



# Threadneedle UK Social Bond Fund

ANNUAL IMPACT REPORT 2018

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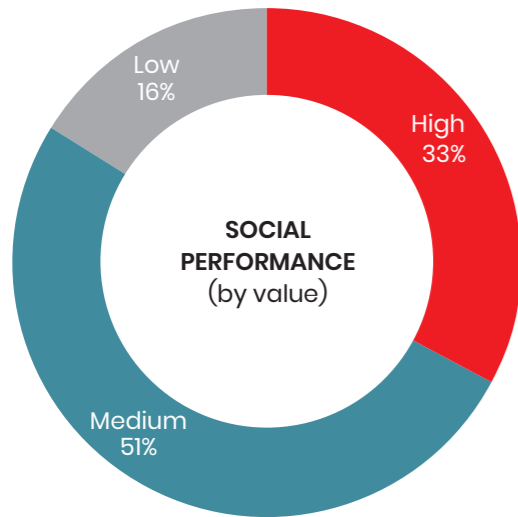
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# SOCIAL PERFORMANCE

The Threadneedle UK Social Bond Fund (the "Fund") was launched in January 2014 as the first fixed income fund to offer ordinary people, as well as institutional investors, an opportunity to see their savings and investments do social good, as well as produce a financial return. The Fund's impact objective is to support more inclusive and sustainable development in the UK. The Fund is achieving its objective of delivering both financial and social returns.

## SOCIAL PERFORMANCE



**84%** OF BONDS HAVE A HIGH OR MEDIUM SOCIAL PERFORMANCE RATING, WELL ABOVE THE TARGET OF 66%



### PRIMARY SDG ALIGNMENTS



UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

### OTHER RELEVANT SDGS

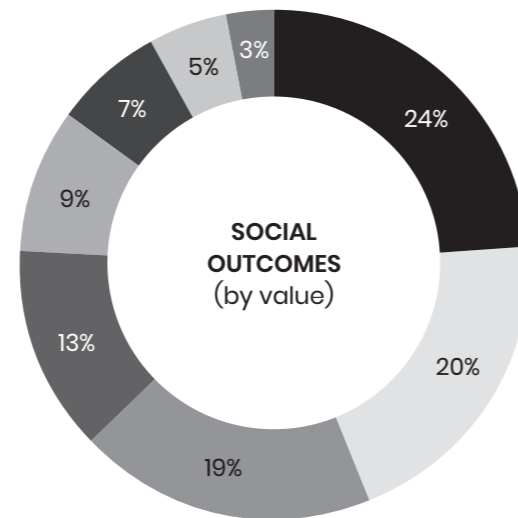


## SOCIAL OUTCOMES

**£114M** INVESTED BY BOTH RETAIL AND INSTITUTIONAL INVESTORS

**108 BONDS** FROM 80 ISSUERS INCLUDING CHARITIES, REGISTERED SOCIAL HOUSING PROVIDERS AND LISTED COMPANIES

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



- Utilities and the Environment (24%)
- Transport and Communications Infrastructure (20%)
- Affordable Housing (19%)
- Financial Inclusion (13%)
- Health and Social Care (9%)
- Employment and Training (7%)
- Community Services (5%)
- Education, Learning and Skills (3%)

# HIGHLIGHTS

AS OF 30 JUNE 2018



### AFFORDABLE HOUSING

The Fund is helping tackle the urgent need for affordable housing through investments in 12 registered housing providers managing over 700,000 social and affordable homes



### FINANCIAL INCLUSION

The Fund has invested in the UK's three largest building societies, providing banking services and mortgages to over 12 million people across the UK



### SUPPORTING CHARITIES ACCESS FUNDING

10% of bonds are from charities issuing bonds for the first time as a means of fund-raising for projects that benefit low-income communities and wider society



### PROVIDING A SOCIAL PENSION AND INVESTMENT CHOICE

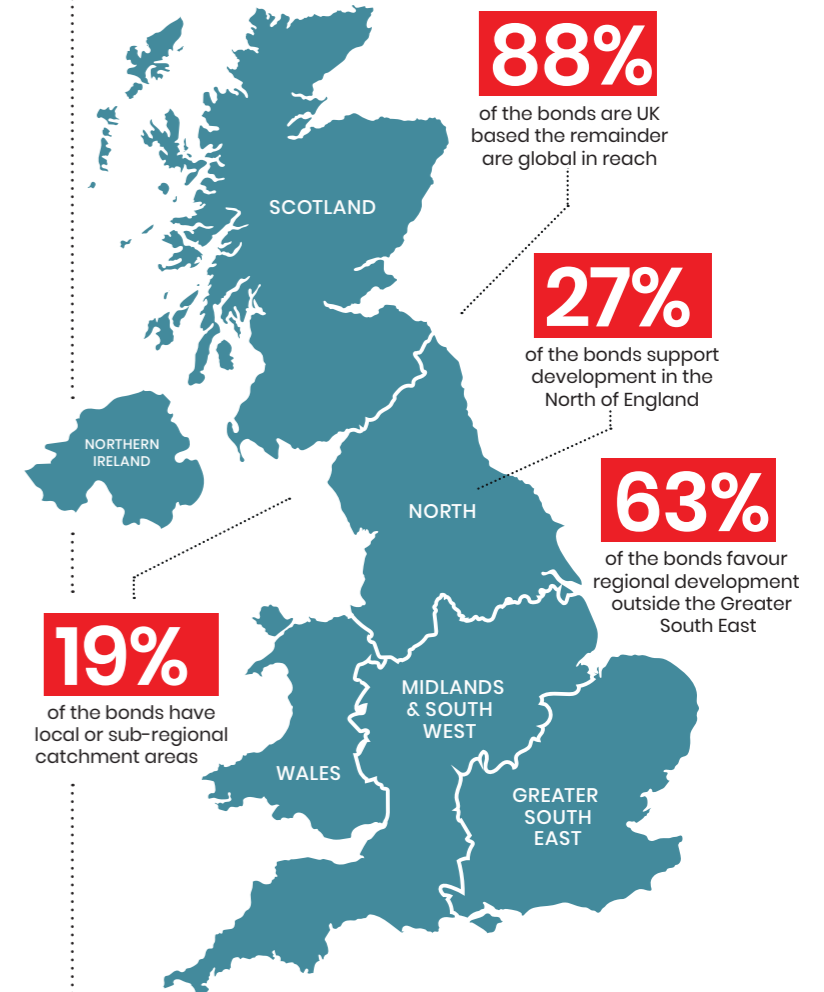
Scottish Widows added the Fund to its pension products in November 2016 and Barclays added to its Smart Investor Platform in 2018



### AWARDS WON

3D Investing awards the Fund a 5 Star Rating in 2016 and 2017 and a 4 Star Rating in 2018, describing it as "an outstanding SRI fund"

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



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

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# FOREWORD 2018

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**JOHN HALE**  
CHAIR OF THE SOCIAL  
ADVISORY COMMITTEE  
DECEMBER 2018

**T**hank you for reading the UK Social Bond Fund's fourth annual impact report. Readers of this report are likely to have noted the increased level of comment in the financial press on ESG (environmental, social and governance) matters and impact investing since the last report. Notwithstanding the debate about definitions, measurement criteria and lack of standardisation, consensus has grown as to the importance of these issues in achieving long-term investment objectives. In particular, increased demand by customers has been cited as a key factor in drawing a response from the asset management industry. In this situation, there have been leaders and followers and it is gratifying to record the 'pioneer' and still somewhat unique role of the UK Social Bond Fund, whilst acknowledging how much remains to be done.

Given the evident changes in the demand side, it seems appropriate to use the foreword this year to press on interested parties the case for changes in the supply side to facilitate greater flows from both existing and issuers new to the market. Encouraging new social bond issuance has been an objective of the Fund from its outset. Housing, and social housing in particular, is one sector in need of substantial and sustained investment. The greater freedom recently given to local authorities to invest in this area is a welcome step. Complementary measures and processes are now required to allow these bodies, as credit-worthy entities, to access the capital markets efficiently.

We are encouraged by wider developments in the marketplace – notably the growth in the issuance of Social Bonds and SDG Bonds as a means to contribute to the UN Sustainable Development Goals. Columbia Threadneedle Investments and Big Issue Invest continue to play an active role in this market development.

# 01 INTRODUCTION

This is the fourth Annual Impact Report for the Threadneedle UK Social Bond Fund (“the Fund”), which was launched in January 2014 as the first mainstream, fixed income impact investment offering in the UK. The Fund is an actively managed fund. Each bond is assessed and selected for its potential to deliver positive societal benefits. This report provides a summary of the Fund’s impact performance.

## ABOUT THE FUND

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

The Fund’s impact objective is to support more inclusive and sustainable development in the UK. The Fund is distinctive in four respects:

- **Social outcome-driven** and makes investments that aim to respond directly to the UK’s social needs and challenges (taking into account the WHAT, WHO and HOW MUCH dimensions of impact).
- Takes into account the varied **geography of social need** and the different spatial levels of social value creation (local, regional, national and supranational). (WHERE is impact created).
- Recognises that **social value is co-created** and social performance can therefore be attributed to the Issuers, the Fund and Investors themselves with Issuers are most directly able to claim attribution for impact creation. (CONTRIBUTION).
- **Manages impact risk**, recognising the possibility of negative impact creation and the need for constant impact performance monitoring and active impact management (RISK).<sup>1</sup>

The Fund’s impact assessment methodology ensures that impact considerations are fully integrated into the investment decision-making and on-going fund management process (see Annex 1).

Both BII and CTI recognise that impact measurement and management is an emerging field. We are committed to being actively engaged in this field and will review and refine our approach in line with industry developments and standards, as well as first hand investment experience. During 2018, TGE worked with BII and CTI to review the Fund’s impact assessment methodology and impact reporting. New updates will be presented in next year’s Impact Report.

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

Bonds are particularly suited to deliver long-term, place-based social and environmental outcomes. Bonds provide the opportunity to raise finance for a specific purpose and can target particular outcomes with a precision that is difficult to achieve with equities.

A percentage of the Fund’s earnings goes towards supporting Big Issue Invest in its work financing the growth of social enterprises and charities across the UK.

The Fund achieves its impact objective by investing in a diversified portfolio of bonds across eight social outcome areas:

Social Outcome Area	Primary Outcomes	Typical Bond Issuers
Affordable Housing	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 well-being; encouraging bond issuance as a new source of funding for charities	- Charities - Local authorities - Development organisations
Education, Learning and Skills	Supporting wider participation in higher education and promoting social mobility; increasing quality of education for all	- Universities - Providers of educational services and learning materials
Employment and Training	Supporting provision of good jobs, particularly in areas of high unemployment; improved employment opportunities and skills development for young people	- Large UK 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

<sup>1</sup> The Fund takes into account the ‘five dimensions of impact’ as developed by The Impact Management Project, which aims to build consensus on the shared fundamentals of impact – so there is common understanding of impact (the effects on people and the planet, both positive and negative) as there is for financial performance dimensions, such as return, risk and liquidity. We are working with the IMP team to consider further application of the methodology to the portfolio analysis and impact reporting.

## WIDER MARKET DEVELOPMENTS

The last 12 months have seen the rapid rise of “impact investing” – investment made with the intention to generate positive measurable social and environmental impact, alongside financial returns. 2017 marked the 10th anniversary of the coining of the term “impact investing”.

There was tremendous growth in the number and range of actors involved in impact investing. Particularly evident was a sharp rise in mainstream investor interest. The Global Impact Investing Network’s (GIIN) 2018 Annual Impact Investor Survey reported over a doubling in assets under management (AUM) from \$114 billion reported in 2016 by 208 survey respondents to \$228.1 billion AUM reported in 2017 by 226 respondents.



The increasingly ‘big tent’ of actors interested in making more impactful investments, brings the potential to scale-up private capital flows to address development challenges.

BII and CTI have been early pioneers in impact investing and one of the first to launch a mainstream impact investment product that offers the opportunity for everyone to invest for impact.

The Fund reached £120 million during 2018, with much of the investment growth driven by individual retail investors. This fulfils The Big Issue Group’s overarching goal of giving every day savers the opportunity to invest for positive impact.

