Threadneedle UK Social Bond Fund

ANNUAL IMPACT REPORT 2019

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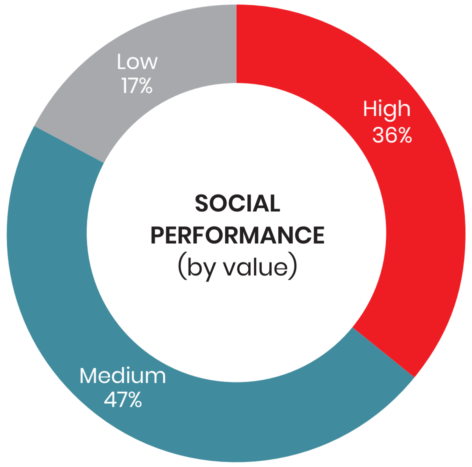
SOCIAL PERFORMANCE HIGHLIGHTS

AS OF 30 JUNE 2019

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 and produce a financial return. The Fund's strategic impact objective is to support more inclusive and sustainable development in the UK. Now in its fifth year, the Fund has seen consistently steady growth and generally achieved its objective of delivering both positive financial and social returns.

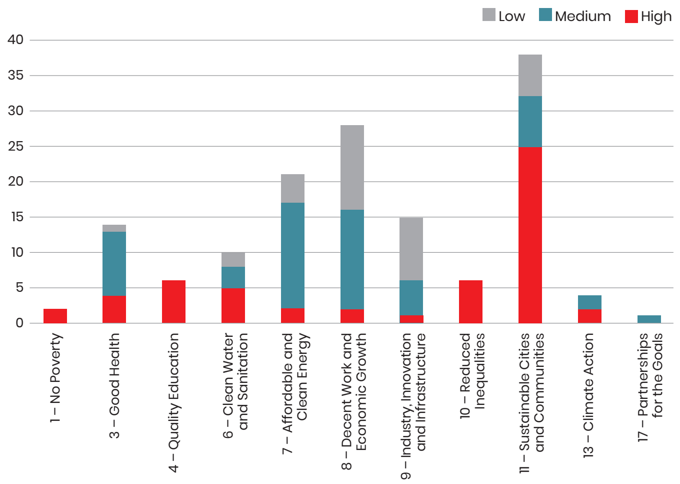
For the period ending 30 June 2019, the following results have been achieved:

SOCIAL PERFORMANCE



83% OF BONDS HAVE A HIGH OR MEDIUM SOCIAL PERFORMANCE RATING, WELL ABOVE THE TARGET OF 66%

PRIMARY SDG ALIGNMENT (by number of bonds)

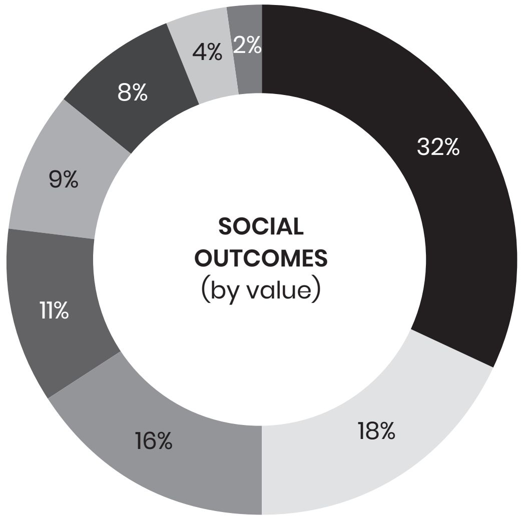


SOCIAL OUTCOMES

£120M INVESTED BY BOTH RETAIL AND INSTITUTIONAL INVESTORS

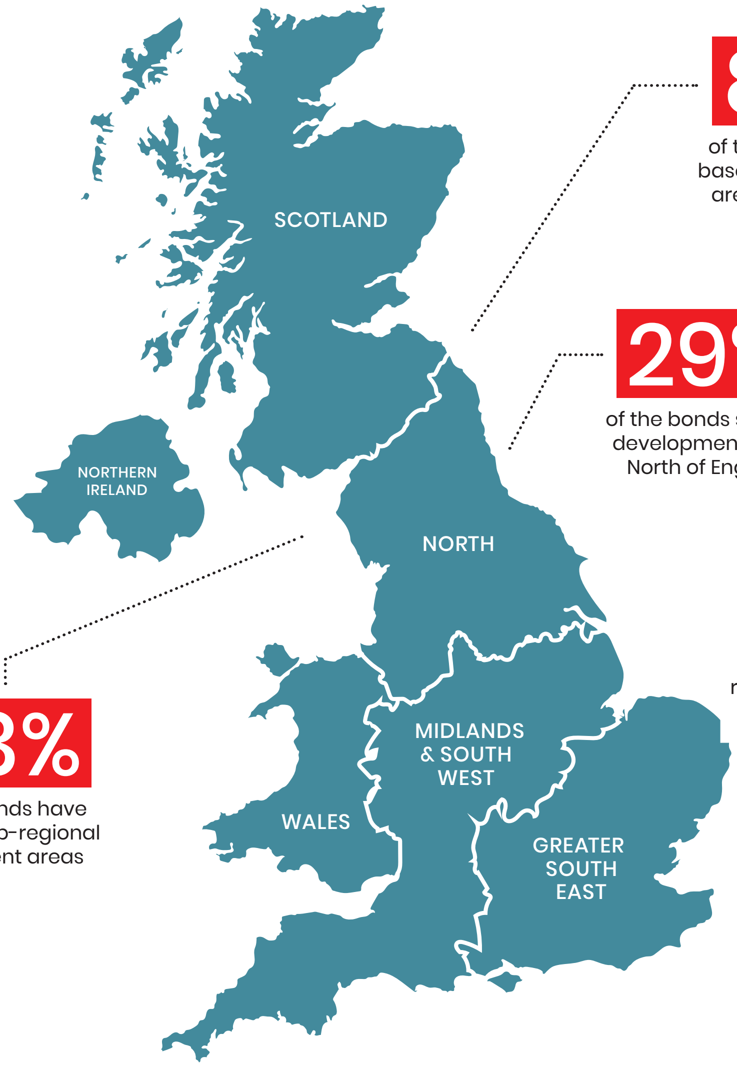
145 BONDS FROM 100 ISSUERS INCLUDING CHARITIES, REGISTERED SOCIAL HOUSING PROVIDERS AND LISTED COMPANIES

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



- Utilities and the Environment (32%)
- Transport and Communications Infrastructure (18%)
- Affordable Housing and Property (16%)
- Financial Inclusion (11%)
- Health and Social Care (9%)
- Employment and Training (8%)
- Community Services (4%)
- Education, Learning and Skills (2%)

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



87% of the bonds are UK based, the remainder are global in reach

29% of the bonds support development in the North of England

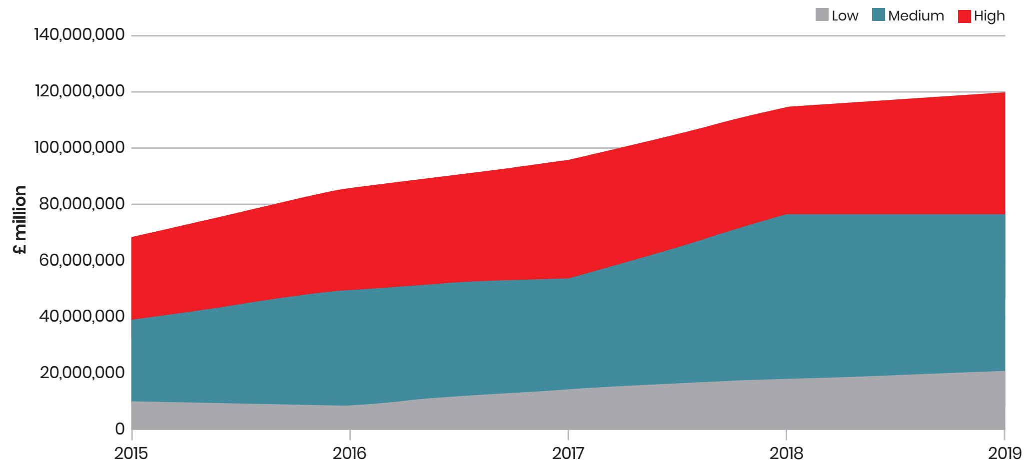
65% of the bonds favour regional development outside the Greater South East

43% of the bonds have local or sub-regional catchment areas

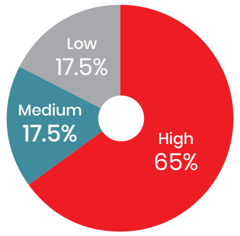
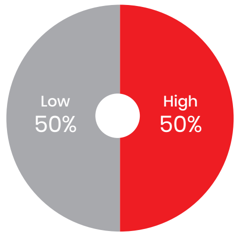
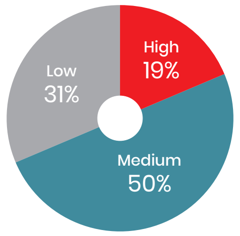
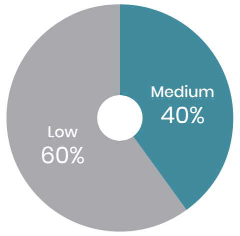
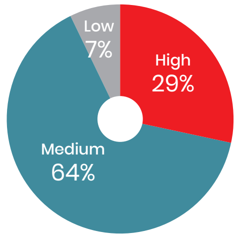
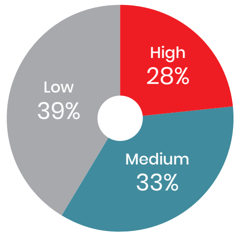
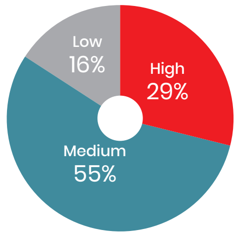
AWARDS WON

3D Investing awarded the Fund a 5 Star Rating in 2016 and 2017 and a 4 Star Rating in 2018 and 2019, describing it as "an outstanding SRI fund".

PORTFOLIO GROWTH AND SOCIAL PERFORMANCE ASSESSMENT OVER TIME



PORTFOLIO OVERVIEW

Outcome Area	No. of Bonds	Primary SDG Alignment	Social Performance Rating	New Bond Issuers	Case Study and Page Reference
Affordable Housing and Property	40	11 SUSTAINABLE CITIES AND COMMUNITIES		- Affordable Housing Finance PLC - Incommunities Group - Aster Group Housing Association - Catalyst Housing - Bromford Housing Association - Karbon Homes - Futures Housing Group - Paragon Asra Housing - Home Group	Hightown Praetorian and Churches Housing Association, p.26
Community Services	4	10 REDUCED INEQUALITIES		–	Golden Lane Housing, p.28 African Development Bank, p.30
Education, Learning and Skills	5	4 QUALITY EDUCATION		–	De Montfort University, p32
Employment and Training	16	8 DECENT WORK AND ECONOMIC GROWTH		- Inter-American Development Bank EYE Bond - International Bank for Reconstruction and Development SDG Bond - The Co-operative Sustainability Bond	The Co-Operative Sustainability Bond, p.36
Financial Inclusion	10	8 DECENT WORK AND ECONOMIC GROWTH		–	Lloyds ESG Bond, p.39
Health and Social Care	14	3 GOOD HEALTH AND WELL-BEING		- Pure Gym - Becton Dickinson	International Finance Facility for Immunisation, p.41
Transport and Communications Infrastructure	18	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE		- GetLink - Connect Plus - British Telecommunications	Motability, p.43
Utilities and the Environment	38	7 AFFORDABLE AND CLEAN ENERGY		- International Finance Corp Green Bond - Northern Gas Networks - National Australia Bank Green Bond - Orsted Green Bond - United Utilities - HSBC SDG Bond	United Utilities, p.46 HSBC SDG Bond, p.47

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

FOREWORD 2019

JOHN HALE
CHAIR OF THE SOCIAL ADVISORY COMMITTEE
DECEMBER 2019

It is a pleasure to record the steady growth in the size of the Fund during its fifth year, which this report reviews. This interest has strengthened since the Fund year-end and assets under management are of the order of £184 million at the time of writing.

This has taken place against the background of an increasing interest and emphasis – including in the fixed income sector – on ESG from clients and providers in the asset management industry. For the Fund there has been a continuing development of its Impact Methodology and its Social Performance Analysis to ensure it retains its focus on targeting social outcomes.

The Fund's solid five-year track record is likely to be a key reason for assets under management growing by more than 70% during 2019 and means the Fund can look forward to serving the growing market for social bonds yet further. On the demand side, the Fund is now available on more investment platforms that enable individual investors to invest in the Fund. The size and track record of the Fund is also meeting the requirements of the investment mandates of more institutional investors and the selection processes run by investment advisers.

However, on the supply side it should be noted the UK is lagging behind its European counterparts in the issuance of green, social and sustainable bonds. While the need for bonds targeting such outcomes in the UK is high, opportunities to invest are relatively low. This can, in part, be explained by the recent political hiatus and accompanying economic environment disincentivising bond issuance by UK organisations.

The Fund managers and BII throughout this period have continued to push the Fund objective of further appropriate bond issuance through their lobbying activities (see section 04 Forward Look). We await, with anticipation, for the necessary institutional changes we have been calling for to be implemented so the capital markets can begin to adequately meet the UK's investment requirements.

01 INTRODUCTION

This is the fifth 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 impact. This report provides a summary of the Fund's impact performance.

ABOUT THE FUND

The Fund's overall impact objective is to support and fund organisations that deliver socially beneficial activities and more inclusive and sustainable development, primarily in the UK. The Fund's financial objective is to deliver investors a financial return in line with the risk associated with investment-grade bonds. 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 has two secondary market-building objectives:

- **Increase retail investor access to investments that have a positive impact.** The Fund aims to contribute to the democratisation of capital, making it easier for ordinary retail investors to invest for positive impact, as well as institutional investors.
- **Promote new bond issuance and the role of bonds as means to finance sustainable development.** CTI and BII are committed to encouraging new bond issues by social purpose organisations, including charities. CTI has been an active supporter of the Retail Charity Bond Platform since it was set-up in 2014 and is also an active member of the International Capital Markets Association (ICMA) Social Bond Working Group.

Bonds are particularly suited to deliver long-term, place-based social and environmental outcomes. They 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.

