High
Inter-American Investment Corp	Education, Learning and Skills	High
University of Leeds	Education, Learning and Skills	High
University of Manchester	Education, Learning and Skills	High
Pearson Education	Education, Learning and Skills	Medium
University of Southampton	Education, Learning and Skills	Medium
Council of Europe Development Bank	Employment and Training	High
Co-Operative Group	Employment and Training	High
Inter-American Development Bank EYE Bond	Employment and Training	High
RBS Social Bond	Employment and Training	High
Meadowhall	Employment and Training	Medium

Name of Issuer	Outcome Area	Social Assessment
Morrisons	Employment and Training	Medium
John Lewis	Employment and Training	Low
Highbury Finance BV (Sainsbury)	Employment and Training	Low
Marks and Spencer	Employment and Training	Low
Tesco	Employment and Training	Low
Coventry Building Society	Financial Inclusion	Medium
Lloyds ESG Bond	Financial Inclusion	Medium
Nationwide Building Society	Financial Inclusion	Medium
Legal and General	Financial Inclusion	Low
Pension Insurance Corporation	Financial Inclusion	Low
Prudential	Financial Inclusion	Low
Royal London	Financial Inclusion	Low
Yorkshire Building Society	Financial Inclusion	Low
African Development Bank Social Bond	Health and Social Care	High
European Investment Bank Sustainability Bond	Health and Social Care	High
Inter-American Development Bank Pandemic Bond	Health and Social Care	High
International Bank for Reconstruction and Development Pandemic Bond	Health and Social Care	High
International Finance Corporation Social Bond	Health and Social Care	High
International Finance Facility for Immunisation	Health and Social Care	High
Peterborough Progress Health	Health and Social Care	High
Wellcome Trust	Health and Social Care	High
Becton Dickinson	Health and Social Care	Medium
BUPA Finance	Health and Social Care	Medium
GSK	Health and Social Caree	Medium
Pure Gym	Health and Social Care	Medium
Octagon Healthcare Funding (Norwich and Norfolk)	Health and Social Care	Low
BBC Pacific Quay	Transport and Communications Infrastructure	High
Development Bank of Latin America (CAF)	Transport and Communications Infrastructure	High
Motability Operations Group	Transport and Communications Infrastructure	High
Birmingham Airport Finance	Transport and Communications Infrastructure	Medium
Community Finance (GLA)	Transport and Communications Infrastructure	Medium
Eversholt Rail	Transport and Communications Infrastructure	Medium
LCR Finance	Transport and Communications Infrastructure	Medium
Manchester Airports Group	Transport and Communications Infrastructure	Medium
Orange	Transport and Communications Infrastructure	Medium
Transport for London	Transport and Communications Infrastructure	Medium
BT	Transport and Communications Infrastructure	Low
Connect Plus M25	Transport and Communications Infrastructure	Low
Getlink	Transport and Communications Infrastructure	Low
National Express Group	Transport and Communications Infrastructure	Low
National Rail	Transport and Communications Infrastructure	Low
Anglian Water	Utilities and the Environment	High
Dwr Cymru (Welsh Water)	Utilities and the Environment	High
Electricity North West	Utilities and the Environment	High
International Finance Corp Green Bond	Utilities and the Environment	High
RBS Green Bond	Utilities and the Environment	High
Southern Water	Utilities and the Environment	High
Thames Tideway Tunnel (Bazalgette)	Utilities and the Environment	High
Thames Water	Utilities and the Environment	High
United Utilities	Utilities and the Environment	High
Yorkshire Water	Utilities and the Environment	High

