BIG ISSUE GROUP

CT UK Social Bond Fund

ANNUAL IMPACT REPORT 2023

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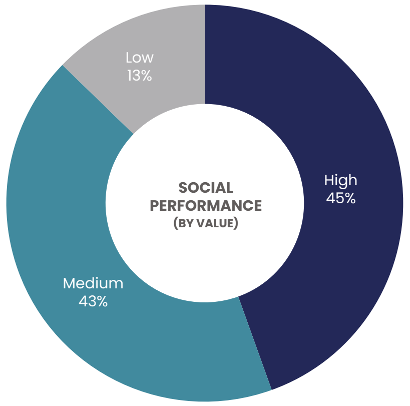
SOCIAL PERFORMANCE HIGHLIGHTS

AS OF JUNE 2023

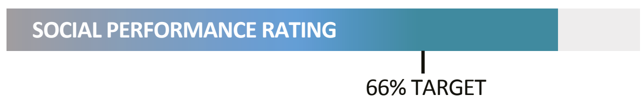
The Columbia Threadneedle UK Social Bond Fund (the "Fund") was launched in December 2013 as the first fixed income fund to offer retail investors, as well as institutional investors, an opportunity to see their savings and investments do social good and produce a financial return. The Fund's strategic impact objective is to support more inclusive, sustainable and regionally balanced development in the UK. Now in its tenth year, the Fund has seen consistently steady growth with an objective of achieving twin goals of positive financial and social returns.

For the period ending 30 June 2023, the following results have been achieved:

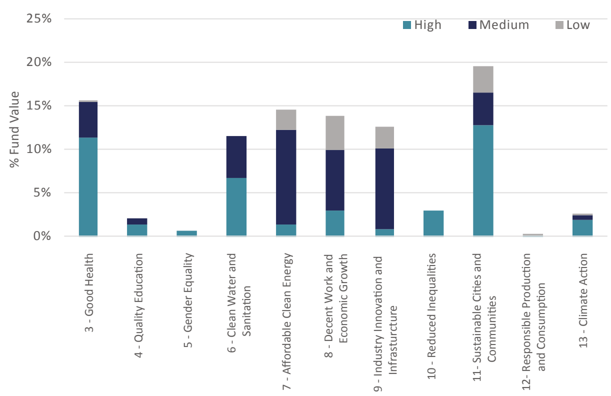
SOCIAL PERFORMANCE



87% OF THE FUND HAS A SOCIAL PERFORMANCE RATING OF HIGH OR MEDIUM, WELL ABOVE THE FUND'S TARGET OF 66% AND HIGHER BY 1% THAN THE PREVIOUS YEAR.



PRIMARY SDG ALIGNMENT (by value)

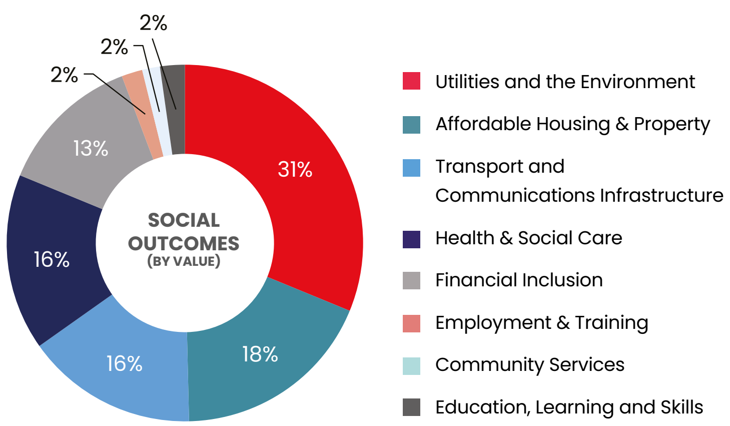


SOCIAL OUTCOMES

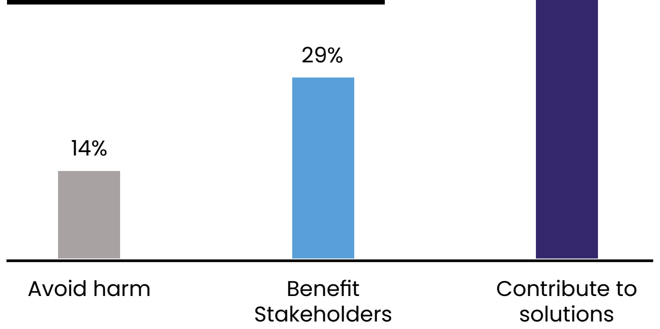
£396M INVESTED BY BOTH RETAIL AND INSTITUTIONAL INVESTORS

127 ISSUERS THROUGH 185 BONDS INCLUDING CHARITIES, REGISTERED SOCIAL HOUSING PROVIDERS AND LISTED COMPANIES

Diversified Portfolio targeting eight outcome groupings aligned with the UN Sustainable Development Goals):

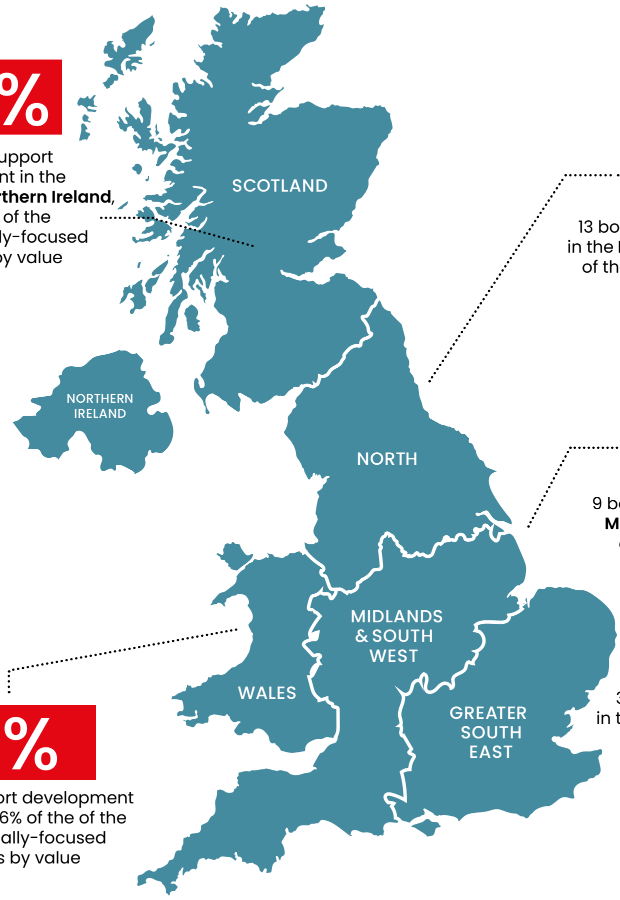


IMPACT MANAGEMENT PROJECT CLASSIFICATION BREAKDOWN (BY VALUE)



THE FUND'S IMPACT OBJECTIVE IS TO SUPPORT MORE INCLUSIVE AND SUSTAINABLE DEVELOPMENT PRIMARILY IN THE UK[1]

By doing so we aim to make a positive, measurable social (including environmental) impact, as well as directing capital to underserved people in society



13%
9 bonds support development in the **Scotland and Northern Ireland**, 13% of the of the geographically-focused holdings by value

19%
13 bonds support development in the **North of England**, 19% of the of the geographically-focused holdings by value

9%
9 bonds support development in the **Midlands & South West**, 9% of the of the geographically-focused holdings by value

38%
31 bonds support development in the **Greater South East**, 38% of the of the geographically-focused holdings by valuet

6%
5 bonds support development in the **Wales**, 6% of the of the geographically-focused holdings by value

82%
153 bonds focus on impact in the UK or are from UK-based issuers, representing 82% of the portfolio by value, the remaining bonds are global in reach

62%
45 bonds favour development outside the Greater South East, 62% of the of the geographically-focused holdings by value

36%
76 bonds focus on specific geographies within the UK, rather than nationally or supranationally, amounting to 36% of the portfolio by value

HIGHLIGHTS OF 2023

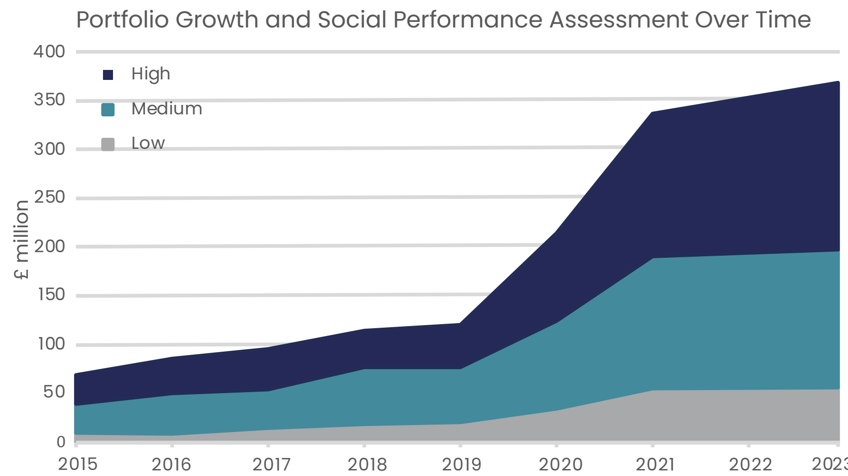
MORE SOCIAL BOND ISSUES FROM UK BANKS WITH FOCUS ON KEY AREAS SUCH AS HOUSING, EMPLOYMENT AND FINANCIAL INCLUSION

NEW BONDS WITH THE GREEN LABEL ARE REPORTING NOT ONLY ON ENVIRONMENTAL OUTCOMES, BUT ON SOCIAL CO-BENEFITS OF INVESTMENT

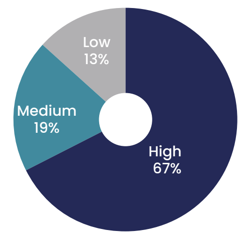
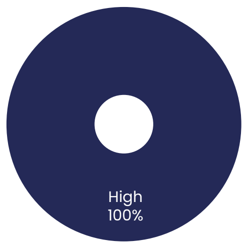
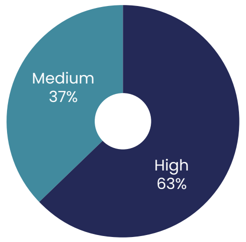
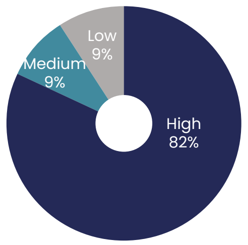
£170 MILLION OF THE PORTFOLIO ALLOCATED TO HOLDINGS ASSESSED AS HIGH IMPACT INTENSITY – UP FROM £43 MILLION IN 2019

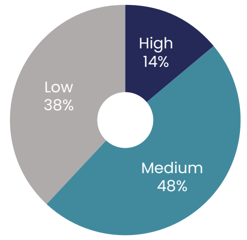
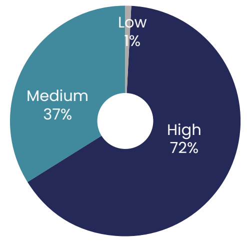
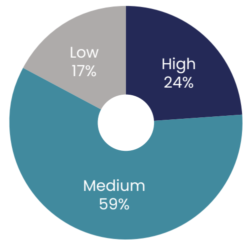
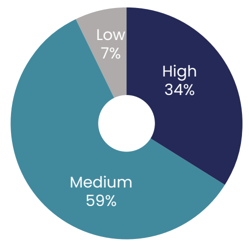
1. The Fund targets 66% of the portfolio value to be domiciled in the UK and 80% of portfolio value to have impact in the UK.

PORTFOLIO GROWTH AND SOCIAL PERFORMANCE ASSESSMENT OVER TIME



PORTFOLIO OVERVIEW

Social Outcome Category	No. of Bonds (Change vs. 2022)	% of portfolio[2] (Growth in value vs. 2022)	Primary SDG Alignment	Social Performance by Value	New Bond Issuances	Case Study and Page Reference
Affordable Housing and Property	48 (-1)	18% (0)	11 Sustainable Cities and Communities		- Affordable Housing Guarantee Scheme - Annington - Aster Housing Association - Erste Group Bank	**Affordable Housing Guarantee Scheme, page 34**
Community Services	2 (-2)	2% (-33%)	10 Reduced Inequalities		- **No new issues in the reporting period**	**Lancashire County Council, page 37**
Education, Learning and Skills	8 (2)	2% (91%)	4 Quality Education		- Banque Federative Du Credit Mutuel - KBC Group	**Banque Federative Du Credit Mutuel, page 40**
Employment and Training	8 (-3)	2% (14%)	8 Decent Work and Economic Growth		- NatWest Group - Intesa Sanpaolo	**NatWest Group, page 42**

Social Outcome Category	No. of Bonds (Change vs. 2022)	% of portfolio[2] (Growth in value vs. 2022)	Primary SDG Alignment	Social Performance by Value	New Bond Issuances	Case Study and Page Reference
Financial Inclusion	19 (-4)	13% (18%)	8 Decent Work and Economic Growth		- Co-Operative Bank - Coventry Building Society - Credit Agricole - Danske Bank - Nationwide Building Society - Royal London	**Co-Operative Bank, page 44**
Health and Social Care	24 (-9)	16% (-2%)	3 Good Health and Well-Being		- Allied Irish Banks - International Finance Facility for Immunisation	**Allied Irish Banks, page 47**
Transport and Comms. Infrastructure	19 (-5)	16% (-8%)	9 Industry, Innovation and Infrastructure		- Arqiva - Japan International Cooperation Agency	**Japan International Cooperation Agency, page 50**
Utilities and the Environment	57 (-10)	31% (15%)	7 Affordable and Clean Energy		- ABN AMRO - Bank of Ireland - Cadent - Electricity North West - Electricity Supply Board - National Grid - Nordea - Northumbrian Water Services - Selp - Severn Trent	**Cadent, page 55**

2. Assets under management included approximately £14 million in cash, which has been subtracted from portfolio value for breakdown by outcome area.

Celebrating 10 years

"This year, we celebrate the 10th anniversary of the CT UK Social Bond Fund, a truly pioneering fund that has helped to bring mainstream finance into social investment. When the Fund was launched in 2013, specifically social bonds were few and far between. ICMA, the global trade association that represents the securities markets, only published its guidelines and principles for green, social and sustainability issuances the following years.

Over the past decade, the Social Bond Fund has grown to nearly £400 million in assets under management. Through its partnership with the Big Issue Group, the Fund is a shining example of how public markets investment can make a real difference in the world as well as financial returns.

In addition to its investment activities, the Social Bond Fund team has also been actively engaged in promoting change and best practice in the industry. The investment team have worked closely with issuers, ICMA and other organisations to develop standards and guidelines, and encourage issues of social and other sustainability bond issues.

As we celebrate the Social Bond Fund's 10th anniversary, we are grateful for the support of our investors and partners."

- Nigel Kershaw OBE, Chair of Big Issue Group

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"The past 12 months have covered a remarkably challenging period, for bond markets and for those struggling with the cost-of-living crisis. Our ability to meet our twin objections of financial return and positive social outcomes, has been delivered through the hard work of many.

I firstly thank our experienced team of fundamental analysts, who have provided the invaluable insight and the depth of research to support the fund's positioning from a financial perspective.

I secondly thank our dedicated social impact team and our broader responsible investment team, who have shown remarkable leadership in their engagement and influence, with issuers, industry and clients, and to support our aim of investing for positive social outcomes.

Thirdly, I thank our renowned Social Advisory Committee. They continue to pioneer all our thinking towards how we deliver and how we evidence social impact.

As we approach our 10 year anniversary, we have a lot to be proud of, but we have a lot more to do. We will continue to insist that the bond market can play a more significant role in funding the unmet needs of our society. "

- Tammie Tang, Executive Director and Lead Portfolio Manager for Social Bond Funds, Columbia Threadneedle

FOREWORD 2023

Welcome to the 2023 Columbia Threadneedle UK Social Bond Fund Annual Impact Report. In the last year, the Fund has grown to a total of £396 million in assets under management and held 185 bonds from 127 issuers, continuing to invest in issues generating positive social and environmental impact.

The Fund aims to support more inclusive and sustainable development and growth in the UK: inclusive in terms of reaching disadvantaged groups as well as balancing out geographical disparities. This goal is even more pertinent in light of the cost-of-living crisis that has prevailed throughout this year. The 2022 mini budget added to the economic uncertainty that has been felt across the financial markets and people's lives. Within this challenging context, the Fund has increased the investment allocation to high-impact rated bonds to £170 million.

Since its launch in 2013, the Fund has been investing to address the main areas of social need where social exclusion is particularly evident. It is also these key outcome areas that further contribute to social inequality in the future. The affordable housing and property outcome area is a case in point: with a shortage of social housing, there is vast inequality in access to quality housing in the UK. At the same time, growing rents in the private sector pull low-income households below the poverty line. As such, the investments are assessed in terms of direct outcomes and the potential prevention of future disparity.

The Fund's social focus means its impact is all about the people affected by socio-economic and environmental issues. Since last year, the Fund's impact assessment has considered the main groups and communities targeted and experiencing change from its investments.

As part of its engagement, the Fund team has also been encouraging issuers to capture the stories and experiences of those target populations.

The Fund also considers environmental investments from this perspective: for instance, investments in the Utilities and the Environment outcome area are assessed on how they support the disadvantaged communities, customers and employees while striving to achieve their environmental goals, such as reduced pollution or the net zero transition.