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### The Global Impact Investing Network’s (GIIN) 2018 Annual Impact Investor Survey

Launched in June 2018, the Survey portrays an impact investment market that is both diverse and growing. It describes an industry that is closely aligning itself with the United Nations Sustainable Development Goals, focusing on gender and climate change, and mitigating against ‘impact washing’, by committing to more thorough and transparent impact measurement and management. The preservation of impact integrity is highlighted as a ‘hot topic’ for the coming year.

## THE BIG ISSUE GROUP

The mission of The Big Issue Group is to dismantle poverty by creating opportunity, through self-help, social trading and business solutions. Launched in 1991, The Big Issue provides individuals facing poverty or social exclusion, with an opportunity to run their own micro-business by selling The Big Issue magazine to the public. The aim is to equip them with practical business skills and build confidence and self-esteem through daily interaction with customers.

Vendors buy The Big Issue magazine for £1.25 and sell it for £2.50, meaning each seller is a micro-entrepreneur who is working, not begging. There are currently around 1,500 vendors. Last year alone, The Big Issue helped them to earn a total of £5.6 million. Currently, the magazine is read by an estimated 368,000 people across the UK and circulates an average of 83,000 copies every week. The Big Issue is an award-winning publication, which has challenged and shaped public perceptions and inspired over 120 similar magazines in 35 countries worldwide.

Founded in 2005, Big Issue Invest extends The Big Issue’s mission by financing the growth of sustainable social enterprises and charities across the UK. Big Issue Invest offers social enterprises, charities and profit-with-purpose businesses, loans and investment from £20,000 to £3 million. It has £70 million assets under direct management. In 2017–18, 81 investments were made to 68 organisations. Some examples of BII’s social investments are given below:

## CORNERSTONE

Cornerstone is one of the largest social care providers in Scotland, supporting children, adults and older people. It takes a person-centred approach and identifies and measures outcomes for everyone the charity supports based on four key areas: increased social inclusion, improved health, improved independence and improved wellbeing. Cornerstone achieves this by providing tailored and individualised packages of care and support.

The Fund’s investment is enabling Cornerstone to improve business processes and systems through development of the ‘Brighter Futures’ project.

## CAMPUS SKATEPARKS

Founded in 2011, Campus Skateparks is a not-for-profit organisation that uses the positive energy and influence of skateboarding to engage with children and young people. It runs two indoor venues and skate shops in both North and South Bristol, each with their own identity and unique design, to cater for all ages and abilities.

One youth worker and one social worker started the organisation together and use their personal passion for skateboarding and their professional understanding of working with young people to build their dream. They believe they are “rebranding youth work”.

## HEY GIRLS!

Too many girls in the UK miss school because they can’t afford period products. Hey Girls tackles period poverty by giving a girl or woman one pack of free products for every pack bought. Hey Girls believes that girls and young women are all powerful individuals who care about their health, are passionate about the environment and want to make a difference. All the profits from their products go directly to help girls and young women in need. Hey Girls was founded by Celia and her daughters Becky and Kate. Having been a single parent, Celia understood first-hand the financial strain of buying sanitary protection when struggling to survive on benefits.

Hey Girls works to enrich the lives of girls and young women in the UK by exercising social and ethical responsibility in every aspect of their work – from where they source their products through to their supply chain, and the way they run their social business.

# 02 PORTFOLIO- LEVEL PERFORMANCE ANALYSIS

As of June 2018, the Fund had £114 million assets under management (AUM), exceeding the crucial milestone of £100 million AUM. Institutional investors account for the largest amount invested, including both UK investors, such as local authorities and foundations, and European investors. The Fund is attracting steady and increasing flows from retail investors, including regular contributions made through ISAs.

**This means the Fund is achieving its original objective of making impact investment opportunities available to the ordinary investor.**

As of June 2018, the Fund was invested in 108 bonds from 80 issuers, including charities, registered social housing providers and publicly listed companies.



**This year, for the first time, we are publishing the full list of bonds as a commitment to full transparency on how funds are invested.** (see Annex 2)

The top 25 holdings, accounting for 62% of the Fund's value, are shown below.

Name of Issuer	Social Outcome Area	Social and Performance Rating	% of Portfolio (June 2018)	% change (2017-18)
Wellcome Trust	Health and Social Care	High	3.68	-0.27
Motability Operations Group	Transport and Communications Infrastructure	High	3.67	0.15
BUPA Finance	Health and Social Care	Medium	3.62	-0.37
Nationwide Building Society	Financial Inclusion	Medium	3.54	0.50
Transport for London Green Bond	Transport and Communications Infrastructure	Medium	3.10	1.89
Dwr Cymru (Welsh Water)	Utilities and the Environment	High	3.05	0.30
European Investment Bank Green Bond	Utilities and the Environment	Medium	3.02	1.73
Lloyds ESG	Financial Inclusion	Medium	3.00	-0.42
UNITE Students	Affordable Housing and Property	Medium	2.98	-0.31
London & Quadrant Housing Association	Affordable Housing and Property	Medium	2.68	0.63
Northern Ireland Electric	Utilities and the Environment	Medium	2.59	0.28
Anglian Water	Utilities and the Environment	High	2.46	New Issue
Manchester Airports Group	Transport and Communications Infrastructure	Medium	2.37	-0.81
Legal and General	Financial Inclusion	Low	2.26	-0.12
Morrisons	Employment and Training	Medium	2.18	0.71
Birmingham Airport Finance	Transport and Communications Infrastructure	Medium	2.18	0.85
A2 Dominion Housing Association	Affordable Housing and Property	High	1.93	-0.48
Charities Aid Foundation	Community Services	High	1.80	-0.31
Hightown Housing Association	Affordable Housing and Property	High	1.76	New Issue
Associated British Ports	Transport and Communications Infrastructure	Medium	1.76	0.08
HSBC SDG Bond	Community Services	Medium	1.71	New Issue
Everything Everywhere	Transport and Communications Infrastructure	Low	1.68	1.13
Coventry Building Society	Financial Inclusion	Medium	1.63	0.91
Electricity North West	Utilities and the Environment	High	1.62	-0.41
Golden Lane Housing	Affordable Housing and Property	High	1.57	0.39

## SUMMARY OF THREE-YEAR PERFORMANCE TRENDS

The Fund's portfolio has steadily increased in scale by all measures – by value and by numbers of bonds and issuers – whilst maintaining a high level of overall social performance. The Fund's investments remain concentrated in the UK and the bond portfolio is

diversified across the eight social outcome areas, with Utilities and the Environment and Transport and Communications Infrastructure growing relatively. Note that the share of investments outside London and the Greater South East declined from 76% to 66%.

		2016	2017	2018
Portfolio	Value	86.1	95.7	114.4
	Number of bonds	83	96	108
	Number of Issuers	66	72	80
	Top 25 Issuers (% of Fund by Value)	63.3	60.7	61.8

		2016 (% of value)	2017 (% of value)	2018 (% of value)
Social Performance	High	42.0	43.3	32.8
	Medium	47.8	41.5	51.2
	Low	10.1	15.3	16.0
Social Outcomes	Community Services	3.8	4.6	5.6
	Education Learning and Skills	13.6	12.0	2.7
	Employment and Training	8.5	10.4	6.6
	Financial Inclusion	8.6	11.5	13.2
	Health and Social Care	13.3	12.7	9.1
	Affordable Housing	17.7	19.3	19.3
	Transport and Communication Infrastructure	16.7	12.2	19.8
Social Geography	Local	28.0	25.4	13.2
	Regional	25.4	24.5	28.5
	National	34.9	39.4	46.0
	Supra-national	11.7	10.6	12.3
Regional Geography	Outside of GSE	73.6	75.7	66.5
	Midlands and South West	14.1	17.7	20.5
	North	30.9	29.8	20.6
	Scotland and Northern Ireland	14.3	13.4	9.5
	Wales	10.2	13.0	12.5
	Multi-Regional	4.0	1.8	3.5
Greater South East		26.4	24.3	33.5
Job Performance	Favourable Performance	76.7	73.8	52.3





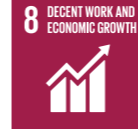













## ALIGNMENT WITH THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Since the last impact report, CTI, BII and TGE have considered how the UN Sustainable Development Goals (SDGs) could be reflected in the impact performance analysis. The SDGs have been developed as a global set of development goals relevant to all countries of the world.

The UK Government is committed to the delivery of the SDGs and the Goals are embedded into the activity of

each Government department. The Government is in the process of setting UK-specific indicators and targets in consultation with other stakeholders. We will keep abreast of these developments and look to analyse performance against SDG targets, where appropriate, in next year's report. So far, we have carried out an indicative mapping between the Fund's outcome areas and the SDGs.

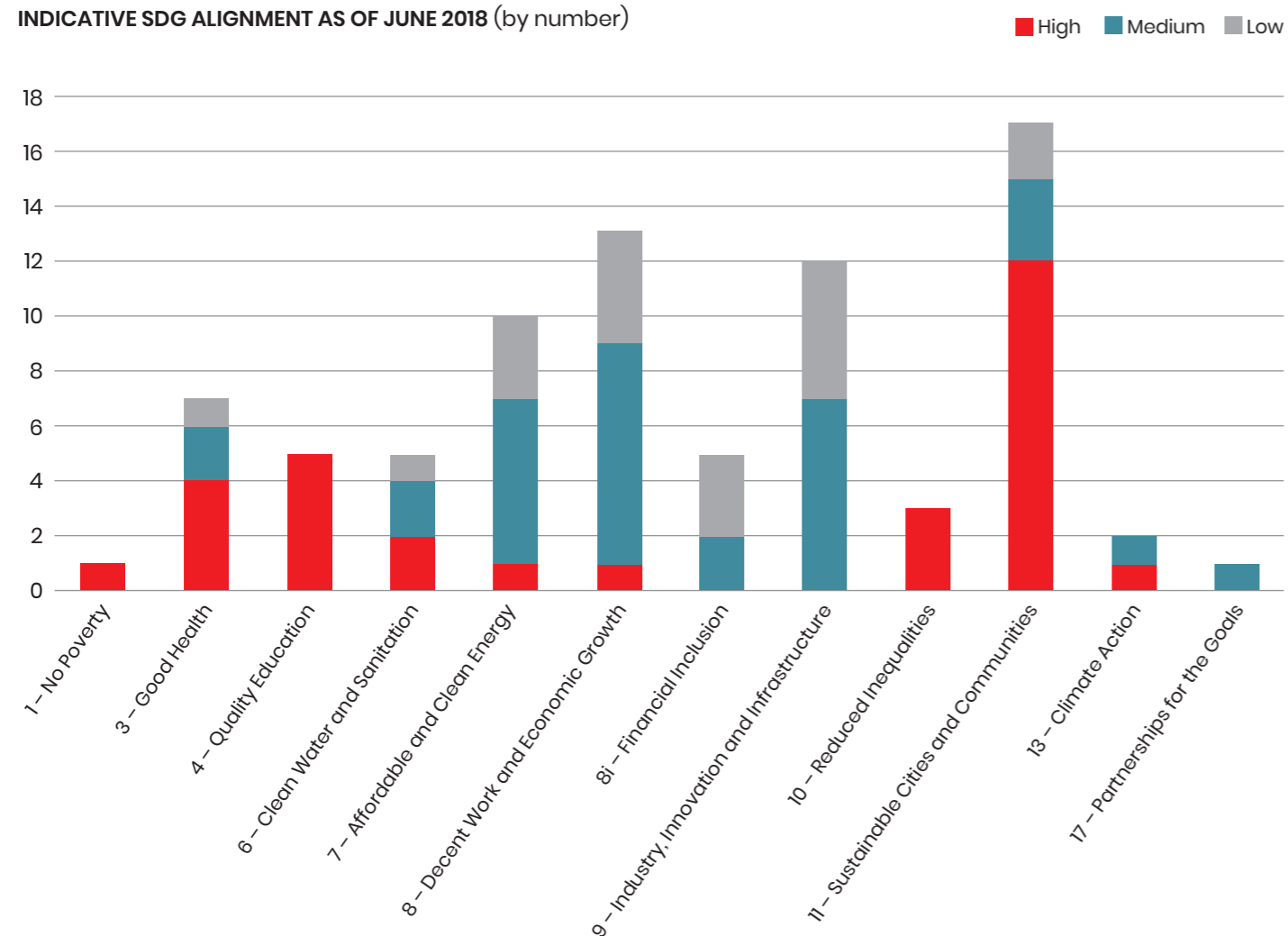
### ALIGNMENT OF UK SOCIAL BOND FUND OUTCOME AREAS TO THE SDGS