Name of Issuer	Outcome Area	Social Assessment
Barclays Green Bond	Utilities and the Environment	Medium
Cadent	Utilities and the Environment	Medium
European Investment Bank Sustainability Bond	Utilities and the Environment	Medium
First Hydro Finance	Utilities and the Environment	Medium
HSBC SDG Bond	Utilities and the Environment	Medium
Iberdrola Green Bond	Utilities and the Environment	Medium
National Australia Bank Green Bond	Utilities and the Environment	Medium
Northern Gas Networks	Utilities and the Environment	Medium
Northern Powergrid Yorkshire	Utilities and the Environment	Medium
Orsted	Utilities and the Environment	Medium
Scottish and Southern Energy (SSE)	Utilities and the Environment	Medium
Severn Trent Water	Utilities and the Environment	Medium
Wales & West Utilities Finance	Utilities and the Environment	Medium
Western Power Distribution	Utilities and the Environment	Medium
London Power Networks (National Grid)	Utilities and the Environment	Low
National Grid	Utilities and the Environment	Low
Northern Ireland Electric	Utilities and the Environment	Low

ANNEX 3: SUMMARY OF THREE YEAR PERFORMANCE TRENDS

		2018	2019	2020
Portfolio	Value	114.4	120.1	214.2
	Number of bonds	108	145	190
	Number of Issuers	80	100	111
	Top 25 Issuers (% of Fund by Value)	61.8	54.3	54.6

		2018 (% of bond)	2018 (% of value)	2019 (% of bond)	2019 (% of value)	2020 (% of bond)	2020 (% of value)
Social Performance	High	35.2	32.8	38.6	35.8	42.1	42.1
	Medium	42.6	51.2	37.9	46.9	35.3	41.7
	Low	22.2	16.0	23.4	17.3	22.6	16.2
Social Outcomes	Affordable Housing and Property	25.9	19.3	27.6	15.6	23.2	14.1
	Community Services	3.7	5.6	2.8	3.5	3.7	3.8
	Education Learning and Skills	4.6	2.7	3.4	2.5	4.2	3.2
	Employment and Training	11.1	6.6	11.0	7.7	6.3	7.2
	Financial Inclusion	11.1	13.2	6.9	11.1	12.6	13.5
	Health and Social Care	8.3	9.1	9.7	9.5	13.2	12.2
	Transport and Communication Infrastructure	13.9	19.8	12.4	18.5	12.1	18.2
	Utilities and the Environment	21.3	23.7	26.2	31.5	24.7	27.8
Social Geography	Regional	48.1	41.7	43.4	37.7	36.8	36.0
	National	43.5	46.0	44.1	47.2	43.2	44.9
	Supra-national	8.3	12.3	12.4	15.2	20.0	19.1
Regional Geography	Outside of GSE	63.5	66.5	65.1	68.5	58.6	62.6
	Midlands and South West	15.4	20.5	17.5	21.3	17.1	17.9
	North	25.0	20.6	28.6	19.9	21.4	16.7
	Scotland and Northern Ireland	7.7	9.5	6.3	7.9	5.7	7.4
	Wales	13.5	12.5	11.1	11.0	11.4	11.8
	Multi-Regional	1.9	3.5	1.6	8.3	2.9	8.8
	Greater South East	36.5	33.5	34.9	31.5	41.4	37.4
Job Performance	Favourable Performance	50.9	52.3	54.5	55.1	52.1	47.6