Beyond investment, Columbia Threadneedle recognises its role in driving innovation in the sector: it has campaigned for the International Capital Market Association (ICMA) to include people at risk because of climate change and transition projects that cause or exacerbate socio-economic inequity as an additional vulnerable group in the 2023 Social Bond Principles. As part of this broader engagement, CT is a member of the Just Transition Challenge, a flagship initiative by the Impact Investing Institute to mobilise more public and private capital into investments that support a just transition to net zero in the UK and other developed and emerging markets.

SIMON BOND
INDEPENDENT CHAIR OF THE SOCIAL ADVISORY COMMITTEE
JANUARY 2024

3. Just transition aims to ensure that the benefits of the green economic transition are shared widely, while supporting those who may lose out economically.

01 INTRODUCTION

This is the ninth Annual Impact Report for the Columbia Threadneedle UK Social Bond Fund ("the Fund"). The Fund was launched in December 2013 as the first mainstream, fixed income impact investment offering of its type 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 a positive social impact. This report provides a summary of the Fund's impact performance.

ABOUT THE FUND

Columbia Threadneedle UK Social Bond Fund was developed by Big Issue Group, in partnership with Columbia Threadneedle Investments, one of the UK's leading asset managers. Columbia Threadneedle manages the Fund and Big Issue Group acts as the Social Advisor and has produced this annual Impact Report.

The overall impact objective of the Fund is clear: to support and fund businesses that deliver socially beneficial activities and more balanced 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 retail investors, as well as institutional investors, to invest for positive impact. Building on the growing demand from retail investors over the last few years, the Fund continues to engage with products and platforms that facilitate access to investing.
- **Promote new bond issue and the role of the bond market, with its size and scope, towards funding capital for sustainable development and financing solutions to social and environmental challenges.** Columbia Threadneedle and Big Issue Group are committed to encouraging new bond issue by social purpose organisations, including charities, and bonds which have a specific use of proceeds for a socially useful purpose.

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 Big Issue Group alongside Columbia Threadneedle at the Fund's inception and is reviewed on an annual basis. Impact assessment, measurement, and management is an emerging field. All parties are committed to reviewing and refining the approach to move in line with emerging industry standards and practices.

This year the Fund is also considering how the investments target disadvantaged groups, such as low-income households, high deprivation communities or people experiencing unemployment.

The Fund's impact assessment methodology assesses investment opportunities concerning the following key areas:

- **Social outcome category**, 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 Norms).[4]
- Consideration of the varied **geography of social need** (WHERE is the impact created at local, regional, national or supranational level).
- **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).

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 categories in which the Fund seeks to invest. This section also provides information on the context and wider market developments.

Section two reviews the performance of the Fund's overall portfolio, analysing the composition of the Fund by SDG alignment, social performance rating, outcome category, IMP Norms and geography. This section also covers the influencing and engagement activities of the Fund to drive a wider impact in the sector.

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

Section four provides a Forward Look focused on three main themes for future development of the Fund:

1. More public sector funding through social bonds.
2. Focus on people in reporting and impact verification.
3. Blue bonds for water companies.

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

CONTEXT AND WIDER MARKET DEVELOPMENTS

MARKET CONTEXT

In the last year, we have seen even more uncertainty and instability. The first half of the reported year (June to December 2022) saw markets reeling from the war in Ukraine and inflationary pressures, and the second half was jolted even more by UK government policy that dramatically increased the Bank of England base rate to over 5% by June 2023. In addition, there have been continued fears of economic recession.

Part of the activity for the Fund in the last year has focused on consolidating the holdings to maintain the financial performance of the Fund. The number of bonds reduced from 216 to 182, while the number of issuers has remained constant. As part of this activity, the Fund has divested some low and medium-impact intensity bonds, most of which were General Corporate Purpose.

SOCIAL BOND MARKET OVERVIEW

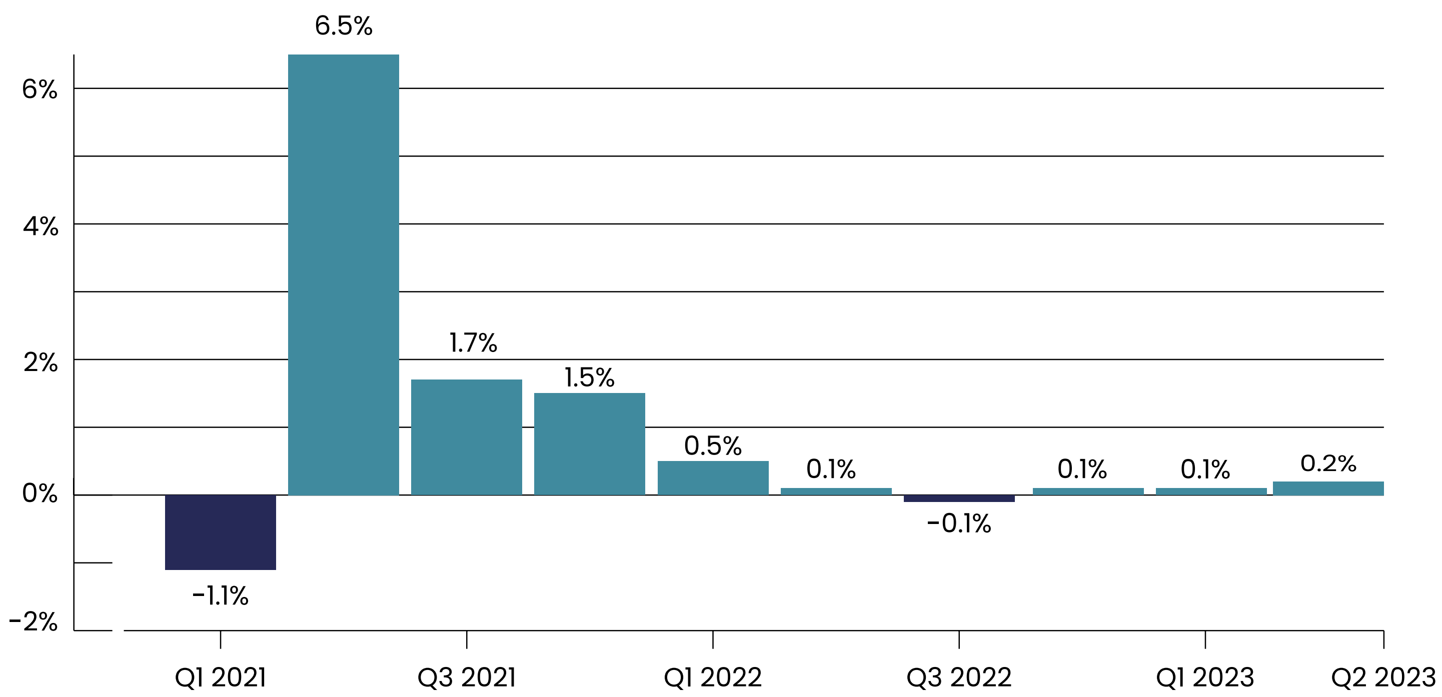
The sustainable bond market continued to decelerate with just under $1 trillion of new issues, compared to $1.2 trillion in the record year of 2021.

Green bonds are increasingly dominating the thematic debt issue, with 56% of the total allocation in 2023 YTD.

The share of social bonds has declined further, previously boosted by issuers looking for funding for COVID-19 measures. Issuers now appear to prefer to issue a combination of social and environmental use of proceeds under sustainability bonds – now at 18% of total allocation versus 16% for social.

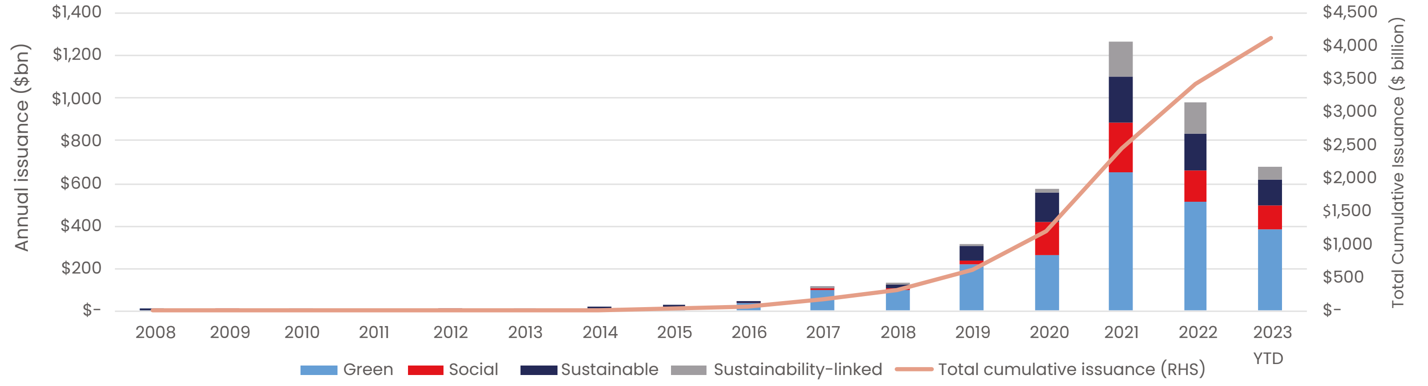
Quarterly GDP Growth in the UK

Source: Office of National Statistics



Allocation of Green, Social, Sustainability, Sustainability-linked Issuance from 2013 to 2022 Year-to-Date

Source: Bloomberg, as at 6 September 2023



RESPONDING TO CRISIS

CT UK Social Bond Fund has a unique approach, in that unlike most other funds, it does not restrict investment to bonds with ICMA sustainable labels only. Eligibility of bonds is based on the Fund's proprietary inclusion criteria and through a "use of proceeds" analytics approach, facilitated by bonds as an asset class.

As a result of this methodology, the Fund holds a more diversified set of issuers. Notwithstanding, the Fund continues to support ICMA issue owing to the strength of the ICMA framework.

GENDER BONDS IN THE UK

In November 2021, ICMA, together with the International Finance Corporation and UN Women, published Bonds to Bridge the Gender *Gap: A Practitioner's Guide to Using Sustainable Debt or Gender Equality*, which illustrated how gender equality-focused bonds could narrow the gender gap. From this point, there has been growing issuance activity of gender bonds, including from multilateral development organisations, such as the Asian Development Bank.

On March 7th 2023, the day before International Women's Day, NatWest Group issued a social bond to finance women-led businesses. The €500 million bond aims to provide approximately 17,000 loans to female sole traders and small and medium enterprises led by female entrepreneurs. The bond structure emerged from the Rose Review, an independent review of female entrepreneurship by Alison Rose (then CEO of NatWest Group), commissioned by the UK Treasury. It was first published in 2019 and is reviewed on an annual basis. The 2023 review highlighted that female entrepreneurs represent a vast economic potential for the UK: £250 billion could be added to the UK economy if women matched men in starting and scaling businesses.

5. Bonds to Bridge the Gender Gap, November 2021

6. Rose Review Progress Report 2023

MORE SOCIAL BONDS FROM UK BANKS

There has been more social and green issue activity from the UK retail banking sector. As banks assess their role in helping disadvantaged communities, some key themes are emerging, such as more development and provision of affordable housing, funding to small and medium enterprises, and financial inclusion.

Additionally, banks fulfil their role as "aggregators", that is borrowing to lend to small and medium-sized businesses. Through this on-lending the Fund can help to fund business activities which are too small to access the institutional bond market directly.

For green bonds, the use of proceeds tends to be in renewable energy and green housing. NatWest Group have also set targets of social and green bonds to be 25% of its senior debt issues.

Examples of the latest social issues include[7]:

- **NatWest Group** – this year, the Group issued its third social bond (and fourth specific use bond, which includes one green bond), focusing on female entrepreneurs, see case study on page 42.
- **Yorkshire Building Society** – latest social bond issued in December 2022.
- **AIB Group** – issued its second social bond in January 2023, aiming to lend to projects in the education, social and affordable housing and healthcare sectors in Ireland, the UK and the OECD. Its first bond, issued in March 2022, was the first social bond issued by an Irish bank.
- **Co-operative Bank** – issued an inaugural Green bond in April 2022, followed by a second in May 2023 – which focuses on providing residential mortgages for energy-efficient buildings or financing the installation of renewable energy technologies to existing buildings.

7. Information taken from the Companies' websites.

The Fund achieves its impact objective by investing in a diversified portfolio of bonds across eight social outcome categories. These outcome categories 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; 11 Sustainable Cities and Communities; 16 Peace, Justice and Strong Institutions; 17 Partnerships for the Goals	Increased access to community facilities and services that improve individual and local wellbeing	**- 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; 5 Gender Equality; 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 - Development organisations**
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	8 Decent Work and Economic Growth; 10 Reduced Inequalities; 11 Sustainable Cities and Communities; 13 Climate Action	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, banks, development finance institutions**
Utilities and the Environment	7 Affordable and Clean Energy	6 Clean Water and Sanitation; 9 Industry, Innovation and Infrastructure; 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**

SUPPORTING BIG ISSUE GROUP

A percentage of the Fund's fees go towards supporting Big Issue Group in its mission to create innovative solutions through enterprise, to unlock social and economic opportunities.

Building a world that works for everyone – Big Issue Group's mission is to create innovative solutions through enterprise to unlock social and economic opportunities. With 15 million people in the UK trapped in poverty, Big Issue Group creates solutions to unlock opportunities for people living in poverty to earn, learn, and thrive. A percentage of the Fund's earnings goes towards supporting Big Issue Group's work.

Big Issue Group covers a breadth of work and continues to innovate and bring about new opportunities for marginalised people, changing lives through enterprise now and in the future.

BIG ISSUE INVEST

Investing in enterprising organisations who are contributing to solving poverty in the UK.

- 140 social enterprises supported with investments in 2023.

THE BIG EXCHANGE

Invest your money so it counts for more, to make positive change for people and the planet, as well as yourself. When investing, you are not guaranteed to make money. Your capital is at risk.*

- 67 funds available to the public as investment through the Big Exchange.

BIG FUTURES

A campaign calling on the Government to end the cycle of poverty for future generations. We are calling for significant policy change in 3 key areas – housing, low wages, and green jobs.

BIG ISSUE RECRUIT

A specialist recruitment service, dedicated to supporting people who face barriers to joining the workforce into sustainable employment.

- 62 candidates successfully placed in the first year of Recruit, see case study below to hear about Mokhammad's Story.

BIG ISSUE MEDIA

Award winning journalism, through our magazine, website and app, supporting vendors to change their lives through enterprise.

- Supporting 3,637 Big Issue vendors in 2022.
- 5 million people engaging with online content at bigissue.com.

BIG ISSUE SHOP

Shopping with a social conscious, purchase a product from one of our social enterprises and use your spending power in a positive way.

- 3,189 customers shopping with Big Issue Shop in 2022.

BIG ISSUE E-BIKES

Rent a bike through our ebike scheme and improve the lives of unemployed people in your local community.

- 13 new jobs created by Big Issue E-bikes in Bristol and Aberdeen.

*The Big Exchange (TBF) Limited is a wholly owned subsidiary of The Big Exchange Limited. The Big Exchange (TBF) Limited is an Appointed Representative of Resolution Compliance Limited, which is authorised and regulated by the Financial Conduct Authority (FRN 574048).

"Mokhammad fled Kiev, Ukraine with his pregnant wife and two young children at the start of the war with Russia. Having worked all his life, he found himself in a new country where he was unable to secure employment. Mokhammad was introduced to Big Issue Recruit through a Refugee job fair, where he met Shak, one of the Big Issue Recruit's job coaches. Shak assessed Mokhammad's barriers to employment and together they built his CV profile, an Action Plan and worked on preparing him for work.

Big Issue brokered a warehouse operative role for Mokhammad with one of Group's national partners. He was guided through the process and continued to receive support from Shak throughout his probation. He is extremely happy in his new role and has quickly become a valuable part of the team."

Mokhammad's Story

COLUMBIA THREADNEEDLE FOUNDATION

Columbia Threadneedle contributes a share of its profits from the Fund to the Columbia Threadneedle Investments' charity: the Columbia Threadneedle Foundation.

Columbia Threadneedle Foundation works with long-term charity partners to improve individual lives while also driving fundamental social change. The foundation seeks to address critical social issues – inclusion, opportunity, employment, empowerment, and mental health – using the power of art, sport and education and training as catalysts for change.

Through the CT UK Social Bond Fund's support, the Foundation has funded the following projects:

Fair by Design

Fair by Design is dedicated to ending the poverty premium.

In 2021, Columbia Threadneedle Foundation awarded a grant to Fair by Design to fund research into the root causes of the poverty premium in insurance, an under-recognised factor in financial vulnerability. The findings were presented to a roundtable of government, regulator, industry and non-profit representatives.

The Centre for Local Economic Strategies

The Centre for Local Economic Strategies (CLES) is the national organisation for rebuilding local economies – developing progressive economics for people, planet and place.

In 2022, Columbia Threadneedle Foundation awarded a grant to fund a project with CLES, Leeds City Council and the Women's Budget Group, to understand how gender inclusion can be prioritised in the development and implementation of economic strategies by local government, in order to grow local wealth. Research considers the lived experience and input of local women (and noting women and children are at greater risk of poverty), to improve local growth prospects.

The Centre for Financial Capability

The mission of The Centre for Financial Capability (TCFC) is to ensure every child in the UK has the opportunity to develop the skills and behaviours necessary to navigate critical financial decisions in their life - starting from primary school.

Columbia Threadneedle Foundation provided a grant to TCFC to research what resources are needed by the thousands of small local charities supporting children and young people with socio-economic hardship.