Primary SDG Alignment	Additive / Contextual SDGs	UK Social Bond Fund Outcome Areas
		<b>HOUSING AND PROPERTY</b> - Social and Affordable housing - Key worker housing - Independent living housing - Care homes
		<b>HEALTH AND SOCIAL CARE</b> - Physical health - Mental health - Healthy living - Rehabilitation and support
 	  	<b>EDUCATION, LEARNING AND SKILLS</b> - Primary and secondary - Further and adult education  <b>EMPLOYMENT AND TRAINING</b> - Creation of jobs in deprived areas - Good employment standards - Vocational training and apprenticeships
	  	<b>COMMUNITY SERVICES</b> - Local amenities, services and environment - Care services - Personal (e.g. elderly) - Other community services (including charities)
		<b>FINANCIAL INCLUSION</b> - First time mortgages - Affordable financial products - Affordable financial services
	  	<b>TRANSPORT &amp; COMMUNICATIONS INFRASTRUCTURE</b> - Public and community transport - Communication and broadcast services  <b>UTILITIES AND THE ENVIRONMENT</b> - Urban and community regeneration - Sustainable development - Infrastructure and utility development





INDICATIVE SDG ALIGNMENT AS OF JUNE 2018 (by number)

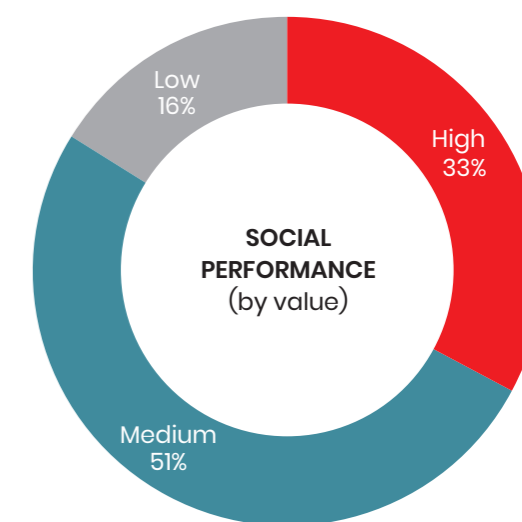


## HEADLINE RESULTS

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

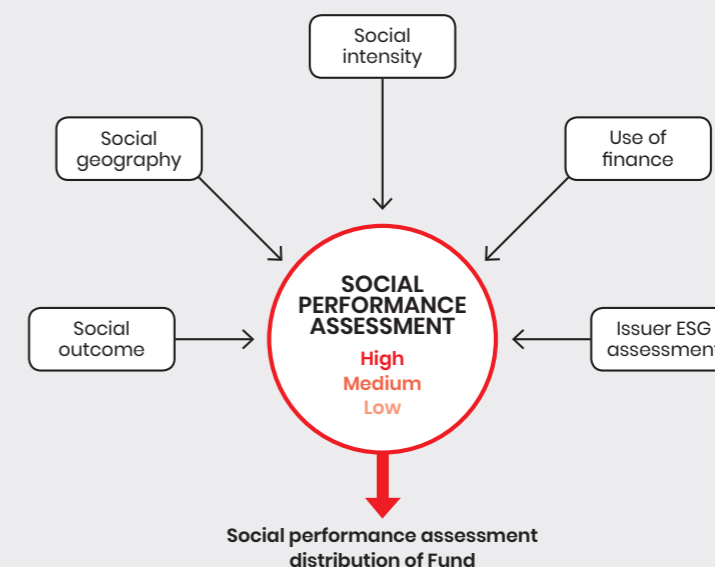
### SOCIAL PERFORMANCE RATINGS (by value)

33% of the bonds were rated as High social performance category, 51% as Medium and 16% were rated as Low. The proportion of bonds rated as High and Medium social performance remain stable, from 85% in March 2017 to 84% in June 2018. This is well above the Fund's original expectation of having 66% of the portfolio in the High and Medium categories. This performance has been maintained despite shifting to an investment strategy with a shorter average investment duration (the duration moved from 6.8 to 4.3 years). However, the proportion of bonds rated as High social performance declined during the year from 43% to 33% by value.



### SOCIAL PERFORMANCE RATING

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



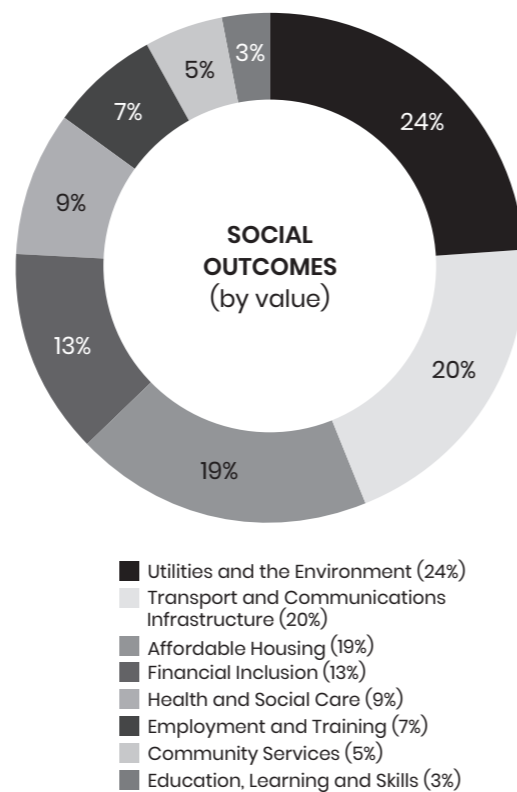
See Annex 1 for a detailed description of the Impact Assessment Methodology.

## WHAT TYPE OF IMPACT?

### SOCIAL OUTCOME (by value)

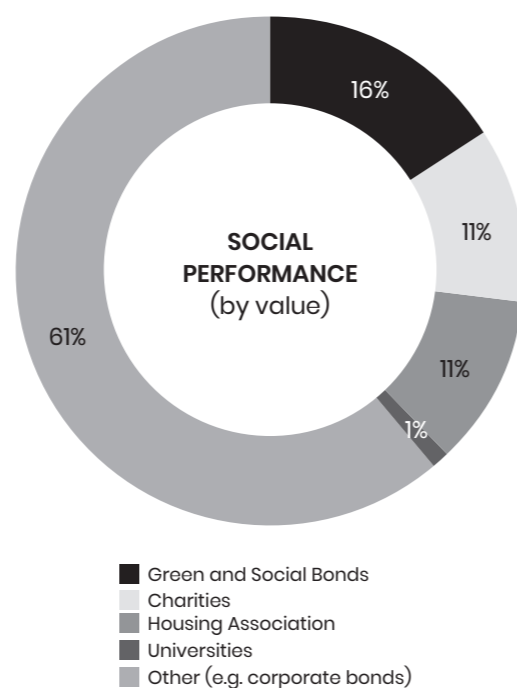
The Fund remains diversified across its eight impact areas, with almost two thirds of the investment composed of Utilities and the Environment (24%), Transport and Communications Infrastructure (20%) and Affordable Housing (19%).

The Fund's composition by social outcome area saw notable increases in Utilities and the Environment (from 17% to 24%) and Transport and Communications Infrastructure (from 12% to 20%). The share of Education, Learning and Skills investments fell from 12% to 3%.



### SOCIALLY RESPONSIBLE SECTOR (by value)

38% of the Fund is invested in bonds classified as Green and Social Bonds (16% of value, 10 bonds, 9 issuers), Charities (11%, 7 bonds, 4 issuers) and Housing Associations (11%, 20 bonds, 14 issuers). 98% (almost 99.8% of the investment value) of these bonds have a social performance rating of High (68% of bonds, 57% of value) or Medium (30%, 43% of value).

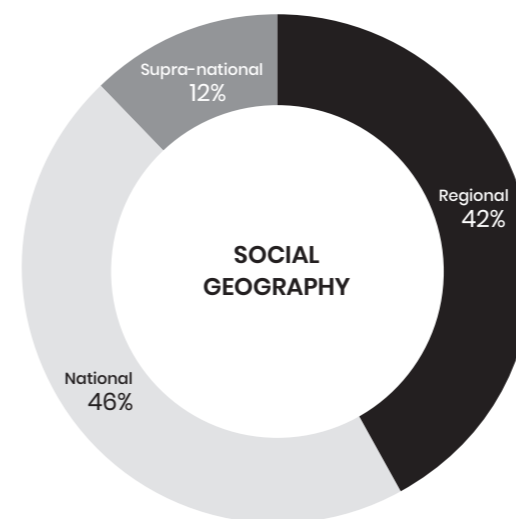


## WHERE IS IMPACT CREATED?

### SOCIAL GEOGRAPHY (by value)

Investments concentrated in the UK remained stable, from 89% in March 2017 to 88% in June 2018. Investment in the UK with a national reach increased from 39% to 46% whereas those with a local or regional focus dropped from 50% to 42%.

The Fund has a 12% allocation (11% in 2017) to bonds with a high development impact in developing countries (Africa, Latin America and South Asia), thus contributing to the attainment of the SDGs in less developed regions of the world.



The Fund is investing in more balanced and inclusive development within the UK. 67% of the Fund's regional-local investments are outside of the Greater South East including London (down from 76%). 21% of the 'regional-local' investments benefit the North of England (down from 30%). The Midlands and South West have a 21% share of investment (up from 18%). Scotland and Northern Ireland have a combined share of 10% (down from 13%) and Wales remains stable at 13% of the Fund's investments.

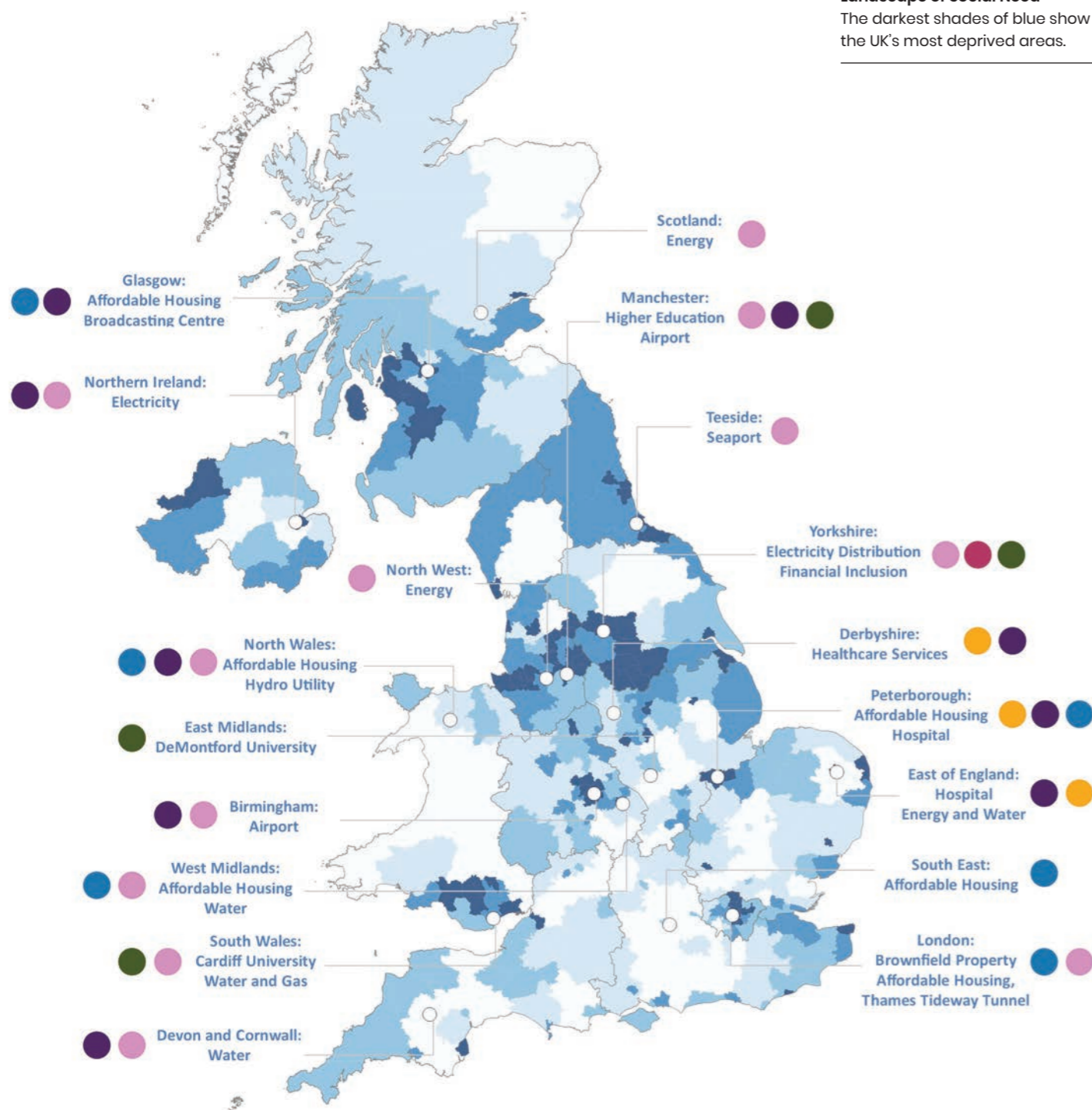
The Fund is invested in every nation and region of the UK. When the investments are mapped onto the UK's landscape of socio-economic deprivation, it is clearly evident that the Fund is supporting many of the country's most disadvantaged communities.