ANNEX 4: REGISTERED HOUSING PROVIDER DATA

Bond Issuer	Total number of regulated units owned and managed	Social rent %	Intermediate and affordable rent %	Supported housing %	For older people %	Low-cost home ownership %	Care homes %
A2 Dominion Housing Group Ltd	25,086	69.8%	6.1%	4.5%	3.7%	15.0%	0.9%
Accent Group	18,736	80.2%	3.0%	2.0%	10.1%	4.7%	0.0%
Aster Housing Association	30,843	65.6%	12.6%	3.7%	8.4%	9.6%	0.1%
Bromford Housing Association	40,671	74.9%	7.3%	2.4%	6.4%	8.4%	0.5%
Catalyst Housing	18,095	65.2%	11.4%	0.4%	3.4%	19.5%	0.1%
Clarion Housing	108,652	71.5%	12.7%	1.7%	6.8%	7.3%	0.1%
Cross Keys Housing Association	11,368	67.2%	14.8%	0.7%	10.2%	7.1%	0.0%
Futures Housing Group	9,782	59.3%	4.6%	0.9%	31.7%	3.5%	0.0%
Golden Lane Housing	1,901	0.0%	0.0%	96.3%	0.0%	0.1%	3.6%
Grainger Trust	379	0.0%	59.4%	0.0%	0.0%	40.6%	0.0%
The Guinness Partnership	61,293	63.5%	11.1%	1.5%	13.6%	10.2%	0.1%
Hightown Housing Association	5,586	43.4%	30.1%	9.2%	1.5%	14.7%	1.1%
Home Group	46,900	65.7%	15.3%	9.5%	3.4%	5.7%	0.5%
Incommunities Group Ltd	22,075	85.6%	9.9%	0.4%	3.7%	0.4%	0.0%
Karbon Homes	25,537	81.9%	9.5%	2.8%	3.5%	2.2%	0.1%
London & Quadrant Housing Association	76,253	71.6%	9.6%	3.4%	3.4%	11.5%	0.5%
Longhurst Group	20,983	74.1%	8.1%	2.5%	6.0%	8.9%	0.5%
Optivo Housing Association	40,528	65.0%	13.5%	2.4%	8.4%	10.1%	0.5%
Paragon Asra Housing Ltd	21,126	66.4%	13.1%	2.4%	10.8%	6.7%	0.6%
Peabody Trust Group	50,722	76.9%	7.1%	5.4%	2.0%	8.6%	0.1%
Places for People Group	65,644	79.3%	5.4%	4.8%	3.9%	6.4%	0.2%
Walsall Housing Association	20,350	88.9%	0.2%	8.8%	0.4%	0.0%	1.7%
Total/Average	**722,510**	**71.7%**	**10.0%**	**3.7%**	**6.2%**	**8.2%**	**0.3%**

Source: Regulator of Social Housing (RSH), Private Registered Provider Social Housing Stock in England: Statistical Data Return (SDR) 2019.

Note: Data from 2019 has been used because the release of the 2020 SDR has been delayed due to Covid-19. Also note that Wheatley Housing Association and Penarian Housing Association have not been included in this dataset though both have bonds held by the Fund. This is because Wheatley HA is a Scottish organisation and Penarian HA is a Welsh organisation. Both Scotland and Wales have their own regulatory bodies for social housing and so data for these organisations was not disclosed to the RSH for the SDR.

ANNEX 5: BIOGRAPHIES

MEMBERS OF SOCIAL ADVISORY COMMITTEE

John Hale

Independent Chair of the Social Advisory Committee

John began his professional career in industrial market research and consultancy in the petroleum, steel and transport sectors. With a focus on Latin America, he moved to work for Lloyds Bank International as an economist and then specialised in export and project finance, including three years in Brazil, and finally developing country debt management.

He joined the Investment Department of the Association of British Insurers in 1992 to represent the association and its members on policy matters (UK and EU) and commercial issues. Amongst other things he was responsible for the ABI Bond committee, the Property Investment Committee and the joint ABI Treasury Insurers Infrastructure Investment Forum. He played a leading role in the UK bond market, convening the ABI special committees on specific fixed income matters including a number of major debt restructurings. He was also closely involved in the early development of ABI's corporate governance service IVIS and ABI's Responsible Investment policy and, for a period, acted as Secretary to the insurance grouping ClimateWise.

Nigel Kershaw OBE

Chair of the Big Issue Group

Nigel is Chair of The Big Issue Group, having been The Big Issue's CEO and Executive Chair. He was also the founding CEO of its social investment arm, Big Issue Invest, which manages, or advises on, £190 million of social funds through its innovative lending programmes, regulated investment funds and advisory services.

Since 1974, Nigel has founded and grown three employee-owned companies. He is a member of the Advisory Group to Government on 'Creating a Culture of Social Impact Investment and Savings'. A Social Enterprise UK 'Champion of Champions' and a winner of the Institute of Directors' Good Enterprise Award, he was awarded an OBE for services to Social Enterprise.

