CT (Lux) European Social Bond Fund

Annual Social Impact Report
July 2022 – June 2023

Summary

CT (Lux) European Social Bond Fund (the Fund) was launched in May 2017 and this year celebrates its six-year anniversary. The fund targets bonds aiming to deliver both financial and social returns. Impact bonds have been increasingly important for the past four years, as Investors and organisations try to mitigate the negative outcomes from Covid via the use of Social and Sustainability bonds. As a consequence, the issuance rate of impact bonds has been increasing since 2020. In 2022, due to the gloomy economic perspective, the bonds issuance market decreased even though the proportion of impact bonds has increased. The Fund's AUM reached €397m[1] in June 2023. Whilst this represents moderate growth the increase came against a weak backdrop for fixed income return and asset class flows. More than 80% of the the outcomes are located in Europe, and nearly one third of the investments are used to fund Health & Welfare, Employment and Education outcomes; areas that have been vastly impacted by the pandemic.

3 labels and awards[2]

ESG LUXFLAG Label

Innovation Award
European Pensions Investment Awards 2018

TOWARDS SUSTAINABILITY

Over the year, the Fund has invested in organisations and bonds delivering and enabling tangible impact:

- **173 ISSUERS** through **259 BONDS** including Social Bonds, Sustainable bonds, Transition bonds, and Green bonds with social benefits
- Financing more than **180,000 HOSPITAL BEDS**
- Financing the renovation or creation of **927,992 SOCIAL HOUSES**
- Supporting more than **2,500,000 STUDENTS** through professional or academic education
- Supporting the creation or preservation of more than **1,200,000 JOBS**
- Financing loans to **658 PUBLIC HOSPITALS**
- **46 MILLION TONS** of CO2 emissions avoided
- Equivalent of closing **12 COAL-FIRED POWER STATIONS**
- **14 MILLION MWH** of renewable energy produced

[1] Source of all data unless specified otherwise: Columbia Threadneedle Investments, as at 30 June 2023.
[2] Fund became designated Article 9 under SFDR on 20th November 2023, Luxflag expires 30th September 2023

SDG alignments

The 4 most impacted SDGs were:

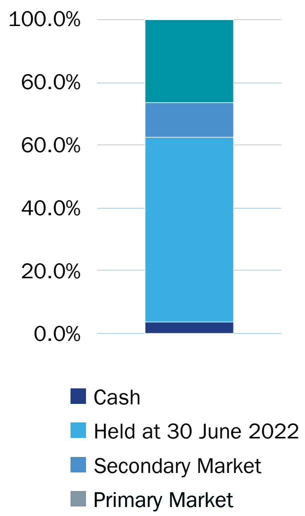
Pursuing additional contribution

As at 30th June 2023, just over a third of the Fund's AUM was invested in bonds which had been purchased during the reporting year. Of this just under a quarter of positions were initiated in the primary market evidencing the Fund's continued efforts in putting capital to work through new investments creating social outcomes. The Fund has a strong preference for purchasing bonds on the primary market as this pushes the capital directly through to the issuer & social projects, rather than purchasing on the secondary market where capital is not sent directly to the issuer.

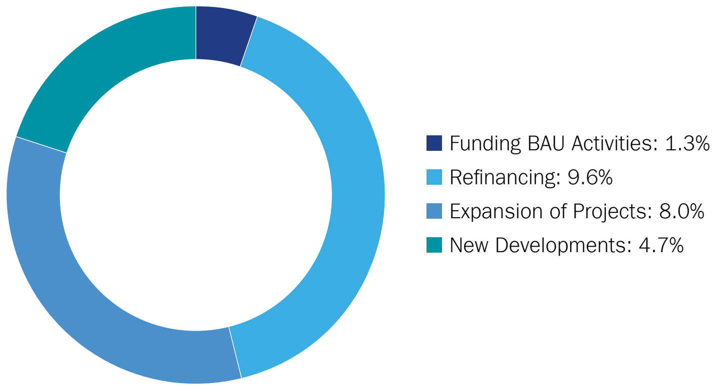
Furthermore, owing to the scoring process that each individual bond goes through, it is possible to track the additional contribution (additionality) of each bond. This is an important part of the process to understand the social intensity, whereby bonds which are funding new projects or expanding activities will be given higher additional contribution scores, and bonds which are purchased on the secondary market, funding business as usual activities of the issuer or are refinancing existing projects are awarded lower additional contribution scores.