In its approach, 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 described by the Impact Management Project).
- 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 **social value is co-created** and social performance can therefore be attributed to the Issuers, the Fund and Investors themselves with Issuers 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).[1]

The Fund's impact assessment methodology is designed to ensure impact considerations are fully integrated into the investment decision-making and fund management process (see Annex 1).

BII, CTI and TGE recognise that impact measurement and management is an emerging field. We are committed to being actively engaged in this field and review and refine our approach on an annual basis in line with industry developments and standards, as well as first-hand investment experience.

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.

A percentage of the Fund's earnings goes towards supporting BII in its work financing the growth of social enterprises and charities across the UK.

The report is organised as follows:

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

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

Section four provides a Forward Look focused on three main themes: increasing social bond issuance in the UK, making it easier for ordinary people to invest for positive impact and building a culture of impact integrity within the UK financial sector.

1. The Fund takes into account the 'five dimensions of impact' as developed by The Impact Management Project, which aims to build a common understanding of impact (the effects on people and the planet, both positive and negative).

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

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

THE BIG ISSUE GROUP

The mission of The Big Issue Group is 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 £5.5 million. Since 1991, the magazine has helped over 92,000 vendors to earn £115 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 £63 million assets under direct management. In 2018-19, 63 investments were made to 55 organisations. This was £8.99 million invested across the UK with 63% of the investments in high deprivation areas.

EXAMPLES OF BII INVESTMENTS

SMILE TOGETHER

Smile Together aims to create healthier, happier communities by delivering dentistry with social impact. The 120 Smile Together clinical and support professionals use a 'Prevent, Reach, Treat' strategy to support marginalised communities in Cornwall and the Isle of Scilly. An investment of £1 million from Big Issue Invest has enabled Smile Together to establish a best in class dental centre in Bodmin.

In 2018, the Brighter Smiles education programme reached 2,500 children in 66 schools to develop positive behaviours in dental health. Tooth extraction due to decay is the leading cause of hospital admission for general anaesthetic amongst 5-9 year-olds. It is estimated the Smile Together programme saved the NHS £604,000. On top of this, Smile Together conducts outreach with marginalised community members to ensure equal access to quality treatment. In 2018, the team treated 35,000 patients with 97% of patients recommending the service.

THE LINK (REDCAR)

The Link (Redcar) is a Community Interest Company providing therapeutic services for children and young people in North East England. Established in 2011, The Link works with people to overcome mental health issues and emotional distress with its bespoke therapies built on the whole family approach. Big Issue Invest provided £40,000 in patient capital to support The Link to grow operations and support more people across their local authority.

In 2018 The Link delivered 4,800 one-to-one sessions and has directly supported 3,000 children and young people to build their resilience. The Link also works with key community services and provided support to 97 young people through adoption support services.

INVISIBLE CITIES

Tourism with a difference! Invisible Cities is a social enterprise that trains people who have experienced homelessness to become walking tour guides of their own city. Invisible Cities joined Big Issue Invest's Power Up Scotland programme to receive three months of intensive business development support and to access £50,000 of financing to grow its operations.

To date, Invisible Cities has trained 52 people to become tour guides across Edinburgh, Glasgow, Manchester, York and Cardiff. Invisible Cities also enables people to access services to improve confidence and wellbeing. Businesses such as Street Barber and Sparkle Sisters collaborate with Invisible Cities to provide haircuts, toiletries and podiatry services to people affected by homelessness.

Sonny, who joined Invisible Cities in 2016, explains the job gives him a sense of routine, financial capabilities and a feeling of self-worth. Sonny is now setting up his own initiative called Unheard Voices to help others who have been in his situation.

The Fund is attracting increasing numbers of retail investors with regular contributions being made through ISAs. This realises BII's ambition to create an impact investment product suitable for everyday investors – helping to democratise access to impact opportunities provided through the mainstream capital markets.

02 PORTFOLIO-LEVEL PERFORMANCE ANALYSIS

As of June 2019, the Fund had £120 million assets under management (AUM), up from £114 million in June 2018 (5% annual growth in 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 also attracting increasing numbers of retail investors with regular contributions being made through ISAs. This realises BII's ambition to create an impact investment product suitable for everyday investors – helping to democratise access to impact opportunities provided through the mainstream capital markets.

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

As of June 2019, the Fund was invested in 145 bonds from 100 issuers, including charities, registered social housing providers and publicly listed companies.

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

TOP 25 BOND HOLDINGS, 2019

The top 25 holdings, accounting for 54% of the total value of the Fund, are listed below. See Annex 2 for full list of bond issuers.

Name of Issuer	Social Outcome Area	Social Performance Rating	% of Portfolio (June 2019)	% change (2018-19)
BUPA Finance	Health & Social Care	Medium	3.46	-0.15
European Investment Bank CAB	Utilities and the Environment	Medium	3.22	0.21
Motability Operations Group	Transport and Communications Infrastructure	High	3.22	-0.45
London and Continental Railways	Transport and Communications Infrastructure	Medium	3.00	1.63
Wellcome Trust	Health & Social Care	High	3.00	-0.68
TFL Green Bond	Transport and Communications Infrastructure	Medium	2.85	-0.24
Lloyds ESG	Financial Inclusion	Medium	2.59	-0.41
Legal and General	Financial Inclusion	Low	2.53	0.26
HSBC SDG Bond	Utilities and the Environment	Medium	2.52	0.82
Dwr Cymru (Welsh Water)	Utilities and the Environment	High	2.37	-0.68
Anglian Water	Utilities and the Environment	High	2.31	-0.15
Barclays Green Bond	Utilities and the Environment	Medium	2.24	0.84
Electricity North West	Utilities and the Environment	High	2.20	0.58
Morrisons	Employment & Training	Medium	2.08	-0.09
Northern Ireland Electric	Utilities and the Environment	Medium	1.75	-0.84
Royal London Mutual Insurance	Financial Inclusion	Low	1.70	0.75
IADB EYE Bond	Employment & Training	High	1.66	0.11
Thames Tideway Tunnel (Bazalgette)	Utilities and the Environment	High	1.58	0.56
Coventry Building Society	Financial Inclusion	Medium	1.54	-0.09
Charities Aid Foundation	Community Services	High	1.48	-0.32
Manchester Airports Group	Transport and Communications Infrastructure	Medium	1.44	-0.93
Nationwide Building Society	Financial Inclusion	Medium	1.43	-2.12
Hightown Housing Association	Affordable Housing and Property	High	1.40	-0.36
Becton Dickinson	Health & Social Care	Medium	1.36	New Issue
Yorkshire Building Society	Financial Inclusion	Low	1.35	0.21

SUMMARY OF THREE-YEAR PERFORMANCE TRENDS

The Fund's portfolio has grown steadily during the year, while maintaining a high level of overall social performance (83% rated Medium or High social performance). Investments remain concentrated in the UK and are diversified across the eight social outcome areas. Investments in Utilities, Transport and Communications Infrastructure and Affordable Housing represent nearly two-thirds of the portfolio, reflecting the fact bonds are well-suited to financing infrastructure and housing projects and these are the outcome areas with the most opportunity for investments to be made.

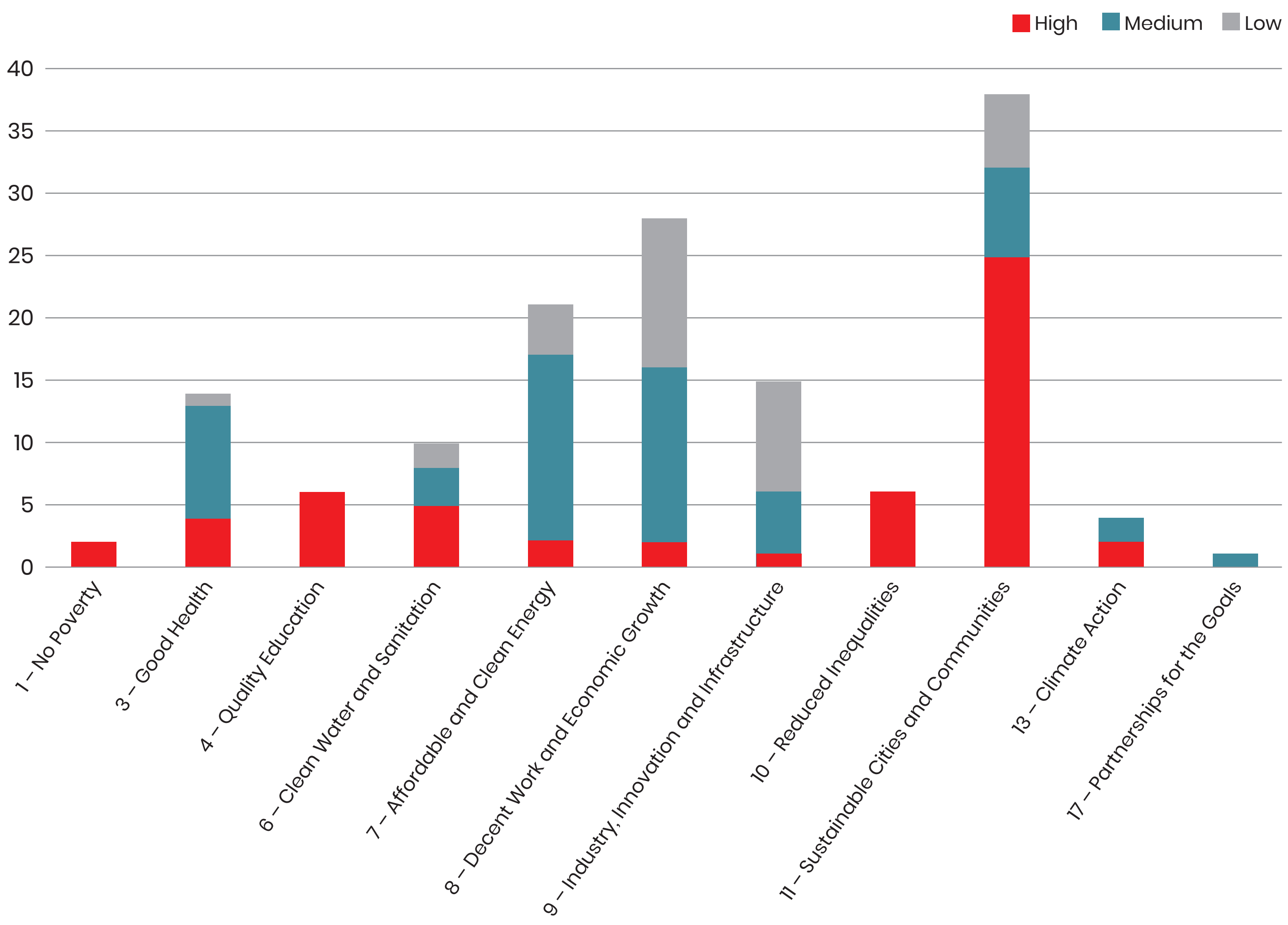
		2017	2018	2019
Portfolio	Value (£ million)	95.7	114.4	120.1
	Number of bonds	96	108	145
	Number of Issuers	72	80	100
	Largest Issuers (% of Fund by Value)	4.0	3.7	3.5

		2017 (% of value)	2018 (% of value)	2019 (% of value)
Social Performance	High	43.3	32.8	35.8
	Medium	41.5	51.2	46.9
	Low	15.3	16.0	17.3
Social Outcomes	Affordable Housing and Property	19.3	19.3	15.6
	Community Services	4.6	5.6	3.5
	Education Learning and Skills	12.0	2.7	2.5
	Employment and Training	10.4	6.6	7.7
	Financial Inclusion	11.5	13.2	11.1
	Health and Social Care	12.7	9.1	9.5
	Transport and Communication Infrastructure	12.2	19.8	18.5
	Utilities and the Environment	17.3	23.7	31.5
Social Geography	Regional	49.9	41.7	37.6
	National	39.4	46.0	47.2
	Supranational	10.6	12.3	15.2
Regional Geography	Outside of GSE	75.7	66.5	68.5
	Midlands and South West	17.7	20.5	21.3
	North	29.8	20.6	19.9
	Scotland and Northern Ireland	13.4	9.5	7.9
	Wales	13.0	12.5	11.0
	Multi-Regional	1.8	3.5	8.3
	Greater South East	24.3	33.5	31.5
Job Performance	Favourable Overall Jobs Performance	73.8	52.3	55.1

HEADLINE RESULTS

SDG ALIGNMENT AS OF JUNE 2019 (by number of bonds)

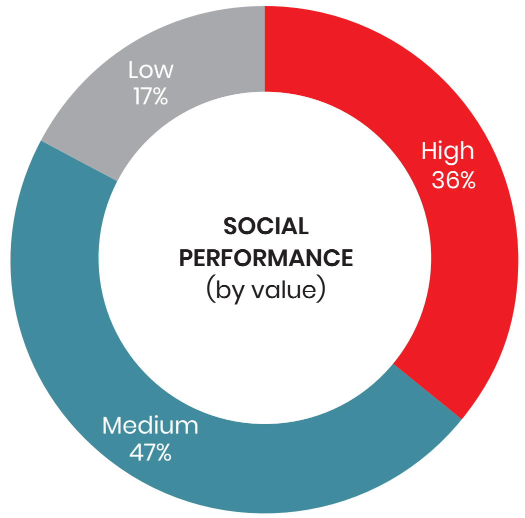
The Fund is making the greatest contribution to SDG 11 – Sustainable Cities and Communities, SDG 8 – Decent Work and Economic Growth, and SDG7 – Affordable and Clean Energy.



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

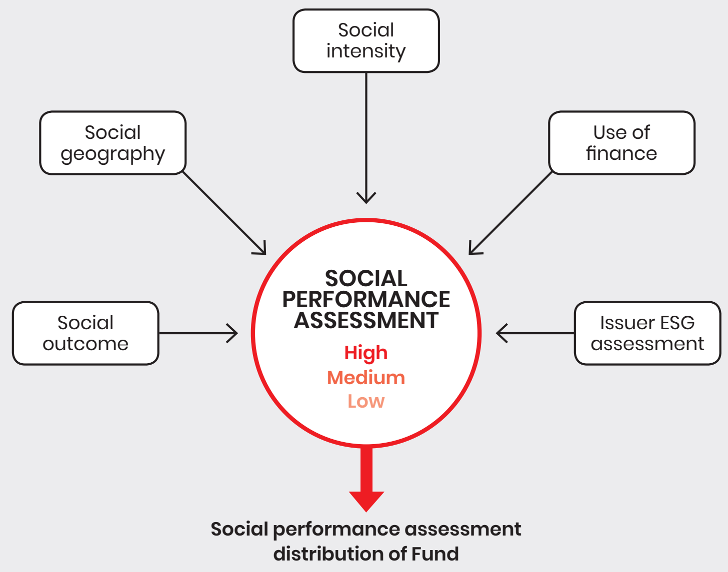
SOCIAL PERFORMANCE RATINGS (by value)

36% of the bonds fell into the High social performance category, 47% into Medium and 17% were rated as Low. The proportion of bonds rated as High and Medium social performance has remained stable over the last three years, dropping only marginally from 85% in 2017, to 84% in 2018 and now standing at 83% in 2019. This shows the Fund remains consistently and significantly above the stated target of having 66% of the portfolio in the High or Medium categories. Moreover, the value of bonds rated as High is moving in a positive direction, increasing from 33% to 36% over the 12-month period to June 2019. This goes some way to reversing the 10% drop experienced from 2017 to 2018.