02 PORTFOLIO-LEVEL PERFORMANCE ANALYSIS

As of June 2023, the Fund had £396 million assets under management (AUM), up from £372 million in June 2022: a 6% annual increase in AUM.

As of June 2023, the Fund was invested in 185 bonds from 127 issuers, including charities, registered social housing providers and publicly listed companies. The total number of bonds held by the Fund has declined from 217 bonds, however the number of issuers has not changed.

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: Full List of Bond Issuers)

TOP 25 BOND HOLDINGS, 2023

The top 25 holdings accounted for 55% of the total value of the Fund, as listed below. See Annex 2 for the full list of bond issuers.[8]

Name of Issuer	Social Outcome Category	Social Performance Rating	% of Fund Value (June 2023)	Absolute change (2023-23)
UK Green Gilt	Transport and Communication Infrastructure	Medium	4.48%	1.56%
Wellcome Trust	Health and Social Care	High	2.83%	-0.15%
International Finance Facility for Immunisation	Health and Social Care	High	2.80%	-0.04%
NatWest Group	Employment and Training	High	2.79%	-0.19%
Motability	Transport and Communication Infrastructure	High	2.67%	-0.22%
National Grid	Utilities and the Environment	Medium	2.54%	-0.11%
Severn Trent	Utilities and the Environment	High	2.52%	1.13%
Yorkshire Building Society	Financial Inclusion	High	2.47%	-0.04%
Nationwide Building Society	Financial Inclusion	Medium	2.42%	-0.53%
LCR Finance	Transport and Communication Infrastructure	Medium	2.41%	-0.55%
Thames Water	Utilities and the Environment	Medium	2.32%	0.58%
International Bank for Reconstruction and Development	Health and Social Care	High	2.21%	-0.28%
Allied Irish Banks	Health and Social Care	High	2.19%	1.77%
Anglian Water	Utilities and the Environment	High	2.16%	-0.01%
BUPA	Health and Social Care	Medium	2.12%	-0.78%
Barclays	Utilities and the Environment	Medium	1.91%	-0.92%
Dwr Cymru (Welsh Water)	Utilities and the Environment	High	1.83%	-0.11%
Legal and General	Financial Inclusion	Low	1.83%	0.21%
Aster Housing Association	Affordable Housing and Property	High	1.77%	1.07%
Coventry Building Society	Financial Inclusion	Medium	1.77%	0.30%
Bank of Ireland	Utilities and the Environment	Medium	1.55%	0.50%
Council of Europe Development Bank	Employment and Training	High	1.54%	0.54%
Credit Agricole	Financial Inclusion	Medium	1.49%	1.49%
Electricity North West	Utilities and the Environment	High	1.28%	0.63%
Golden Lane Housing	Affordable Housing and Property	High	1.18%	-0.22%

8. May include multiple bonds from the same issuer.

SUMMARY OF THREE-YEAR PERFORMANCE TRENDS

The Fund has grown 6% in assets under management from June 2022 to £396 million. The overall social performance has remained broadly consistent with the previous year, with 87% of Fund rated High or Medium. Investments have been concentrated in the UK, however at 80% it has fallen slightly from 2022 levels of 84%, while holdings with supranational focus have increased to 20% from 16%.

Of investments made within the UK, the Fund favours bonds with a focus outside the Greater South East. Last year, the Fund was challenged about the decline of such bonds to 53% by value. This year it increased to 62%.

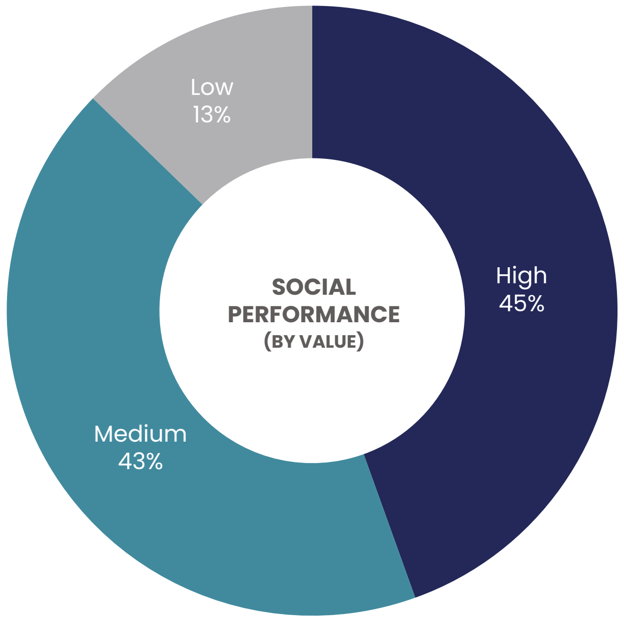
The Fund remained diversified across its eight outcome categories, with investments in Utilities and Environment, Transport and Communications, Affordable Housing and Property and Health and Social Care representing 81% of the portfolio.

		2021	2022	2023
Portfolio	Value (£ million)	349.5	372.3	396
	Number of bonds	225	217	185
	Number of Issuers	121	127	127
	Top 25 Issuers (% of Fund by Value)	51.6	56.4	55.1
Fund Value Breakdown[9]		**2021 (% of value)**	**2022 (% of value)**	**2023 (% of value)**
Social Performance	High	43.3	46.9	44.5
	Medium	40.3	38.7	42.7
	Low	16.4	14.4	12.7
Social Outcomes	Affordable Housing and Property	14.1	19.2	18.4
	Community Services	3.5	2.5	1.6
	Education, Learning and Skills	2.3	1.2	2.2
	Employment and Training	7.3	2.3	1.9
	Financial Inclusion	13.9	11.5	13.1
	Health and Social Care	15.4	17.1	16.0
	Transport and Communication Infrastructure	15.3	17.7	15.6
	Utilities and the Environment	28.3	28.4	31.2
Social Geography	Regional	31.7	30.4	35.6
	National	49.9	53.4	44.8
	Supranational	18.4	16.1	19.6
Regional Geography	Outside of GSE	55.5	53.2	61.9
	Midlands and South West	12.8	8.7	8.7
	North	16.9	17.3	19.4
	Scotland and Northern Ireland	5.6	4.8	12.9
	Wales	7.4	7.0	5.6
	Multi-Regional	12.8	15.3	15.2
	Greater South East	44.5	46.8	38.1
Job Performance	Favourable Overall Jobs Performance[10]	38.5	70.1	61.5

9. Assets under management includes approximately £14 million in cash, which has been subtracted from Fund Value for breakdown calculations.
10. 2022 methodology has been revised to include job vacancy and economic inactivity as part of the sector assessment.

HEADLINE RESULTS

The Fund continues to perform well against its key social performance targets set by the Social Advisory Committee.

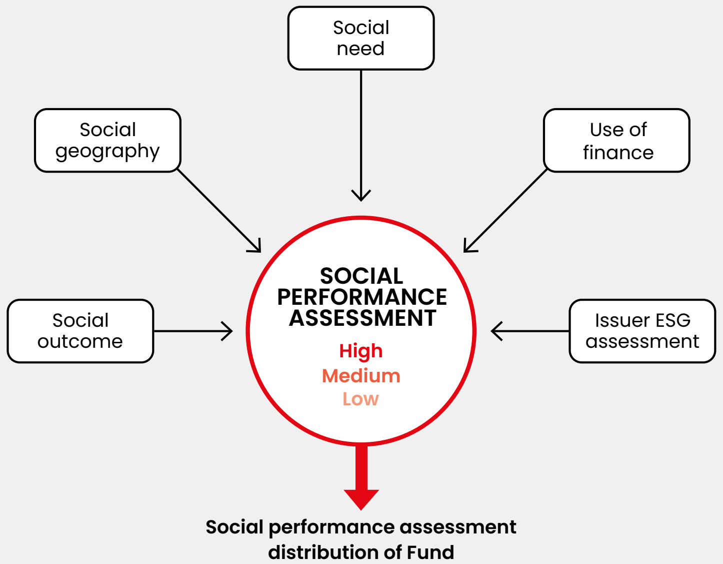


SOCIAL PERFORMANCE RATINGS (by value)

This year, 45% of the Fund's value aligned with the High social performance category, 43% into Medium and 13% into Low. Overall, the proportion of the Fund rated as High or Medium has increased from 86% in 2022 to 87%. This is well above the Fund target of having 66% of the portfolio rated as High or Medium.

SOCIAL PERFORMANCE RATING

The Fund 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.

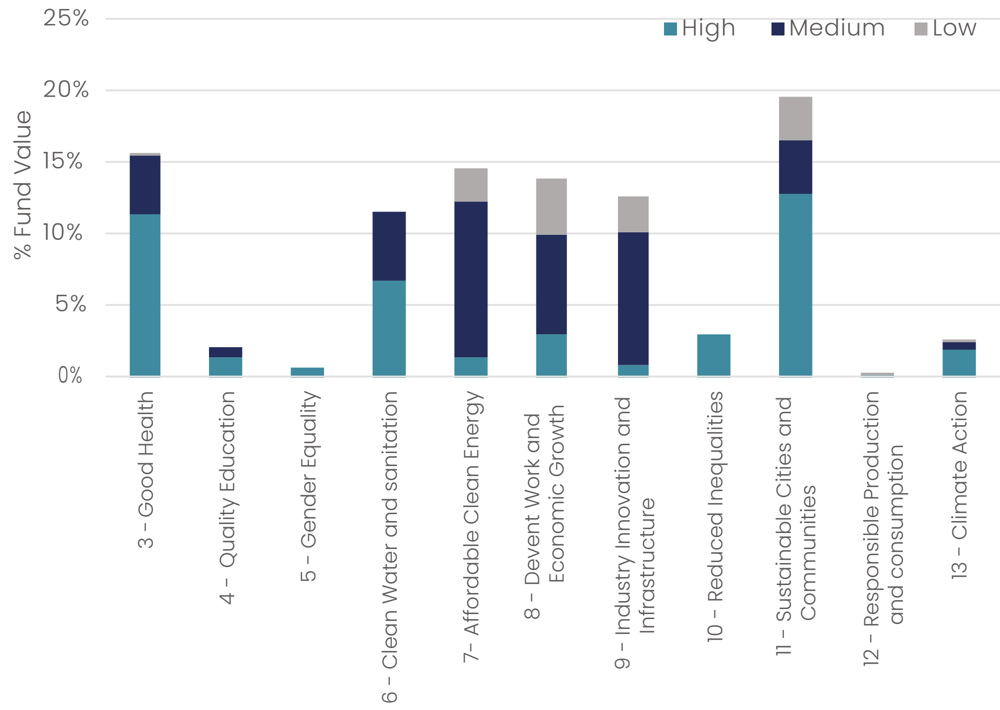


See Annex 1 for a detailed description of the Impact Assessment Methodology

In addition to the proprietary methodology that assigns High, Medium and Low rating for impact performance, each bond is also mapped to the UN SDGs through the 169 targets that underly the 17 United Nations Sustainable Development Goals and the ABC Classification from the Impact Management Project. This recognises the common language of sustainability and impact to enable comparison with other funds and asset classes.

UN SDG ALIGNMENT (by value)

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

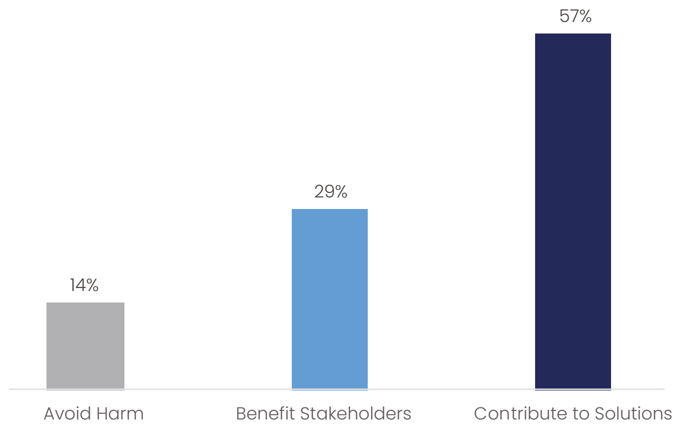


IMPACT MANAGEMENT PROJECT CLASSIFICATION[11] (by value)

Almost 60% of the portfolio by value is classified as Contributing to Solutions where it is addressing social or environmental challenge not caused by the organisation by improving the wellbeing of one of more group of people and/or the condition of the natural environment.

29% of the portfolio is classified as Benefitting Stakeholders, where the organisation is acting to reduce harm and maintaining the wellbeing of one or more group of people and/or the condition of the natural environment.

14% of the portfolio is rated as Avoid Harm, where the organisation is harming the wellbeing of a group of people or the condition of the natural environment and mitigating or reducing this harm.

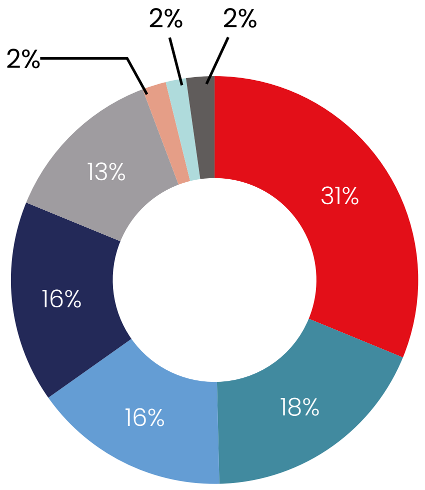


11. See Impact Management Platform for definitions of the classifications.

TYPE OF IMPACT

SOCIAL OUTCOMES (by value)
The Fund remains diversified across its eight outcome categories, with higher concentration in the four main outcome categories: Utilities and Environment (increased to 31% from 28% last year), Affordable Housing and Property (18%), Transport and Communications Infrastructure (16%) and Health and Social Care (16%). These four categories comprise more than 80% of the Fund's investment value.

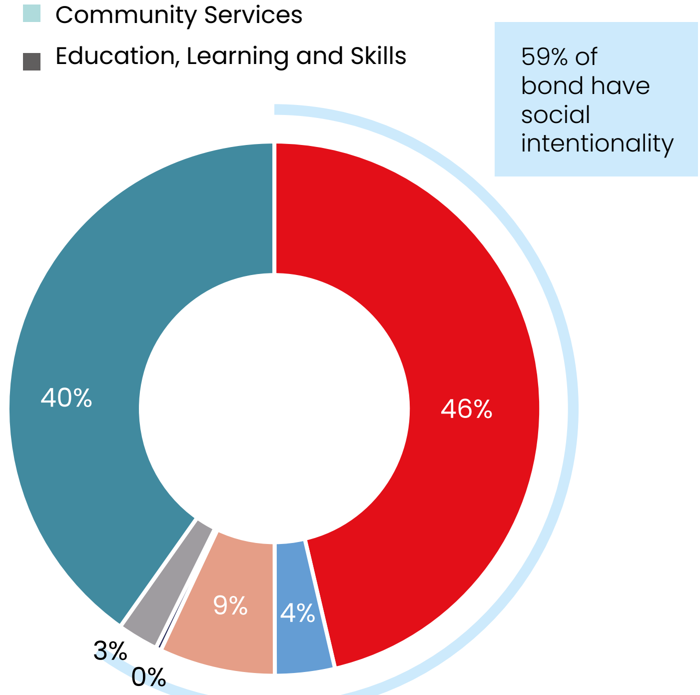
Over time, the portfolio has shifted more towards Utilities and Environment – for example in 2015 this outcome area was almost half at 16%. This partly reflects the growth in green issuance which often addresses environmental challenges. It is also because the utilities is a critical service, that significantly affects vulnerable communities, especially during the cost of living crisis.



- Utilities and the Environment
- Affordable Housing & Property
- Transport and Communications Infrastructure
- Health & Social Care
- Financial Inclusion
- Employment and Training
- Community Services
- Education, Learning and Skills

SOCIALLY RESPONSIBLE SECTOR (by value)
The proportion of the Fund invested in bonds with social intentionality, defined as defined use of proceeds or from "pure-play" issuers (such as universities, housing associations) has increased over the 12 months to June 2023 from 51% to 59%. This includes green, social and sustainability bonds, as well as pandemic bonds and those issued by charities and housing associations.

Within this breakdown, the representation of green, social and sustainability bonds rose from 35% to 46%, while charity bonds remained at 4% and housing association bonds fell slightly from 9% to 7% of the Fund's value. Pandemic bonds represented 3% of the Fund's value, consistent with the previous year.



- Green, Social and Sustainability Bonds
- Housing Association Bonds
- Charity Bonds
- University Bonds
- Pandemic Bonds
- Other (e.g. Corporate Bonds)

TARGET POPULATION

As part of the analysis for this report, Big Issue Group has assessed which potential groups of people may be most affected through the eight Outcome Areas that the UK Social Bond Fund invests across.

These target populations are particularly relevant to the social bonds held by the Fund, where the outcomes affect specific target groups, as aligned with the categories provided in the 2023 ICMA Social Bond Principles. They also reflect the groups affected by green bonds, especially where social co-benefits are listed.

The target populations listed below are described in more detail within each Outcome Area of the report.

(%) – portfolio value

*Unemployed and vulnerable groups affected by transition to net zero is a new addition to the ICMA list of target populations in the 2023 Social Bond Principles. The Fund team has been actively engaging with ICMA to add this group in the 2023 edition (see page 30 for details on the Fund's engagement activities).