The Fund is invested in every nation and region of the UK – a geography of inclusive and sustainable development.

The investments are mapped onto the UK's landscape of socio-economic deprivation, showing that the Fund is supporting many of the country's most disadvantaged communities.

## INVESTMENT FOR INCLUSIVE AND SUSTAINABLE DEVELOPMENT IN THE UK

The locational geography of the Fund's bond investments (selected holdings).



Contains OS/NI data © Crown copyright and database right (2018). Data sources: English Indices of Deprivation (2015), Northern Ireland Multiple deprivation Measure (2017), Scottish Index of Multiple Deprivation (2016) and Welsh Indices of Deprivation (2014). % of a local authorities 20% most deprived local areas (LSOAs) nationally.

## AN OVERVIEW OF JOBS PERFORMANCE

Good jobs bring earnings quality, security, progression and fulfillment. The UK has a low unemployment rate but faces the challenge of achieving "a more equitable distribution of good job opportunities, both socially and geographically" (OECD).

Employment and Training is the only social outcome area that directly addresses the good jobs challenge (SDG8 – see p26). However, 'good jobs' are linked with most social outcome areas in the Fund – such as housing, health, financial inclusion and education. Therefore, we offer an approximate assessment of the Fund's supportiveness of inclusive job growth in the UK.

We assess this 'supportiveness' by the concentration of the Fund's investments in sectors of the economy that perform favourably on good job creation. We use BII's "Jobs Assessment Methodology" (JAM) to analyse the 'good jobs' performance of sectors using four criteria:

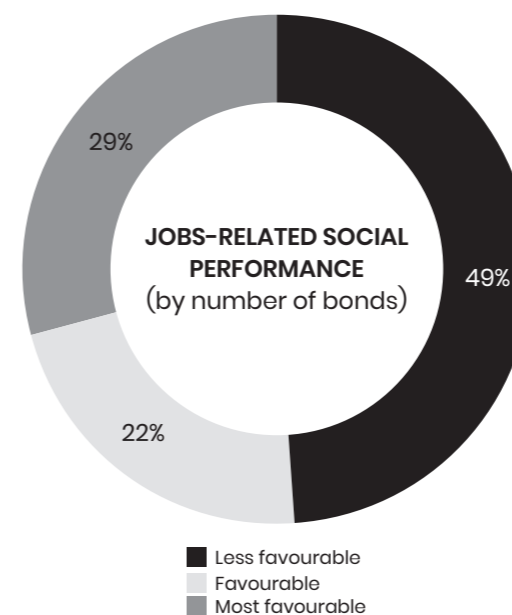
- **Employment Generation:** Size and growth of the sector's direct workforce
- **Wage Quality:** Median earnings in the sector relative to the Voluntary (Real) Living Wage
- **Career Progression:** Share of the workforce with intermediate vocational qualifications

- **Geography:** Concentration of the sector's employment in areas of high employment deprivation

We found that 51% of the Fund's investments is concentrated in sectors that have a favourable good jobs performance. These sectors include Health, Utilities and the Wholesale and Retail Trade. This 51% share represents a fall from 74% reported in last year's report.

The sole reason for this fall is recent negative employment growth in the national Housing Association sector nationally – 0.6% growth from 2012-17, and -5.6% over the last 3 years, partly due to significant merger activity. This led to the Housing Association sector dropping from 'favourable' to less 'favourable' in the JAM. This 'down-grading' explains the fall in the Fund's overall good jobs performance, given that housing associations make up roughly 20% of the portfolio.

Detailed analysis of the Fund's investee housing associations reveals a more positive picture. Total employment grew by 3% between 2016 and 2017, compared to -5.7% for the national housing association sector. For 2017-2018, total employment in the Fund's associations grew by a healthy 6%. Therefore, the Fund's housing associations have out-performed the national sector as a whole on good jobs performance.



Sectors by Good Job Performance (2012-2017)	
Most Favourable Sectors	Utilities Construction Manufacturing Transportation and Storage Water and Waste
Favourable Sectors	Wholesale and Retail Trade Accommodation and Food Services Administrative and Support Services Health Mining and Quarrying
Less Favourable Sectors	<b>Housing Associations</b> Professional, Scientific and Technical Information and Communication Public Administration and Defence Other Service Activities Other Real Estate Activities Education Arts, Entertainment and Recreation Financial and Insurance Activities Oil and Gas Agriculture, Forestry and Fishing

**79%** of bonds are concentrated in sectors with a strong employer presence in the most deprived areas of the UK (down 2%) – notably Affordable Housing, Utilities and Health and Care.

**46%** of bonds are concentrated in sectors with favourable median earnings, up 4% from in 2017 due to a higher share of Utilities and Financial sector bonds.

**60%** bonds are in sectors that provide intermediate (NVQ3) level job opportunities which enable progression, including apprenticeships (up 8%).

# 03 PERFORMANCE BY SOCIAL OUTCOME AREA

## AFFORDABLE HOUSING (28 HOLDINGS, 20 ISSUERS)

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

Lack of affordable housing remains a major social challenge for the UK. Affordability – both of rental and purchase property – is a key concern with the gap between earnings and high property prices, meaning home ownership is increasingly out of reach. Destitution and homelessness is also on the rise across the UK. An estimated 250,000 new homes need to be built each year to meet housing need.

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

and people with disabilities. An increasing number of housing associations are accessing the bond market to raise funding to finance new housing development.

The Fund saw significant bond issuance and new investments in social housing bonds during the year. Affordable Housing remains one of the largest social outcome areas in the Fund, accounting for 19% of the total portfolio value as of June 2018. The Fund holds bonds issued by 12 Registered Providers with new investments in 2017-18 including **A2 Dominion, Hightown Housing Association, Optivo Housing Association and Penarian Housing Association.**

### HOUSING ASSOCIATION HOLDINGS – KEY PERFORMANCE INDICATORS (see Annex 3 for detailed data)

**718,876**  
PROPERTIES



Number of properties owned and managed by Housing Associations in the Fund is 718,876 (20.9% increase since 2017)

**385,533**  
(54%)

properties are for general needs' social rent

**43,348**  
(6%)

properties are for supported housing

In August 2018, the Government issued its Green Paper – *A New Deal for Social Housing*. This included a Government commitment to support local authorities to build new homes by allowing them to borrow. This opens up new opportunities for the Fund to provide much-needed investment for new housing development owned and managed by local authorities.

## HIGHTOWN PRAETORIAN & CHURCHES HOUSING ASSOCIATION

Hightown Housing Association Limited is a not-for-profit housing association that manages over 5,300 properties in Hertfordshire, Bedfordshire, Berkshire and Buckinghamshire. Around 3,250 of these are affordable homes for rent, 541 are supported housing units and 659 are homes for shared ownership. It is an active developer of new affordable housing at a rate of approximately 350 new homes a year.

The housing association serves younger tenants as well as more vulnerable people, including homeless people, young people in need of support, domestic abuse survivors and people with mental and learning disabilities.

The Fund invested in the bond issued by the charity via the Retail Charity Bond platform in October 2018. The bond will pay a fixed rate of interest of 4% a year and will mature in 2027. The bond offering closed eight days early having raised a total of £31.5 million. This is the second time the platform has launched a bond for Hightown.

The fundraising team commented:

**“This is an efficient way for Hightown Housing Association to raise funds and investors will be pleased with the opportunity to make a social impact-focused investment. The third sector is already a key segment of the retail bond market and Hightown’s decision to return to that market demonstrates its increasing importance.”**

### Expected outcome:

- ▶ Increased supply of good quality, affordable housing for those in social need.

**Performance:** According to Hightown’s Impact Report, the social and environmental outcomes from Hightown’s activities have had a positive impact on a large number of residents, services users and the wider community. Performance highlights are summarised below:

Target	Indicator	2017-18 Result
Build 200 homes a year to let at sub-market rents	Number of new homes completed at sub-market rents	Completed over 640 new homes including 523 to let at sub-market rents (442 Affordable and Social Rent and 81 Intermediate Rent), 107 new shared ownership homes and 8 supported housing lets.
Let those 200 new homes for sub-market rents to people from local authority housing registers who cannot afford to rent or buy at market rates	Number of new homes let at sub-market rents	Let 425 of new sub-market rented homes, and re-let 124 existing properties, to people from local authority housing registers, providing housing to 1,330 people from local authority housing registers who could not afford to rent or buy at market rates.
Let 40 of those homes for sub-market rent to people who are statutorily homeless	Number of lets to homeless people	Let 186 homes to people who were statutorily homeless.
Build 100 new homes per year for shared ownership	Number of completed shared ownership homes	Completed 107 new shared ownership homes.
Part sell/part rent 100 new shared ownership homes a year to people who cannot afford to buy outright	Number of shared ownership homes sold	Sold 70 new shared ownership homes in the year and 29 existing shared owners bought a higher proportion of their home (staircased) including 23 who purchased the whole of the remaining equity.

Source: Hightown Housing Association Limited, Social Impact Report 2017-2018 published on the Retail Charity Bond website. See: [www.retailcharitybonds.co.uk](http://www.retailcharitybonds.co.uk)

## COMMUNITY SERVICES (4 HOLDINGS, 4 ISSUERS)

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

Within this outcome area, the Fund seeks to make investments in charities and organisations that provide services targeted at the most vulnerable or that are assessed to improve community well-being. The portfolio includes two bonds which benefit communities in the UK and two which have a global reach.

Raising funding through issuing bonds is a new activity for the charity sector but one with the potential for growth. CTI has supported the development of the Retail Charity Bond platform since its launch in 2014. This is an initiative created by Allia to provide charitable organisations with a simple and affordable way to raise unsecured loan finance through the retail bond market for amounts starting from £10 million. To date, the Fund has approved investments in three of these charity bonds:

- **Charities Aid Foundation** – £20 million bond issued in April 2016 to enhance CAF’s services to the thousands of charities and donors with which CAF works
- **Golden Lane Housing** – bond issued to fund the development of supported living accommodation for people with disabilities (see box on next page)
- **Hightown Praetorian and Churches Housing Association** – bond issued to fund new affordable housing development particularly for people with specific social needs (see box on previous page)

Two of these bonds are now classified under Affordable Housing – Golden Lane Housing and Hightown Housing Association – given this is their primary outcome.