SOCIAL PERFORMANCE RATING

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



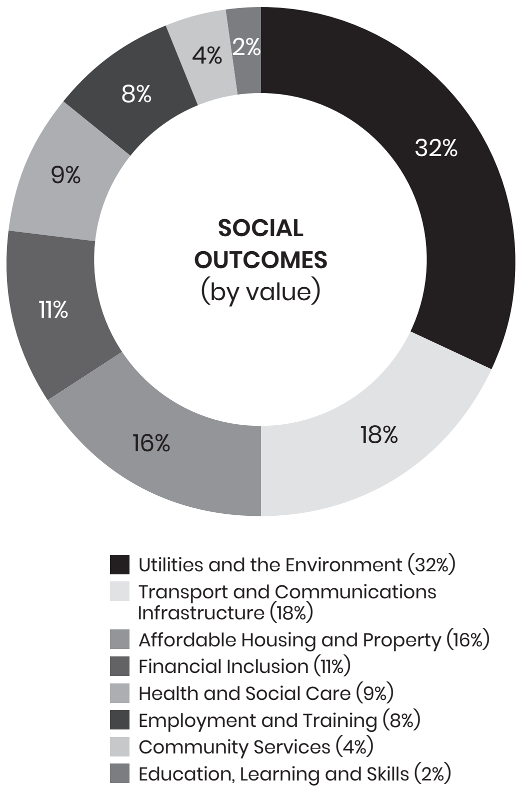
See Annex 1 for a detailed description of the Impact Assessment Methodology.

WHAT TYPE OF IMPACT?

SOCIAL OUTCOMES (by value)

The Fund remains diversified across its eight impact areas with the largest four areas – Utilities and the Environment (32%), Transport and Communication Infrastructure (18%), Affordable Housing and Property (16%) and Financial Inclusion (11%) – composing three-quarters of the Fund's investment.

The most notable increase once again came from the Fund's largest outcome area, with Utilities and Environment increasing from 24% to 32% (having increased from 17% to 24% the previous year). Most areas remained the same or decreased marginally, with Affordable Housing and Property seeing the biggest decrease, from 19% to 16%. However, the Fund continues to be an active investor in social and affordable housing, with investments in seven new Housing Association bond issuers this year.

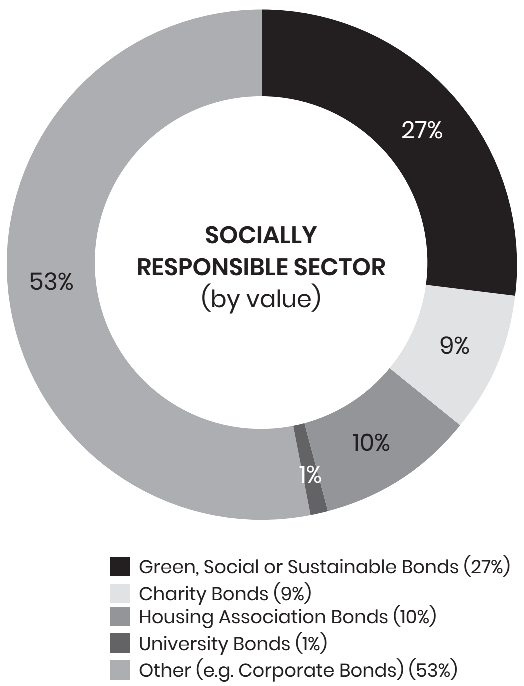


SOCIALLY RESPONSIBLE SECTOR (by value)

46% of the Fund is invested in bonds classified as coming from socially responsible sectors – this includes Green, Social or Sustainable Bonds (27%), and bonds issued by Charities (9%) and Housing Associations (10%).

Green, Social and Sustainable bonds are an updated classification of the use of bond proceeds since 2018 and is therefore not directly comparable.

Despite an increase in the number of Charity and Housing Association bonds the value of the Fund invested in these sectors fell from 11% each, to 9% and 10% respectively over the 12 months to June 2019.

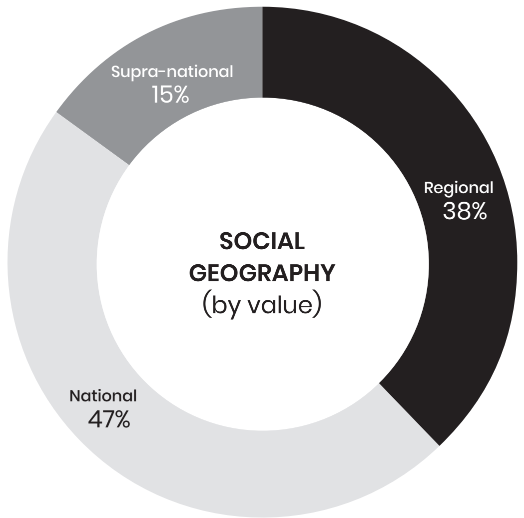


WHERE IS IMPACT CREATED?

SOCIAL GEOGRAPHY (by value)

The Fund's investments are concentrated on the UK, particularly regions outside London and the South East. Investments concentrated in the UK fell over the 12-month period, down from 88% in June 2018 to 85% in June 2019. Within the UK allocation of the Fund, investment with a national reach increased marginally from 46% to 47%, and investment with a regional focus dropped from 42% to 38% (having already decreased from 50% in 2017).

The UK therefore continues to constitute the main focus of the Fund, though there has been a small but clear shift towards bonds with a high development impact in developing countries. Such supra-national bonds now form 15% of the Fund's allocation (up from 12% in 2018). This shift reflects patterns of bond issuance, with more opportunities to invest coming outside of the UK.



The Fund continues to invest in bonds which drive more balanced and inclusive development within the UK. The proportion of the Fund's regional-local investments outside the Greater South East increased from 67% to 69% in the year to June 2019. Investment in the Midlands and the South West remained steady at 21%, while the North received a 20% share of investment (down from 21%). Scotland and Northern Ireland received a combined total of 8% of regional-local investment (down from 10%), with Wales' share falling marginally over the year, from 13% to 11%. The most substantial increase came from investments with a multi-regional focus, up from 4% in 2018 to 8% in 2019.

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

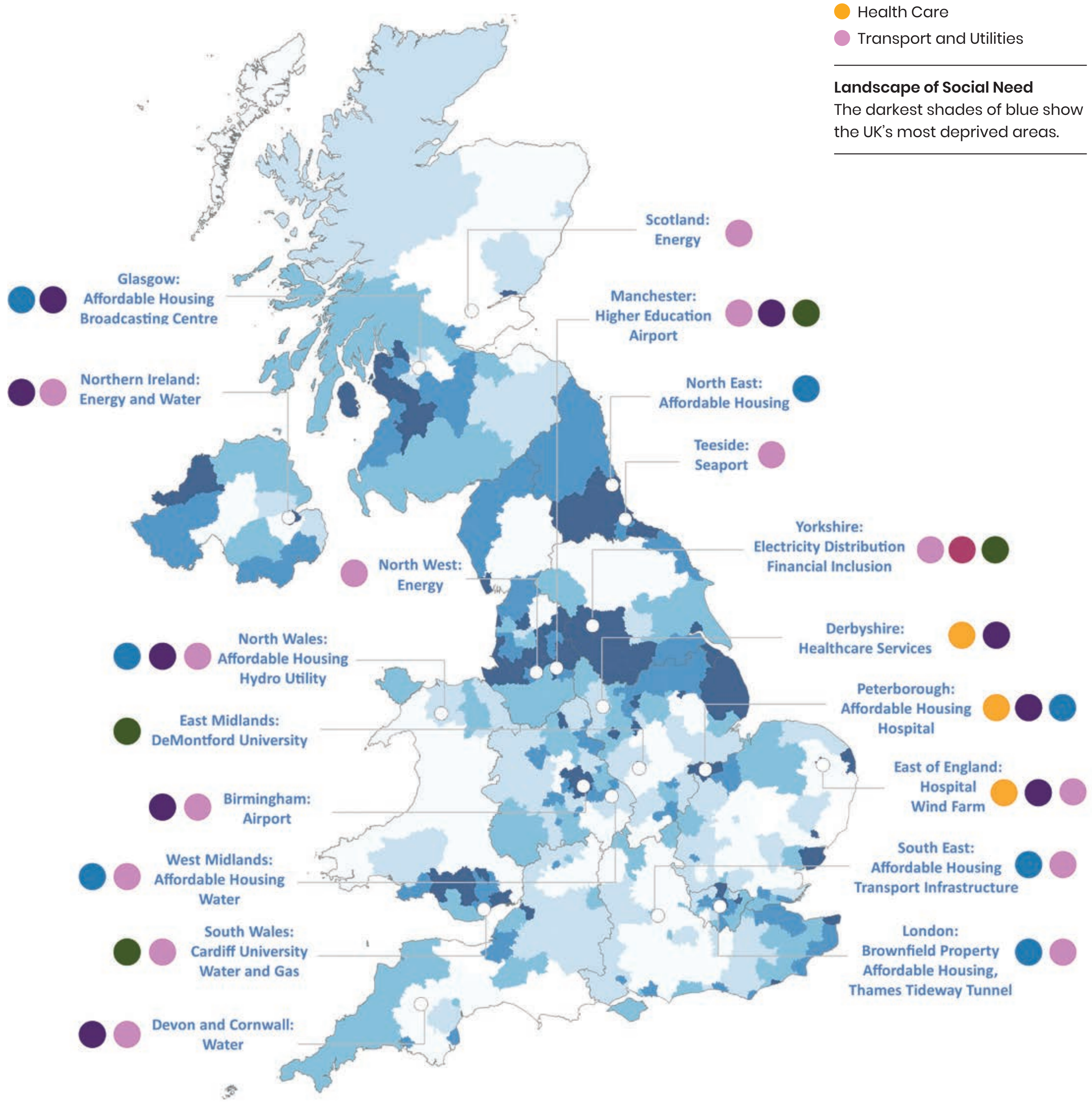
When the investments are mapped on to the UK's landscape of socio-economic deprivation, it is clear the Fund is supporting many of the country's most disadvantaged communities.

INVESTMENT FOR INCLUSIVE AND SUSTAINABLE DEVELOPMENT IN THE UK

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

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

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



 Data sources: English Indices of Deprivation (2019), Northern Ireland Multiple deprivation Measure (2017), Scottish Index of Multiple Deprivation (2016) and Welsh Indices of Deprivation (2014). % of a local authorities 20% most deprived local areas (LSOAs) nationally.

AN OVERVIEW OF JOBS PERFORMANCE

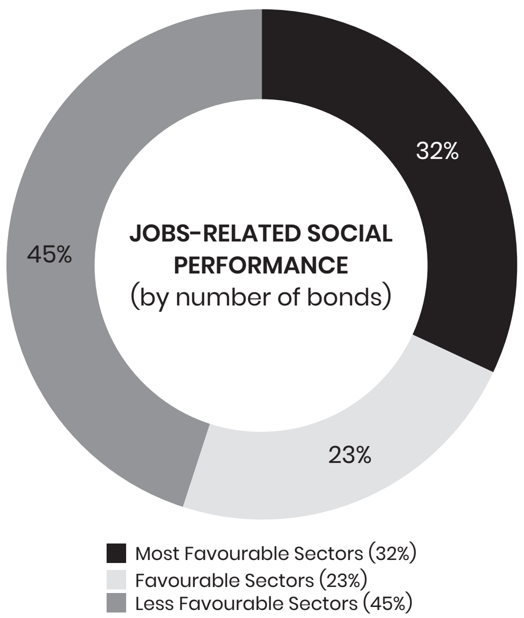
Employment and Training is the only social outcome area that directly addresses the good jobs challenge (SDG8). The UK has a low unemployment rate but faces the challenge of achieving "a more equitable distribution of good job opportunities, both socially and geographically" (OECD). Prevalent challenges to achieving more equitable job opportunities in the UK include high incidences of in-work poverty, under-employment and localised hotspots of high unemployment.

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

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

According to the JAM, 55% of the Fund's investments are concentrated in sectors that have a favourable good jobs performance. These sectors include Health, Utilities and the Wholesale and Retail Trade. This 55% favourable share represents a 4% increase from 51% in 2018.



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	Housing Associations 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

81% of bonds are concentrated in sectors with a strong employer presence in the most deprived areas of the UK (up 2% from 2018).

46% of bonds are concentrated in sectors with favourable median earnings, the same as 2018.

63% of bonds are concentrated in sectors that provide intermediate (NVQ3) level job opportunities, including apprenticeships (up 3% from 2018).

03 PERFORMANCE BY SOCIAL OUTCOME AREA

AFFORDABLE HOUSING AND PROPERTY

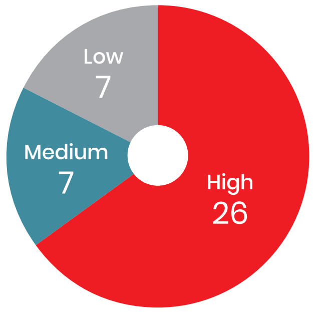
INCREASING THE PROVISION OF QUALITY, AFFORDABLE HOMES FOR LOW-INCOME HOUSEHOLDS

40 HOLDINGS

29 ISSUERS

£18m INVESTED

16% of total amount invested[2]



SOCIAL PERFORMANCE ASSESSMENT
(by number of bonds)

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. Homelessness is also on the rise – analysis from the charity Shelter in 2018 revealed that 320,000 people in Britain were recorded as homeless. That is the equivalent of one in every 200 people. The government estimates that 300,000 homes need to be built each year by the mid-2020s to meet this substantial housing need.