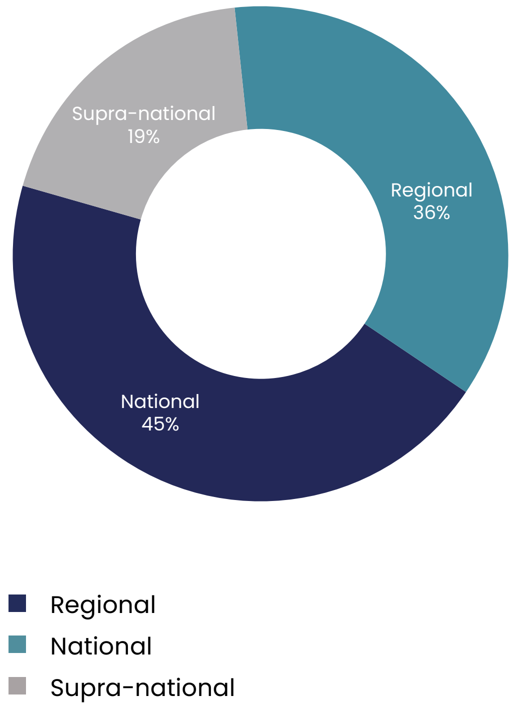
GEOGRAPHY OF IMPACT CREATED

SOCIAL GEOGRAPHY (by value)

Social geography is defined as where the investment is focused in terms of social outcomes. Bonds with regional and national geography may be from issuers based within and outside of the UK, who are investing in projects in the country. Supranational bonds, on the other hand, are investing in development outside the UK and may include UK-domiciled global issuers, where investment is not targeting national or regional development. The Fund targets 80% of portfolio by value to be driving social outcomes nationally or regionally in the UK.

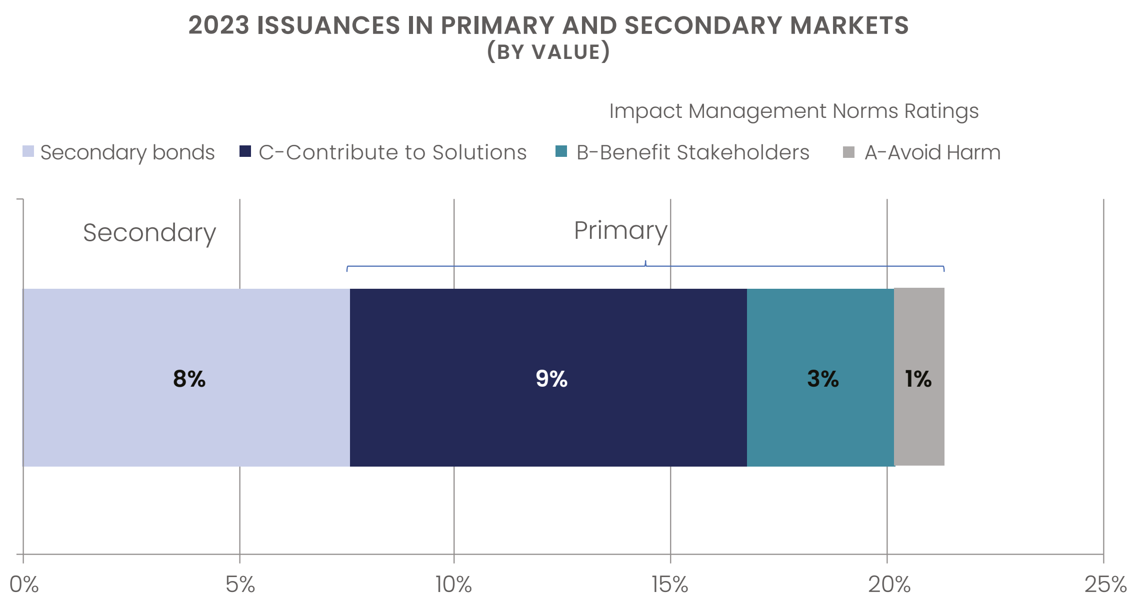
The Fund's investments continue to be primarily concentrated in the UK, with a particular focus on driving inclusive development and tackling regional inequality by targeting areas outside the Greater South East.

19% of the Fund targets development outcomes internationally, including in countries in Europe, Africa, and Latin America through supranational bonds. The Fund's allocation to these bonds has increased from 16% in 2022.



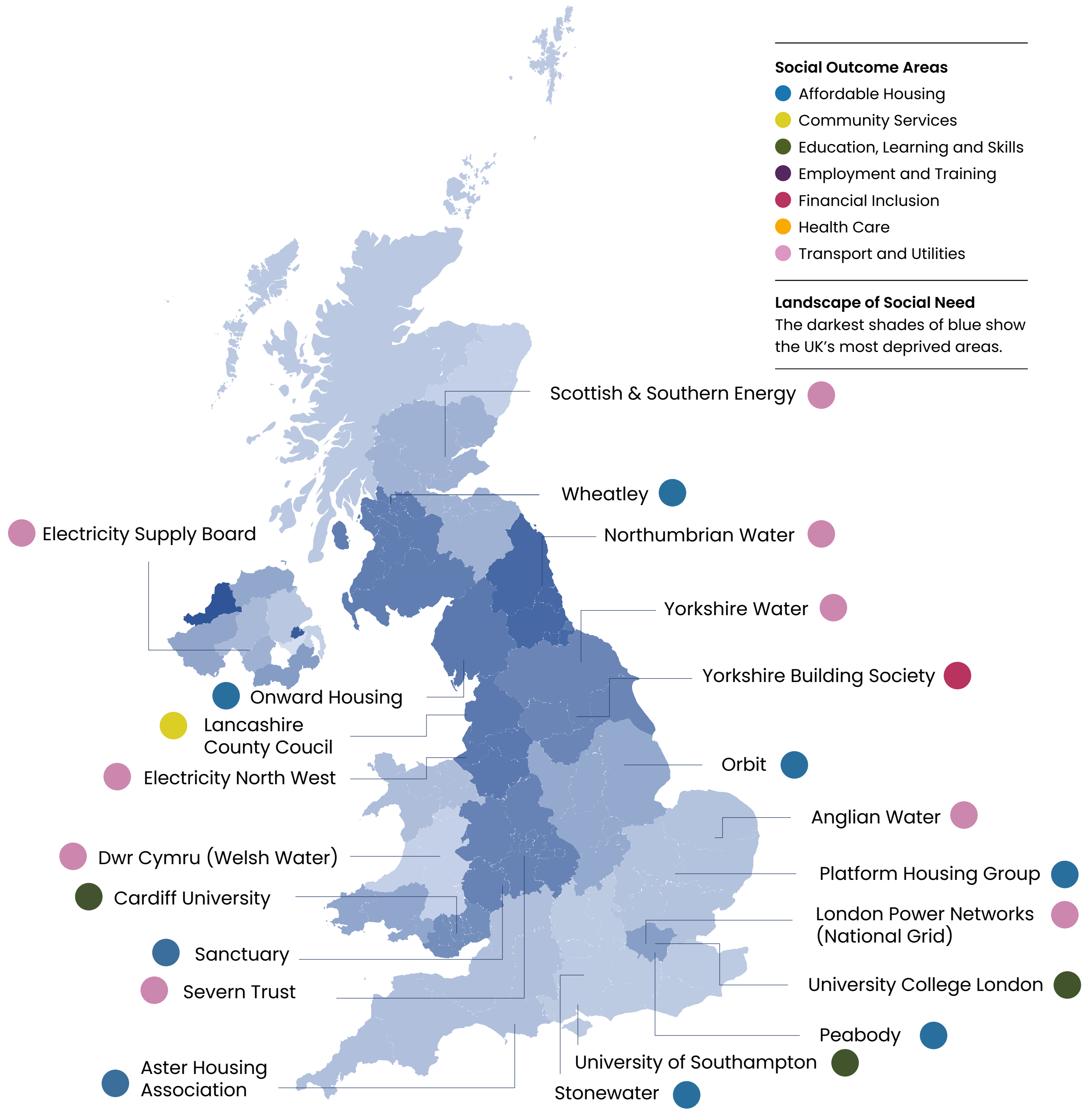
IMPACT THROUGH DIRECT INVESTMENT (BY VALUE)

The most direct impact of the Fund's activities is the investment in primary issuance: 22% of the portfolio as at June 2023 was held in bonds issued in the previous 12 months, of which more than two thirds was in primary issues. The majority of the primary bonds were rated C – Contribute to Solutions based on the Impact Management Norms (9% out of 14% by value of the portfolio)



INVESTMENT FOR INCLUSIVE AND SUSTAINABLE DEVELOPMENT IN THE UK

The map shows selected regionally focused bonds held as of June 2023. Most regional bonds fall into the Affordable Housing or Utilities sectors in the UK.



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.

AN OVERVIEW OF JOBS PERFORMANCE

8 DECENT WORK AND ECONOMIC GROWTH

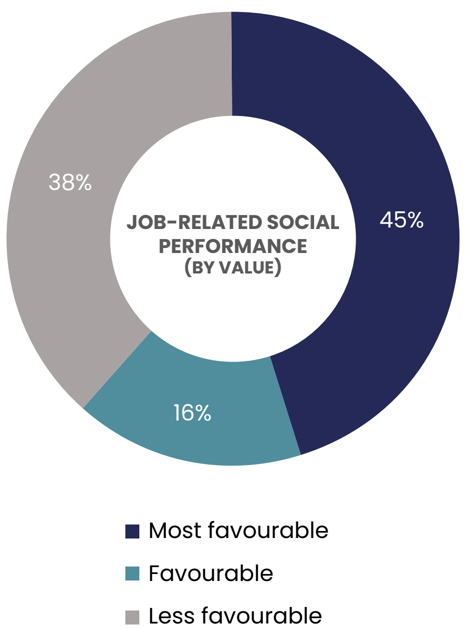
Good jobs bring earnings quality, security, progression and fulfilment. This section analyses the concentration of the Fund's investments in sectors of the economy that perform favourably on good job creation.

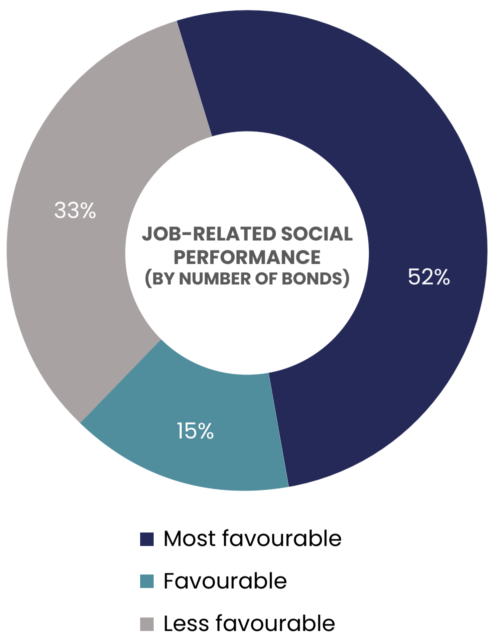
One of the key factors that contributes to inclusive growth is access to good jobs. The Fund specifically aims to achieve this through investing in bonds that are actively helping to create jobs or providing training, aligned with UN SDG 8 – Decent Work and Economic Growth.

The Fund is also indirectly contributing to decent job creation by allocating capital to UK sectors that have favourable employment dynamics. For example, a number of issuers that align with the Health and Social Care Outcome Area are in the Professional, Scientific and Technical Activities industry, for example the Wellcome Trust. This sector is one of the largest by the number of employees, has relatively high median wages and grew 4% in employment over the last year. This sector is also a main employer in the most deprived regions of the UK. On the other hand, it has a relatively large gender wage gap and is also experiencing a high vacancy rate.

The Fund uses Big Issue Group's Jobs Assessment Methodology (JAM) as a screening mechanism to analyse the 'good jobs' performance of sectors when making investments. The resulting analysis demonstrate what the Fund looks at to make investments in sectors of the economy which have been shown to positively contribute to good job creation.

According to the JAM, 94 out of 141 UK-based bonds were in sectors that have a favourable good jobs performance. This represents 62% by value of the UK-based holdings and 46% of the total Fund value. These favourable sectors include Information and Communication, Professional, Scientific and Technical Activities, as well as Real Estate Activities.





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

- **Employment Generation:** size and growth of the sector's direct workforce, with preference for larger and faster growing sectors
- **Wage Quality:** higher median earnings in the sector and lower gender pay gap
- **Geography:** concentration of the sector's employment in areas of high economic deprivation
- **Vacancy** and inactivity rates: low vacancy ratio and low levels of inactivity as indicators for effective retention of employees.

Sectors by Good Job Performance Rating	
Most favourable	Financial and Insurance Activities Information and Communication Real Estate Activities Professional, Scientific, and Technical Activities
Favourable	Administrative and Support Services Construction Health and Social Work Wholesale and Retail Trade Transportation and Storage
Less favourable	Accommodation and Food Services Agriculture, Forestry and Fishing Arts, Entertainment and Recreation Education Manufacturing Mining and Quarrying Public Administration and Defence Utilities Water and Waste Other Services

Employment Generation

29%

of Fund by value concentrated in sectors with favourable employment scale and/or growth profiles.

Geography

42%

by portfolio value is in sectors with a strong employer presence in the most deprived areas of the UK, based on the percentage of households living below average income.[12]

Wage Quality

33%

of the portfolio is held in sectors with favourable median earnings.

Vacancy and inactivity rates

49%

of portfolio value in sectors that have relatively low vacancy ratios and inactivity rates.

12. Poverty in the UK: Statistics: Poverty in the UK, April 2023

INFLUENCE AND ENGAGEMENT

ENHANCING SOCIAL IMPACT

Columbia Threadneedle has been engaging with issuers and book runners to encourage them to target and report their social impact, including specifying the communities likely to be affected. For example, the Fund's team had several engagements with the UK Treasury during its design of the Green Financing Framework, encouraging them to commit to reporting on the social co-benefits, such as job creation, arising from the bond expenditures. The Fund's team has also engaged with governments in Latin America as well as Australia to provide guidance on impactful bond structures and advocate issues.

Columbia Threadneedle is a member of the Just Transition Finance Challenge[13], which brings together global finance institutions with over £4 trillion of assets committed to targeting a just transition in the UK and emerging markets. Together with the Impact Investing Institute, the members have developed the Just Transition Criteria for fund managers to design and structure funds and investment products:

In particular, the Fund has made the third point a key theme in its engagement with issuers, encouraging them to bring in community voice and share their experiences through case studies and other data in social impact reporting.

Community voice is also important in impact confirmation, where the focus is on checking the effect of the spending on the target population, as a result of the investment. It is different to verification, which is often provided by third parties for compliance and checks that the proceeds have been used as described in the bond framework. Like verification, the objective is for impact confirmation to be included in bond reporting.

Columbia Threadneedle has also encouraged the International Capital Market Association (ICMA) to add vulnerable communities affected by climate change to their examples of target populations listed in the 2023 update of the ICMA Social Bond Principles. This change should drive the bond issuers to consider the social impact of climate change.

1. Advancing climate and environmental action – for example, greenhouse gas emission mitigation, reduction and removal

2. Improving socio-economic distribution and equity – for example, inclusive opportunities for decent jobs

3. Increasing community voice – through, for example, engagement and dialogue with affected communities often excluded and marginalised.

13. Impact Investing Institute

03 PERFORMANCE BY SOCIAL OUTCOME

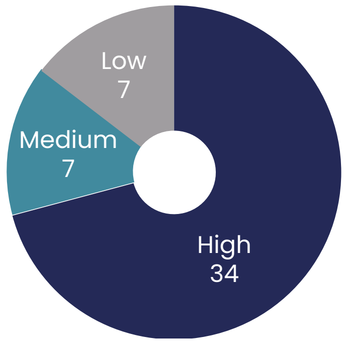
AFFORDABLE HOUSING AND PROPERTY

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

48 HOLDINGS

38 ISSUERS

£70m INVESTED
18% of total amount invested



SOCIAL PERFORMANCE ASSESSMENT
(BY NUMBER OF BONDS)

The UK is grappling with a housing crisis, with a lack of affordable housing supply being the critical issue. Since the 1980s, social housing stock in the UK has steadily declined as many homes have transferred from public to private ownership. Rising housing costs, a growing population, and the slow pace of replenishing social housing, has exacerbated the affordability problem.

Social housing refers to lower-cost housing provided to those in need, typically with lower incomes or specific vulnerabilities, offering an affordable and stable housing option. These can be lower rents, more aligned to income levels, or different housing ownership models such as shared-ownership schemes. Unfortunately, despite government pledges to increase the supply of affordable homes, including social housing, the current pace of delivery remains far below demand. These efforts are essential for improving housing affordability and fostering social inclusion and economic stability.

Housing costs play a significant role in perpetuating poverty. Rising costs, especially rent hikes and the threat of repossession, have hit certain groups especially hard, including low-income families and vulnerable individuals. Housing instability and homelessness leads to a range of social issues and increased costs for public services. Counterintuitively, many renters in the UK could be paying a cheaper mortgage but are unable to save up for a deposit or get a mortgage because high rents are eroding their savings.

Quality housing in the UK is also closely tied to other outcomes, including health and financial wellbeing. Poor housing conditions can have detrimental effects on residents' physical and mental health, as well as their overall financial stability.

There is also a convergence between affordability and environmental responsibility in housing solutions through sustainable construction practices, cost-effective building materials, and renewable energy integration, resulting in energy-efficient and environmentally friendly housing options. Reduced long-term operational costs, resilience to climate change, and lower environmental impacts further contribute to affordability while aligning with sustainability goals.