Simon Bond

Director, Responsible Investment Portfolio Manager, Columbia Threadneedle Investments

Simon joined CTI in 2003 as an Investment Grade Portfolio Manager and has been the manager of the Threadneedle UK Social Bond Fund since its launch in 2013. Having previously managed a number of institutional and retail investment grade corporate bond portfolios, Simon now concentrates on managing Columbia Threadneedle's social bond portfolios and developing other responsible investment strategies across the firm.

Simon has over 30 years' experience in the fund management industry, with the last 26 years specializing in corporate credit. Throughout his career, Simon has taken a keen interest in the social impact investment space and as an analyst the first entity Simon reported on was Peabody Trust and the first sector he covered was housing associations. Simon is particularly passionate about the role of infrastructure in both regeneration and economic growth.

Prior to joining the firm, Simon managed £6 billion in his role as the Senior UK Credit Fund Manager for AXA. Simon also worked GE insurance, Provident Mutual and Hambros Bank.

Iain Richards

Head of Responsible Investment, EMEA, Columbia Threadneedle Investments

Iain Richards joined CTI in 2012 and is currently Head of Responsible Investment, EMEA. Prior to joining the company, Iain was Regional Head of Corporate Governance at Aviva Investors. His career in the City has also included roles at Schroder Investment Management, the Policy Group of the UK's Listing Authority and the London Stock Exchange. Iain has also worked at the UK's Department of Trade and Industry (now BIS) in various roles in the European and competition policy units.

He has written papers on a range of issues including Auditing, Sovereign Wealth Funds and, in 2006, on the impending risk of a systemic banking crisis. He was responsible for leading the UK investment industry's successful lobbying to re-establish the over-arching 'True and Fair View' principle of accounting in revised UK Company Law. He has also appeared as an expert witness before the UK House of Lords Select Committee on Economic Affairs to give evidence on Audit Market concentration and the role of auditors.

Sarah Forster

CEO, The Good Economy Partnership

Sarah is CEO and Co-Founder of The Good Economy Partnership, a specialist social impact advisory firm. The Good Economy provides advisory services that enable investors, businesses and government to play a bigger role in inclusive and sustainable development.

Sarah has over 25 years' experience in international development, development finance and impact investing. She has worked at the forefront of the development of the UK social investment market leading on the design of innovative investment products and impact assessment methodologies. Previously, Sarah held senior management positions at Big Issue Invest, the New Economics Foundation and the World Bank.

Mark Hepworth

Co-Founder and Director of Research and Policy, The Good Economy Partnership

Mark is a multidisciplinary economist with a career spanning academia, public policy and commercial consultancy. Mark leads The Good Economy's research and policy work.

In the 1980s and 90s, Mark's research and policy work focused on the information society and the knowledge economy. He held advisory positions with the OECD, UN Economic Council and European Commission.

In 1997, Mark co-founded the Local Futures Group, which evolved into a leading economic development consultancy and data analytics business. Mark holds a first degree in Economics from Warwick University and a Doctorate in Economic Geography from the University of Toronto.

Danyal Sattar

CEO, Big Issue Invest

Danyal Sattar joined Big Issue Invest as CEO in December of 2018. He has more than 25 years' experience in the social and ethical investment, charitable and impact investment sectors.

Prior to joining Big Issue Invest, Danyal worked at The Joseph Rowntree Foundation, where he held the role of Head of Social Investment. Danyal has also worked for Big Society Capital and the Access Foundation for Social Investment. This followed ten years at Esmee Fairbairn Foundation managing their social investment fund and environmental grant making. Prior to that, he held a position at Charity Bank in the lending team. He has also held roles at the Brussels-based network International Association of Investors in the Social Economy, the UK Sustainable Investment and Finance Association, local investment fund the Aston Reinvestment Trust, and at the think-tank New Economics Foundation. He holds a BA in Geography, MA in Local Economic Development and MSc in Environmental Policy.

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This report was written by The Good Economy Partnership on behalf of Big Issue Invest.

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