The below graphs show the % of the Fund invested in new bonds over the year, clearly indicating the preference for primary market investment which makes up 67.5% of new purchases in the year. The pie chart gives a breakdown of those bonds which were purchased in the year on the primary market, showing the majority of primary market purchases were of bonds where funding was used for new developments or expansion of existing projects.

% of AUM

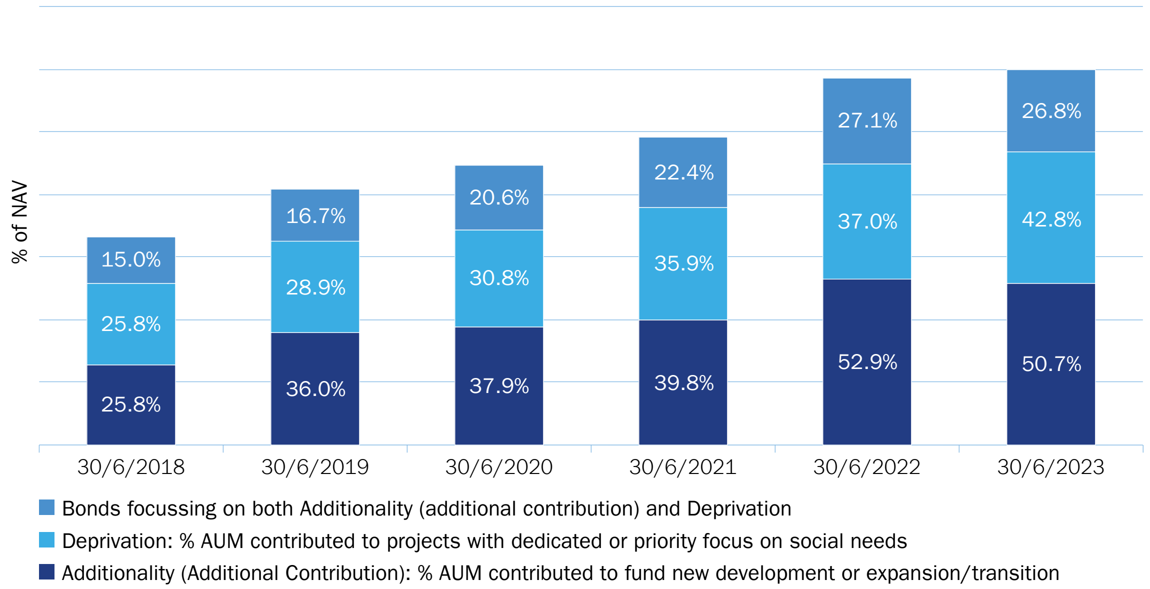


Primary Purchases: Breakdown of Additionality



The Fund, in its primary social aims, targets the populations that are most in need. Since inception the % of the fund which targets high additionality (additional contribution) and high deprivation mitigation has continually increased[3]. In 2023 the Fund has increased the proportion of AUM focussing on deprived populations, particularly as the cost of living crisis unfolded. The investment in Banque Fédérative du Crédit Mutuel social bond, that will allow the institution to give loans for affordable housing, illustrates perfectly this focus.

% of Fund focussing on Additionality and Deprivation Mitigation



[3] 'Additional Contribution' and 'Socio-economic focus to tackle deprivation' are two of nine component scores within the Social Intensity Scoring, and therefore not mutually exclusive; nor intended to add to 100% in isolation.

Social categorisation and scoring

Above and beyond the segmentation that factually defines the bonds, the fund performs its own scoring of each investment opportunity, evaluating the social characteristics and expected impact of each bond.

This categorisation model is designed to differentiate the nature of the investments in terms of their focus on achieving the Fund's social aims. It is made up of 2 parts, one with a letter grade assessing the intentionality of the bond (Impact Category, from A to C), and the other with a numbered grade assessing the quality and depth of the response (Intensity score, from 0 to 31, which translates into an Intensity rating ranging from 1 to 4:

1: Strong

2: Good

3: Moderate

4: Minor

For each intentionality category, the grades relate to the following:

Category A – Social impact investment

Funding is designed specifically to generate positive social impact, development and/or change.