Registered social housing providers are a crucial part of the solution to the housing crisis. They are the major providers of affordable homes for people on low-incomes and those with specialist housing needs, including the homeless, older people and people with disabilities. 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. Though the allocation of the Fund directed towards Affordable Housing and Property dropped, it remains one of the largest social outcome areas in the Fund, accounting for 16% of the total portfolio value as of June 2019 (down from 19%). Despite this fall in the proportion of the Fund's value, the number of bonds held by the Fund in this area increased from 28 bonds and 20 issuers in 2018 to 40 bonds and 29 issuers in 2019. As of June 2019, the Fund holds bonds issued by 19 Housing Associations (up from 12 the previous year) including new holdings from **Aster Housing Association**, **Futures Housing Group** and **Karbon Homes**. See the table overleaf for an overview of the development plans of the Housing Associations that are new to the Fund.

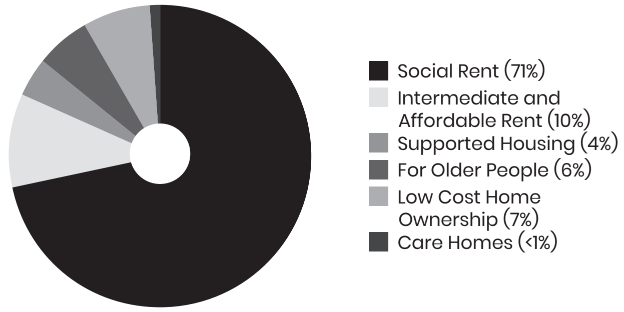
2. Note that the total AUM of £120.1 million includes £5.3 million in cash holdings. These cash holdings are not included in the social analysis undertaken within this report. The cumulative total of the amount invested for each outcome area will therefore not add up to the total AUM of £120.1 million.

HOUSING ASSOCIATION HOLDINGS
(see Annex 3 for more details)

677,047 PROPERTIES

Number of regulated properties owned and managed by Housing Associations in the Fund

TOTAL PORTFOLIO SOCIAL HOUSING STOCK
(by provision type)



This year the Fund added bonds from six new Housing Associations, plus Clarion Housing – a new organisation and the UK's largest housing association that is the result of the merger between Circle Housing and Affinity Sutton (which both had bonds already held by the Fund).

These organisations all plan to deliver new social and affordable housing in the coming years to tackle the shortage across the UK. The UK government has stated that 300,000 new homes per year are needed by the mid-2020s to satisfy demand.[3] The development plans of these organisations will, if achieved, contribute approximately 4% of this stated housing need on an annualised basis.

Housing Association	Geography	Target
Aster Group Housing Association	South East and South West	Plans to build 11,800 homes over the next seven years.
Bromford Housing Association	Midlands and South West	Plans to deliver 14,000 new homes in the Midlands and South West over the next decade.
Clarion Housing	National	Plans to build 50,000 homes over the next ten years, with two-thirds of the homes developed for affordable rent and shared ownership.
Futures Housing Group	East Midlands	To deliver 1,200 homes over the next five years.
Home Group	National	Target to deliver 10,000 new homes by 2022.
Karbon Homes	North East	At least 500 high quality new homes every year.
Paragon Asra Housing	London, South East and Midlands	Plans to deliver 5,500 homes over the next decade.

3. HM Treasury, Autumn Budget 2017: Building the homes the country needs.

HIGHTOWN PRAETORIAN & CHURCHES HOUSING ASSOCIATION

Hightown Praetorian & Churches Housing Association ('Hightown Housing Association') is one of the UK's fastest growing housing associations.

MISSION

Hightown's aim is to build homes in order to provide suitable and affordable housing for people who require care and support or who cannot afford to rent or buy a home at market values.

Hightown Housing Association manages over 6,400 properties, including supported housing, across Hertfordshire, Buckinghamshire, Bedfordshire and Berkshire. Hightown has delivered over 1,000 new affordable homes in the last two years and has a strong development pipeline, with plans to deliver around 400 new homes every year for each of the next five years.

THE BOND

The Fund invested in the bond issued by Hightown via the Retail Charity Bond platform in October 2018. The bond offer was closed eight days early following strong demand from investors, having raised a total of £31.5 million. This is the second bond for Hightown issued via the Retail Charity Bond platform having been one of the first users of the platform in 2015, when it raised £27 million.

PERFORMANCE SNAPSHOT

The funds raised from the 2018 bond are being used to support Hightown's development programme. The housing association's progress against its stated targets for the last two years are set out below:

Year-on-Year Performance on Key Indicators

Source: Hightown Housing Association Ltd, Social Impact Reports 2018–19 and 2017–18.

COMMUNITY SERVICES

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

4 HOLDINGS

3 ISSUERS

£4m INVESTED

4% of total amount invested

SOCIAL PERFORMANCE ASSESSMENT
(by number of bonds)

Within this outcome area, the Fund seeks to make investments in charities and organisations providing services targeted at the most vulnerable or those assessed to improve community well-being. The portfolio includes three bonds which benefit communities in the UK and one from the African Development Bank which has a global reach. This year, two new bonds issued by **Centre Parcs** were added to the Fund. These were categorised under the Community Services outcome area since the benefits have the potential to improve well-being through offering low-cost family breaks. However, since they do not target vulnerable individuals, these bonds were given a Low social performance rating.

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 bonds issued on the Retail Charity Bond platform: **Charities Aid Foundation**, **Golden Lane Housing** and **Hightown Housing Association**.

Note that Golden Lane Housing and Hightown Housing Association are both now technically classified by the Fund under Affordable Housing and Property, since this is their primary outcome area. Nonetheless, both organisations are charities that raised bond finance through the Retail Charity Bond platform and so they cut across both areas of the Fund.

GOLDEN LANE HOUSING

Golden Lane Housing (GLH) is a registered charity and one of the UK's largest supported housing landlords for people with a disability. Set up by the charity Mencap, its work enables people with learning disabilities to live in quality supported housing rather than institutional care. It was one of the first charities supported by the Fund.

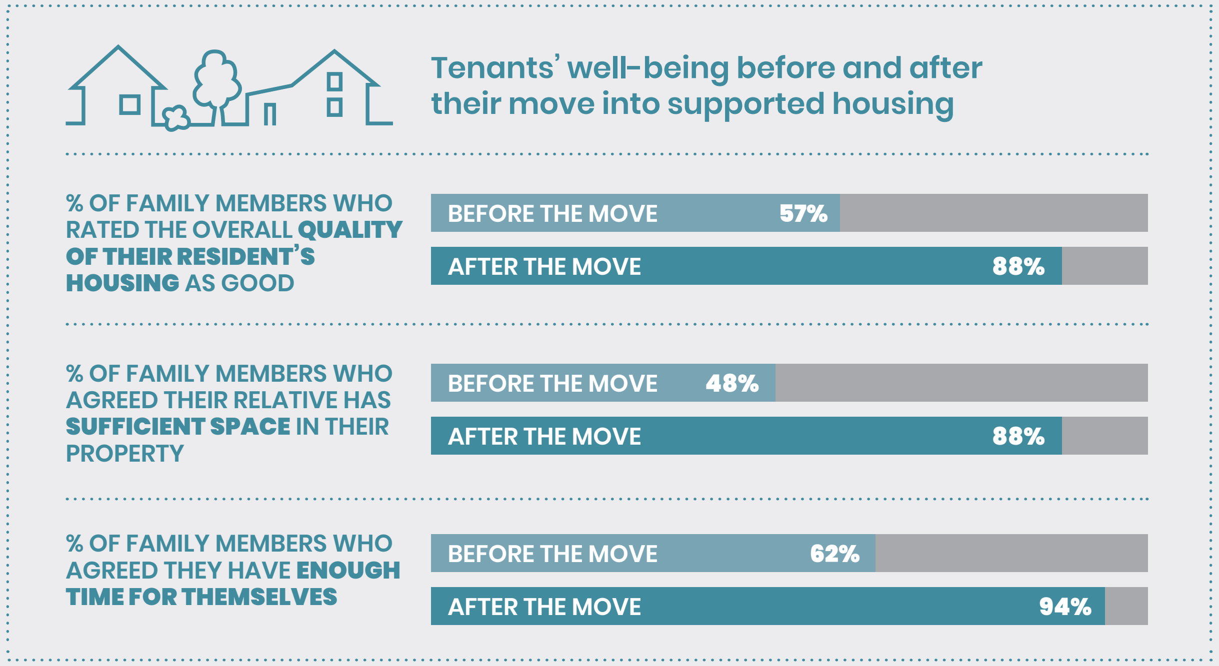
THE BOND

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. In 2019/20 GLH will be looking at taking out £8 million retained bonds from its 2017 issue, providing more critical community-based housing solutions for people with a learning disability.

PERFORMANCE SNAPSHOT

Since issuing its bond on the Retail Charity Bond platform in 2014, GLH has been able to scale up its impact. Today, it has over 950 properties across the UK and provides supported living services to around 2,000 people with a wide range of care needs.

Over the last five years, GLH have commissioned an external consultant to support the assessment of tenants' well-being before and after their move into supported housing. Some of the key findings from the 2019 results are as follows:



Source: Golden Lane Housing, Social Impact Report 2019

GLH also captures what its tenants think of their services through an annual tenant satisfaction survey. Results from the survey for the last three years are as follows:

	2015-16	2016-17	2017-18
Tenants satisfied with neighbourhood	94%	94%	97%
Tenants satisfied that rent provides good value for money	88%	88%	87%
Tenants satisfied that service charges provide good value for money	90%	92%	90%
Tenants satisfied with overall service	85%	91%	87%

Source: Golden Lane Housing, Annual Report 2018

AFRICAN DEVELOPMENT BANK

The African Development Bank (AfDB) is a multilateral development bank with a mandate to combat poverty and promote social and economic development in Africa. AfDB provides financing and technical expertise for projects with strong development outcomes.

MISSION
To spur sustainable economic development and social progress in Africa.

THE BOND
The AfDB has developed a Social Bond Framework under which it issues Social Bonds. The Fund invested in the AfDB's inaugural EUR 500m, seven-year social bond issued in November 2017. This was one of the first Social Bonds to be issued globally. The projects to be financed are expected to lead to poverty reduction, job creation, as well as inclusive growth across age, gender and geography in Africa. The bond has a social impact measurement framework that aligns with the four pillars of the International Capital Market Association's (ICMA) Social Bond Principles. It is assessed to have the potential for High social impact.

PERFORMANCE SNAPSHOT
The AfDB tracks its progress across five priority impact objectives, which it refers to as its 'High 5s':

'High 5s'	AfDB's activities	Indicator	2015	2018	2025 Target
Light up and Power Africa	AfDB makes investments in energy projects to improve access to affordable, reliable and green energy	Number of people with new electricity connections	72,500	566,000	24m
Feed Africa	AfDB's work focused on supporting agribusiness, innovation and nutrition initiatives, and building infrastructure to enable farmers to reach markets	Number of people benefiting from improvements in agriculture	5m	19m	63m
Industrialise Africa	AfDB working with enterprises of all sizes and promoting productivity along international value chains	Number of people benefiting from investee projects	600,000	800,000	20.9m
Integrate Africa	AfDB makes infrastructure investments to connect countries, promote trade and improve competitiveness	Cross-border roads and energy transmission lines constructed or rehabilitated (km)	380	396	13,430
Improve the Quality of Life for the People of Africa	AfDB aims to create employment opportunities to reduce poverty – these include investments in education, health and skills development	Number of direct jobs created	1m	1.2m	18.8m

Source: African Development Bank Group, Annual Development Effectiveness Review 2019.

EDUCATION, LEARNING AND SKILLS

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

5 HOLDINGS

5 ISSUERS

£2.9m INVESTED
3% of total amount invested

SOCIAL PERFORMANCE ASSESSMENT
(by number of bonds)

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, the Higher Education Funding Council for England (HEFCE) and the Higher Education Statistics Agency (HESA) provide a current picture of the challenges ahead with regard to widening participation and social mobility:

- 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 considered.

The Fund's holdings in this area have remained steady over recent years, with the Fund continuing to hold bonds issued by four UK universities: Cardiff, De Montfort, Leeds and Manchester. The bond screening and selection process is informed by a University Social Mobility Rating system developed by The Good Economy. This covers 125 UK HE institutions.

Results for the Fund's university holdings according to this Rating are shown below, together with their ratings in the government's new Teaching Excellence Framework (TEF). All four universities perform better than the UK average in terms of graduate prospects and continuation of study for students 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. De Montfort and Leeds score highly on the TEF quality of teaching measure. Note that the data for universities' intake from low participation backgrounds is from 2016-17 and the TEF data is from 2018. More up-to-date data will be used in forthcoming reports as The Good Economy University Rating is updated.

University	Graduate Prospects (Employability Score out of 100)	Students from low participation neighbourhoods (%)	Students from low participation neighbourhoods no longer in HE the year following entry (%)	The Good Economy University Rating	Teaching Excellence Framework Outcome
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.

4. 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).

DE MONTFORT UNIVERSITY

De Montfort University (DMU) plays an important role in widening access to higher education and provides long-term social and economic benefits for Leicester and the East Midlands more widely, an area with a high level of socio-economic deprivation.

The university has a strong reputation as an institution that drives inclusion and social mobility. Nearly 50 percent of DMU students are from a black, Asian or minority ethnic backgrounds and 18 percent register as disabled – the fourth highest proportion among UK universities. This commitment to inclusive practices was recently recognised, with DMU named the first ever 'University of the Year for Social Inclusion' by The Sunday Times Good University Guide 2019.

The university also received a 'Gold' rating in the UK Department of Education's Teaching Excellence and Student Outcomes Framework in 2017. By achieving a Gold rating, this verifies that De Montfort provides outstanding outcomes for students from all backgrounds, particularly in terms of retention and progression.

DMU has a reputation for offering excellent vocational courses, with the university considered among the best in the country for studying the likes of nursing and midwifery. Not only are these inclusive careers that offer opportunities to people from a range of backgrounds, they also feed into key worker fields, further contributing to social outcomes.

The Fund invested in De Montfort's bond in 2017, with the proceeds of the issuance going towards a £136 million campus transformation project. The new facilities include new state-of-the-art teaching facilities, including the Vijay Patel Building, which opened in early 2017 providing sector-leading facilities for art and design students.