**Center Parcs** is also included in this outcome area. This was approved for the Fund but given a Low social performance rating. Benefits were assessed to be providing access to relatively low-cost family breaks and job creation.

In addition, the Fund has invested in two of the first Social and SDG bonds to be issued globally. 2017 was an important year for the development of the social and SDG Bond market and we were pleased to see the Fund become an early investor in these pioneering bonds which have the potential for High social impact.

### AFRICAN DEVELOPMENT BANK SOCIAL BOND

- This regional development bank is one of the first to issue bonds in line with the Social Bond Principles. The Fund invested in the ADB’s inaugural EUR 500 million, seven year social bond issued in November 2017. The issue was three times oversubscribed within three hours from formal book opening demonstrating the high demand for investment products that have a positive impact.
- The projects to be financed are expected to lead to significant poverty reduction, job creation, as well as inclusive growth across age, gender and geography in Africa.
- The bank has engaged Sustainalytics to act as an Independent Reviewer. Results will be appraised and reported in next year’s Impact Report.

**“This is a fantastic outcome, three-time oversubscription in 150 minutes. We are delighted by the responses from socially responsible investors and the enthusiastic response to the African Development Bank Social Bond mandate and framework. Improving the quality of life for the people of Africa is one of our High 5 priorities. And we know that the High 5s, intrinsically linked to the African Union’s Agenda 2063, will help Africa achieve close to 90% of the United Nation’s Sustainable Development Goals (SDGs).”**

Hassatou N’Sele, Treasurer, African Development Bank

### HSBC SDG BOND

- The Fund invested in this USD 1 billion bond issued by HSBC in November 2017. This was launched as “the world’s first bond in direct support of the UN’s Sustainable Development Goals (SDGs).”
- The USD 1 billion funds raised through the bond will be used to finance projects that benefit communities and the environment, for example, building hospitals, schools, small-scale renewable power plants and public rail systems.

- HSBC has developed an SDG Bond Framework to guide the investment selection process and its impact reporting. It has committed to reporting on social and environmental impact and progress towards SDG targets annually throughout the term of the bond. Sustainalytics will assess the bond’s ESG and impact performance.
- Currently, the bond is rated as Medium social performance. It may be upgraded to High once results are appraised.

## GOLDEN LANE HOUSING

Golden Lane Housing (GLH), established by the charity Mencap, is one of the UK’s largest supported housing landlords for people with a learning disability. Since GLH’s inception almost 20 years ago, they have helped transform the lives of over 1,850 people with a wide range of needs, by providing homes and care in more than 880 properties across the UK. Currently, only 16% of people with a learning disability live in supported housing in the community. Hence, the social need for GLH’s work is high.

In 2014, through the Retail Charity Bond platform, GLH became the first ever charity to issue a bond listed on the London Stock Exchange. The bond raised £11 million in less than two weeks which it used to buy and adapt 30 high quality homes for over 100 people with a learning disability. The Fund was one of the first investors. GLH borrowed a further £10 million from Retail Charity Bonds PLC through a second bond issue in November 2017 that will support the provision of new housing for around 90 people.

### Expected outcome:

- ▶ Improved quality of life for people with learning disabilities, and their families.

**Performance:** Over the past four years GLH have commissioned an external consultant to assess tenants’ well-being before and after the move.

- ▶ Tenants report having increased independence, new skills, higher levels of confidence and increased participation in the community since moving to supported living.
- ▶ Cost savings to the public purse are estimated to be in the order of £500 to £2,500 per tenant per week because of people moving from expensive and inappropriate institutions into supported housing in the community.
- ▶ GLH have also captured what 312 tenants think about Golden Lane Housing services:



	2015-16	2016-17
Neighbourhood	94%	94%
Service charges provide good value for money	90%	92%
Rent provides good value	88%	88%
Overall service we provide	85%	91%
Overall quality of a person’s home	87%	89%
GLH listens and acts on tenants’ views	86%	89%
Quality of repair work	82%	86%
GLH deals with tenants repairs	74%	79%

Source: Golden Lane Housing, Annual Report, 2017

## EDUCATION, LEARNING AND SKILLS (5 HOLDINGS, 5 ISSUERS)

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

Higher education (HE) providers are the most active bond issuers in this area with an increasing number of universities issuing bonds to invest in their teaching facilities and services. The Fund focuses on investing in universities that are assessed to perform well in terms of widening participation and social mobility. The Office for Fair Access,<sup>2</sup> HEFCE, HESA and others researching widening participation and social mobility provide a current picture of the challenge ahead:

- In 2014-15, 65% of private school students entered one of the top third most selective universities, compared to 23% of state school students.
- The most advantaged 20% of young people are seven times more likely to enter the most selective institutions than the most disadvantaged 40%.
- Participation rates for students from disadvantaged areas has risen to 11.3% in 2015-16 from 9.6% in 2009-10 (HESA); however, the overall number of students from disadvantaged backgrounds has fallen by 17% since 2011-12 if the drop in part-time students is taken into account.

Widening participation does not guarantee social mobility. The Reform Research Trust:

**“Obstacles to social mobility appear right from the beginning of life; from the health of new-born babies to attainment throughout school, outcomes are systematically worse for lower socio-economic groups. At current rates, the participation gap in higher education (HE) will take more than eighty years to close. Access to ‘elite’ universities has become a symbol of the differences in opportunity experienced by people with poorer or richer parents.”**

The Fund holds bonds issued by four universities: Cardiff, De Montfort, Leeds and Manchester. The bond screening and selection process is informed by a University Social Mobility Rating system developed by TGE. This covers 125 UK HE institutions. Results for the Fund’s university holdings are shown below, together with their ratings in the new Teaching Excellence Framework. All four universities perform better than the UK average in terms of graduate prospects and non-continuation from low participation neighbourhoods. Only De Montfort has an intake from low participation neighbourhoods that exceeds the UK average. All four universities perform above average on overall social mobility, according to The Good Economy University Rating.<sup>3</sup> De Montfort and Leeds score highly on the TEF quality of teaching measure.

University	Graduate Prospects (Employability Score out of 100)	Students from low participation neighbourhoods (%)	Students from low participation neighbourhoods no longer in Higher Education the year following entry (%)	The Good Economy University Rating	Teaching Excellence Framework Outcome
Manchester	82.4 (A)	7.9 (B)	4.1 (B)	12	Silver
Leeds	81.1 (A)	8.1 (B)	4.5 (B)	12	Gold
De Montfort	80.4 (A)	13.1 (B)	8.9 (B)	12	Gold
Cardiff	79.2 (B)	9.2 (B)	4 (A)	12	Silver
UK	71.5	11.3	8.6	-	-

\*A refers to the top 25% of UK universities, B to the next 26% – 74%, and C to the bottom 25%. The Good Economy University Rating is the product of each indicator (A – 3, B – 2, C – 1. A rating of 27 indicates the university is in the top 25% across all measures, a rating of 1 in the bottom 25% across all measures. The 6 top scoring universities in 2018 scored 18 on the Good Economy University Rating, 27 universities scored 12.

## LEEDS UNIVERSITY

Leeds University is the fifth largest university in the UK with over 33,000 students. It scores well on The Good Economy’s Social Mobility Ratings and was awarded a ‘Gold’ rating in the UK Department of Education’s 2017 Teaching Excellence Framework. Additionally, in 2014’s Research Excellence Framework, 80% of Leeds University’s research was given a top-quality rating of “world leading” or “internationally excellent”.

The Fund’s investment has helped to raise £520 million for a transformative campus development programme. This includes the development of the £40 million Nexus research and innovation centre which will actively bring together businesses and the university around shared goals “to drive innovation in the community to be more productive and grow”. It also includes funding for The Edge, a state of the art fitness, sports and well-being facility which is the largest fitness centre of any UK university.



The Fund focuses on investing in universities that are assessed to perform well in terms of widening participation and social mobility.

2. [https://www.employment-studies.co.uk/system/files/resources/files/281112\\_6\\_les\\_ebdon\\_0.pdf](https://www.employment-studies.co.uk/system/files/resources/files/281112_6_les_ebdon_0.pdf)

3. Data sources used in The Good Economy University Ratings: Graduate Prospects 2019 – The Complete University Guide; Wider Participation and Continuation Rates 2016-17 – Higher Education Statistics Agency Limited (HESA); Teaching Excellence Framework outcomes 2018 – Higher Education Funding Council for England (HEFCE)

## EMPLOYMENT AND TRAINING (12 HOLDINGS, 7 ISSUERS)

### SUPPORTING INCLUSIVE JOB GROWTH

The Fund invests in Employment and Training related outcomes directly and explicitly only with respect to its investment holdings in the Retail sector. The rationale for this focus is that Retail is by far the largest private sector employer, spread throughout the country (including disadvantaged areas) and offering a wide range of intermediate training and employment opportunities. However, the job-creation role of Retail is now under threat:

- The British Retail Consortium (BRC) expects the total workforce to shrink considerably, with 60% of retail jobs at risk from AI automation. The BRC and retail experts predict the emergence of a smaller but more highly skilled and better paid workforce.
- The BRC Retail Monitor (3rd Quarter 2018) reports that the 2% annual drop in hours worked applied mainly to full-time hours, with retailers using their part time work force more flexibly, offering additional hours instead of increasing full time roles.

The Fund's retail holdings, including leading high street players, show a mixed picture in terms of recent job growth:

#### ► John Lewis Partnership

Total workforce decreased from 88,000 to 84,500 jobs between 2017 and 2018; it has cautioned over future job losses and Brexit's impact on its skills base.

#### ► Sainsbury's

Sainsbury's has increased its workforce from 119,000 to 121,000 full time equivalents – between 2017 and 2018. However, the proposed merger with Asda is likely to have major job implications, given the Competition and Markets Authority's calculation that 463 places in the UK are at risk by an overlap of local supermarkets' catchment areas.

#### ► Morrisons

Morrisons reduced its total workforce from 112,000 to 105,000 between 2016 and 2017, this drop being mainly store staff.

#### ► Intu

Intu directly employs 2600 direct staff (little change), and indirectly supports 120,000 jobs across 17 locations (Interim Report, June 2018).

Source: 2018 Annual Report data

Retail is undoubtedly a turbulent area of the UK labour market. High-profile closures of iconic high street brands appear to be a weekly occurrence – attributable to the explosive growth of online shopping and high business rates. Brexit has made in-bound tourism a positive driver, whilst raising issues about the sector's skill base and import costs. Amazon is reportedly interested in taking over Morrisons and threatens to change the face of retailing.

The future of retail has great significance for the UK employment and training outlook, given the sector's sheer scale and geographical pervasiveness. Last year's report highlighted the importance of UK supply chains and 'buy-British' campaigns for inclusive growth.

For now, the Fund is expected to hold its existing investments in the retail sector but the Social Advisory Committee will continue to scrutinise the far-reaching job impacts that structural change in Retail is bringing about. We will select investments in companies that are committed to paying the real living wage, work force development and building local supply changes.

## WM MORRISON SUPERMARKETS

Morrisons is the fourth largest chain of UK supermarkets. Headquartered in Bradford, West Yorkshire, the company employed 105,487 people in 2018, with store staff at 500 outlets making up 85% of the workforce and another 5% based at 9 distribution centres. Notably, Morrisons is also the 2nd biggest manufacturer of fresh food in the country, employing over 7,000 production and engineering workers at 18 factories located mainly in the North of England. Morrison's manufacturing and Northern regional profiles are particularly favourable to inclusive economic development.

Morrisons pays staff well above the National Living Wage, behind Sainsbury's but ahead of Tesco and Asda. Improved pay and staff development has contributed to a financial upturn for the business. At the same time, surveys suggest 70% of employees now feel fairly rewarded, 20% above the industry benchmark.

Morrisons illustrates that improving job quality is good for business. Morrisons' productivity performance has also been boosted by the use of AI technology to automate stock management across its stores – no job losses are expected, with staff being deployed to customer engagement.



We will select investments in companies that are committed to paying the real living wage, work force development and building local supply changes.