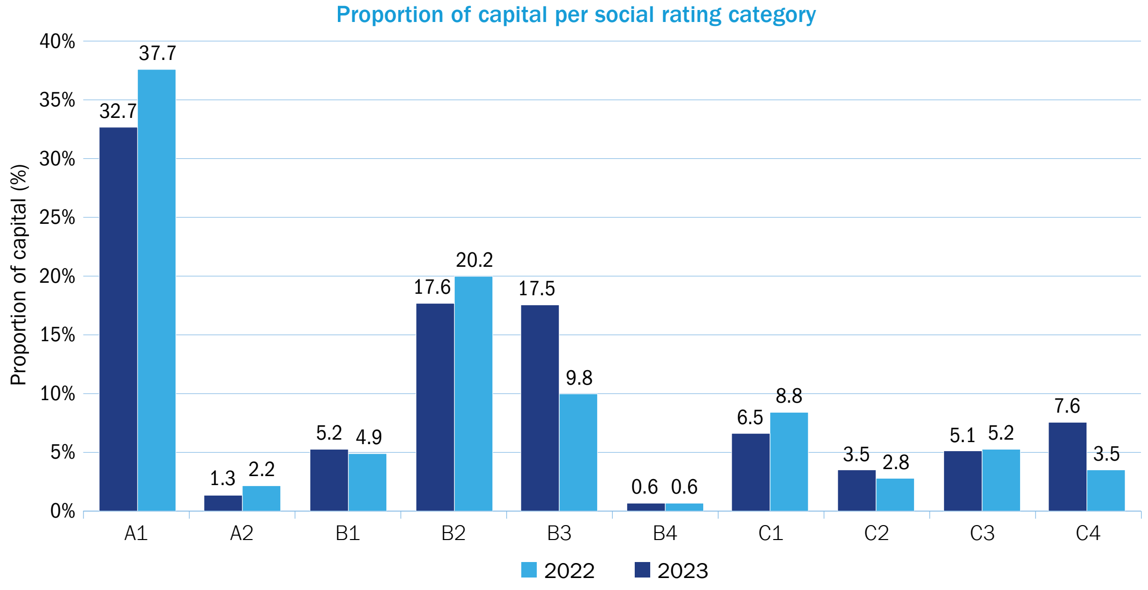
Category B – Investment with impact

Funding is likely to generate expected and identifiable social impact for individuals, either indirectly or without specifically disclosed intentionality.

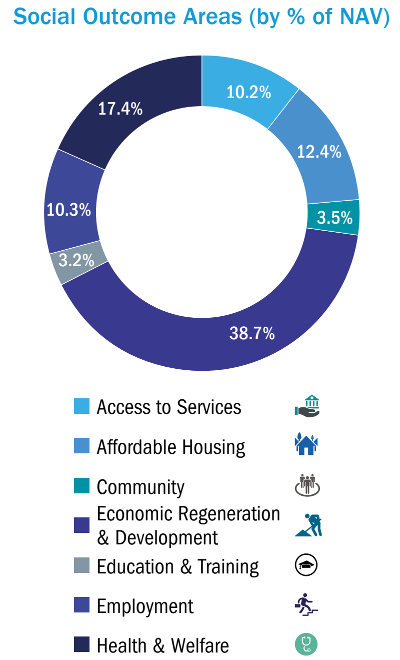
Category C – Development finance and global impact

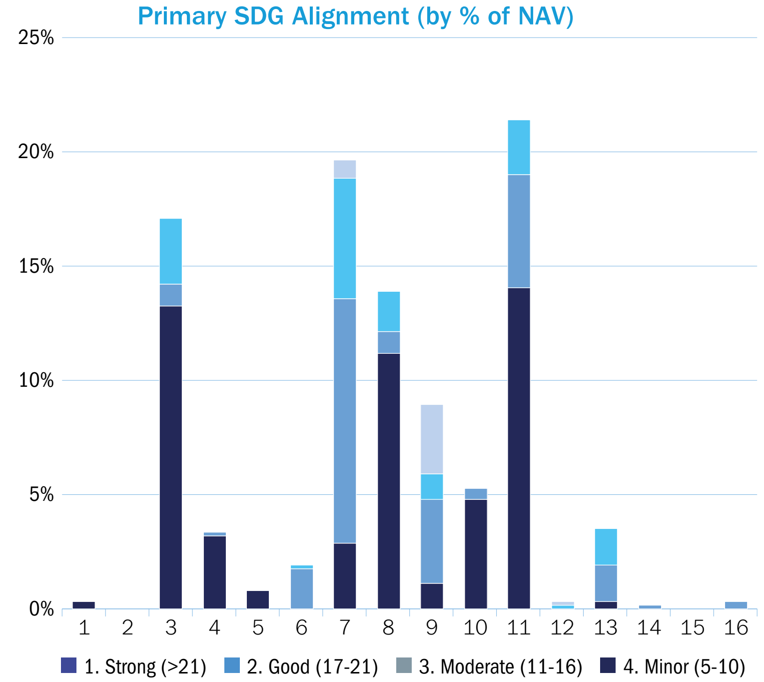
Investments in capacity, infrastructure and other projects that generate social externalities, contributing to positive social and/or economic growth and development. Investments in higher-impact bonds where the main scope of the outcome is outside Europe.