SOCIAL AND ECONOMIC IMPACT 2019

- 7,800 full time equivalent jobs supported by the university across the UK
- £500 million annual gross value added
- 1 in every 30 jobs in Leicester can be traced back to the university.

CERTIFICATIONS AND AWARDS

- Named University of the Year for Social Inclusion in 2019 by The Sunday Times Good University Guide
- Received a 'Gold' rating in the Department for Education's Teaching Excellence and Student Outcomes Framework in 2017
- Was chosen by the UN as a 'designated hub' for SDG Goal 16 – 'to promote peace, justice and strong institutions'.

OFS INVESTIGATION INTO DMU

In February 2019, higher education regulator the Office for Students (OfS) initiated a formal investigation into governance matters at DMU. The investigation found weaknesses and failing in the university's management and governance system. The vice-chancellor and chair of governors resigned in the wake of the enquiry. However, no penalties were imposed and the OfS closed its investigation in July 2019 "given the university's co-operation…the action it has already taken to address concerns, and its clear plan for future actions" (OfS Press Release).

The Fund tried to engage with the university during the enquiry, though these attempts were not successful. The situation was monitored closely and ultimately, the decision was taken to continue to hold the bond. The Fund came to this decision owing to the social outcomes which DMU contributes to, and the positive conclusion to the OfS' investigation in initiating a change in the university's governance.

The Fund continues to monitor the situation to ensure the action plan is executed effectively and the governance continues to improve.

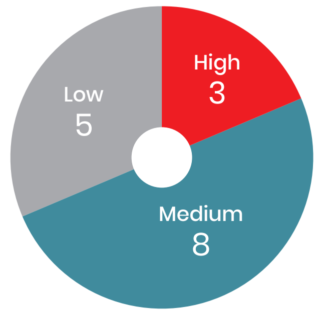
EMPLOYMENT AND TRAINING

SUPPORTING INCLUSIVE JOB GROWTH

16 HOLDINGS

10 ISSUERS

£8.9m INVESTED
8% of total amount invested



SOCIAL PERFORMANCE ASSESSMENT
(by number of bonds)

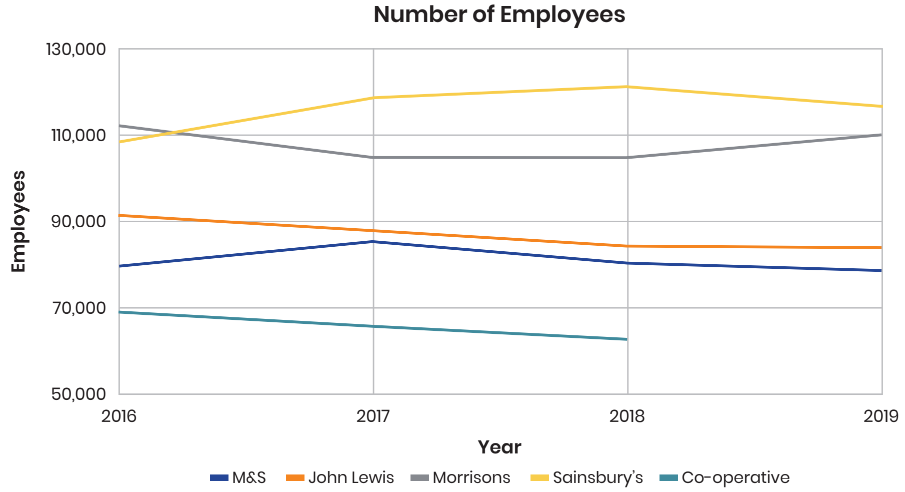
The Fund invests in Employment and Training related outcomes directly and explicitly only with respect to its investment holdings in the Retail sector. The rationale for this focus is that Retail is by far the largest private sector employer, spread throughout the country (including disadvantaged areas) 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 Employment Monitor for Q3 2019 continued to show a substantial downward trend in retail employment. The report showed a 2.6% annual drop in hours worked, with this drop equivalent to the loss of 85,000 people in the last 12 months.
- "Weak consumer demand and Brexit uncertainty continues to put pressure on retailers already focused on delivering the transformation taking place in the industry." Helen Dickinson OBE, Chief Executive, BRC.

This year, the Fund added another bond from **Marks & Spencer (M&S)** as well as the first Sustainability bond to be issued by a British retailer from the **Co-operative** (see case study). This adds to the Fund's portfolio of bonds from high-street retailers, which already included **John Lewis**, **Sainsbury's** and **Morrisons**. The Fund also holds bonds issued by three shopping centre groups: **Intu**, **Trafford Centre** and **Meadowhall**.

The Fund's retail holdings show a mixed picture in terms of recent job growth. Of the five high street retailers with bonds held by the Fund, four experienced a fall in employment for the most recent year for which data is available. Morrisons is the only company to have increased its headcount this year, yet their employment remains below 2016 levels, following a drop of 7,000 from 2016 to 2017.



Source: Annual Report data 2016-2019.

Company	Male/Female Median pay gap	Male/Female Mean pay gap
M&S	3.3%	12.3%
John Lewis	8.2%	12.7%
Morrisons	12.2%	14.5%
Sainsbury's	3.8%	12.1%
Co-operative	12.0%	18.2%
Retail sector average*	9.3%	16.4%

*Based on estimates from the National Office of Statistics' Annual Survey of Hours and Earnings.
Source: Company Gender Pay Reports 2018.

M&S

M&S can claim to be an inclusive employer in terms of gender, with 71% of its workforce being female and a better than sector average gender pay gap (see table above). The company also employs a high proportion of women in higher paying roles (66% of upper quartile earners are women). M&S is also aiming to raise its standard hourly rate to the living wage by 2025. However, due to a fall in profits, the retailer, which has 1,043 stores, is part way through a store closure programme which will see 85 stores close between now and 2024. Therefore, many employees are at risk of job loss.

John Lewis

Between 2016 and 2019, John Lewis' employee headcount decreased by around 8,000. The retailer has also cautioned over future job losses and Brexit's impact on its skills base. Along with this significant employment reduction, a fall in profits has also led to bonus cuts for John Lewis and Waitrose staff five years in a row. However, John Lewis is still consistently rated as one of the UK's most attractive employers. In 2018, the job site Indeed rated John Lewis the best UK retailer to work for based on thousands of employee reviews left on its page. This rating was based on work/life balance, pay, job security, management and culture.

Morrisons

Morrisons reduced its total workforce from 112,000 to 105,000 between 2016 and 2017, with this drop being mainly store staff. However, last year, the company's workforce increased again to 110,000. During 2018, the company's base rate of pay was also increased from £8.50 to £8.70. In the company's 'Your Pay' survey, 71% of staff members stated that they feel they receive a fair level of pay – 22% ahead of the retail industry benchmark. Morrisons is also the highest ranked of the five retailers in the Fund according to the Social Mobility Employer Index 2019. It was ranked as the 30th best performing employer in the UK on taking action to promote social mobility in the workplace (Co-op is the only other of the retailers in the Top 75, ranking 45th).

For information on the **Co-operative**, please see the case study.

Sainsbury's

Sainsbury's is the only company of the five retailers held by the Fund that discloses its company data to the Workforce Disclosure Initiative (WDI), an initiative run by ShareAction to encourage companies to disclose comparable workforce information in a bid to improve the quality of jobs. As a company, it also performs substantially above the sector average in terms of its gender pay gap (see table overleaf), although women still occupy 62% of lower quartile earners and only 39% of upper quartile earners. In 2018, Sainsbury's announced it would increase its base rate of pay from £8.00 to £9.20 per hour, and to £9.80 in central London. However, this came at the expense of paid breaks and bonuses, which led to a series of strikes at distribution centres.

In April 2019, Sainsbury's suffered a blow when its proposed merger with Asda was blocked by the Competition and Markets Authority. If the proposed merger had been successful, it would have created the UK's largest private-sector employer. Following the failed merger, it is felt the retailer will need to come up with an alternative plan to compete with cut-price retailers such as Aldi and Lidl, which may have job implications for store staff.

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, investing in workforce development and building sustainable, local supply chains.

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, while raising issues about the sector's skill base and import costs.

The future of retail has great significance for the UK employment and training outlook, given the sector's sheer scale and geographical pervasiveness. 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, investing in workforce development and building sustainable, local supply chains.

THE CO-OPERATIVE SUSTAINABILITY BOND

The Co-operative Group (the Co-op) is one of the world's largest consumer co-operatives, with over 4.6 million members and a workforce of nearly 63,000.

The Bond
This issuance is the first in a series of planned re-financing that will see the Co-op raise funds to fuel its growth plans. The bond has been structured around an International Capital Markets Association (ICMA) compliant sustainability bond framework.

As an ICMA-compliant sustainability bond, this means the bond is aligned with the voluntary guidelines of both the Green Bond Principles and the Social Bond Principles.

This is the first of its kind to be issued by a UK retailer. Proceeds will be used to distribute Fairtrade produce and to help Fairtrade producers to develop new products and boost their marketing.

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The rating and research agency, Vigeo Eiris, was commissioned to provide an independent opinion on the sustainability credentials and management of the Co-op's bond. Following a Due Diligence Assessment that took place from October to November 2018, Vigeo Eiris concluded that the bond is aligned with the voluntary guidelines of the Green Bond Principles and the Social Bond Principles. The agency expressed its highest level of assurance that the bond is likely to contribute to six SDGs: namely SDG 1, No Poverty; SDG 2, Zero Hunger; SDG 5, Gender Equality; SDG 8, Decent Work and Economic Growth; SDG 10, Reduced Inequalities; and SDG 12, Responsible Consumption and Production.

While this suggests the bond will target numerous outcome areas, the Fund classes it under Employment & Training, owing to the Co-op's position as a major UK retail employer.

Use of Proceeds
The Co-op intends to allocate the net proceeds of Sustainability Bond issuances to a portfolio of Eligible Sustainable Projects within the following eligible categories:

ICMA Category	Co-op themes / initiatives	Objectives	Potential Reporting Indicators
Socio-economic advancement and empowerment	Fairtrade products and Fairtrade	Support and promote the Fairtrade model and the empowerment and strengthening of producer communities, producers and workers	– Cost of purchases that are Fairtrade certified – Producers/producer communities reached – Market share of Fairtrade in convenience offering – Perceived retailer ethical leadership on Fairtrade
	Co-operative Academies	Work with academies to empower teachers and young people to work together for a better education and a better community	– Number of new academies – People receiving training on ethics / Co-op Values and Principles
	Water and sanitation projects	Improve quality of life by providing access to clean water	Number of people reached (access to clean, safe water)
Environmentally sustainable management of natural resources and land use	Responsible sourcing (supply chains)	Provide access to responsibly sourced products	Volume / cost (£) of purchases that are third party verified
Renewable energy and energy efficiency	Investments in technologies resulting in greater energy efficiency / lower GHG emissions	– Purchase energy from renewable sources – Invest in technologies / infrastructure resulting in more energy-efficient / lower emission stores, funeral homes, depots and buildings – Invest in more energy-efficient / lower emission transport for Co-op food, funeral and wider operations	– Renewables: Reduced GHG emissions (metric tons of CO2e, % reduction in direct GHGs from ops, generation capacity in kWh) – Energy efficiency: energy saved aggregate (kWh), GHG emissions avoided (metric tons CO2 equivalent)

Source: Co-op Sustainability Bond Framework, November 2018.

The Co-op has committed itself to reporting on the social and environmental impacts of the projects funded with the Sustainability Bond proceeds. The Fund will track the Co-op's performance against the reporting indicators set out in the table above as reports become available.

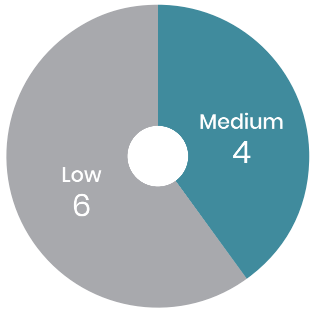
FINANCIAL INCLUSION

IMPROVING ACCESS TO AFFORDABLE FINANCIAL SERVICES FOR ALL

10 HOLDINGS

6 ISSUERS

£12.8m INVESTED
11% of total amount invested



SOCIAL PERFORMANCE ASSESSMENT
(by number of bonds)

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

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

Source: FCA Financial Lives Survey 2017.

Compared to the index, 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 rather than high street banks. The Fund continues to hold bonds issued by the UK's three largest building societies – **Nationwide**, **Coventry Building Society** and **Yorkshire Building Society**. However, all the bonds in this area still receive either a Low or Medium social performance rating since they do not explicitly target vulnerable groups.

NATIONWIDE
77,000 FIRST-TIME BUYERS HELPED INTO THEIR HOMES IN 2019
1.3% growth from 2018

COVENTRY BUILDING SOCIETY
£227m GIVEN IN FINANCIAL VALUE TO MEMBERS IN 2018 AS A RESULT OF ABOVE-AVERAGE SAVINGS RATE*
8.1% growth from 2017

YORKSHIRE BUILDING SOCIETY
197,000 SAVINGS ACCOUNTS OPENED IN 2018
2.1% growth from 2017

*Note this figure shows the amount of additional money paid in interest over what would have been paid if the market average savings rate had been matched.

Source: Annual Report data.

LLOYDS ESG BOND

The Fund has invested in Lloyds' ESG bond which is used to support the bank's "Helping Britain Prosper Plan".

Mission
The Helping Britain Prosper Plan aims to address some of the social, economic and environmental challenges faced by the UK.

The Bond
Since 2014, Lloyds has launched two ESG bonds totalling £500 million. The Fund continues to hold Lloyds' first ESG bond, the proceeds of which are used to support its 'Helping Britain Prosper Plan'. This plan underpins the bank's commitment to go beyond its usual activities to help address social and economic challenges, through helping people to buy a first home, save for the future and grow a business. The plan has committed to seven key areas (see table below).

Performance Snapshot
Lloyds reviews the targets and achievements of its Helping Britain Prosper Plan through an annual performance report. TGE and BII are of the opinion that, while the metrics tracked below provide a good demonstration of Lloyds' contribution to social goals, there is a distinction to be made between beneficial outcomes of the bank's core activities, and areas where Lloyds is actively contributing to 'additional' social outcomes. Areas 1, 2, 4 and 7 should be viewed as positive outcomes resulting from good practice in core activities. And Areas 3, 5 and 6 provide examples of areas where Lloyds is going above and beyond its core role as a financial institution to contribute to wider social benefits, beyond purely improving access to financial services.