## FINANCIAL INCLUSION (12 HOLDINGS, 6 ISSUERS)

### IMPROVING ACCESS TO AFFORDABLE FINANCIAL SERVICES FOR ALL

The Fund's holdings in the financial sector are focused on improving the accessibility and affordability of financial services for all, including both individuals and businesses. The figures below highlight some of the challenges in the UK:<sup>4</sup>

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

Compared to most corporate bond funds, the Fund continues to have a relatively small exposure to the financial sector, favouring mutual and regional building societies owned by and accountable to their customers. Holdings include **Coventry Building Society, Nationwide Building Society, Royal London** and **Yorkshire Building Society**. Together these organisations serve over 15 million customers.

### YORKSHIRE BUILDING SOCIETY

Yorkshire Building Society has a mission to be "the most trusted provider of financial services in the UK". As of the end of 2017, it had over 3 million customers and £42 billion in assets. Key performance highlights include:

- 193,000 new savings accounts opened, increased from 114,000 in 2016
- Overall mortgage balances of £35.1 billion, 2.8% growth from 2016
- Net Promoter Score has increased from +34 in 2016 to + 41 in 2017
- Won Best Building Society Mortgage Provider as
- Continued to develop the capability to identify and support vulnerable customers and direct them to the right specialist support.

Source: Yorkshire Building Society, Annual Reports and Accounts 2017



The Fund also continues to hold **Lloyds Banking Group's Environmental, Social and Governance (ESG) bond** the proceeds of which are used to support the Lloyds

bank's activities helping people buy a first home, save for the future and grow businesses.

### LLOYDS BANKING GROUP

#### Lloyds Banking Group's Environmental, Social and Governance (ESG) bond

Since 2014, Lloyds has launched two ESG bonds totalling £500 million. This is in response to customer demand for savings schemes that have positive impacts.

The Fund invested in and continues to hold the first ESG bond. The proceeds of the bond support Lloyds' "Helping Britain Prosper Plan" which underpins the bank's commitment to go beyond business as usual to help address social and economic challenges. The plan has committed to five key areas:

- Finding and buying affordable homes
- Helping people save for the future
- Skills and employability
- Sustainable business growth
- Social disadvantage

Lloyds reviews its targets and achievements through an annual performance report. Achievements in 2017-18 include providing:

- £10 billion of lending committed to help people buy their first home
- £8 billion growth seen in assets that are held on behalf of customers in retirement and investment products
- 700,000 individuals, SMEs and charities trained in digital skills, including internet banking
- £2 billion increased amount of net lending to start-ups, SMEs and Mid-Market businesses
- Support for 2,500 charities through £100 million commitment to the Group's independent charitable Foundation

Source: Lloyds Banking Group Helping Britain Prosper Plan Update 2017-18

4. The Financial Conduct Authority (FCA) Financial Lives Survey 2017 (the largest consumer tracking survey ever commissioned) and Money Advice Service 'Low savings levels put millions at financial risk' (September 2016).



## HEALTH AND SOCIAL CARE (9 HOLDINGS, 7 ISSUERS)

### SUPPORTING UNIVERSAL ACCESS TO HIGH QUALITY HEALTH AND SOCIAL CARE SERVICES

This outcome areas focuses on investments related to improving public health and care services. The UK health and social care system remains under unprecedented demographic, financial and staffing pressures. Pressures arise from the challenges of an aging population (1 in 7 people are projected to be over 75 by 2040), an increasing prevalence of long-term conditions, and high levels of mental health problems. There is a strong correlation between poverty and health. Public Health England's Health profile for England for 2018 confirms that inequalities in life expectancy are widening: males and females from the most disadvantaged 10% of areas on average now die 9.3 and 7.3 years earlier than those in the 10% least disadvantaged areas. Not only that, but both men and women from those areas spend almost 20 years more in poor health than those from the least-disadvantaged areas.

The Fund's health-related investments comprise nine bonds supporting physical and mental health services, health insurance and health research and innovation. Within the UK, the Fund's bonds have supported the construction and financing of major NHS hospitals in Peterborough, Derbyshire, Norfolk and Norwich, as well as the expansion of NHS mental health services in Derbyshire.

**There is a strong correlation between poverty and health.**

**Public Health England's Health profile for England for 2018 confirms that inequalities in life expectancy are widening.**

The Fund also holds bonds supporting the work of the **Wellcome Trust**, a global health research and innovation charity which funds leading-edge bio-medical research, provides venture capital finance for the commercialisation of bio-medical research and development and delivers public health programmes worldwide.

New to the Fund this year is **Voyage Care**, a leading provider of specialist care and support for people with disabilities, autism, brain injuries and other complex needs across the UK. Voyage Care's 24/7 support has enabled 3,227 people to live as independently as possible in 2017-18, through both their Registered Care services and Community Based Care services. A total of 94% of registered locations across England were rated as Good or Outstanding by the Care Quality Commission (CGC). The proceeds of the bond will enable Voyage Care to continue to invest in quality care for those that need it the most.

The Fund also holds the "Gavi" bond issued by **International Finance Facility for Immunisation (IFFIM)** (see box).

### INTERNATIONAL FINANCE FACILITY FOR IMMUNISATION (IFFIM)



IFFIM exists to rapidly accelerate the availability and predictability of funds for immunisation. The resources raised by IFFIM are used by Gavi, the Vaccine Alliance, a public-private partnership.

#### Expected outcomes:

- ▶ Deliver life-saving vaccines and strengthen health services in the world's poorest countries.

**Performance:** The Vaccine Alliance continues to deliver impressive results:

- ▶ It has helped to strengthen health systems and immunisation services in more than 60 countries.
- ▶ Since 2011, Gavi-supported campaigns have protected over 98 million people in 14 countries.
- ▶ In 2017 alone, 65 million children were immunised with Gavi-supported vaccines. This equates to more than 190 million points of contact between these children and the primary health system and provides a robust platform for other health interventions.

Source: WHO/UNICEF and Gavi 2018.

**Males and females from the most disadvantaged 10% of areas on average now die 9.3 and 7.3 years earlier than those in the 10% least-disadvantaged areas.**

**Not only that, but both men and women from those areas spend almost 20 years more in poor health than those from the least-disadvantaged areas.**

## TRANSPORT AND COMMUNICATIONS INFRASTRUCTURE (15 HOLDINGS, 12 ISSUERS)

### ENSURING UNIVERSAL ACCESS TO BASIC INFRASTRUCTURE AND SERVICES

The Fund's holdings in transport and communications are diverse, covering rail, air and port infrastructure and public transport services. Pressures on the UK's transport systems are rising throughout the UK:

- INRIX 2017 Global Traffic Scorecard ranked the UK as the third most congested country in Europe (also in world top 10), with London ranked second in Europe after Moscow and seventh in the world overall.<sup>5</sup>
- Regional rail passenger traffic has grown by 36% over the past 10 years (Urban Transport Group),<sup>6</sup> while regional airports are coping with a 10% annual increase in passenger throughout (Civil Aviation Authority); Boston Consulting Group's Rail Performance Index shows the UK ranks fifth worst out of 30 European countries for quality of service, affordability and punctuality.<sup>7</sup>
- Buses, which nationally still account for 70% of all public transport journeys, are in decline across the city regions, including London. Bus patronage in the city regions outside of London has fallen by 11% from 1.1 billion in 2009-10 to 937 million in 2016-17.

Access to transport is vital to social inclusion.

The Fund's holdings in transport and communications are diverse, covering rail, air and port infrastructure and public transport services.

Access to transport is vital to social inclusion. The UK's bus-dependent over 75 population is expected to grow by 80% between 2014 and 2039. There is clear evidence that unaffordable and unreliable local public transport is limiting access to job opportunities for residents of low-income neighbourhoods and rural areas.<sup>8</sup> Hence, the Social Advisory Committee was pleased to see the Fund invest in a new holding in the National Express Group (see box), a major urban bus and coach services across the UK, and a Living Wage (Foundation) accredited employer.

### NATIONAL EXPRESS

National Express is a leading provider of bus and services in the UK. It is the UK's largest provider of scheduled coach services, with 19 million passenger journeys every year being transported to 900 destinations across the UK, including towns, cities and major airports. The company's main market is Birmingham and the West Midlands, where it provides 8 in 10 public transport journeys and employs 5500 staff across the region.

National Express collaborates with Alliance partners, Transport for West Midlands and the Metro Mayor to deliver more environmentally friendly transport, ease congestion, and invest in hybrid and electric buses.



National Express Group has been a Living Wage Foundation accredited employer for two years. Its UK coach business is currently securing the accreditation; it has introduced the Living Wage Foundation living wage to directly employed staff and will shortly roll this out to contractors' employees.

### AIRPORTS: A SOCIAL IMPACT PERSPECTIVE

The Fund includes bonds issued by **Manchester Airport** and **Birmingham Airport** to finance major improvement works. BII recognises the negative environmental impacts of air travel and the fact that the growth in air travel is outstripping aircraft efficiency trends. CTI monitors the initiatives airports and airlines are taking to mitigate the environmental impacts of air travel.

However, BII permits these holdings given their strong positive regional economic development impacts. If we are to have aviation in the UK, it is better that airport development is located outside of London and the South East where there is a greater need for jobs, it can contribute to more balanced UK development and reduce pressures on London's airports and associated air pollution. Key points to note from a regional development impact perspective are:

- These airports are central to the Northern Powerhouse and Midlands Engine regional growth strategies.
- Airports support job creation in the region.
- Air passenger traffic is increasing by 10% annually in

these regions and improving air services is vital to their competitiveness.

- Air transport supports greater social inclusion of people and communities in these regions.

### Manchester Airport

- Supports over 45,000 local jobs
- Manchester Airport Group (MAG), which operates the airport, run airport academies providing training and work opportunities with airport business partners to match local people's skills to the right job
- MAG runs "Meet the Buyer" events matching local buyers up with local suppliers generating £9.3 million in sales for SMEs in 2017

Source: MAG 2017 Sustainability Report

### Birmingham Airport

- Employs 8,050 people from areas of high job deprivation
- The economic footprint of the airport is estimated to be 16,900 jobs and £676 million in Gross Value Added.
- Estimated 1.2 direct jobs will be created for every additional 1,000 traffic units

Source: Independent report on Birmingham Airport by York Aviation, May 2015

5. <http://inrix.com/press-releases/scorecard-2017-uk/>

6. [www.urbantransportgroup.org/resources/types/reports/number-crunch-transport-trends-city-regions](http://www.urbantransportgroup.org/resources/types/reports/number-crunch-transport-trends-city-regions), April 2018

7. [www.bcg.com/en-ch/publications/2017/transportation-travel-tourism-2017/european-railway-performance-index.aspx](http://www.bcg.com/en-ch/publications/2017/transportation-travel-tourism-2017/european-railway-performance-index.aspx)

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## UTILITIES AND ENVIRONMENT (23 HOLDINGS, 19 ISSUERS)

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

The Fund's invests in the UK energy and utilities sector which is critical to delivering on the UK's objectives of environmental sustainability and building a 'green economy'. The sector is at the forefront of the Government's "Clean Growth Strategy" (October 2017) involving £2.5 billion public R&D investment on low carbon energy, transport, agriculture and waste.

Utility companies also have important social benefits as regional employers. Energy is the top-rated employer sector in The Good Economy's Good Jobs Assessment Methodology rankings. Several companies in the Fund have accredited voluntary Living Wage employer status (e.g. Centrica, SSE, and Yorkshire Water).

The Fund increased its holdings in Utilities and Environment in 2017-18, with the total value of holdings increasing from 17% to 24%. The Fund now has 15 holdings in utility companies including **Dŵr Cymru (Welsh Water)**, the UK's only not-for-profit water and waste water company, **Severn Trent**, **Scottish and Southern Energy** and **Yorkshire Water**.

The Fund's invests in the UK energy and utilities sector which is critical to delivering on the UK's objectives of environmental sustainability and building a 'green economy'.

The Fund focuses on tracking energy companies' strategies to help tackle 'fuel poverty'. The bond social assessment includes an appraisal of utilities fuel poverty policies and programmes favouring companies with a clear commitment and track record of action to tackle fuel poverty.

New to the Fund is the **Thames Tideway Tunnel**, a 25km tunnel to deal with the problem of sewage overflows into the River Thames. This bond was rated High social performance for both its environmental and social outcomes (see box).