Over the 12-month period covering the report, the Fund made strong adjustment to improve the social impact of the bonds in which it invests. It has increased the amount of capital invested in bonds with a strong social focus, ranked A1-A2 and accounting for 39.8% of the fund value, well above the fund's target of 30%. Investment in Lower Social outcomes ranked C3-C4 decreased from 12.7% to 8.8% compared to last year.

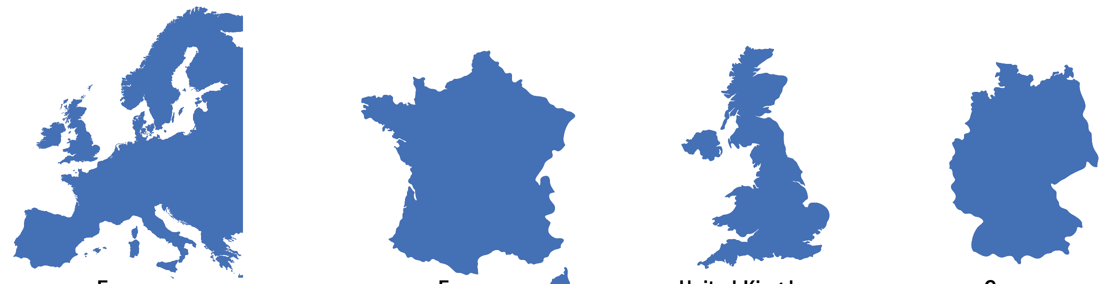


A diversified portfolio targeting seven outcome areas, aligned with the UN sustainable development goals:





Within the portfolio, 80.5% of the value has an impact within geographical Europe. The top 4 regions in terms of geographical outcomes within Europe are Europe as a whole , France, Germany and the UK.



Europe
20.9%

France
17.0%

United Kingdoms
9.5%

Germany
10.4%

[4] Some investment outcomes are not aimed to a specific European country but have an impact across multiple countries, or Europe as a whole. Where this occurs, the geographic footprint is "Europe". These bonds represent 20.9% of the Net Asset Value of the fund.

Glossary

This glossary is intended to assist you in reviewing the ESG technical reports by defining terms used throughout the report. The definitions represent understood meanings shared by the International Capital Market Association and Oxford Business Group and Columbia Threadneedle.

GENERAL SOCIAL BENEFIT BONDS: General corporate purpose bonds which generate positive social outcomes are labelled by Columbia Threadneedle as General Social Benefit. Their use of proceeds is not specific, however demonstrable positive social impact is created through the issuer. Examples include general corporate purpose issues from a housing association or university.

GREEN BONDS[5]: Green bonds enable capital raising to fund new and existing projects with environmental benefits. The Green Bond Principles (GBP) seek to support issuers in financing environmentally sound and sustainable projects that foster a net-zero emissions economy and protect the environment. Within the Green Bond nexus, where the use of proceeds is exclusively focusing on water related projects, these will typically be labelled "Blue" Bonds.

SOCIAL BONDS[6]: Social bonds enable capital raising to fund new and existing projects with positive social outcomes. The Social Bond Principles (SBP) seek to support issuers in financing socially sound and sustainable projects that achieve greater social benefits. Examples of these include "Pandemic Bonds" which allocated capital to Covid-19 alleviation projects during 2020 and 2021 and "Gender Bonds" which allocate capital to overcome gender imbalances across society.