	Area	Key Metric	2018 Result	2019 Target	2020 Target
1	**Helping Britain get a home**	Amount of lending committed to help people buy their first home	£12.4bn	£10bn	£30bn*
2	**Helping people save for the future**	Growth in assets that hold on behalf of customers in retirement and investment products	£7.4bn	£32bn*	£50bn*
3	**Building capability and digital skills**	Number of individuals, SMEs and charities trained in digital skills, including internet banking	700,000	600,000	1.8m*
4	**Supporting businesses to start up and grow**	Increased amount of net lending to start-up, SME and Mid-Market businesses	£3bn	£5bn*	£6bn*
5	**Helping the transition to a sustainable low carbon economy**	Average number of UK homes that could be powered as a result of Lloyds support of UK renewable energy projects	2.6m	3.5m*	5m*
6	**Tackling social disadvantage across Britain**	Number of charities supported as result of £100m commitment to Group's independent charitable Foundation	3,113	2,500	2,500
7	**Championing Britain's diversity**	Percentage senior roles to be held by women	35.3%	36.7%	40.0%
		Percentage of senior roles held by Black, Asian and Minority Ethnic colleagues	6.4%	7.2%	8.0%

*Cumulative 2018–2020.

Source: Lloyds Banking Group, Helping Britain Prosper Plan 2018 to 2020.

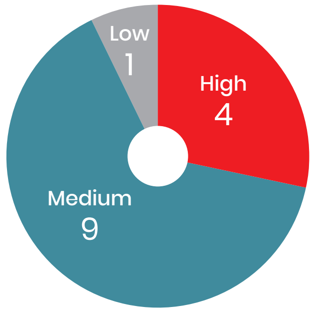
HEALTH AND SOCIAL CARE

SUPPORTING UNIVERSAL ACCESS TO HIGH QUALITY HEALTH AND SOCIAL CARE SERVICES

14 HOLDINGS

8 ISSUERS

£10.9m INVESTED
9% of total amount invested



SOCIAL PERFORMANCE ASSESSMENT
(by number of bonds)

The Fund invests in bonds with outcomes related to improving public health and care services. The UK health and social care system remains under unprecedented demographic, financial and staffing pressures. Pressures arise from the challenges of an ageing population (one in seven people are projected to be over 75 by 2040), the increasing prevalence of long-term conditions, and high levels of mental health problems.

The Fund has increased the number of health-related bonds it holds this year from nine to 14. New to the Fund this year is a bond supporting the work of **PureGym**, which aims to expand access to health and fitness options to those on lower incomes. Average membership cost is £19 per month – substantially lower than its competitors – and pay-as-you-go membership has been introduced to incentivise joiners without tying them in to long-term financial commitments.

The Fund has also added bonds issued by **Becton Dickinson**, a global medical technology company which claims to lead in health research and innovation. These new holdings add to the Fund's allocation supporting healthcare research. The Fund continues to hold bonds supporting the work of the **Wellcome Trust**, a charitable organisation that funds medical research and delivers public health programmes worldwide.

The Fund also continues to hold bonds that 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.

Outside the UK, the Fund also holds the "Gavi" bond issued by **International Finance Facility for Immunisation (IFFIM)** which funds vaccinations against major diseases in Africa (see case study).

INTERNATIONAL FINANCE FACILITY FOR IMMUNISATION (IFFIM)

The IFFIM uses long-term pledges from donor governments to sell 'vaccine bonds' in the capital markets. The resources raised by IFFIM are then made available to be used by Gavi, the Vaccine Alliance, a public-private partnership working to reduce vaccine preventable deaths and illness among children.

Mission
The IFFIM exists to rapidly accelerate the availability and predictability of funds for immunisation.

The Bond
The IFFIM raises finance by issuing Vaccine Bonds in the capital markets and so converts long-term pledges from donor governments into immediate cash resources. The long-term government pledges will be used to repay the IFFIM bonds. The World Bank acts as treasury manager to IFFIM. So far, the bonds have raised more than US$ 6 billion for Gavi immunisation programmes.

Performance Snapshot

$2.5bn IN IFFIM FUNDING
HAS BEEN DISBURSED TO SUPPORT VACCINE DELIVERY

IN **71** DEVELOPING COUNTRIES

WITH **15** COUNTRIES
STARTING TO SELF-FINANCE THEIR VACCINE DELIVERY THAT WAS INTRODUCED BY GAVI FUNDING

$150bn IN ECONOMIC BENEFITS
HAVE BEEN GENERATED THROUGH GAVI-SUPPORTED VACCINES FROM 2000-2017, BY HELPING TO PREVENT ILLNESS, DEATH AND LONG-TERM DISABILITY

Five Key Mission Indicators	2016	2017	2018	2020 Cumulative Target
Children Immunised The number of unique children immunised with the last recommended dose of a Gavi supported-vaccine delivered through routine systems	65m	133m	198m	300m
Future deaths prevented The number of anticipated future deaths prevented as a result of Gavi-funded vaccines in countries they support	1.3m	2.6m	4.3m	5-6m
DALYs averted The number of future disability-adjusted life years (DALYs) averted as a result of vaccination with Gavi-supported vaccines	60m	123m	203m	250m
Under-five child mortality The average probability of a child born in any of the Gavi-supported countries dying before they reach the age of five	61 / 1,000	59 / 1,000	–	58 / 1,000
Vaccines sustained after Gavi support ends The percentage of countries that continue to deliver all recommended vaccines included in their routine programmes after they transition out of Gavi financing	–	–	100%	100%

Source: Gavi Progress Report, 2018.

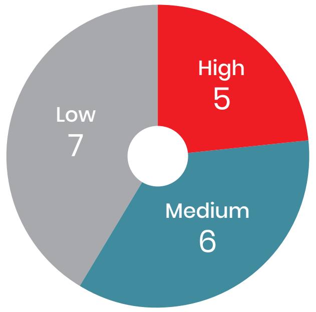
TRANSPORT AND COMMUNICATIONS INFRASTRUCTURE

ENSURING UNIVERSAL ACCESS TO BASIC INFRASTRUCTURE AND SERVICES

18 HOLDINGS

14 ISSUERS

£21.3m INVESTED
18% of total amount invested



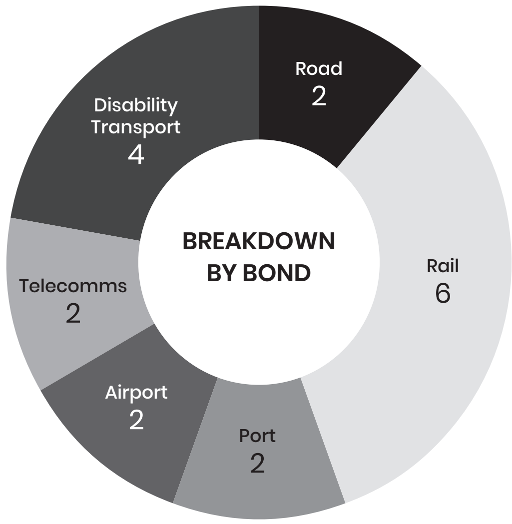
SOCIAL PERFORMANCE ASSESSMENT
(by number of bonds)

Within this outcome area, the Fund seeks to make investments that improve the quality of and access to transport and communications infrastructure across the UK. The Fund's holdings in this area are diverse. They cover railways, roads, airports and port infrastructure as well as telecommunications and four bonds that support the work of **Motability** (see case study), an organisation that provides vehicles for disabled people.

The Government estimates that over the period 2016-2021, investment of almost £500 billion will be necessary if the UK is to successfully bridge the infrastructure funding gap to meet present and future demands. And while the Government undoubtedly has a key role to play, private capital will be needed to meet this gap.

A lack of infrastructure investment also contributes to environmental pressures on the sustainability of economic development. Outdated systems and technology will increase the level of pollution produced and impact on the UK's ability to meet carbon emissions and air quality targets. In light of the increasing importance of environmental considerations, the Fund continues to hold **Transport for London's** first green bond, issued in April 2015, with proceeds going to fund low carbon transport projects in the capital.

New to the Fund in Transport and Communications this year is a bond issued by the telecommunications provider **BT**, as well as bonds from **Connect Plus** and **GetLink**, who operate and maintain the M25 and the Euro Tunnel respectively.



MOTABILITY

Motability provides access to personal transport for disabled people.

Motability has developed a needs-based scheme whereby individuals lease specially adapted cars, scooters and powered wheelchairs in exchange for their mobility allowance. This gives disabled people more choice when it comes to transport options. The bond is assessed as having a High social performance rating because the organisation directly benefits a vulnerable group.

The scheme offers a leasing package for vehicles that not only offers a wide range of choice but is also affordable, with the package over 40% cheaper than comparable market offerings. Motability, as a charity, is also able to help scheme customers who are unable to afford the vehicle or the adaptations they need. In 2017/18, they awarded £22,832,000 in charitable grants, helping 8,544 disabled people.

As an employer, Motability also champions diversity and inclusion. It is accredited by the Department for Work & Pensions (DWP) as a Disability Confident Employer, and the percentage of its workforce with a disability or long-term health condition is 36% – well above the national average of the working population with a disability, which stands at 12.5%.[5]

62,000 **PEOPLE** CURRENTLY USE AND BENEFIT FROM THE MOTABILITY SCHEME

4.5m **THE SCHEME HAS PROVIDED** OVER 4.5 MILLION CARS, POWERED WHEELCHAIRS AND SCOOTERS SINCE ITS INCEPTION IN 1978

1-IN-3 **OF THOSE CURRENTLY ELIGIBLE** FOR MOBILITY ALLOWANCE HAVE CHOSEN TO JOIN THE MOTABILITY SCHEME

99% **OVERALL SATISFACTION** WITH THE CAR SCHEME

96% **OVERALL SATISFACTION** WITH THE POWERED WHEELCHAIR AND SCOOTER SCHEME

As an employer, Motability also champions diversity and inclusion. It is accredited by the Department for Work & Pensions (DWP) as a Disability Confident Employer, and the percentage of its workforce with a disability or long-term health condition is 36% – well above the national average of the working population with a disability, which stands at 12.5%.[5]

5. House of Commons Briefing Paper Number 7540, People with disabilities in employment, 2 October 2019. As of October 2019, there were 4.1 million people with a disability in employment in the UK. This is 12.5% of the total number of people in employment, which stands at 32.75 million.

UTILITIES AND ENVIRONMENT

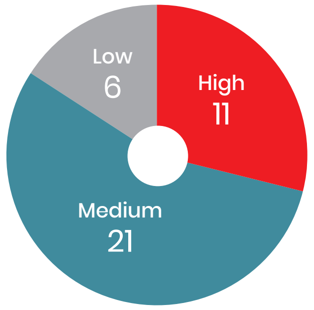
SUPPORTING THE PROVISION OF AFFORDABLE AND SUSTAINABLE WATER, ENERGY AND OTHER ESSENTIAL SERVICES

38 HOLDINGS

25 ISSUERS

£36.2m INVESTED

32% of total amount invested



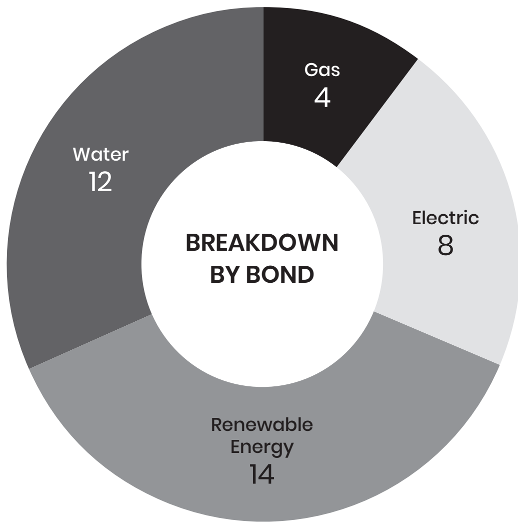
SOCIAL PERFORMANCE ASSESSMENT
(by number of bonds)

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

According to Ofgem's recent State of the Market 2019 report, the UK continues to be a global leader in cutting greenhouse gas emissions. Since 1990, emissions have fallen by 42% in the UK, more than any other large advanced economy. And this is largely due to the UK's decarbonisation of electricity generation – last year, renewables generated a record 33% of all electricity (up from 29% in 2017).

Significant investment in renewables is required in the coming years if future targets are to be met and the UK is to rise to the pressing challenges of the climate emergency. In June 2019, the government passed legislation requiring the UK to reduce carbon emissions to net zero by 2050, following calls from the Energy and Climate Change select committee.

The Fund is contributing to efforts to meet this target, with 36% of its holdings in Utilities and Environment financing renewable projects and energy sources. This includes **HSBC's SDG bond** (see case study), which is using the proceeds of its issuance to fund numerous projects including green building and sustainable energy supply.



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. **SSE**, and **Yorkshire Water**).

Utilities and the Environment continues to take up the largest allocation of the bond portfolio, accounting for 32% of total value (up from 24% last year). This outcome area also saw the most substantial growth in terms of number of bonds over the 12 months to June 2019, increasing from 23 to 38 holdings.

New to the Fund this year were bonds issued by several utility companies, including **Northern Gas Networks**, **United Utilities** and another bond from **Electricity North West** – all of which focus their efforts in the North of England. In addition, there were also new bonds added from existing issuers during the year, including **Yorkshire Water**, **Scottish and Southern Energy (SSE)** and **National Grid.**

The Fund focuses on tracking energy companies' strategies to help tackle 'fuel poverty'. The bond social assessment includes an appraisal of utility companies' fuel poverty policies and programmes, favouring companies with a clear commitment and track record of action to tackle fuel poverty. United Utilities' (see case study) Vulnerability and Affordability Report provides a demonstration of a commitment to tackle such poverty.

The Fund also increased its allocation of green bonds to 16 this year, 14 of which are classified under Utilities and the Environment. New green bonds added to the Fund this year include bonds added from existing issuers **SSE** and **Iberdrola**, as well as three bonds from the Danish utility company **Orsted**, which will use part of the proceeds to finance offshore wind farms in the UK. Please note that this 'green bond' definition is an updated classification of the use of proceeds since 2018 and therefore is not directly comparable to previous years.