The Fund also holds three green bonds: issued by **Barclays**, **Unilever** and the **European Investment Bank (EIB)**.



### ANGLIAN WATER

Anglian Water supplies water and water recycling services to more than 6 million domestic customers in the east of England and Hartlepool. With over 112,833km of water and sewer pipes and employing close to 5000 people, Anglian Water is the largest water and water recycling company in England and Wales by geographic area.

Under their Love Every Drop strategy, Anglian Water have set 12 ambitious business sustainability goals and a number of initiatives to implement them. One of these initiatives includes their award winning in-house display unit used by 70% of their customers, designed in collaboration with Green Energy Options, which allows customers to see exactly how much water they're using and to set a 'water budget'. Using this water meter, it allows customers to save on average £100 a year on their water bills, as well as doing their bit for the environment.



Additionally, this links to their Drop 20 campaign which is all about everyone helping each other save water for the future, with the aim to save 20 litres of water per person a day. Anglian Water have launched their Bits and Bobs programme in 2010, which offers, in some areas, a box of Bits and Bobs containing water efficiency devices. A member of the team from Anglian Water will then fit them for free, and check for leaks too, helping both the customer and the environment. Since the start of the programme, they have visited 38,000 customers homes fitting Bits and Bobs, and saved about 1.3 million litres a day.

### THAMES TIDEWAY TUNNEL

The Thames Tideway Tunnel is a major new sewer to protect the tidal River Thames from pollution. London's current system spills millions of tonnes of sewage into the tidal section of the river every year. The tunnel will intercept over 90% of the tens of millions of tonnes of sewage discharged into the River Thames. This is a green bond, senior secured with a 10-year maturity (29 November 2027). The bond is aligned with the ICMA Green Bond Principles and also has clear social benefits.

#### Expected outcomes:

- ▶ Reduced tonnes of sewage discharged into the River Thames
- ▶ Employment opportunities for under-served and disadvantaged groups, including for ex-offenders and local people from deprived areas. Wages are paid at or above the London Living Wage.

#### Performance:

Tideway sets targets for the company and its contractors to employ apprentices, local people and ex-offenders with the following results as of end 2017-18:

- ▶ One in 50 staff should be a new apprentice. As at end year, 52 apprentices were employed, of which 38 are new apprentices on the project. This equated to 1 in 53 people being a new apprentice
- ▶ One in 100 should be an ex-offender. Currently 19 ex-offenders have been recruited and 1 in 107 are ex-offenders, with an average for the year of 1 in 104.
- ▶ 25 per cent of the workforce should be resident across the 14 London Boroughs impacted by the works. Current performance is at 21%.

Source: Tideway, Reconnecting London with the River Thames, Annual Report 2017-18

# 04 FORWARD LOOK

The UK Social Bond Fund was created as a mainstream financial product that put impact creation at the heart of its design. It was also designed to make it possible for the ordinary investor to invest for both a financial return and to make a positive impact for people and the planet.

We see three main trends which are likely to shape the future of the Fund and the wider movement to transform the financial sector into a positive force for sustainable development:

## BUILDING A CULTURE OF IMPACT INTEGRITY

Impact investment is seen as having the potential to revolutionise the world of business and finance to making positive change for people and the planet. It provides an opportunity to redirect significant amounts of capital towards organisations creating social and environmental good. This year has seen growing conversations between those across the value chain – asset owners and asset managers, foundations, development finance institutions and banks, intermediaries and advisors, impact organisations and businesses – to ensure impact investment is trusted and creates real value and delivers on the SDGs. BII and CTI are pioneers in the impact investing market and will remain actively engaged and committed to ensuring impact integrity and transparency.

## MAKING IT EASIER FOR PEOPLE TO INVEST FOR POSITIVE IMPACT

A key driver for The Big Issue Group when launching the Fund was to give everyone the opportunity to invest in businesses and organisations that have a positive impact on people and the planet. The Fund's inclusion on the Scottish Widows Pension and Life Funds platform in 2016 was an important development in increasing retail access. Looking forward, we expect the Fund to be included on more retail platforms. The Big Issue Group, together with founding partners including Columbia Threadneedle, will also be launching The Big Exchange in 2019, the first mobile and web platform to exclusively offer social and environmental impact funds in the UK. The UK Social Bond Fund will be available for investment through this platform.

## INCREASING SOCIAL BOND ISSUANCE IN THE UK

Encouraging new social bond issuance has been an objective of the Fund from the outset. This year there has been a significant increase in the issuance of social and SDG bonds globally. We would like to see more social bond issuance in the UK. The greater freedom recently given to local authorities to invest in social housing is a welcome step. We also encourage the UK Government to issue green and social sovereign bonds. 2017 has been marked as 'the year of the sovereign' in the green bond market, with inaugural issuances from Poland and France setting a precedent in late 2016 and, in early 2017, Fiji and Nigeria becoming the first issuers amongst developing economies. Green and social bonds are a key tool for governments to raise capital to implement infrastructure and other project in line with the SDGs and can help mobilise private capital for sustainable development. We urge the Government to take a greater leadership role and look to issue sovereign bonds that have a social purpose.

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

# ANNEX 1: IMPACT ASSESSMENT METHODOLOGY

The Threadneedle UK Social Bond Fund is a positively screened, actively managed fund. Each bond is assessed and selected for its potential to deliver positive societal benefits. The Fund's assessment methodology ensures that impact considerations are fully integrated into investment decision-making and on-going fund management.

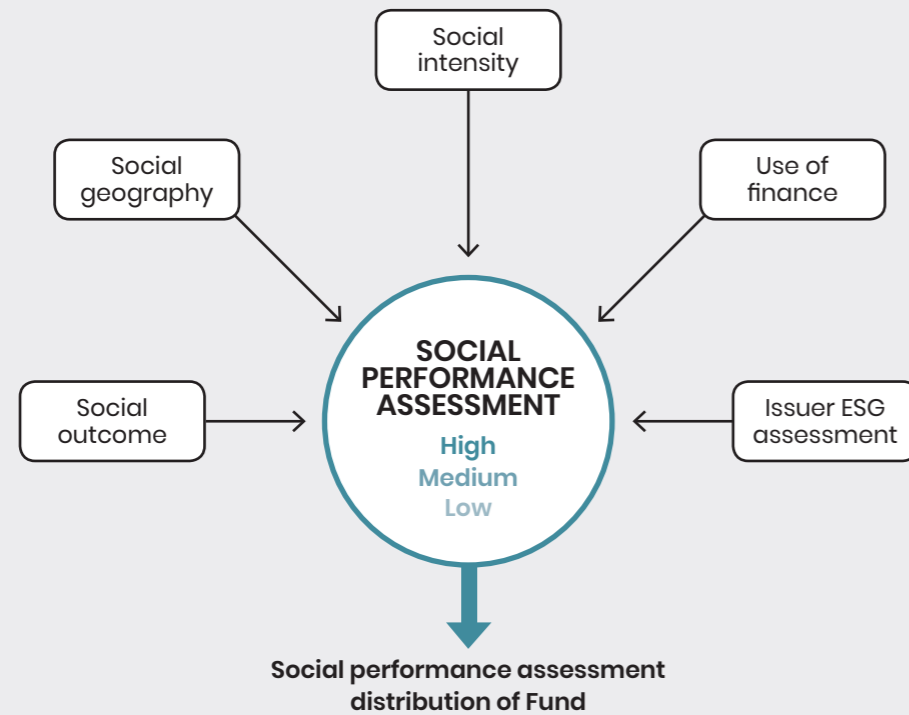
## 1. DEFINING THE UNIVERSE: TARGETING EIGHT SOCIAL OUTCOME AREAS

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

Social Outcome Area	Primary Outcomes	Typical Bond Issuers
Affordable Housing	Increased supply of affordable, good quality homes, particularly for people on low incomes, key workers and students	<ul style="list-style-type: none"> <li>Registered social landlords and property developers</li> </ul>
Community Services	Increased access to community facilities and services that improve individual and local well-being; encouraging bond issuance as a new source of funding for charities	<ul style="list-style-type: none"> <li>Charities</li> <li>Local authorities</li> <li>Development organisations</li> </ul>
Education, Learning and Skills	Supporting wider participation in higher education and promoting social mobility; increasing quality of education for all	<ul style="list-style-type: none"> <li>Universities</li> <li>Providers of educational services and learning materials</li> </ul>
Employment and Training	Supporting provision of good jobs, particularly in areas of high unemployment; improved employment opportunities and skills development for young people	<ul style="list-style-type: none"> <li>Large UK businesses</li> </ul>
Financial Inclusion	Universal access to affordable financial services that support decent standards of living	<ul style="list-style-type: none"> <li>Banks and financial institutions, including mutuals</li> </ul>
Health and Social Care	Improving quality and accessibility of health and social care facilities and services; facilitating financing of healthcare services through insurance products	<ul style="list-style-type: none"> <li>Large providers of health and care services and related services, including research, property development and financial products</li> </ul>
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	<ul style="list-style-type: none"> <li>Transport and telecommunications companies</li> </ul>
Utilities and the Environment	Supporting the provision of affordable and sustainable utilities provision, including water, waste and energy services	<ul style="list-style-type: none"> <li>Utility companies</li> <li>Development finance institutions</li> </ul>

## 2. ANALYSING SOCIAL IMPACT PERFORMANCE

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



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

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.
- 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 Intensity:** the extent to which the bond directly targets people and communities most in social need. A higher rating is given to bonds which benefit specific disadvantaged groups, for example, low-income households or people with disabilities.
- iv. Use of Proceeds:** the Fund favours "specific use-of-proceeds", which means the financing is exclusively channelled to pre-identified projects with a social or
- v. ESG Rating of the Issuer:** the bond should have an Issuer with a good Environmental, Social and Governance (ESG) rating. CTI's Responsible Investment team carries out this assessment using its own well developed ESG methodology and approach.

Each bond's overall **Social Performance Rating** is based on combining its scores for the five different assessment criteria. The Fund's portfolio includes a mix of bonds with High, Medium and Low social performance ratings.

The Fund's overall social performance target is to have at least two-thirds of bonds rated as High and Medium social performance.

## 3. MONITORING AND REPORTING

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

### Performance monitoring.

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

### Annual reporting.

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

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

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

Both BII and CTI recognize 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

Name of Issuer	Outcome Area	Social Assessment
African Development Bank Social Bond	Community Services	High: Green
Charities Aid Foundation	Community Services	High: Green
HSBC SDG Bond	Community Services	Medium: Amber
Center Parcs	Community Services	Low: Red
IADB EYE bond	Education, Learning and Skills	High: Green
University of Manchester	Education, Learning and Skills	High: Green
Cardiff University	Education, Learning and Skills	High: Green
University of Leeds	Education, Learning and Skills	High: Green
De Montfort University	Education, Learning and Skills	High: Green
Meadowhall	Employment and Training	Medium: Amber
Trafford Centre	Employment and Training	Medium: Amber
Intu Plc	Employment and Training	Medium: Amber
Morrisons	Employment and Training	Medium: Amber
Highbury Finance BV (Sainsbury)	Employment and Training	Low: Red
Marks and Spencer	Employment and Training	Low: Red
John Lewis	Employment and Training	Low: Red
Coventry Building Society	Financial Inclusion	Medium: Amber
Nationwide Building Society	Financial Inclusion	Medium: Amber
Lloyds ESG	Financial Inclusion	Medium: Amber
Yorkshire Building Society	Financial Inclusion	Low: Red
Legal and General	Financial Inclusion	Low: Red
Royal London	Financial Inclusion	Low: Red
International Finance Facility for Immunisation	Health and Social Care	High: Green
Peterborough Progress Health	Health and Social Care	High: Green
Wellcome Trust	Health and Social Care	High: Green
Voyage Care	Health and Social Care	High: Green
Derby Healthcare	Health and Social Care	Medium: Amber
BUPA Finance	Health and Social Care	Medium: Amber
Octagon Healthcare Funding (Norwich and Norfolk)	Health and Social Care	Low: Red
Optivo Housing Association	Housing and Property	High: Green
Sanctuary Housing Association	Housing and Property	High: Green
THFC Funding	Housing and Property	High: Green
Circle Anglia Social Housing Association	Housing and Property	High: Green
Wheatley Housing Association	Housing and Property	High: Green
A2 Dominion Housing Association	Housing and Property	High: Green
Penarian Housing Association	Housing and Property	High: Green
Peabody Trust	Housing and Property	High: Green
Cross Key Housing Association	Housing and Property	High: Green
Housing Association Funding	Housing and Property	High: Green
Walsall Housing Association	Housing and Property	High: Green
Golden Lane Housing	Housing and Property	High: Green
Hightown Housing Association	Housing and Property	High: Green
UNITE Students	Housing and Property	Medium: Amber