HOUSING ASSOCIATION HOLDINGS

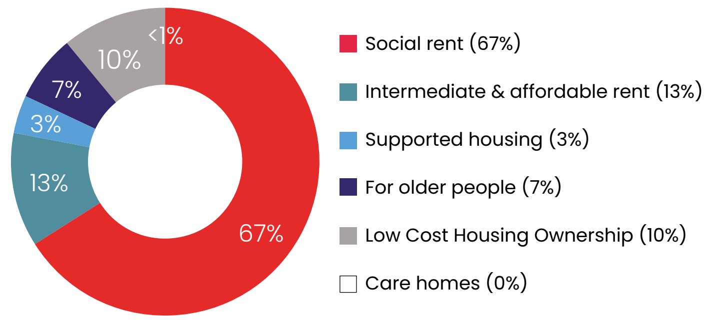
The Fund holds bonds from 20 Housing Associations. In total, these organisations own and manage 770,886 regulated properties[14]. See the breakdown on the right and Annex 4 for more details.

The Fund added two newly-issued bonds this year within the *"Affordable Housing and Property"* outcome, funding Aster Housing and the latest bond for the Affordable Homes Guarantee Scheme, on lent to three further associations.

Both bonds received a High Social Performance rating:[15]

- **Aster** issued its second sustainability bond, aiming to fund construction and refurbishment of affordable housing and in particular green buildings which have EPC and EIR rating of B and above.
- **Affordable Homes Guarantee Scheme** bond provided 30-year government-guaranteed loans to Coastline Housing, Stonewater and Torus to support the development of more than 1,500 new affordable homes

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



TARGET POPULATION
Living below the poverty line – households where income is below the 60% of the median household income after housing costs for that year in the UK. This population is impacted by the provision of social housing – government-subsidised rent for people on low income. They are the only form of housing where rents are linked to local income, making it the most affordable housing available. More than two thirds of housing stock held by the housing associations held by the Fund are providing social rent accommodation.

14. Source: Regulator of Social Housing (RSH). Note that total does not include Wheatley Housing Association and Penarian Housing Association as they are based in Scotland and Wales respectively and have their own regulatory bodies so the data for these organisations has not been disclosed to the RSH.

15. As reported on the companies' websites.

AFFORDABLE HOMES GUARANTEE SCHEME – GENERAL CORPORATE PURPOSE BOND

11 SUSTAINABLE CITIES AND COMMUNITIES

1 NO POVERTY

AFFORDABLE HOUSING AND PROPERTY
IMP CLASSIFICATION – CONTRIBUTE TO SOLUTIONS
FUND SOCIAL INTENSITY RATING – HIGH

In March 2023, the UK Government issued a bond to the amount of £350 million backed by the UK Government Affordable Homes Guarantee Scheme (AHGS). Maturing in 2053, this forms part of a £3 billion portfolio of cost-effective long-term loans of up to 30 years, to develop new affordable homes in England. The purpose of the scheme is to finance social rent, affordable rent and shared ownership housing to support the delivery of around 17,000 new affordable homes in England.

IMP Norms	
What	The bond will provide attractively priced financing to fund lower-cost, fixed-rate debt to registered providers to boost affordable housing supply, including homes for social rent, affordable rent and shared ownership. Private registered providers will provide employment opportunities and owners and tenants of affordable homes will benefit.
Who	Three housing providers received funding through this bond: Coastline Housing, serving 5,000 households in Cornwall, Stonewater housing association which has over 34,500 homes nationally, and Torus, North West's largest affordable housing provider, which has 38,000 homes.
How much	Proceeds from this issue are expected to support the development of more than 1,500 new affordable homes in communities across England over the next two years.
Contribution	The bonds are competitively priced and with the UK Government Guarantee, provide cheaper finance to be directly passed on to affordable housing providers. The bond was invested through primary issue, so the investment directly contributes to the funding of the projects.
Risk	Efficiency risk – Unmitigated rising costs continue to pose risks to projects. Execution risk – Projects financed by the bond may not be completed, be delayed or may not achieve their intended goals.

COMMUNITY SERVICES

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

2 HOLDINGS

2 ISSUERS

£6m INVESTED
1.6% of total amount invested

SOCIAL PERFORMANCE ASSESSMENT
(BY NUMBER OF BONDS)

This outcome area focuses on increasing access to community facilities and services to improve local wellbeing.

Community services and facilities in the UK, often funded by local authorities, are facing significant financial constraints, particularly in more deprived areas. In 2022-23, local authorities' median settlement funding has fallen by 45% since 2015-16 and spending per person has also decreased for 79% of local authorities in real terms[16].

There have been a rising number of local authorities issuing S114 notices, where they believe that they are unable to meet expenditures out of the forecast incomes (Birmingham City Council, Woking Borough Council, Slough Borough Council, Thurrock Council, Nottingham City Council, and the London Borough of Croydon).

The lack of access to community services and facilities can make it more difficult to find employment, gain education and training, and participate in social and cultural activities, leading to isolation and loneliness.

Current bond holdings are:

- **Inter-American Development Bank** aims to reduce poverty and inequality, improve health and education, and advance infrastructure in Latin America and the Caribbean.
- **Lancashire County Council bond** – For an update on the bond's performance, see case study on page 37.

Both holdings have been rated High by social performance to reflect the strong impact focus of the bonds.

TARGET POPULATIONS

Ageing populations, people with disabilities and other vulnerable groups – In the next 25 years the number of people older than 85 will double to 2.6 million in the UK. Ageing population means that there is higher demand for social care, as well as health services. Substantial expenditure from local authorities' goes towards social care.

Underserved, owing to a lack of quality access to essential goods and services – particularly in emerging markets, bonds that fund community services are impacting those populations that do not have access to essential goods and services, such as health and education or transport infrastructure.

Migrants and/or displaced persons – in the past, the Fund held bonds that supported migrants or other vulnerable groups in integration within the local communities, with services such as housing, training and employment.

16. House of Commons Library, Local government finances, Research Briefing, June 2023.

LANCASHIRE COUNTY COUNCIL – UPDATE ON MUNICIPAL BOND

COMMUNITY SERVICES
IMP CLASSIFICATION – CONTRIBUTE TO SOLUTIONS
FUND SOCIAL INTENSITY RATING – HIGH

11 SUSTAINABLE CITIES AND COMMUNITIES
1 NO POVERTY

Lancashire County Council is the local authority for the non-metropolitan county of Lancashire. In March 2020, the Lancashire County Council was the first borrower from the UK Municipal Bonds Agency (UKMBA), raising £350 million. It then issued a second bond in August of that year. UKMBA provides an alternative funding option for local authorities.

THE BOND

The bond contributed to the Lancashire County Council funding stream for its capital delivery programme that focuses on improving the county's infrastructure and driving economic growth, which is separate to the operational expenditure used to cover the day-to-day services. In 2022-23, the council spent £139 million as part of its capital investment programme, which included enhancements and improvements to schools and buildings the council delivers services from (including residential care homes), upgrading of carriageways, street lighting and improvements to road junctions, investment in the council's ICT infrastructure to support corporate priorities, investment in improvements to transport networks, delivery of the awarded transforming cities programme, and support for schemes to deliver economic growth in the county.

IMP Norms	
What	£350 million investment that contributes to the Council's capital investment programme, which includes investment in its Economic Strategy to deliver economic growth, with focus on: - Strategic development and connectivity: supporting major development projects including major transportation and digital infrastructure and regeneration plans (total estimated to be £20 billion) - Business support: support quality businesses at all stages of their development - Skills and talent: build talent pipeline to underpin growth in digital, tech, cyber and low carbon areas
Who	1.2 million people live in Lancashire, which is projected to increase to 1.3 million by 2043, with significant increases forecast in the over 65 years old population. Just over 20% of the population are under 65 years old. The county also has 44,000 businesses who could be receiving support from the Council.
How much	The County has 175,000 economically inactive residents, of which 30,000 would like a job. Combined with 27,000 unemployed, it forms a cohort of almost 60,000 who could benefit from skills development.
Contribution	Funding from the bond is used to invest in projects, rather than refinance previous loans. Local authority projects, particularly in terms of infrastructure and basic services, play a significant role in bringing in private investment and driving economic growth.
Risk	External risk – economic uncertainty as well as changing government funding may affect the allocation of investment

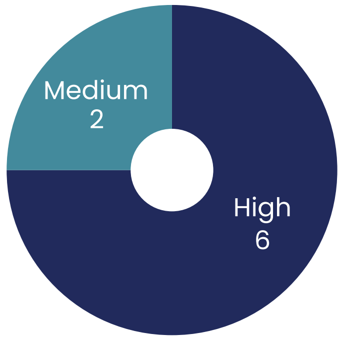
EDUCATION, LEARNING AND SKILLS

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

8 HOLDINGS

8 ISSUERS

£9m INVESTED
2.2% of total amount invested



SOCIAL PERFORMANCE ASSESSMENT
(BY NUMBER OF BONDS)

Access to quality education is a critical determinant of social mobility and tackling societal inequalities. However, in recent years, schools in the UK have faced significant funding pressures.

More than a decade of austerity measures, rising costs, high staff turnover, and a myriad of challenges, have strained the educational system's capacity to deliver quality learning experiences. Alongside stresses from the impact of the cost of living crisis on their families and a fragile recovery from years of learning in lockdowns, these financial pressures are affecting students' educational and social outcomes across the country, including rising mental health issues.[17]

Furthermore, there is geographic disparity in England's educational outcomes: findings from the Institute for Fiscal Studies shows a significant difference in income mobility for children across the country, with a strong North-South gradient.[18] Encouragingly, some Local Authorities (LAs) are narrowing the attainment gap having taken measures to address these disparities and ensure that all students have equal access to quality education, offering hope that this trend can be reversed.

In addition to geographical disparities, patterns in accessibility and educational outcomes are influenced by various factors. Gender disparities persist, with more females attending university than their male peers, completing their studies at higher rates, achieving first or upper second-class degrees. Despite these achievements, females find themselves in "lower-skilled" jobs and tend to earn around 9% lower than males initially, with the gap growing substantially over time to 31% ten years after graduation.[19]

Socioeconomic grouping is another factor in educational outcomes. Individuals from more disadvantaged backgrounds face significant barriers to accessing higher education. They are not only less likely to attend university but also experience higher dropout rates and are more likely to become NEET (Not in Education, Employment, or Training), perpetuating cycles of disadvantage.

Moreover, disability introduces unique challenges in the educational journey. Disabled students are more likely to drop out of higher education and less likely to achieve higher grades in their degrees. Inclusive educational practices and support systems ensure that all students, regardless of their abilities, have the opportunity to thrive academically.

17. Nesta: Six things we learned about educational outcome gaps in England post-pandemic.
18. Institute of Fiscal Studies, Intergenerational Income Mobility in England and the importance of education
19. Equality of access and outcomes in higher education in England, 2023

Addressing these disparities in educational accessibility and outcomes across the educational continuum from preschool learning to higher education is critical to support a more inclusive and equitable society. Within this outcome grouping, the Fund seeks to make investments that contribute to widening participation and expanding access to education, including higher education providers, as well as investments into other organisations running or financing educational programmes.

TARGET POPULATIONS

Uneducated population – programmes funded by some of the bonds in the Education Learning and Skills included digital courses and vocational programmes that improve the skills of individuals who are unable to get to school or access mainstream education or struggle in the traditional classroom environment.

Excluded and/or marginalised populations and/or communities, women and/or sexual and gender minorities, people with disabilities – some of the issuers selected by the Fund (e.g. universities) are aiming to improve diversity of students by monitoring representation and running outreach and inclusion programmes to broaden the base of applicants. The diversity is considered from protected characteristics such as disability, gender and ethnicity as well as socio-economic background of individuals.

BANQUE FEDERATIVE – SOCIAL BOND

BANQUE FÉDÉRATIVE
Crédit Mutuel

4 QUALITY EDUCATION

EDUCATION, LEARNING AND SKILLS
IMP CLASSIFICATION – CONTRIBUTE TO SOLUTIONS
FUND SOCIAL INTENSITY RATING – HIGH

Headquartered in Strasbourg, France, Banque Federative du Credit Mutuel is a mutual bank owned by its members, has over 30 million customers and €1.6 trillion in assets. The bank is also active in international markets, with operations in 16 countries.

THE BOND

The Banque Federative Social Bond is a 7-year €750 million bond issued in November 2022. Proceeds are used to finance or refinance eligible loans linked to social projects, in particular access to education and professional training. The issuer has also created a social dividend: it is committing 15% of net income to fund its initiatives for a fairer and greener society. This amounts to €500 million in 2023 and more than €2 billion in the next five years and will be used to finance its Environmental and Solidarity Revolution Fund, rollout of inclusive banking and insurance policies and sponsorship of major local, regional and national causes, particularly through the Crédit Mutuel Alliance Fédérale Foundation.

IMP Norms	
What	Financing of studies including higher education, such as competitive examination or *"grandes écoles"* and university studies, and vocational training: non-academic and preparing people for trade, craft or a specific job as a technician.
Who	Students from 18 to 28 years old, apprentices or employees in training or professional reconversion without age limit in France.
How much	The bond does not specify how many students are targeted with the investment, however as of March 2022, €1.5 billion of proceeds from social and sustainability bonds were allocated with 49% funding higher education and 1% funding vocational training. The remainder was on funding loans to SMEs in underperforming areas of France and activities in the event of extreme events.
Contribution	The issuer does not provide information on how much of the bond proceeds is used to refinance existing loans portfolio. While this bond was issued in the reporting period, the Fund invested into the bond through the secondary market.
Risk	Evidence risk – the bond funded mostly university students. There is no evidence that these students were from disadvantaged backgrounds.

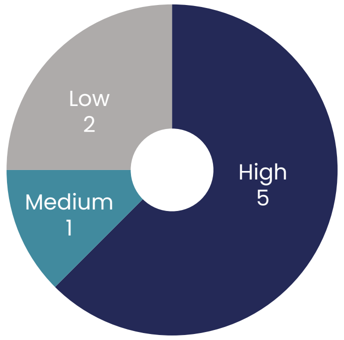
EMPLOYMENT AND TRAINING

SUPPORTING INCLUSIVE JOB GROWTH

8 HOLDINGS

8 ISSUERS

£9m INVESTED
1.9% of total amount invested



SOCIAL PERFORMANCE ASSESSMENT
(BY NUMBER OF BONDS)

The Fund invests directly in outcomes related to Employment and Training through organisations providing loans and funding to small and medium-sized enterprises (SMEs).

Intesa Sanpaolo S.p.A. is Italy's largest bank by assets, its social bond is rated high as it is mainly made up of loans to Italian SMEs operating in disadvantaged areas (including Covid loans) and loans to non-profit entities focused on social sectors (Healthcare, Education, Welfare and Solidarity).

NatWest issued a bond for refinancing existing loans and funding new loans to women-led sole traders and SMEs, but this is the first of its kind from a European financial institution.

The focus on SMEs is apt as the World Bank estimates that by the year 2030, the global workforce will require an additional 600 million jobs to absorb the growing population of working-age individuals effectively.[20] These forecasts underscore the importance of job creation on a scale required to sustain livelihoods and economic wellbeing around the world.

SMEs are essential to the global economy, accounting for approximately 90% of businesses globally and are responsible for more than 50% of employment opportunities[20] Despite this pivotal role, SMEs need help in accessing the necessary financial resources to sustain and expand their operations. This financing gap widens further when considering micro and informal enterprises, hindering their growth potential and overall economic impact.

Another underrepresented group are female entrepreneurs, who constitute a substantial economic resource in the UK. Achieving gender parity in starting and scaling businesses could add £250 billion to the UK economy.

The Fund's investments into bonds directly working in these issue areas not only has the potential to drive employment and economic growth but also to foster a more inclusive and diverse entrepreneurial landscape.

The Fund has also invested in the retail and hospitality sector through bonds from Co-operative Group, John Lewis and Marks and Spencer. In the UK, the retail and hospitality sectors are a vital source of livelihoods for over 6 million people and generates over £150 billion in gross value.[21] However, rising costs, supply disruptions, declining footfall in high streets, and persistent staff shortages pose significant hurdles for businesses in this sector. Addressing these challenges and supporting the resilience of retail and hospitality businesses is essential to safeguard jobs and sustain economic vitality in the UK.

TARGET POPULATIONS

Unemployed and vulnerable groups affected by net zero transition – investment to provide training and jobs to individuals, particularly those in low deprivation areas or in industries that are more likely to be affected by the net zero transition.

Women and/or sexual and gender minorities – the Fund has invested in bonds that are tackling lack of representation of women across certain sectors in the UK, as well as in emerging economies. For example, lower proportion of entrepreneurs are women. Women also face barriers to employment after having children and some of the programmes aim to tackle that by providing funding, training or other support to help women back into employment.

Underserved, owing to a lack of quality access to essential goods and services – some communities face barriers to employment as a result of lack of access to key services such as transportation or digital connectivity.

20. World Bank: Small and Medium Enterprises (SMEs) Finance
21. Office of National Statistics, Gross Value Added by industry, 2021

NATWEST GROUP – SOCIAL BOND

EDUCATION, LEARNING AND SKILLS
IMP CLASSIFICATION – CONTRIBUTE TO SOLUTIONS
FUND SOCIAL INTENSITY RATING – HIGH

NatWest Group

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

NatWest Group is a leading financial services group in the United Kingdom. The group provides a wide range of products and services to individuals and businesses, including personal banking, business banking, commercial banking, investment banking, and asset management. NatWest Group is committed to social investment through initiatives that support enterprise development, financial inclusion, and community investment. NatWest Group has also committed to raising 25% of its senior debt issuance in 2023 in Social or Green Bond format.