TRANSITION BONDS[7]: Transition bonds are a relatively new class of debt instrument used to fund a company's transition towards reduced environmental impact or lower carbon emissions. They are often issued in fields that would not normally qualify for green bonds, such as large carbon-emitting industries like oil and gas, iron and steel, chemicals, aviation and shipping.

SUSTAINABILITY BONDS[8]: Sustainability bonds use proceeds to finance or re-finance a combination of both green and social projects.

SUSTAINABILITY LINKED-BONDS[9]: Sustainability-Linked Bonds ("SLBs") are any type of bond instrument for which the financial and/or structural characteristics may vary depending on whether the issuer achieves predefined Sustainability/ ESG objectives.

5 https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/
6 https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/
7 https://oxfordbusinessgroup.com/news/transition-bonds-new-tool-fund-shift-towards-climate-sustainability
8 https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/
9 https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-171120.pdf

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Foreword

Jean-Michel Lécuyer, Chair of the Social Advisory Board

Welcome to the CT (Lux) European Social Bond Fund Impact Report 2022/2023. Following several extraordinary financial years (2020/2021: Covid Crisis; 2021/2022: start of the Ukrainian war and inflation come back) with strong consequences on bond market valuations, this 2022/2023 financial year ends in an almost 'normal' context, compared to the previous ones.

In regard to the current situation, the fund's AUM performed very well, ending the year with assets under management amounting to €396m, an increase of 8.4%, even though the bond fund market environment, while less critical than a year earlier, remained complicated in June 2023.

The fund's management team, particularly its new lead manager Tammie Tang, worked throughout the year to further strengthen the social impact of the European Social Bond Fund. There is no shortage of evidence of this:

- In July 2022, the minimum target of Impact Investments increased from 25% to 30% and in November of the same year, the maximum target of Lower Social Outcomes Investments (C3 & C4) decreased from 25% to 20%.
- The proportion of the Fund's investments that can claim to make an additional contribution rose from 39.8% by June 30, 2021 to 50.7% by June 30, 2023 (it was at 26% on June 30, 2018), while the proportion of these investments aimed at combating poverty ("Deprivation") increased, from 36% to 42.8% (it was also 26% in June 2018).

As a result, the outcomes of the projects financed by the bonds are quite impressive. The 259 bonds subscribed by the fund have contributed to the financing of 180,000 hospital beds, the construction or renovation of 927,992 social housing units, supported more than 2,500,000 students in their academic or professional training, and avoided the emission of 45 million tonnes of CO2, among other things.

On behalf of the Social Advisory Board of the European Social Bond Fund, I welcome the progress made by the fund since its creation in developing its social impact, and I encourage the management team to continue its efforts in this direction.

Tammie Tang, Portfolio Manager

"Without question, the past 12 months covered a remarkable period. We saw inflation peak to double digits, followed by a peak in central bank rates and then the challenge of cost-of-living escalating further. These factors combined made the backdrop for fixed income return difficult whilst the unmet needs of society rose, most notably for those already worse off to begin with.

Nonetheless, we remained very focused on our purpose and process. We continue to champion the role of the bond markets to fund more socially beneficial outcomes. This includes our work to engage with a wide spectrum of bond market issuers to encourage more socially beneficial issuance. We're pleased that this past year, about one-fifth of the fund's underlying holdings were first initiated through the primary market, which we deem more impactful from a lens of additionality, and the majority of our primary market support funded either new development or project expansion. We're also pleased that we maintain a diversified portfolio of socially beneficial issuers and holdings, whilst delivering the yield, duration and quality aligned to that of the broad high-grade credit market. Our hard work reflects a big collective effort from a strong team of analysts and our strong Social Advisory Panel. Thank you to all involved."

Fund Summary

The Fund, the first of its kind in Europe, aims to deliver both a financial and a social return by investing in high quality, investment grade bonds across Europe. It has a clear focus on supporting positive outcomes for individuals, communities, and society as a whole. 2023 marks the fund's six-year anniversary.

Objective

The Fund is designed to balance social outcomes, financial return and liquidity. It strives to offer corporate bond risk/return characteristics, as well as clearly demonstrable positive social outcomes. The Fund aims to deliver 80% of outcomes within geographical Europe, the rest being targeted internationally.