Name of Issuer	Outcome Area	Social Assessment
London & Quadrant Housing Association	Housing and Property	Medium: Amber
Places for People Homes	Housing and Property	Medium: Amber
Annington Finance	Housing and Property	Medium: Amber
Libery Living	Housing and Property	Housing & Property
PRS Housing Agency	Housing and Property	Low: Red
Grainger	Housing and Property	Low: Red
BBC Pacific Quay	Transport and Communications Infrastructure	High: Green
Motability Operations Group	Transport and Communications Infrastructure	High: Green
LCR Finance	Transport and Communications Infrastructure	Medium: Amber
Community Finance (GLA)	Transport and Communications Infrastructure	Medium: Amber
Birmingham Airport Finance	Transport and Communications Infrastructure	Medium: Amber
Associated British Ports	Transport and Communications Infrastructure	Medium: Amber
Manchester Airports Group	Transport and Communications Infrastructure	Medium: Amber
TFL Green Bond	Transport and Communications Infrastructure	Medium: Amber
Network Rail	Transport and Communications Infrastructure	Low: Red
National Express Group	Transport and Communications Infrastructure	Low: Red
Tees & Hartlepool Port Authority	Transport and Communications Infrastructure	Low: Red
Everything Everywhere	Transport and Communications Infrastructure	Low: Red
Dwr Cymru (Welsh Water)	Utilities and the Environment	High: Green
Anglian Water	Utilities and the Environment	High: Green
Electricity North West	Utilities and the Environment	High: Green
Thames Tideway Tunnel (Bazalgette)	Utilities and the Environment	High: Green
European Investment Bank Green Bond	Utilities and the Environment	Medium: Amber
Yorkshire Water	Utilities and the Environment	Medium: Amber
Wales & West Utilities Finance	Utilities and the Environment	Medium: Amber
Barclays Green Bond	Utilities and the Environment	Medium: Amber
Iberdrola Green Bond	Utilities and the Environment	Medium: Amber
Severn Trent	Utilities and the Environment	Medium: Amber
Northern Ireland Electric	Utilities and the Environment	Medium: Amber
Western Power Distribution	Utilities and the Environment	Medium: Amber
Northern Powergrid Yorkshire	Utilities and the Environment	Medium: Amber
First Hydro Finance	Utilities and the Environment	Medium: Amber
Unilever PLC (Green Bonds)	Utilities and the Environment	Low: Red
National Grid	Utilities and the Environment	Low: Red
Scottish and Southern Energy	Utilities and the Environment	Low: Red
Cadent Finance	Utilities and the Environment	Low: Red
Pennon (South West Water)	Utilities and the Environment	Low: Red

## ANNEX 3: SUMMARY OF THREE YEAR PERFORMANCE TRENDS

		2016	2017	2018
Portfolio	Value	86.1	95.7	114.4
	Number of bonds	83	96	108
	Number of Issuers	66	72	80
	Top 25 Issuers (% of Fund by Value)	63.3	60.7	61.8

		2016 (% of bond)	2016 (% of value)	2017 (% of bond)	2017 (% of value)	2018 (% of bond)	2018 (% of value)
Social Performance	High	38.6	42.0	37.5	43.3	35.2	32.8
	Medium	44.6	47.8	37.5	41.5	42.6	51.2
	Low	16.9	10.1	25	15.3	22.2	16.0
Social Outcomes	Community Services	3.6	3.8	3.1	4.6	3.7	5.6
	Education Learning and Skills	10.8	13.6	8.3	12.0	4.6	2.7
	Employment and Training	13.3	8.5	13.5	10.4	11.1	6.6
	Financial Inclusion	10.8	8.6	15.6	11.5	11.1	13.2
	Health and Social Care	12.0	13.3	8.3	12.7	8.3	9.1
	Affordable Housing	22.9	17.7	22.9	19.3	25.9	19.3
	Transport and Communication Infrastructure	10.8	16.7	10.4	12.2	13.9	19.8
	Utilities and the Environment	15.7	17.8	17.7	17.3	21.3	23.7
Social Geography	Local	25.3	28.0	24.0	25.4	19.4	13.2
	Regional	24.1	25.4	24.0	24.5	28.7	28.5
	National	41.0	34.9	44.8	39.4	43.5	46.0
	Supra-national	9.6	11.7	7.3	10.6	8.3	12.3
Regional Geography	Outside of GSE	75.6	73.6	73.9	75.7	63.5	66.5
	Midlands and South West	17.1	14.1	19.6	17.7	15.4	20.5
	North	36.6	30.9	32.6	29.8	25.0	20.6
	Scotland and Northern Ireland	9.8	14.3	8.7	13.4	7.7	9.5
	Wales	9.8	10.2	10.9	13.0	13.5	12.5
	Multi-Regional	2.4	4.0	2.2	1.8	1.9	3.5
	Greater South East	24.4	26.4	26.1	24.3	36.5	33.5
Job Performance	Favourable Performance	83.1	76.7	74.0	73.8	50.9	52.3

## ANNEX 4: REGISTERED HOUSING PROVIDER – DATA ANALYSIS

Bond Issuer	Total number of units owned and managed	Percentage of which are for "general needs" social rent	Percentage of which are for "intermediate and affordable" rent	Percentage of which are for supported housing	Percentage of social housing converted from "social" to "affordable"
A2Dominion Housing Group Ltd	37,248	47.01%	1.98%	5.57%	0.19%
Circle Anglia Housing Plc	72,724	60.00%	9.10%	14.70%	3.10%
Cross Keys Homes Ltd	11,137	68.48%	10.46%	10.89%	0.00%
Hightown Housing Association	6,002	59.61%	5.05%	9.58%	0.00%
London & Quadrant Housing Trust	92,535	49.31%	3.85%	4.39%	0.03%
Optivo Housing Association	44,015	67.00%	N/A	2.00%	0.02%
Peabody Trust Group	55,717	26.69%	1.93%	1.31%	0.46%
Places for People Group Ltd	198,640	17.92%	0.50%	1.44%	0.37%
Sanctuary Housing Association Ltd	101,114	45.35%	5.20%	14.00%	0.06%
Walsall Housing Group	20,644	87.83%	5.96%	0.31%	0.42%
Wheatley Housing Association	79,100	60.68%	N/A	2.14%	N/A
<b>Total/Average</b>	<b>718,876</b>	<b>53.63%</b>	<b>4.89%</b>	<b>6.03%</b>	<b>0.47%</b>

Note: Total numbers taken from Annual Reports. Remaining data taken from Private Registered Provider Social Housing Stock in England: Statistical Return Dataset 2017.

Circle Anglia Housing figures have been reported from 2017 report as has now been incorporated into Clarin Housing Group so no recent figure.

"General needs" social rent – Housing owned by local authorities and registered providers, for which guideline target social rents are determined by government.

"Intermediate and affordable" rent – Affordable rented housing is let by local authorities or registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent. Intermediate housing is homes for rent at a rent above social rent, but below market levels subject to the criteria of Affordable Housing.

# ANNEX 5: BIOGRAPHIES

## MEMBERS OF SAC

<p><b>John Hale</b> Independent Chair of the Social Advisory Committee</p>	<p><b>Nigel Kershaw OBE</b> Chair of the Big Issue Group</p>	<p><b>Simon Bond</b> Director, Responsible Investment Portfolio Manager, Columbia Threadneedle Investments</p>	<p><b>Iain Richards</b> Head of Responsible Investment, EMEA, Columbia Threadneedle Investments</p>	<p><b>Sarah Forster</b> CEO, The Good Economy Partnership</p>	<p><b>Mark Hepworth</b> Co-Founder and Director of Research and Policy, The Good Economy Partnership</p>
<p>John began his professional career in industrial market research and consultancy in the petroleum, steel and transport sectors. With a focus on Latin America, he moved to work for Lloyds Bank International as an economist and then specialised in export and project finance, including three years in Brazil, and finally developing country debt management.</p> <p>He joined the Investment Department of the Association of British Insurers in 1992 to represent the association and its members on policy matters (UK and EU) and commercial issues. Amongst other things he was responsible for the ABI Bond committee, the Property Investment Committee and the joint ABI Treasury Insurers Infrastructure Investment Forum. He played a leading role in the UK bond market, convening the ABI special committees on specific fixed income matters including a number of major debt restructurings. He was also closely involved in the early development of ABI's corporate governance service IVIS and ABI's Responsible Investment policy and, for a period, acted as Secretary to the insurance grouping ClimateWise.</p>	<p>Nigel is Chair of The Big Issue Group, having been The Big Issue's CEO and Executive Chair. He was also the founding CEO of its social investment arm, Big Issue Invest, which manages, or advises on, £190 million of social funds through its innovative lending programmes, regulated investment funds and advisory services.</p> <p>Since 1974, Nigel has founded and grown three employee-owned companies. He is a member of the Advisory Group to Government on 'Creating a Culture of Social Impact Investment and Savings'. A Social Enterprise UK 'Champion of Champions' and a winner of the Institute of Directors' Good Enterprise Award, he was awarded an OBE for services to Social Enterprise.</p>	<p>Simon joined CTI in 2003 as an Investment Grade Portfolio Manager and has been the manager of the Threadneedle UK Social Bond Fund since its launch in 2013. Having previously managed a number of institutional and retail investment grade corporate bond portfolios, Simon now concentrates on managing Columbia Threadneedle's social bond portfolios and developing other responsible investment strategies across the firm.</p> <p>Simon has over 30 years' experience in the fund management industry, with the last 26 years specializing in corporate credit. Throughout his career, Simon has taken a keen interest in the social impact investment space and as an analyst the first entity Simon reported on was Peabody Trust and the first sector he covered was housing associations. Simon is particularly passionate about the role of infrastructure in both regeneration and economic growth.</p> <p>Prior to joining the firm, Simon managed £6 billion in his role as the Senior UK Credit Fund Manager for AXA. Simon also worked GE insurance, Provident Mutual and Hambros Bank.</p>	<p>Iain Richards joined CTI in 2012 and is currently Head of Responsible Investment, EMEA. Prior to joining the company, Iain was Regional Head of Corporate Governance at Aviva Investors. His career in the City has also included roles at Schroder Investment Management, the Policy Group of the UK's Listing Authority and the London Stock Exchange. Iain has also worked at the UK's Department of Trade and Industry (now BIS) in various roles in the European and competition policy units.</p> <p>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.</p>	<p>Sarah is CEO of The Good Economy Partnership which she co-founded in 2015. The Good Economy provides strategy consulting, product development, and impact measurement and management services that enable investors, businesses and government to play a bigger role in building an inclusive economy and society.</p> <p>Sarah has over 25 years' experience in international development, development finance and impact investing. She has worked at the forefront of the development of the UK social investment market leading on the design of innovative investment products and impact assessment methodologies. Previously, Sarah held senior management positions at Big Issue Invest, the New Economics Foundation and the World Bank.</p>	<p>Mark is a multidisciplinary economist with a career spanning academia, public policy and commercial consultancy. Mark leads The Good Economy's data analytics, research and policy work.</p> <p>In the 1980s and 90s, Mark's research and policy work focused on the information society and the knowledge economy. He held advisory positions with the OECD, UN Economic Council and European Commission.</p> <p>In 1997, Mark co-founded the Local Futures Group, which evolved into a leading economic development consultancy and data analytics business. Mark holds a first degree in Economics from Warwick University and a Doctorate in Economic Geography from the University of Toronto.</p>









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



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