In 2019, Alison Rose, the CEO of NatWest Group at the time, launched the Rose Review of Female Entrepreneurship to better understand the barriers to female entrepreneurship. The review found that up to £250 billion of new value could be added to the UK economy if women started and scaled new businesses at the same rate as men. NatWest Group has continued to publish annual reviews of female entrepreneurship and with its partners has committed to new and existing initiatives to help more women start and build thriving businesses.

THE BOND

In March 2023, on International Women's Day, NatWest Group issued a 5-year €500 million bond with net proceeds to be used to provide lending to women-led businesses. It was oversubscribed by 2.5 times, indicating strong investor demand for bonds that support women-led enterprises.

IMP Norms	
What	Proceeds will be used to finance a variety of women-led enterprises, including businesses in the technology, manufacturing, healthcare, education, retail, and hospitality sectors and is expected to create jobs and boost economic growth in Europe.
Who	Loans will be made to support and enable women-led businesses including: - Women sole traders - Unincorporated partnerships where the majority of partners are women, and - Limited liability partnerships or companies that are small and medium sized enterprises (as defined in the Companies Act 2006) and where at least 51% of the ownership belongs to women.
How much	The bond was approximately 85% allocated as of April 2023, and includes an estimated 14,000 loans with an average loan size of £27,000.
Contribution	While the bond was a primary investment, 85% of the proceeds from the bond was used to refinance an existing loan portfolio.
Risk	Execution risk – projects financed by the social bond may not be completed or may not achieve their intended goals. For example, the loans provided to female entrepreneurs may not be sufficient to build organisational resilience without additional support and investment.

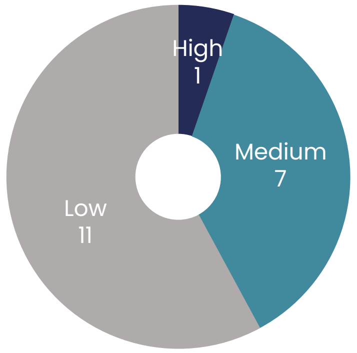
FINANCIAL INCLUSION

IMPROVING ACCESS TO AFFORDABLE FINANCIAL SERVICES FOR ALL

19 HOLDINGS

8 ISSUERS

£50m INVESTED
13.1% of total amount invested



SOCIAL PERFORMANCE ASSESSMENT
(BY NUMBER OF BONDS)

Financial inclusion is a cornerstone for achieving economic stability, impacting every aspect of individuals' and communities' lives. Ensuring financial inclusion means promoting access to basic financial services and supporting individuals to make informed financial decisions, thereby strengthening their overall economic wellbeing.

In the UK, a lack of financial inclusion profoundly impacts the most vulnerable members of our society. These groups include disadvantaged individuals and families (for instance due to precarious or low-income employment, disabilities, ethnicity, immigrant status). Financial exclusion exacerbates other disadvantages they may face.

Good financial inclusion provides a safety net against unexpected events that can otherwise push vulnerable individuals and families into financial hardship. Expanding financial inclusion demands a multifaceted approach, including financial education programs, tailored financial products, regulatory reforms, and initiatives to reduce disparities among societal groups.

Hence, the Fund's holdings provide a range of activities and services including improving the accessibility and affordability of financial services for all, including loans, savings accounts and mortgages for first-time borrowers.

Most of the bonds held by the Fund are general corporate purpose bonds and have been rated with Low or Medium social impact performance. One exception is the Social Bond from Yorkshire Building Society, rated High, that is prioritising lending to customers who are currently poorly served by the market, to help them overcome the financial barriers they face. Its initiatives include supporting under-served segments of the market such as first-time-buyers, self-employed borrowers, early- and later-life lending, and individuals who require the help of shared ownership and social housing schemes.

The Fund has expanded the number of bonds in financial inclusion over the past year including three new bonds; **The Co-Operative Bank, Credit Agricole,** and **Danske Bank.**

TARGET POPULATIONS

Underserved, owing to a lack of quality access to essential goods and services – financial services and banking is an essential good that some groups have reduced access to. For example, people on low incomes or self-employed, older population, people who have no credit history (e.g. young professionals). The products provided are mostly mortgages for purchase or refurbishment of property to improve energy efficiency and/or reduce energy use

CO-OPERATIVE BANK – GREEN BOND

FINANCIAL INCLUSION
IMP CLASSIFICATION – CONTRIBUTE TO SOLUTIONS
FUND SOCIAL INTENSITY RATING – HIGH

The co-operative bank

10 REDUCED INEQUALITIES

Founded in 1872 and headquartered in Manchester, UK, the Co-operative Bank plc is a retail and commercial bank committed to ethical banking and sustainability. The Bank offers a range of banking products and services to individuals and businesses. Its cooperative values remain at the core of its business today, backed by its customer-led ethical policy, which has undergone six iterations since 1992.

THE BOND

The issue is a 5-year £200 million bond issued in May 2023 – the second bond from its social and sustainability framework. The focus of the bond is on provision of mortgages directly to individuals or households under-served by mainstream financing providers, thereby enabling and promoting financial inclusion.

IMP Norms	
What	Mortgages to purchase housing for people who are currently underserved by the market, including in conjunction with the accredited Government Schemes Help to Buy. The bank will also provide high loan to value mortgages to professionals under the age of 34 years old.
Who	Households on low incomes (less than 60% of the UK median), moderate incomes (between 60% and 85% of the UK median), first time buyer applicants with incomes below the UK median. Additionally, individuals who are self-employed or contractors, young professionals under the age of 34 years old.
How much	No information was provided on how many loans would be provided as part of the proceeds.
Contribution	The issuer has committed 75% of the bond proceeds to financing new loans. The investment was also in the primary issue, ensuring that it directly contributes to funding new loans.
Risk	Stakeholder participation risks: disadvantaged individuals may need support and financial aid, in addition to loans.

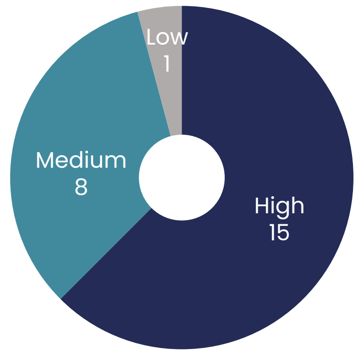
HEALTH AND SOCIAL CARE

SUPPORTING UNIVERSAL ACCESS TO HIGH QUALITY HEALTH AND SOCIAL CARE SERVICES

24 HOLDINGS

14 ISSUERS

£61m INVESTED
16% of total amount invested



SOCIAL PERFORMANCE ASSESSMENT
(BY NUMBER OF BONDS)

Investment in quality health and social care is pivotal in reducing societal inequality by directly addressing disparities in healthcare access and outcomes. Ensuring that all individuals, regardless of their socioeconomic status or other factors, have access to essential medical services, preventive care, and treatment narrows the health gap. This approach creates a more equitable society by addressing systemic healthcare inequalities that disproportionately affect disadvantaged and vulnerable populations.

Health outcomes are intricately linked to various other aspects of individuals' and communities' lives, resulting in a complex interplay of factors that influence overall wellbeing. For instance, economic wellbeing and health are interconnected, as poor health can lead to reduced ability to work, affecting both the individual and economies at large. Education also plays a vital role, as educational attainment impacts health through factors like access to health information and socioeconomic opportunities. Additionally, behavioural and lifestyle choices significantly shape health outcomes, underscoring the importance of holistic approaches to healthcare.

The Fund invests in a range of bonds from issuers such as pharmaceutical companies. These bonds are rated as medium and issue here can support the financing of their Research and Development (R&D) efforts, which are critical for developing new drugs, treatments, and medical innovations.

The Fund has also invested in even more high-impact areas through supernational organisations, including in Global health through the International Finance Facility for Immunization (IFFIM) and the International Bank for Reconstruction and Development (IBRD). Both have issued various health-focused bonds, including Pandemic bonds to address global health challenges by mobilising resources to respond to health crises. The IFFIM bond is an example of blended finance, which provides Gavi, the Global Vaccine Alliance, with immediately available funding to support routine immunisation in lower-income countries, reaching nearly half the world's children despite severe disruptions caused by COVID-19.

Initiatives like this are essential as health outcomes are influenced by factors that transcend national borders such as infectious diseases, climate change, and migration have far-reaching consequences on health outcomes worldwide.

New bonds added to the portfolio include:

- **AIB Group** – see case study on page 47.
- **International Finance Facility for Immunisation** – support Gavi's mission to accelerate the availability of life-saving vaccines for the world's most vulnerable children.

TARGET POPULATIONS

People with disabilities, ageing population or other vulnerable groups – access to healthcare is particularly critical for these groups in the UK, where the NHS is under increasing strain. Investment to enhance access includes financing specialist equipment or facilities, particularly those used to treat specific physical and/or learning conditions, and rehabilitation services for drugs and alcohol-related conditions. This could also include funding residential care facilities for elderly and people with specific health conditions.

Underserved, owing to a lack of quality access to essential goods and services – the Fund made investments in bonds that provided access to healthcare in emerging economies, particularly during the Covid-19 pandemic, where some bonds funded the immunisations in low-income countries.

AIB GROUP – SOCIAL BOND

HEALTH AND SOCIAL CARE
IMP CLASSIFICATION – CONTRIBUTE TO SOLUTIONS
FUND SOCIAL INTENSITY RATING – HIGH

3 GOOD HEALTH AND WELL-BEING

As Ireland's biggest bank, Allied Irish Bank (AIB) has significant reach into communities in Northern Ireland and Republic of Ireland through their ability to make an impact through their activities and by enhancing livelihoods, supporting homemakers, promoting job creation, and enabling society to flourish.

THE BOND

In January 2023, the AIB issued its second Social Bond with proceeds of €750 million (following €1 billion bond issued in March 2022). This brings total amount raised from issuing environmental and social bonds to €5 billion. Proceeds have been used to finance the construction of new hospitals and the provision of healthcare services to people who are unable to afford them. AIB also funds projects in education and affordable housing and provides funding to small-to-medium enterprises in deprived areas.

IMP Norms	
What	Within its primary impact area of health and social care, the bond will use proceeds to: - Increase access to quality, timely and accessible healthcare - Enhance the quality and accessible care for an aging population - Increase availability of quality medical equipment to healthcare facilities and individuals
Who	Primary target groups include the general public, individuals with specific physical and/or mental conditions, including cognitive deficit(s), elderly people and individuals in need of rehabilitation services. Proceeds being used to fund health and social care are geographically distributed across Ireland (54%), the UK (27%) and other unspecified OECD countries (19%).
How much	An estimated 1,861,680 people use care services and are in hospitals, with more than 44 million patients in hospital. Within its other impact areas, there are 2,269 students in student accommodation, with 70,094 attending universities and 21,134 people in social housing who stand to experience positive outcomes as a result of this bond. The overall portfolio is expected to contribute to an estimated 7,183 jobs created or enabled and an estimated GDP contribution of €563 million.
Contribution	There is no information provided about how much of the project is used to refinance existing loans. Investment in healthcare may also require other sources of financing, such as public funding. The investment was in the primary issue of the bond, rather than via secondary markets.
Risk	Execution risk – projects financed by the social bond may not be completed or may not achieve their intended goals.

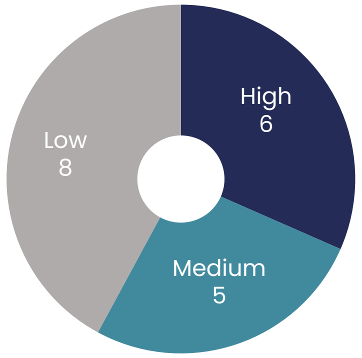
TRANSPORT AND COMMUNICATIONS INFRASTRUCTURE

ENSURING UNIVERSAL ACCESS TO BASIC INFRASTRUCTURE AND SERVICES

19 HOLDINGS

17 ISSUERS

£59m INVESTED
15.6% of total amount invested



SOCIAL PERFORMANCE ASSESSMENT
(BY NUMBER OF BONDS)

The Fund invests in this outcome class to improve transport and communications infrastructure across the UK.

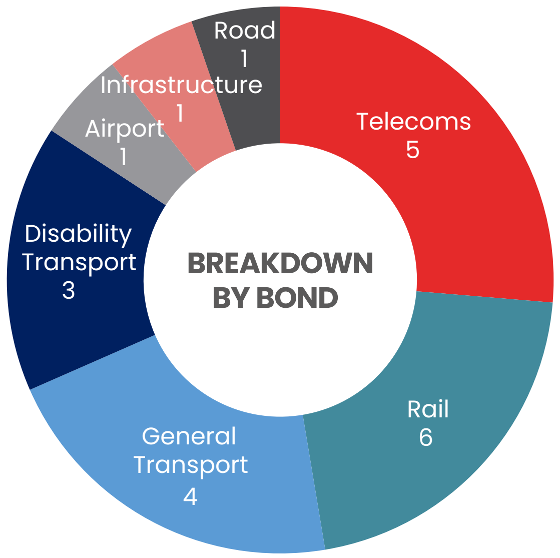
A robust telecommunication network ensures that people in both urban and rural areas have equal access to communication resources, bridging geographical divides and fostering social and economic development across the country. More specifically, it plays a pivotal role in digital inclusion and affording underserved and rural communities the same opportunities and resources as their urban counterparts, ultimately reducing inequalities.

The Fund also invests to support infrastructure development in more economically disadvantaged countries. Investment in telecommunications infrastructure extends its impact by enabling access to a global pool of information and educational resources.

The portfolio includes investments across different transport subsegments, such as rail in the UK. Investment in transportation infrastructure plays a crucial role in addressing inequality by improving access to economic opportunities, education, healthcare, and other essential services for disadvantaged communities.

Facilitating more efficient movement of goods and people drives regional development, particularly in underserved areas.

There is also a growing focus on reducing the sector's environmental impact through more sustainable practices and updating existing infrastructure. Investments in communication infrastructure can lead to reduced carbon emissions and decreased traffic congestion, as they enable remote communication, reducing the necessity for physical travel.



TARGET POPULATIONS

People with disabilities – improved accessibility of transport infrastructure has a significant impact on socio-economic outcomes, such as access to education and employment and health and wellbeing. The Fund holds bonds from Motability, who provide cars, Wheelchair Accessible Vehicles, scooters and powered wheelchairs to meet disabled customers' needs.

Vulnerable groups affected by net zero transition – providing training to workers who may be affected by the decarbonisation of the UK transport industry.

Underserved, owing to a lack of quality access to essential goods and services – lack of infrastructure in rural and/or high deprivation communities within and outside the UK enables these groups of people to access education and employment opportunities, as well as reduce social isolation.

JAPAN INTERNATIONAL COOPERATION AGENCY – SUSTAINABILITY BOND

TRANSPORT AND COMMUNICATIONS INFRASTRUCTURE
IMP CLASSIFICATION – CONTRIBUTE TO SOLUTIONS
FUND SOCIAL INTENSITY RATING – HIGH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

As one of the world's largest funders of development assistance, the Japan International Cooperation Agency (JICA) is the implementing agency of the Japanese Official Development Assistance (ODA) programme. It provides loans to government of countries around the world to support socioeconomic development, recovery or economic stability in developing regions, and by providing technical expertise, capital grants and loans to developing countries.

THE BOND

In May 2023, JICA issued a 5-year $1,250 million sustainability bond. As part of the impact reporting, JICA collects evidence from the target population of their projects through surveys. This is a a good example of impact confirmation, as discussed in the sections Influence and Engagement (see page 30) and the Forward Look (see page 57).

IMP Norms	
What	Proceeds will be used to finance eligible new or ongoing projects in the transportation, education, healthcare, and renewable energy sectors. Within transportation, eligible projects include those that: - Improve access to affordable and reliable transportation for people and goods - Reduce emissions and air pollution from the transportation sector - Promote sustainable transportation modes such as public transportation, walking, and cycling - Support the development and planning of safe and resilient transportation infrastructure and systems
Who	People including those with limited or no access to transportation infrastructure and/or safe and affordable public transportation in the project areas. The agency expects most of the proceeds to be used to finance electric rail projects. In recent years, JICA has financed projects such as the construction of new metro lines in Hanoi, Vietnam and Manila, Philippines; the improvement of road safety in Indonesia; and the development of sustainable transportation systems in Africa.
How much	In 2021, JICA provided approximately ¥3.3 trillion (US$24.6 billion) in assistance. Inadequate access to basic transport infrastructure continues to inhibit connectivity in several developing countries, where an estimated 1 billion people still do not have access to usable roads within 2 kilometres of their homes.
Contribution	The impact of eligible projects is expected to be significant in strengthening connectivity within the country through roads and bridges and facilitating the inclusion of target countries in the global network through ports and airports. The investment was made through primary issue of the bond.
Risk	Unexpected impact risk – The operations and use of the infrastructure supported by the bond may lead to increased emissions. Efficiency risk – infrastructure projects have a high risk of higher-than-expected costs and long lead times, which could result in the project being delivered at a higher cost than optimum. Execution risk – projects financed may be completed but may not achieve their intended outcomes.

Project Case Study: Delhi Mass Rapid Transport System Project (2013-2019)

JICA worked with Delhi Metro Rail Corporation (DMRC) to introduce a women-only coach on each line of Delhi Metro, with security cameras and passenger emergency alarms, providing safe and comfortable transportation for women. The project addresses the high levels of gender-based crime, particularly "eve-teasing" in public spaces in South Asia. A study conducted in Chennai, India, found that 66% of the respondents had been sexually harassed while commuting and more than 40% of women rated their worst harassment experiences to be on buses and trains with no separate sections for women. Through this project DMRC also raised awareness through a publicity campaign and promoted employment for women by establishing child day-care centres, granting childcare leave and other initiatives.