Nature of the investments

Bonds in the portfolio are defined by 4 key characteristics:

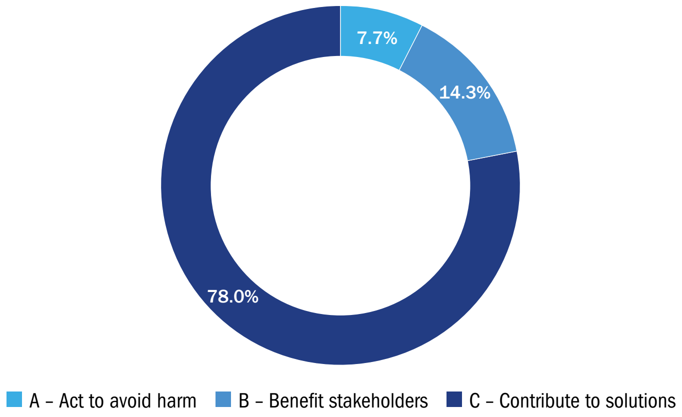
- Their **targeting:** social impact, pandemic response, and environmental response
- The **development opportunity:** Access to services, Affordable housing, Community, Economic regeneration and development, Education & Training, Employment, Health & Welfare
- The **social needs category** expressing how fundamental to society the served need is: Basic social needs, Primary social needs, Social empowerment, Social enabling, Social enhancement, Social facilitation and Societal development
- Their **"official" nature:** Social (answering ICMA's Social bonds principles), Green (answering ICMA's Green bond principles), Sustainable (answering ICMA's sustainable bond guidelines), Transition (answering the Second Party Opinion guidelines) and General social benefit bonds (Including ICMA's new Sustainability-Linked bond principles).

Impact Management Project's ABC Classification

Over the past four years, an alignment has been undertaken between the Fund's own Social Performance Assessment methodology and the method used to classify investments using the Impact Management Norms ABC system[10]. This approach uses a rule-based system providing an approximate classification of all bonds in the portfolio, as either Act to Avoid Harm (A), Benefit Stakeholders (B) or Contribute to Solutions (C). As a positively screened fund, all bonds go through a Social Performance Assessment which evaluates their expected impact performance. Therefore, this assessment system already screens out bonds that would be categorised as 'does/may cause harm'.

[10] IMP – A Guide to Classifying the Impact of an Investment.
https://29kjwb3armds2g3gi4lq2sx1-wpengine.netdna-ssl.com/wp-content/uploads/A-Guide-to-Classifying-the-Impact-of-an-Investment-3.pdf
Note that this approach classifies both the impact of the underlying asset (A-C) as well as the investor contribution (1-6).

These assessment systems produced the following results for the bonds within the portfolio:



Investments and accreditations

€379.8m is invested in bonds, €16.9m in cash out of €396.7m under management.

259 bonds through 170 issuers

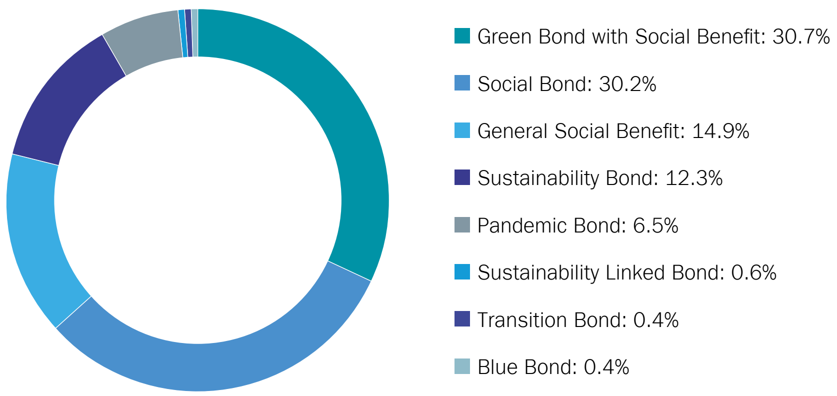
3 labels and awards

ESG LUXFLAG Label

Innovation Award European Pensions Investment Awards 2018

Bond type breakdown

Within the portfolio, 52% of the value has been allocated to bonds with high social impact[11]. Additionally, more than 30% of the fund is invested in green bonds with social benefits. These results demonstrate the Fund's commitment to support projects in line with the Paris agreement and that contribute to the achievement of the 17 sustainable development goals (SDGs) set by the United Nations.