WATER LEAKAGE

Water leakage – that is the loss of treated water from the distribution system – has become an increasingly important issue for UK utility companies in recent years. In the UK, approximately 23% of the water put into public supply is lost because of leaks. This is about average compared to other European countries, but the regulator Ofwat is ordering a substantial improvement in the coming years with the aim to save 170 billion litres of water being wasted. The improvement in water systems is expected to reduce household water bills, where the cost burden of poor infrastructure has been placed, alongside reducing the environmental impact from water loss.

In a recent report, the regulator Ofwat told companies to cut the amount of water lost to leaks by 16% by 2025, as well as ordering them to cut bills for customers by £50 over five years. The signs from the water companies held by the Fund were positive for 2018/19. Of the six water companies with bonds held by the Fund, four exceeded their leakage target for the year (**Anglian Water**, **Welsh Water**, **United Utilities** and **Yorkshire Water**) and the other two hit their targets (**South West Water** and **Severn Trent**).

We will continue to monitor and encourage the progress of these companies in their efforts to reduce the amount of water lost to leakage.

UNITED UTILITIES

United Utilities Group is the UK's largest listed water company, providing water facilities to seven million people and over 200,000 businesses. With more than 5,000 employees, the group manages the regulated water and waste-water network across the North West of England.

United Utilities demonstrates a strong commitment to reaching and supporting vulnerable groups and ensuring they can afford water, with financial assistance provided to a large number of its customers (see infographic below).

Moreover, the company is active in reaching out to customers who may be eligible for assistance schemes. Their award-winning Town Action Planning Programme involves trained staff visiting customers' homes to help assess their entitlement. Customer segmentation data is used to focus on towns and postcodes where customers are most likely to be experiencing water poverty and are not responding to normal engagement strategies. As of 2018, 77,000 visits had been completed, covering more than 16 towns.

United Utilities has also designed a registration service for 'Priority Services', where customers receive extra support owing to a particular vulnerability, whether a temporary or permanent situation. Registered customers are prioritised if there is a supply fault and also receive more regular contact. In August 2018, United Utilities became only the third utility company in the country to be awarded the UK Customer Service Institute Service Mark with Distinction – external recognition of the company's standard of customer service.

It also plays a leading role in the sector in tackling utility poverty. In 2018, United Utilities ran the industry's first affordability summit, bringing together a wide range of regional stakeholders in the North West and helping to co-design a host of new affordability support services. Since 2017, it has also been publishing a Vulnerability and Affordability Report, with updates published on its efforts and achievements in reaching and supporting underserved groups.

> **'We hope to prompt further engagement with other service providers and organisations, plus promote open collaboration to improve the support that is offered to customers who need it most.'**
>
> United Utilities, Vulnerability and Affordability Report 2019

100,000 **CUSTOMERS** RECEIVED FINANCIAL HELP FROM UNITED UTILITIES WITH THEIR WATER BILL IN 2017/18

Over £10m **IN SUPPORT** WAS FUNDED BY UNITED UTILITIES TO HELP CUSTOMERS WITH THEIR BILLS

PLANS TO **REDUCE AVERAGE WATER BILLS** BY £45 IN REAL TERMS BY 2025 – THIS IS EXPECTED TO LIFT 250,000 CUSTOMERS OUT OF WATER POVERTY (combined with modest improvements in household incomes)

Source: United Utilities, Vulnerability and Affordability Report 2019

HSBC SUSTAINABLE DEVELOPMENT GOALS BOND

The HSBC Sustainable Development Goals Bond is the bank's first bond with the objective of contributing towards the achievement of the SDGs.

The Bond

Launched in 2017, the bond raised $1 billion, making HSBC the first private sector entity to issue a benchmark-size bond of this type. It is interesting to note that, despite its size, the bond was three times oversubscribed – perhaps a demonstration of the substantial demand for investment opportunities from the private sector that contribute towards social goals.

The proceeds of the HSBC bond will be used to support projects offering broad social, economic and environmental benefits as aligned to seven selected SDGs. Eligibility will be determined based on whether the funds are applied to Eligible Categories and whether a significant positive sustainability net impact is achieved.

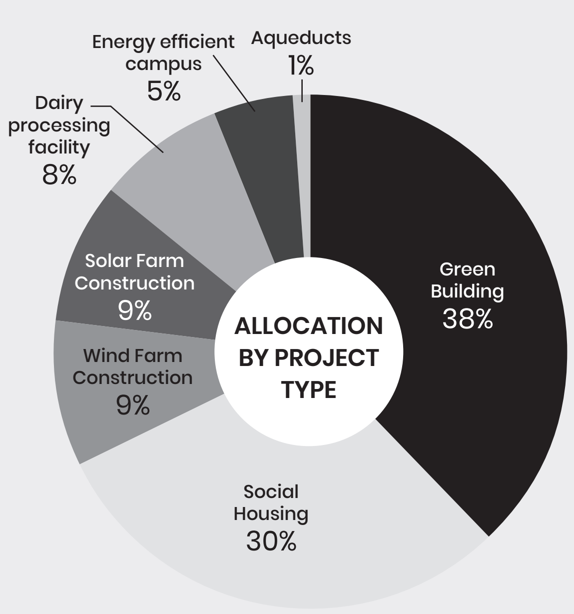
HSBC obtained a second party opinion from Sustainalytics on their SDG Bond Framework and on its social and environmental credentials. The review concluded: 'Overall, Sustainalytics is of the opinion that the HSBC SDG Bond Framework creates meaningful impact, is transparent, credible and aligns with the Green Bond Principles 2017 (GBP), the Social Bond Principles 2017 (SBP), and the Sustainability Bond Guidelines 2017.'

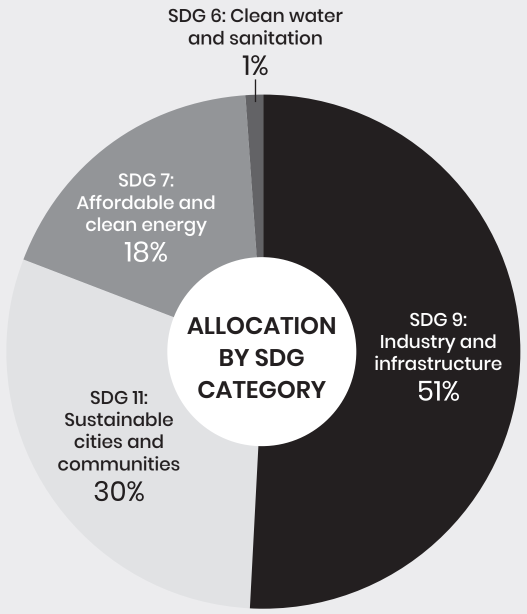
Use of Proceeds

Upon issuance in 2017, the Fund initially found HSBC's disclosures on the bond's use of proceeds to have been relatively vague, particularly in terms of the geography and composition of projects to be financed. However, following the publication of the bond's inaugural impact report, the Fund has been pleased to see far greater transparency from HSBC on the use of proceeds.

With its commitment to targeting seven of the SDGs, this bond cuts across numerous outcome areas. The Fund originally classified the bond under Community Services but owing to the greater visibility of use of proceeds, the social outcome has now been shifted to Utilities and the Environment. This is owing to the fact, as stated in the bond's most recent impact report, over half of allocated funds have gone towards green building, wind and solar farm construction, energy efficient campuses and aqueducts (see breakdown below). However, on top of energy and environment outcomes, the bond also contributes to social outcomes in housing, health and transport and communications.

THE SEVEN SDGS BEING TARGETED





Source: HSBC UN Sustainable Development Goals Bond Report, November 2018.

CRITICISM OF HSBC ENERGY POLICY

HSBC's SDG bond proceeds are ring-fenced for positive impact projects, particularly in contributing to environmental outcomes, and therefore are not funding any controversial projects. However, it should be noted that the company has received criticism this year for its energy policy. ESG analysis at the company level identifies that HSBC's policy contains a loophole that allows it to continue lending to coal-powered projects in three emerging markets – Bangladesh, Vietnam and Indonesia – until 2023.

A letter coordinated by campaign group ShareAction called on the bank to stop financing, underwriting and advisory services to companies that are highly dependent on coal mining or coal power.[6] Our investment thesis prohibits us from holding a general corporate purposes bond from an equity funded, non-mutual bank such as HSBC. Nevertheless, the bond we hold does not contribute to any form of coal financing, targeting as it does, 7 SDGs with its proceeds. We do however examine issuers as well as the projects financed by the bonds they issue, and we care about controversies with implications that are in contrast with the ambitions of the Social Bond Fund. With these considerations, we believe the bond's purpose and ring-fenced structure meets the criteria of the fund.

HSBC defended the decision on the basis that Vietnam, Bangladesh and Indonesia had been given a time-limited exception in order to appropriately balance basic developmental needs with the need to transition to a low-carbon economy. However, it is worth noting that both Standard Chartered and Barclays – two of HSBC's peers – have already implemented blanket exclusion policies on financing of coal-powered projects.

Considering this issue at a broader policy level, outgoing Bank of England governor Mark Carney has warned that there is an urgent need for major financial organisations to wake up to the risks of climate change. In a speech to MPs in October 2019 on the Commons Treasury, Carney stated that the capital markets are financing activities that are likely to raise global temperatures to more than 4C above pre-industrial levels. He therefore encouraged lenders to diverge away from funding carbon-producing projects. These actions provide demonstration of the need for urgency on climate action. We will continue to avoid HSBC issues without a specific use of proceeds structure (Green/Social/Sustainability bonds) and monitor HSBC's energy policy to ensure that the 2023 deadline is met.

6. FT, HSBC faces call to end on all new coal power financing, 6 March 2019, https://www.ft.com/content/35ca50c2-3f54-11e9-b896-fe36ec32aece

04 FORWARD LOOK

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:

INCREASING SOCIAL BOND ISSUANCE IN THE UK

Encouraging new social bond issuance has been an objective of the Fund from the outset. Bonds are a good financial instrument for a range of entities to raise capital to invest in projects that support sustainable development priorities, including infrastructure, affordable housing and renewable energy projects. While we welcome the significant increase in the issuance of green, social and sustainable bonds globally, the level of bond issuance in the UK has been low and is lagging against other European countries. We encourage the new UK Government to take a leadership role and make the necessary institutional changes, including greater fiscal decentralisation, to enable more bond issuance in the UK, including local government and sovereign bond issuance. We would also welcome more social bond issuances by UK companies and social housing associations. CTI and BII will continue to raise awareness of the role of social, green and sustainable bonds as an impact investing tool and advocate for increasing social bond issuance in the UK.

MAKING IT EASIER FOR PEOPLE TO INVEST FOR POSITIVE IMPACT

A key driver for The Big Issue Group when launching the Fund was to give everyone the opportunity to invest in businesses and organisations that have a positive impact on people and the planet. The Fund's inclusion on an increasing number of investment platforms is helping to increase retail access as evidenced by the growing investment inflows from individual investors. We look forward to the launch of The Big Exchange, an initiative of the Big Issue Group, whose founding partners include Columbia Threadneedle. This is the first mobile-enabled investment platform to exclusively offer investment funds that aim to make a positive impact for people and the planet. The UK Social Bond Fund will be available to individual investors through this platform.

BUILDING A CULTURE OF IMPACT INTEGRITY

Impact investment was born out of the desire to change the culture of the financial sector and direct more capital flows to investments that intentionally set out to have a positive impact for people and the planet, alongside positive financial returns. One of the concerns in the impact investing market is the risk of 'impact washing' – that existing investment practises are being repackaged and labelled as 'impact investing' but fundamentally nothing new or different is being done. Hence, CTI, BII and TGE are all strong advocates of the need for robust impact management and measurement practices. This means integrating impact considerations into investment decision-making process and assessing and reporting on impact creation, risks and additionality, based on data analysis and evidence. We welcome the launch of the IFC's 'Operating Principles for Impact Management' and the Impact Management Project as two market-building initiatives that will help underpin the integrity of impact investing. This Impact Report, produced by The Good Economy on behalf of BII, is itself our commitment to full transparency and accountability. We are the first investment fund to publish a full list of investments and will continue to assess and report on the performance of the Fund on an annual basis. We welcome feedback on this Report and your comments or questions.

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. We review the methodology on an annual basis and will develop and improve our approach taking into account emerging global industry standards on impact measurement and reporting.

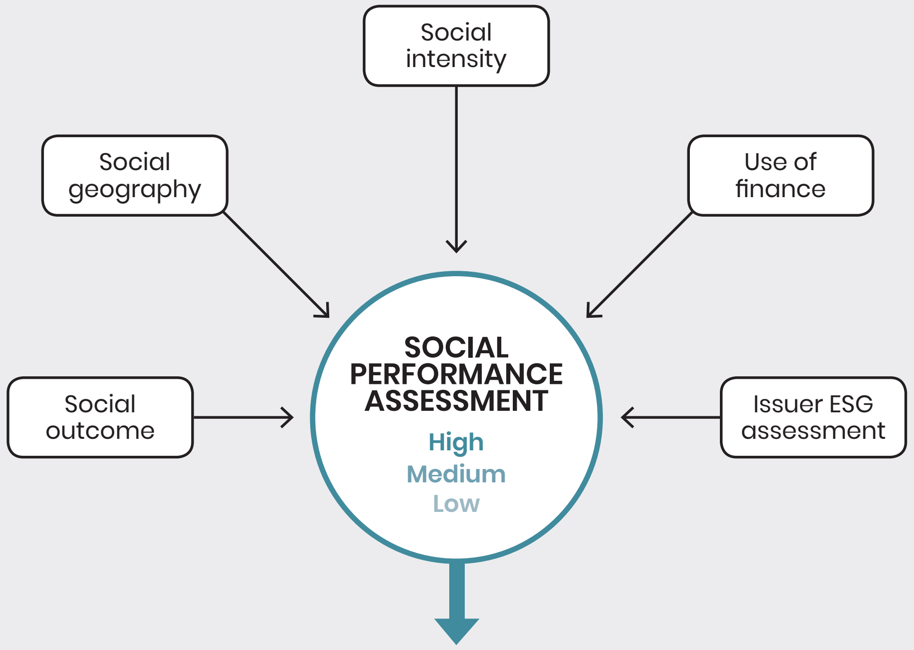
1. DEFINING THE UNIVERSE: TARGETING EIGHT SOCIAL OUTCOME AREAS

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

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

2. ANALYSING SOCIAL IMPACT PERFORMANCE

The 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:



Social performance assessment distribution of Fund

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

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

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

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

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

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

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

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

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

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

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

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

ANNEX 2: FULL LIST OF BOND ISSUERS

Name of Issuer	Outcome Area	Social Assessment
Golden Lane Housing	Affordable Housing and Property	High: Green
Hightown Housing Association	Affordable Housing and Property	High: Green
A2 Dominion Housing Association	Affordable Housing and Property	High: Green
Affordable Housing Finance	Affordable Housing and Property	High: Green
Aster Group Housing Association	Affordable Housing and Property	High: Green
Bromford Housing Association	Affordable Housing and Property	High: Green
Catalyst Housing	Affordable Housing and Property	High: Green
Clarion Housing Group	Affordable Housing and Property	High: Green
Cross Key Housing Association	Affordable Housing and Property	High: Green
Futures Housing Group	Affordable Housing and Property	High: Green
Housing Association Funding	Affordable Housing and Property	High: Green
THFC Funding	Affordable Housing and Property	High: Green
Karbon Homes	Affordable Housing and Property	High: Green
Home Group	Affordable Housing and Property	High: Green
Optivo Housing Association	Affordable Housing and Property	High: Green
Peabody Trust	Affordable Housing and Property	High: Green
Penarian Housing Association	Affordable Housing and Property	High: Green
Sanctuary Capital	Affordable Housing and Property	High: Green
Walsall Housing Association	Affordable Housing and Property	High: Green
Wheatley Housing Association	Affordable Housing and Property	High: Green
Annington Finance	Affordable Housing and Property	Medium: Amber
Incommunities	Affordable Housing and Property	Medium: Amber
London & Quadrant Housing Association	Affordable Housing and Property	Medium: Amber
Places for People Homes	Affordable Housing and Property	Medium: Amber
Paragon Asra Housing	Affordable Housing and Property	Medium: Amber
Grainger	Affordable Housing and Property	Low: Red
Libery Living	Affordable Housing and Property	Low: Red
PRS Housing Agency	Affordable Housing and Property	Low: Red
UNITE Students	Affordable Housing and Property	Low: Red
African Development Bank Social Bond	Community Services	High: Green
Charities Aid Foundation	Community Services	High: Green
Center Parcs	Community Services	Low: Red
Cardiff University	Education, Learning and Skills	High: Green
De Montfort University	Education, Learning and Skills	High: Green
Inter-American Investment Corp	Education, Learning and Skills	High: Green
University of Leeds	Education, Learning and Skills	High: Green
University of Manchester	Education, Learning and Skills	High: Green
Co-Operative Bank	Employment and Training	High: Green
IADB EYE Bond	Employment and Training	High: Green
IBRD SDG Bond	Employment and Training	High: Green
Intu Metrocentre	Employment and Training	Medium: Amber
Meadowhall	Employment and Training	Medium: Amber
Morrisons	Employment and Training	Medium: Amber
Trafford Centre	Employment and Training	Medium: Amber
Highbury Finance BV (Sainsbury)	Employment and Training	Low: Red
John Lewis	Employment and Training	Low: Red
Marks and Spencer	Employment and Training	Low: Red
Coventry Building Society	Financial Inclusion	Medium: Amber
Lloyds ESG	Financial Inclusion	Medium: Amber

Name of Issuer	Outcome Area	Social Assessment
Nationwide Building Society	Financial Inclusion	Medium: Amber
Legal and General	Financial Inclusion	Low: Red
Royal London	Financial Inclusion	Low: Red
Yorkshire Building Society	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
Becton Dickinson	Health and Social Care	Medium: Amber
BUPA Finance	Health and Social Care	Medium: Amber
Derby Healthcare	Health and Social Care	Medium: Amber
Pure Gym	Health and Social Care	Medium: Amber
Octagon Healthcare Funding (Norwich and Norfolk)	Health and Social Care	Low: Red
BBC Pacific Quay	Transport and Communications Infrastructure	High: Green
Motability Operations Group	Transport and Communications Infrastructure	High: Green
Associated British Ports	Transport and Communications Infrastructure	Medium: Amber
Birmingham Airport Finance	Transport and Communications Infrastructure	Medium: Amber
Community Finance (GLA)	Transport and Communications Infrastructure	Medium: Amber
LCR Finance	Transport and Communications Infrastructure	Medium: Amber
Manchester Airports Group	Transport and Communications Infrastructure	Medium: Amber
TFL Green Bond	Transport and Communications Infrastructure	Medium: Amber
BT	Transport and Communications Infrastructure	Low: Red
Connect Plus M25	Transport and Communications Infrastructure	Low: Red
Getlink	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
Network Rail	Transport and Communications Infrastructure	Low: Red
Anglian Water	Utilities and the Environment	High: Green
Thames Tideway Tunnel (Bazalgette)	Utilities and the Environment	High: Green
Dwr Cymru (Welsh Water)	Utilities and the Environment	High: Green
International Finance Corp Green Bond	Utilities and the Environment	High: Green
Yorkshire Water	Utilities and the Environment	High: Green
Electricity North West	Utilities and the Environment	High: Green
United Utilities	Utilities and the Environment	High: Green
Barclays Green Bond	Utilities and the Environment	Medium: Amber
Northern Powergrid Yorkshire	Utilities and the Environment	Medium: Amber
European Investment Bank CAB	Utilities and the Environment	Medium: Amber
Northern Ireland Electric	Utilities and the Environment	Medium: Amber
First Hydro Finance	Utilities and the Environment	Medium: Amber
HSBC SDG Bond	Utilities and the Environment	Medium: Amber
Iberdrola Green Bond	Utilities and the Environment	Medium: Amber
National Australia Bank Green Bond	Utilities and the Environment	Medium: Amber
Northern Gas Networks	Utilities and the Environment	Medium: Amber
Orsted	Utilities and the Environment	Medium: Amber
Western Power Distribution	Utilities and the Environment	Medium: Amber
Scottish and Southern Energy (hybrid)	Utilities and the Environment	Medium: Amber
Severn Trent	Utilities and the Environment	Medium: Amber
Wales & West Utilities Finance	Utilities and the Environment	Medium: Amber
Cadent Finance	Utilities and the Environment	Low: Red
National Grid	Utilities and the Environment	Low: Red
Pennon (South West Water)	Utilities and the Environment	Low: Red
London Power Networks	Utilities and the Environment	Low: Red

ANNEX 3: SUMMARY OF THREE YEAR PERFORMANCE TRENDS

		2017	2018	2019
Portfolio	Value	95.7	114.4	120.1
	Number of bonds	96	108	145
	Number of Issuers	72	80	100
	Top 25 Issuers (% of Fund by Value)	60.7	61.8	54.3

		2017 (% of bond)	2017 (% of value)	2018 (% of bond)	2018 (% of value)	2019 (% of bond)	2019 (% of value)
Social Performance	High	37.5	43.3	35.2	32.8	38.6	35.8
	Medium	37.5	41.5	42.6	51.2	37.9	46.9
	Low	25	15.3	22.2	16.0	23.4	17.3
Social Outcomes	Affordable Housing and Property	22.9	19.3	25.9	19.3	27.6	15.6
	Community Services	3.1	4.6	3.7	5.6	2.8	3.5
	Education Learning and Skills	8.3	12.0	4.6	2.7	3.4	2.5
	Employment and Training	13.5	10.4	11.1	6.6	11.0	7.7
	Financial Inclusion	15.6	11.5	11.1	13.2	6.9	11.1
	Health and Social Care	8.3	12.7	8.3	9.1	9.7	9.5
	Transport and Communication Infrastructure	10.4	12.2	13.9	19.8	12.4	18.5
	Utilities and the Environment	17.7	17.3	21.3	23.7	26.2	31.5
Social Geography	Regional	48.0	49.9	48.1	41.7	43.4	37.6
	National	44.8	39.4	43.5	46.0	44.1	47.2
	Supra-national	7.3	10.6	8.3	12.3	12.4	15.2
Regional Geography	Outside of GSE	73.9	75.7	63.5	66.5	65.1	68.5
	Midlands and South West	19.6	17.7	15.4	20.5	17.5	21.3
	North	32.6	29.8	25.0	20.6	28.6	19.9
	Scotland and Northern Ireland	8.7	13.4	7.7	9.5	6.3	7.9
	Wales	10.9	13.0	13.5	12.5	11.1	11.0
	Multi-Regional	2.2	1.8	1.9	3.5	1.6	8.3
	Greater South East	26.1	24.3	36.5	33.5	34.9	31.5
Job Performance	Favourable Performance	74.0	73.8	50.9	52.3	54.5	55.1

ANNEX 4: REGISTERED HOUSING PROVIDER – DATA ANALYSIS

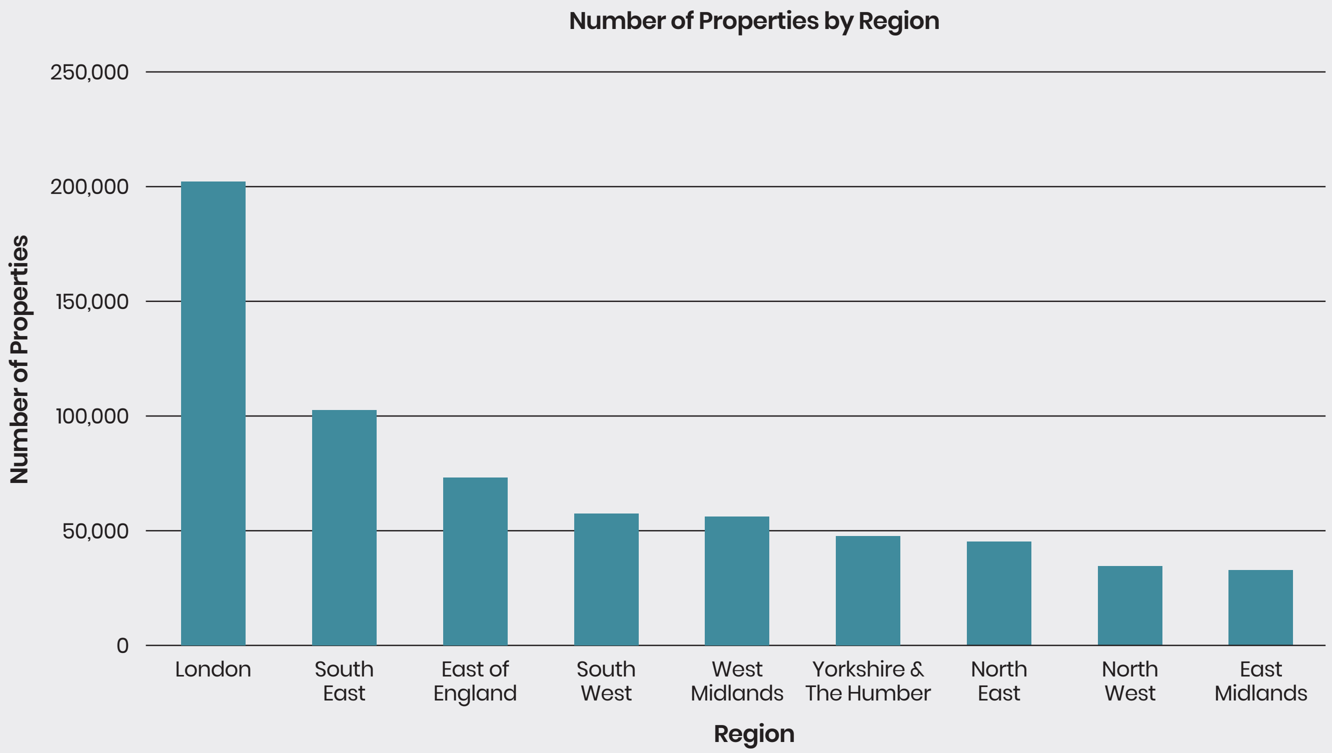
Bond Issuer	Total Number of regulated units owned and managed	Percentage of which are for social rent	Percentage of which are for intermediate and affordable rent	Percentage of which are for supported housing	Percentage of social housing converted from 'social' to 'affordable'
A2Dominion Housing Group Ltd	25,086	69.82%	6.13%	4.54%	0.01%
Aster Group Housing Association	30,843	65.65%	12.63%	3.69%	0.00%
Bromford Housing Association	40,671	74.88%	7.34%	2.38%	0.08%
Clarion Housing	108,652	71.45%	12.65%	1.75%	0.08%
Cross Keys Housing Association	11,368	67.21%	14.79%	0.66%	0.00%
Futures Housing Group	9,782	59.28%	4.58%	0.91%	0.00%
Golden Lane Housing	1,901	0.00%	0.00%	96.32%	0.00%
Hightown Housing Association	5,586	43.40%	30.08%	9.20%	0.00%
Home Group	46,900	65.70%	15.28%	9.48%	0.80%
Incommunities Group Ltd	22,075	85.60%	9.95%	0.38%	1.33%
Karbon Homes	25,537	81.90%	9.54%	2.84%	0.02%
London & Quadrant Housing Association	76,253	71.60%	9.62%	3.38%	0.01%
Optivo Housing Association	40,528	65.00%	13.47%	2.45%	0.00%
Paragon Asra Housing Ltd	21,126	66.37%	13.06%	2.41%	0.12%
Peabody Trust Group	50,722	76.90%	7.12%	5.37%	0.34%
Places for People Group	65,644	79.30%	5.35%	4.79%	0.06%
Sanctuary Housing Association	74,023	61.90%	13.48%	4.94%	0.00%
Walsall Housing Association	20,350	88.90%	0.24%	8.77%	0.00%
Total/Average	**677,047**	**71.24%**	**10.41%**	**4.18%**	**0.11%**

Note: Data taken from Private Registered Provider Social Housing Stock in England: Statistical Return Dataset (SDR) 2019.
Wheatley Housing Association has not been included as there was no data published in the SDR.

"**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.

REGISTERED HOUSING PROVIDER – REGIONAL BREAKDOWN OF OWNED PROPERTIES



ANNEX 5: BIOGRAPHIES

MEMBERS OF SAC

John Hale

Independent Chair of the Social Advisory Committee

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

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

Nigel Kershaw OBE

Chair of the Big Issue Group

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

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

Simon Bond

Director, Responsible Investment Portfolio Manager, Columbia Threadneedle Investments

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

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

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

Iain Richards

Head of Responsible Investment, EMEA, Columbia Threadneedle Investments

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

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

Sarah Forster

CEO, The Good Economy Partnership

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

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

Mark Hepworth

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

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

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

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

Danyal Sattar

CEO, Big Issue Invest

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

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

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

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