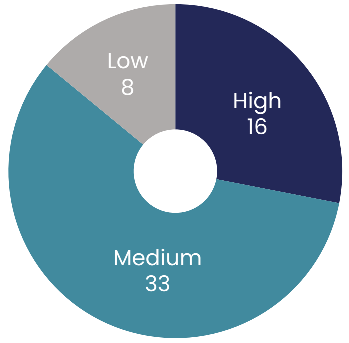
UTILITIES AND ENVIRONMENT

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

57 HOLDINGS

33 ISSUERS

£119m INVESTED
31.2% of total amount invested



SOCIAL PERFORMANCE ASSESSMENT
(BY NUMBER OF BONDS)

Providing affordable and sustainable utilities, including water, energy, and other essential services, is a critical component of modern UK society. These services are necessary for the wellbeing of communities and the country's economic development. However, the rising costs of these utilities place a significant burden on households and businesses, necessitating a focus on affordability to maintain quality of life and support economic growth.

Utility regulators have been asking providers to support people in vulnerable circumstances. This support includes grants, reduced bills and advice to ensure that essential services remain affordable for those who may otherwise struggle to meet their energy and water bills. There are also government initiatives aimed at helping vulnerable households with their energy bills, including the Warm Home Discount Scheme which discounts electricity bills for eligible low-income and vulnerable households during winter months[22].

Specifically, looking at water services, ensuring access to a reliable, clean water supply and efficient wastewater treatment is both a convenience and a critical requirement from environmental and public health perspectives. The UK has historically faced challenges: recent estimates reveal the UK loses around 21% of its water to leakages at present compared to global leaders like the Netherlands at 5%[23], underscoring the urgency of addressing these issues and adopting water conservation measures in response to growing water scarcity. Below, we explore the water companies in more detail given their critical role in our society and the profusion of issues the sector faces.

TARGET POPULATIONS

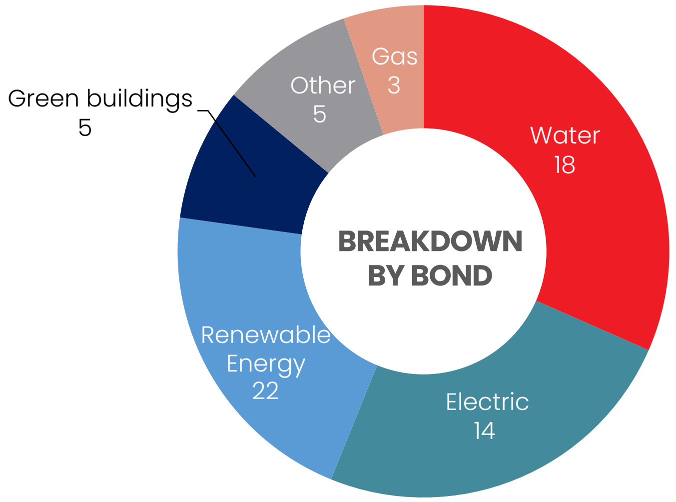
Underserved, owing to a lack of quality access to essential goods and services – investment is key to ensuring that people have access to key utilities, such as clean water.

Living below the poverty line – people living in fuel or water poverty, where the bills are greater than 10% and 5% of net income, respectively. Research by Ofwat shows that more customers are struggling with household bills and that two-thirds expect their situation to worsen in the coming year.

22. UK Government Warm Home Discount Theme
23. Sustainable water: from alternative water sources to a change in, Roland Berger.

Other essential utilities include energy services. Securing affordable and dependable energy access is vital for driving economic development and improving living standards in the UK. The transition to renewable energy sources like solar and wind is essential for reducing greenhouse gas emissions and costs to consumers.

Embracing energy-efficient technologies and practices across industries, buildings, and transportation sectors can significantly reduce energy consumption and associated environmental impacts, leading to long-term cost savings and economic benefits for the UK.



Most of the new bonds issued and added to the portfolio last year were labelled either green or sustainability bonds, including:

- **ABN Amro** – green bond to finance energy efficiency such as green buildings, renewable energy and circular economy projects, including product design, recycling inputs, and product take-back.
- **Bank of Ireland** – issued two green bonds this year to fund clean transportation, renewable energy and green buildings. The latter was through mortgages that made refurbishment to ensure buildings were more energy efficient and more affordable.
- **Cadent** – green bond, see case study on page 55.
- **Segro European Logistics Partnership (SELP)** – green bond used to finance improving energy efficiency of commercial buildings, low carbon transport and on-site renewable energy, pollution prevention and terrestrial biodiversity conservation.
- **Nordea Bank** – green bond to invest in renewable energy, energy storage and transmission, green buildings, pollution prevention and control, clean transportation, and sustainable management of living resources (such as agriculture, aquaculture and forestry).
- **Severn Trent** – launched two sustainability bonds, with eligible projects including sustainable water and wastewater management, terrestrial and aquatic biodiversity, and supporting low income and vulnerable priority customers to ensure reliable and affordable water supply.

WATER SECTOR UPDATE

The Water sector in the UK has been the subject of several controversies in the last few years, such as the high level of water lost to leaks and storm overflows causing pollution in rivers and coastlines. Water bills rose by an average 7.5% this year during the cost-of-living crisis and now average about £448 per customer.

These events have been discussed at the Social Advisory Committee, reaching the agreement that the water sector is a significant investment area for the Fund, as the industry delivers a critical resource, and its affordability impacts many people in the UK, particularly those already disadvantaged or living in poverty. The role of the Fund is to engage with the companies to ensure they have robust plans for improving the infrastructure as well as working with the local community, including community groups, farmers and local authorities, to achieve environmental outcomes, such as reduced river and coastal pollution, and helping vulnerable customers access support with their bills. The Fund is balancing the needs of this infrastructure investment and the impact on customer prices and vulnerable populations, especially given that a lot of the infrastructure is from the Victorian era and is stressed against a larger population and more frequent and more severe, climate-linked events.

The following table summarises some of the key metrics for the water companies. The Fund focuses on the approach that the companies take on supporting vulnerable customers who are struggling to pay water bills, in particular those who are experiencing water poverty (where water bills are more than 5% of disposable income). Other data points capture customer experience, water quality and pollution incidents:

- In 2022-23, customer satisfaction fell for most companies, but all companies have reported an increase in customers recorded on their priority services registers.

- Most companies saw an increase in their water leakage this year, for some, enough to impact their three-year average trend (Dŵr Cymru and Southern Water).

- All companies in the portfolio scored above deadband* for drinking water quality, meaning they will have to pay underperformance payments.

- Almost all companies reported fewer internal sewer flooding incidents in 2022-23; since 2019-20 the sector has delivered a 27% improvement.

- Ofwat has raised concerns about the number of serious pollution incidents and stated that water companies are not on track to meet their 2024-25 targets for pollution incidents despite a 15% reduction in the first three years of 2020-25 period.

*Deadband, above which companies incur underperformance payments

	Vulnerable Customers - Currently served	Vulnerable Customers - Plans for 2025-30	Priority Service Register Reach %	Customer Satisfaction	Leakage Reduction from Baseline (3 year average)	Drinking Water Quality Score	Pollution Incidents per 10,000 km of sewer
Anglian Water	£232m support for 2020-25 period	300,000 customers by 2030	11%	79	-8%	2.92	33.4
Dwr Cymru (Welsh Water)	132,000 customers supported financially at 40% discount	190,000 people on discounted tariff, with £13m per year contribution from the company	10%	83	12%	5.4	24.6
Northumbrian Water Services	150,000 with £40m financial support	300,000 people on social tariff, with total funding up to £170m	9%	84	-4%	7.62	20.0
Severn Trent	315,000 by end of 2025	Targeting 700,000 getting financial support by 2030	8%	79	-9%	5.65	20.6
Southern Water	151,930 with current hardship fund of £250,000 per year	Increase hardship fund to £1,250,000 per year by 2030	8%	70	0%	6.38	90.1
Thames Water	330,000 (average discount of 27%)	530,000 customers by 2030 with average discount of 59% off bills	6%	67	-11%	10.96	30.4
United Utilities	200,000 customers supported through £280m over 2020-25 with £140m support funded by United Utilities	Increasing support to £525m, targeting 590,000 customers	9%	81	-6%	3.67	16.3
Yorkshire Water	150,000 customers supported per year	181,000 customers per year by 2030	5%	78	-10%	4.61	22.4
Sector median			**8%**	**79**	**-7%**	**3.57**	**30.8**
			At or better than commitment level	At or better than Median	At or better than commitment level	At or better than deadband*	At or better than commitment level

Source: Water company performance report 2022-2023, Companies' websites

*Deadband, above which companies incur underperformance payments

CADENT – GREEN BOND

UTILITIES AND ENVIRONMENT
IMP CLASSIFICATION – CONTRIBUTE TO SOLUTIONS
FUND SOCIAL INTENSITY RATING – MEDIUM

Cadent is the UK's largest gas distribution network – it transports gas through main and branching pipelines, and maintains gas infrastructure throughout the UK. In 2022 it supported 11 million homes and businesses in its network. In 2020 it was the first UK corporate to issue a transition bond, which the Fund invested in, that helps to finance the transition of the UK gas infrastructure to net zero with a follow-up in 2021, through retrofitting the pipeline for hydrogen and other low-carbon gases.

THE BOND

In March 2023 Cadent Finance Plc issued a £300 million green bond. The company is planning to launch a hydrogen skills academy and develop a hydrogen education programme by 2024. By 2030 it is aiming to inspire 100,000 people from disadvantaged and underrepresented groups to gain access to career opportunities in the energy sector.

IMP Norms	
What	Finance and/or refinance projects that contribute to climate change mitigation: - Conversion, repurposing or retrofit of gas networks for the transmission and distribution of renewable and low- carbon gases. - Construction or operation of transmission and distribution pipelines dedicated to the transport of hydrogen or other low-carbon gases.
Who	Cadent operates with over 82,000 miles of pipes across the North-West, West Midlands, East Midlands, South Yorkshire, East of England, and North London, bringing gas to almost 11 million homes and businesses.
How much	Specific impacts are not yet estimated or reported at present however eligible projects the bond will fund are expected to reduce greenhouse gas emissions, improve air and water quality, promote sustainable transportation and energy efficiency, support the development of sustainable infrastructure and social services and provide affordable housing and access to essential services for all.
Contribution	Since before the issue of this bond, the company has been making considerable steps since 2020 to transition its business to both reduce its carbon footprint and prepare for the low-carbon economy. Proceeds from the bond will allow it to grow its ability to operate in a low-carbon way and support the transition to transportation of low and zero carbon gases such as hydrogen and biomethane. The infrastructure investment also reduces gas leaks, improving overall efficiency and reducing customer bills.
Risk	External risks – uncertainty around how the UK will be decarbonised, particularly in terms of regulation and incentives from the government.

04 FORWARD LOOK

Columbia Threadneedle has been working with associations such as ICMA and Impact Investing Institute to help promote sustainable bonds, and other social and environmental investment approaches, and using its experience to input into the practical guidelines and the design of new instruments. The Fund has also been engaging companies and the public sector to incorporate these bond labels into their financing, and reach out to the affected communities to better measure and report on the impact of the investment.

SOCIAL BONDS FOR PUBLIC FUNDING

In the context of tight fiscal controls and competing demands on limited government resources, social bonds can provide a valuable alternative source of funding beyond what is available in the regular budget for social projects, especially large-scale infrastructure, and social programs. Social bonds also provide a means for the government to secure long-term financing, and facilitate public-private partnerships, leveraging private sector resources to address societal needs.

Columbia Threadneedle has worked with the UK Government on the development of the framework behind the Green Gilt, particularly to include social co-benefits.

Other programmes have focused on social outcomes, such as the £3 billion Affordable Housing Guarantee Scheme. The scheme will provide loans to support the delivery of new-build and additional affordable housing, with the benefit of a guarantee from the Ministry of Housing, Communities and Local Government (MHCLG).

This report also provided an update on the Lancashire County Council municipal bond, raised through the UK Municipal Bonds Agency, which provides pooled loans of £1 million or more to the 56 local authorities and Local Government Associations who are shareholders.

There is an opportunity to provide more social or sustainable bond programmes for the public sector to drive more inclusive development in the UK. Sectors that require significant investment to ensure their effectiveness in the future could raise funding from the financial markets. For example, an NHS bond to raise funding for new equipment in hospitals and other critical infrastructure.

COMMUNITY VOICE

The Fund is encouraging issuers to capture the experience of communities and customers in the social reports, particularly for green bonds where it is important to bring in social co-benefits.

It is essential to go beyond targeting of the groups most affected, to collecting their stories confirming the social outcomes of the investment. For example, Caixa Bank conducted surveys of targeted users of their social bonds. The published results show the proportion of these groups who have experienced positive change because of the product. Over €1 billion of proceeds were used to fund loans to individuals or families in Spain on low incomes. The survey found that 83% of loan recipients were able to increase or maintain their income and 82% have had a positive impact on their personal/family wellbeing, thanks to the loans from Caixa Bank. These assessments add to the transparency of impact.

The Fund team is engaging issuers, as well as ICMA to build these types of surveys within the reporting process on issues to confirm that the investment has had the desired impact. JICA case study (see page 50) is an example of impact confirmation through surveys of target populations, as part of impact reporting to investors. Survey insights can also help issuers to dig deeper into instances where the expected outcomes did not materialise. In the example above, investigating would be what happened to the remaining 17% recipients: why did their income fall, would help to form a feedback loop, which can then help to improve the outcomes.

BLUE BONDS FOR UTILITIES

In light of the controversy surrounding the water companies in the UK, Columbia Threadneedle has been engaging the sector to issue blue bonds – these are bonds to finance the sustainable blue economy.

Blue bonds are a subsector of green bonds, based on ICMA principles and aligned to UN SDG 14 – Life below Water. Blue bonds are important because they provide a targeted financial mechanism to address the specific challenges facing the oceans, promoting sustainability, conservation, and responsible management of marine resources.

Investments here have significant impact on people's livelihoods for example through ensuring the long-term viability of fish stocks and thereby supporting the livelihoods of communities dependent on fishing. Proceeds can also contribute to climate change mitigation, such as the restoration of coastal ecosystems that sequester carbon or the development of renewable energy sources from the ocean, like wave and tidal energy.

Blue bonds also support coast communities and the proceeds used to improve marine and coastal ecosystem management and restoration, pollution control for marine and coastal environments, including the rivers that drain to the ocean, and sustainable coastal and marine development.

The UK water industry requires substantial investment to improve infrastructure, which could be raised through blue bonds to reduce river and coastal pollution and generate social co-benefits in the local communities. While water companies have already been raising funding through green and sustainability bonds. Blue bonds would offer them a more targeted instrument to fund water projects and showcase a commitment to environmental stewardship to enhance the utility company's reputation and appeal to environmentally conscious investors.

This has the additional advantage of broadening the investor base for water companies and contribute to long-term financial stability as the commitment to sustainable practices attracts a diverse set of investors and unlocks additional funding sources.

In the context of the UK's environmental regulations and sustainability goals, blue bonds can potentially reduce regulatory risks, helping organisations to align with and even exceed regulatory requirements.

ANNEX 1: IMPACT ASSESSMENT METHODOLOGY

The Columbia 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 through use of proceeds. The Fund's assessment methodology ensures that impact considerations are fully integrated into investment decision-making and on-going fund management. This is a continually evolving methodology that reflects a developing understanding of impact.

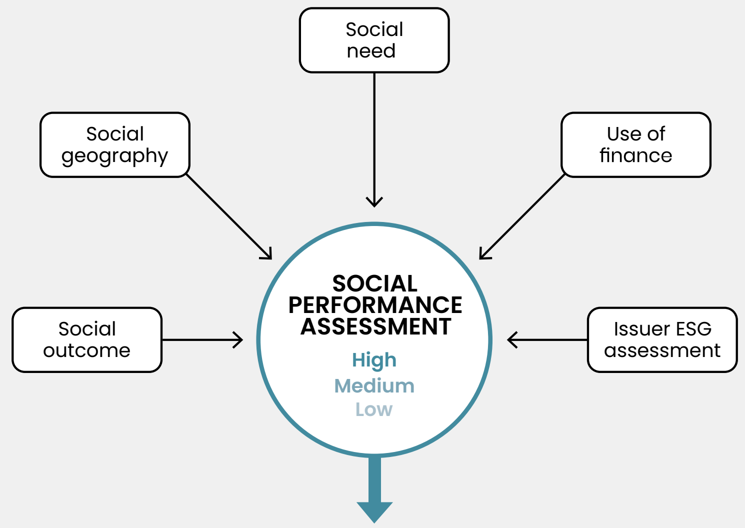
1. DEFINING THE UNIVERSE: TARGETING EIGHT SOCIAL OUTCOME CATEGORIES

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

Social Outcome Category	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 landlords and property developers
Community Services	Increased access to community facilities and services that improve individual and local wellbeing.	- 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 businesses
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 Fund's 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:



Social performance assessment distribution of Fund

i. Social outcome: analysis is made of both the primary outcome classification e.g. provision of transport infrastructure, and the secondary outcome (e.g. job creation). A higher rating is given to bonds that have 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 that benefits disadvantaged communities and the UK's poorer regions.

iii. Social need: 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. It was previously referred to as Social Intensity.

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. Columbia Threadneedle'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.