[11] These bonds include General Social Benefit Bonds, Social Bonds, Pandemic Bonds.

Targets set by the Social Advisory Panel

Social Advisory Panel Target	Achievement 2022-2023	Achievement 2021-2022
Over 25% of the fund invested in Social Impact Investments (rated A)	39.8%	33.7%
Under 25% of the fund invested in Lower Social Outcomes (rated C3 or C4)	8.8%	12.7%
Raising the Average Social Intensity Score	20.8	19.7

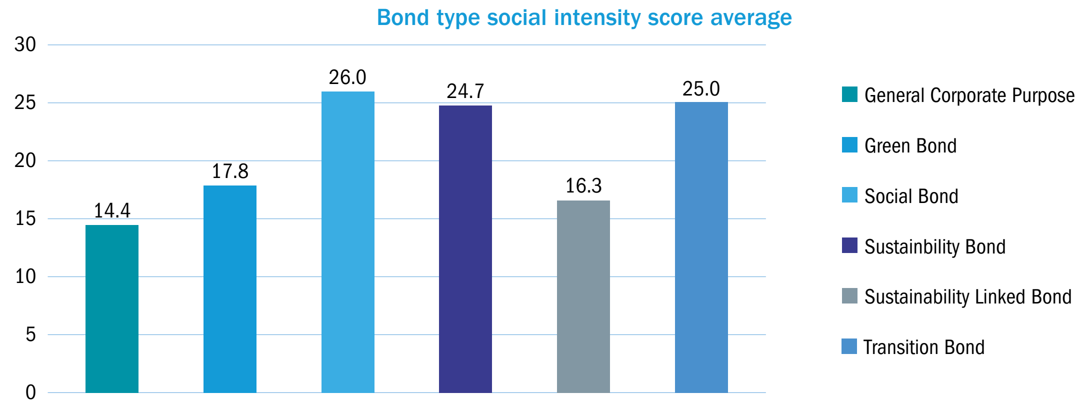
Investments dedicated to or focusing primarily on lower-income, vulnerable or underserved groups account for 43.4% of the Fund across the following categories: Affordable housing, Health & Welfare, Education & Training and Employment. The bonds funding new developments, expansions or changes represent 52.4% of the Fund across the following categories: Community, Access to services, Economic regeneration and development.

Bonds within the Affordable housing and Training & Employment use of proceeds categories are focusing on vulnerable and underserved communities. These bonds are also financing new homes and new jobs and thus could additionally be considered as funding new development.

The prominent development opportunity is Economic regeneration and development with 38.7% of the portfolio allocated to this opportunity. Bonds linked to this category are promoting sustainable development by financing renewable energy, agriculture and public transport development. In proportion, this category is lower than last year due to the strong focus of the fund to finance bonds with high social impact.