EXAMPLE ASSESSMENT: ASTER TREASURY SUSTAINABILITY BOND

Social outcome: construction of new affordable housing developments where units meet minimum EPC C rating. Average rental cost of the properties is approximately half of the average regional market value and units are expected to be rented out to people on low incomes, including those on universal credit.	**Social need:** High Targeting low-income population in need of shelter or a place to call home, also providing assistance to tenants with financial literacy, emergency support, mental health awareness, elderly support and work and skills boosting workshops.
Social geography: based in the UK, across South of England. This area may not have high levels of deprivation, however given the high market costs of housing, there is a critical need for affordable housing.	**Use of proceeds:** ringfenced to finance affordable housing including construction and refurbishment of social housing buildings for those on low incomes.
ESG: strong ESG credentials, seeking to improve energy efficiency of homes, focus on customer satisfaction (strong governance focus) with no known controversies.	

Aster is a housing association owning and operating 36,500 units across 50 local authority areas. The group comprises 68% units for social/affordable rent, 15% supported housing and 10% shared ownership.

Aster Treasury's corporate vision is that *"Everyone has a home"*. Additional customer support systems make up a key part of their 2030 goals, with a vision of improving and bettering lives:

- Investing £1.5 million into improving areas where customers live in 2022-23
- Providing assistance and emergency support with financial literacy e.g. benefits applications, budgeting,bank account opening & savings
- Supporting those out of work with skills improvement and confidence building & developing entrepreneurial capabilities
- Reducing loneliness in older people through volunteering initiatives
- Raising awareness of mental health through training courses
- Housing first initiative provides people experiencing homelessness with a stable home from which they can rebuild their lives.

On top of this overall Impact Assessment Methodology, the Fund also uses more specific granular methodologies in a number of outcome classifications to assess the impact of investments. Under Education, Learning and Skills, University League Tables and other data 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 classifications of the Fund, Big Issue Group'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, with preference for larger and faster growing sectors
- **Wage Quality:** higher median earnings in the sector and low the gender pay gap
- **Geography:** concentration of the sector's employment in areas of high economic deprivation
- **Vacancy and inactivity rates:** low vacancy ratio and low levels of inactivity as indicators for effective retention of employees.

The Impact Management Project classification has been applied to the portfolio, based on assessment against the 5 IMP Norms.

3. MONITORING AND REPORTING

A **Social Advisory Committee** (SAC) meets quarterly to review, advise 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 (Simon Bond, who previously managed the Fund), Big Issue Group appointed members (Nigel Kershaw OBE, Chair of The Big Issue Group, Karen Wilson, Senior Impact Advisor, and Sasha Afanasieva, Head of Impact and ESG Advisory at Big Issue Invest) and two Columbia Threadneedle Investments members (Iain Richards, Head of Responsible Investment and Tammie Tang, Fund Manager). See Annex 5 for biographies.

Performance monitoring

Columbia Threadneedle 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. Policies and procedures are in place to address situations where ESG or impact risks have arisen. Should serious issues arise Columbia Threadneedle 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, in the best interests of investors.

Annual reporting

Big Issue Group 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.

The quality of impact measurement and management varies across the Fund's portfolio. Organisations issuing bonds for a specific social purpose, or pure-play social investments 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 Big Issue Group and Columbia Threadneedle recognise that the 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

Please note that some bond issuers appear more than once if they have issued more than one bond that is aligned with more than one Outcome Classification.

Name of Issuer	Social Assessment
Affordable Housing and Property	
A2Dominion Housing Association	High
Affordable Housing Guarantee Scheme	High
Annington Finance	High
Aster Housing Association	High
Blend	High
Bromford Housing Association	High
Clarion Housing	High
Council of Europe Development Bank	High
Cross Key Housing Association	High
Golden Lane Housing	High
Home Group	High
Jigsaw	High
Longhurst Group	High
Onward Housing	High
Optivo Housing Association	High
Orbit	High
Paragon	High
Peabody Trust	High
Penarian Housing Association	High
NatWest Group	High
RHP	High
Sovereign Housing	High
Stonewater	High
The Guinness Partnership	High
The Housing Finance Corporation	High
Walsall Housing Association	High
Wheatley Housing Association	High
Yorkshire Building Society	High
Wheatley Housing Association	High
Yorkshire Building Society	High
Erste Group Bank	Medium
Incommunities Group	Medium
NewRiver	Medium
Places for People Homes	Medium
Prologis	Medium
PRS Housing Agency	Medium
Grainger Trust	Low
Liberty Living	Low
Platform Housing Group	Low
UNITE Students	Low

Community Services	
Inter-American Development Bank	High
Lancashire Council	High
Education, Learning and Skills	
Banque Federative Du Credit Mutuel	High
Cardiff University	High
De Montfort University	High
KBC Group	High
University College London	High
University of Leeds	High
Pearson Education	Medium
University of Southampton	Medium
Employment and Training	
Asian Development Bank	High
Co-Operative Group	High
Council of Europe Development Bank	High
Intesa Sanpaolo	High
NatWest Group	High
Meadowhall	Medium
John Lewis	Low
Marks and Spencer	Low
Financial Inclusion	
Yorkshire Building Society	High
Coventry Building Society	Medium
Credit Agricole	Medium
Nationwide Building Society	Medium
Danske Bank	Low
Legal and General	Low
Pension Insurance Corporation	Low
Royal London	Low
Health and Social Care	
Allied Irish Banks	High
European Investment Bank	High
International Bank for Reconstruction and Development	High
International Development Association	High
International Finance Facility for Immunisation	High
Peterborough Progress Health	High
Wellcome Trust	High
AstraZeneca	Medium
Becton Dickinson	Medium
BUPA	Medium
GSK	Medium

Haleon	Medium
Pure Gym	Medium
Octagon Healthcare Funding (Norwich and Norfolk)	Low
Transport and Communications Infrastructure	
Asian Infrastructure Investment Bank	High
BBC Pacific Quay	High
Japan International Cooperation Agency	High
Metropolitan Thames Valley	High
Motability	High
Community Finance (GLA)	Medium
Eversholt	Medium
LCR Finance	Medium
Manchester Airports Group	Medium
UK Green Gilt	Medium
Arqiva	Low
Automobile Association	Low
BT	Low
Euro tunnel	Low
National Express Group	Low
Network Rail	Low
Vodafone	Low
Utilities and the Environment	
Anglian Water	High
Dwr Cymru (Welsh Water)	High
Electricity North West	High
Severn Trent	High
Southern Water	High
Thames Tideway Tunnel (Bazalgette)	High
Triodos	High
United Utilities	High
Yorkshire Water	High
ABN AMRO	Medium
Bank of Ireland	Medium
Barclays	Medium
Cadent	Medium
Co-Operative Bank	Medium
Deutsche Bank	Medium
HSBC	Medium
Iberdrola	Medium
National Grid	Medium
Nordea	Medium
Northern Gas Networks	Medium
Northern Powergrid Yorkshire	Medium
Northumbrian Water Services	Medium
Orsted	Medium
Realty Income	Medium
Scottish and Southern Energy (SSE)	Medium
Selp	Medium
South Eastern Power	Medium
Thames Water	Medium
DS Smith	Low
Electricity Supply Board	Low
NATS	Low
SEGRO	Low
Tesco	Low

ANNEX 3: SUMMARY OF THREE-YEAR PERFORMANCE TRENDS

		2021	2022	2023
Portfolio	Value (£ million)	349.5	372.3	396.0
	Number of bonds	225	217	185
	Number of Issuers	121	127	127
	Top 25 Issuers (% of Fund by Value)	51.6	56.4	55.1

		2021 (% of bond)	2021 (% of value)	2022 (% of bond)	2022 (% of value)	2023 (% of bond)	2023 (% of value)
Social Performance	High	42.7	43.3	43.3	46.9	45.9	44.5
	Medium	34.2	40.3	36.9	38.7	34.1	42.7
	Low	23.1	16.4	19.8	14.4	20.0	12.7
Social Outcomes	Affordable Housing and Property	19.1	14.1	22.6	19.2	25.9	18.4
	Community Services	1.8	3.5	1.8	2.5	1.1	1.6
	Education, Learning and Skills	4.0	2.3	2.8	1.2	4.3	2.2
	Employment and Training	6.2	7.3	5.1	2.3	4.3	1.9
	Financial Inclusion	13.3	13.9	10.6	11.5	9.7	12.7
	Health and Social Care	13.3	15.4	15.2	17.1	13.0	16.0
	Transport and Communication Infrastructure	12.9	15.3	11.1	17.7	10.3	15.6
	Utilities and the Environment	29.3	28.3	30.9	28.4	31.4	31.6
Social Geography	Regional	37.8	31.7	37.3	30.4	41.1	35.6
	National	44.0	49.9	44.7	53.4	40.0	44.8
	Supranational	18.2	18.4	18.0	16.1	18.9	19.6
Regional Geography	Outside of GSE	58.8	55.5	54.3	53.2	59.2	61.9
	Midlands and South West	16.5	12.8	9.9	8.7	11.8	8.7
	North	18.8	16.9	18.5	17.3	17.1	19.4
	Scotland and Northern Ireland	5.9	5.6	4.9	4.8	11.8	12.9
	Wales	9.4	7.4	8.6	7.0	6.6	5.6
	Multi-Regional	8.2	12.8	12.3	15.3	11.8	15.2
	Greater South East	41.2	44.5	45.7	46.8	40.8	38.1
Job Performance	Favourable Overall Jobs Performance[24]	38.1	38.5	59.8	70.1	66.7	61.5

24. 2022 methodology has been revised to include job vacancy and economic inactivity as part of the sector assessment.

ANNEX 4: REGISTERED HOUSING PROVIDERS - DATA ANALYSIS

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 Association	25,464	68.9%	7.4%	4.4%	3.6%	14.9%	0.8%
Aster	36,398	57.8%	15.4%	4.0%	10.7%	11.7%	0.5%
Bromford	42,263	72.4%	9.2%	2.1%	6.0%	9.8%	0.4%
Clarion	109,802	68.5%	14.2%	1.7%	6.0%	9.6%	0.1%
Cross Keys Housing Association	12,224	62.1%	18.5%	0.6%	9.2%	9.5%	0.0%
Guinness	61,488	62.6%	11.6%	1.5%	13.8%	10.4%	0.1%
Home Group	47,409	64.3%	16.9%	8.7%	3.3%	6.5%	0.2%
Incommunities	21,564	83.5%	12.4%	0.2%	3.3%	0.6%	0.0%
Jigsaw	34,413	64.7%	20.5%	1.9%	9.3%	3.6%	0.0%
Longhurst Group	22,093	69.6%	11.5%	2.4%	5.8%	10.6%	0.2%
Onward Housing	29,493	68.7%	7.2%	6.5%	13.1%	4.3%	0.2%
Optivo Housing Association	41,359	63.2%	14.5%	2.3%	8.3%	11.5%	0.2%
Orbit	45,402	52.9%	14.3%	1.4%	5.9%	25.5%	0.0%
Paragon	21,351	62.8%	15.5%	2.9%	10.5%	7.9%	0.3%
Peabody Trust	60,287	72.6%	9.9%	4.9%	2.3%	10.3%	0.0%
Places for People Homes	71,732	70.3%	12.7%	4.5%	6.3%	6.0%	0.2%
Sovereign	56,229	69.4%	11.4%	2.1%	4.0%	13.1%	0.0%
Stonewater	31,895	66.4%	14.3%	1.9%	7.1%	10.2%	0.1%
Total/Average	**770,866**	**66.7%**	**13.2%**	**3.0%**	**7.2%**	**9.8%**	**0.2%**

Source: Regulator of Social Housing (RSH), Private Registered Provider Social Housing Stock in England: Statistical Data Return (SDR) 2022. Note: 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

CURRENT MEMBERS OF SOCIAL ADVISORY COMMITTEE[25]

Simon Bond
Independent Chair of the Social Advisory Committee

Simon Bond joined Columbia Threadneedle in 2003 as a Senior Fund manager to manage institutional Investment Grade Credit Funds. Simon conceived of, launched and managed the CT UK Social Bond Fund since its inception in 2013, as well as the Threadneedle (Lux) European Social Bond Fund launched in 2017. From June 2022, he concentrated his focus on supporting Columbia Threadneedle's social bond franchise and developing other responsible investment strategies across the firm. Simon retired from the firm in March 2023.

Prior to joining the Columbia Threadneedle, Simon managed £6 billion in his role as the Senior UK Credit Fund Manager for AXA. He also worked for GE Insurance as a Portfolio Manager, Provident Mutual as a Fixed Income Analyst and Hambros Bank as an Investment Accountant and Pension Fund Investment Administrator.

Simon has over 37 years' experience in the investment industry, with the last 32 years specialising in corporate credit. Throughout his career, Simon has taken a keen interest in the social investment space. The first entity Simon reported on as an analyst 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 but stresses that impact reporting should focus on people and place.

Simon is a board member and Lead Expert at the Impact Investing Institute. He is also a Visiting Senior Fellow at the Grantham Research Institute on Climate Change and the Environment, established by the London School of Economics and Political Science.

Nigel Kershaw OBE
Chair of the Big Issue Group

Nigel Kershaw OBE is a leading social entrepreneur and impact investor. He is Chair of The Big Issue Group (BIG) and is co-founder of Big Issue Invest and The Big Exchange.

He joined BIG in 1994, subsequently becoming its CEO and Group Chair. In 2005 Nigel and Lord John Bird, co-founder of The Big Issue launched Big Issue Invest, a "social merchant bank" which invested in 140 social enterprises across the UK in 2023. Big Issue Group currently manages or advises on over £460 million of social funds from its innovative early-stage venture funds, loans, regulated investment funds to pioneering publicly listed impact funds.

Nigel co-founded The Big Exchange, a transformative, fair, accessible, and transparent investment platform.

Since 1974 Nigel founded three printing and publishing co-operatives. He trained and has worked as a 4-colour lithographic printer, systems analyst, and trade union official. In 2010, he was awarded an OBE for services to Social Enterprise.

25. Members of the Social Advisory Committee as at September 2023. We would like to thank past Chair of the Social Advisory Committee for their time: John Hale

Tammie Tang
Executive Director, Lead Portfolio Manager for Social Bond Funds

Tammie Tang is Executive Director in the Fixed Income team with a focus on investment grade credit, having joined the company in 2012. She is lead portfolio manager for Columbia Threadneedle's UK, European and global social bond strategies, as well as various institutional UK credit strategies and the Threadneedle Pensions Corporate Bond Fund.

Tammie previously worked at JPMorgan in New York, where she held roles in structuring, trading and portfolio management within more complex interest rate and credit derivative products for the bank's asset management and insurance clients. Tammie started her career at PricewaterhouseCoopers, Sydney, in an actuarial consulting role where she provided detailed pricing, valuation and statistical modelling work for insurance clients.

Tammie holds a Master of Statistics from the University of New South Wales and is a Fellow of the Institute of Actuaries Australia. She is also a trustee for the Columbia Threadneedle Foundation where we work closely with long-term charity partners to drive social change.

Sasha Afanasieva
Head of Impact and ESG Advisory, Big Issue Invest

Sasha Afanasieva joined Big Issue Invest in April 2022. Sasha is an impact management specialist and social entrepreneur with a background in investment banking.

Prior to joining Big Issue Invest, Sasha founded Blubel, an award-winning social enterprise, where she led the development of an innovative tech product from an idea to full market launch. Blubel received funding from the European Space Agency, Department for Transport as well as private investors. As an impact consultant, she advised over 50 organisations including investors, corporates and social enterprises, developing impact and ESG data analysis, constructing methodologies and reporting.

Sasha started her career in investment banking, working at Merrill Lynch and GP Bullhound. She holds an Economics and Management degree from the University of Oxford and is a fellow of the On Purpose social enterprise leadership programme.

"This year, the Chair of the Social Advisory Committee for the fund since its inception, John Hale, has decided to step down. When the Fund was first envisaged over ten years ago, we were looking for an independent, experienced professional as Chair and someone with deep knowledge of the bond markets to guide Big Issue through its technicalities. John had recently retired as the Manager of Investment Affairs at the Association of British Insurers after a career steeped in experience, chairing special committees of bond holders, dealing with issuers, investors, Governments, and policymakers. John was therefore the obvious choice and his calm, considered, expert hand has guided the quarterly Social Advisory Committees from the start. We would like to extend our thanks and best wishes to John as he steps down from his role as Chair and credit him with the focused stewardship of the Fund which has led to its great success. Thank you, John!"

- Simon Bond

Iain Richards

Head of Responsible Investment, EMEA, Columbia Threadneedle Investments

Iain Richards joined Columbia Threadneedle 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.

Karen Wilson

Big Issue Group Senior Impact Advisor

Karen is a Senior Impact Advisor to the Big Issue Group. She is Chair of the Supervisory Board of the Impact-Linked Finance Fund, the Co-Founder of the Impact Management Platform and Senior Advisor on sustainability and impact to venture capital firms and other institutions.

Throughout her career, she has worked across the private and public sectors, including serving as a Senior Advisor to the OECD on sustainable finance, impact investment and measurement. She is an Associate Fellow at Said Business School at Oxford University and a Senior Advisor and Sustainability/ESG Lead at the Institute of Strategy at the Stockholm School of Economics in Riga, where she also is a Visiting Lecturer. For her leadership in the field, she has been selected by the Sorenson Impact Centre as a Global Impact Leader.

She received, with honours, a Bachelors of Science in Mathematics and Management from Carnegie Mellon University and an MBA from Harvard Business School.

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