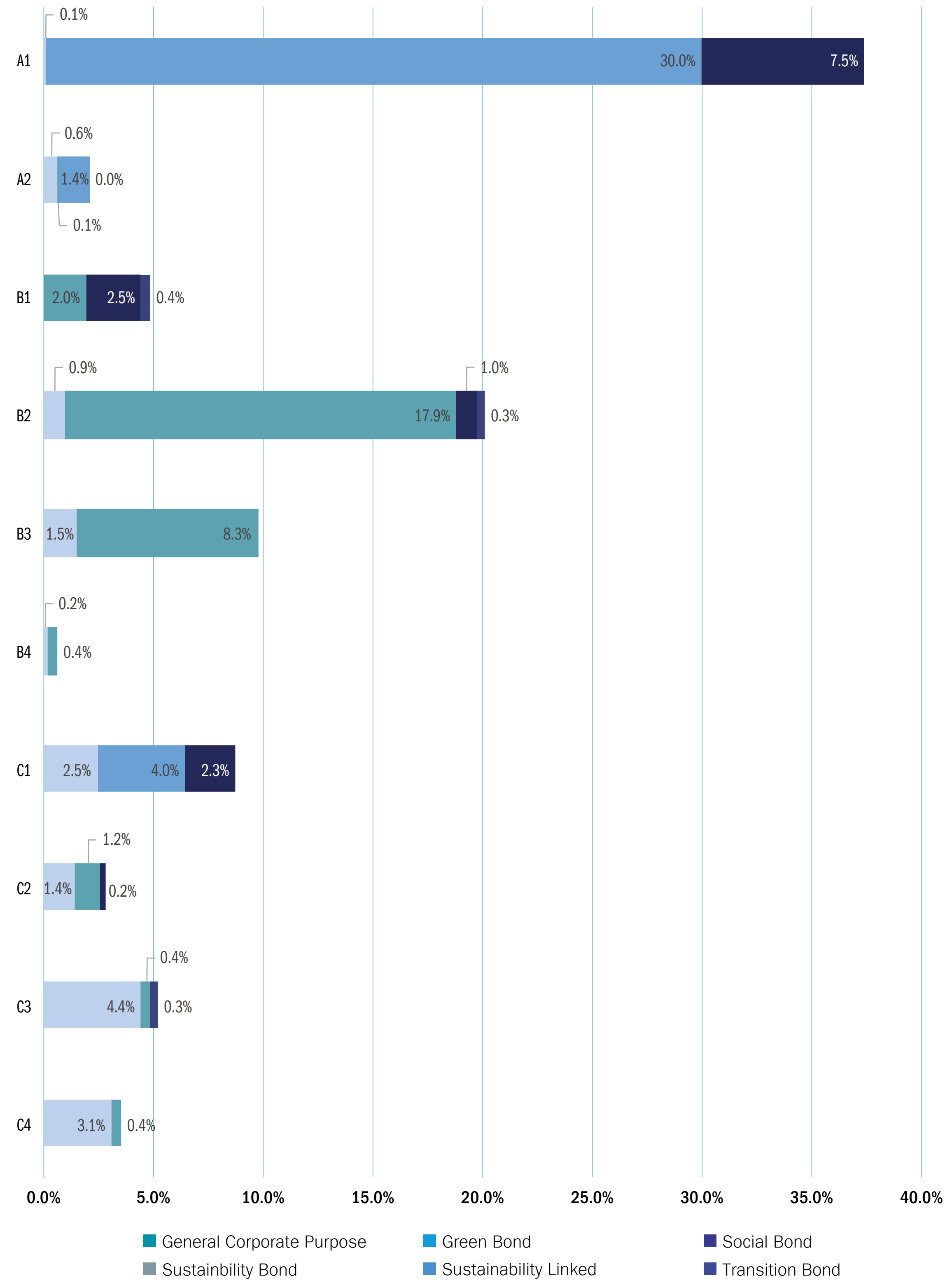
Average social intensity score per bonds type

The intensity score of a bond enables us to evaluate the level of its impact. As shown on the graphic below, pandemic, social and sustainability bonds present the highest average score. This partly explains the Fund's 2022-2023 achievement of 39.8% market value invested in social impact investment, reaching by far the target set at 30%.



97% of social bonds and 72% of sustainability bonds are rated A1 or C1. It shows that most of the bonds pursuing a social aim also have a strong focus on their impact. This tends to demonstrate that the issuers of those two types of bonds really try, through financial instruments, to generate a social impact in or outside their field of activity. Green bonds have a lower score (only 6% rated A1, C1 or B1) due to their indirect social impact. But they do have a strong positive environmental impact which should benefit society in the long run.

Bond type intensity rating score breakdown



Social and green highlights

Over the year, we have invested in issuers and bonds delivering and enabling tangible impact. Highlights are shown below.

Social highlights

Over the year, our investments included 102 issuers through bonds with social impact (including Social bonds, Sustainability bonds, Sustainability linked bonds, Transition bonds and Bonds with Social Benefits), representing 65% of the Fund.

The contribution of bonds from the portfolio to social impact is listed below:

Housing

- Financing the renovation or creation of 927,992 social houses
- Financing the wastewater disposal of 26,541 inhabitants
- Financing the supply of 8,156,283 households with 100% renewable energy
- Supporting 25 non-profit housing associations

Health and Welfare

- Financing the creation or modernization of 2,457 nursing homes
- Supporting healthcare for almost 6M beneficiaries
- Financing more than 180,460 hospital beds
- Financing loans to 658 public hospitals

Education and Training

- Supporting 2,517,618 students
- Financing university building projects that benefited 588,350 students
- Supporting 28,876 people through a return-to-work training allowance
- Financing 2,312 educational building projects

Employment

- Supporting more than 22,000 people to be professionally empowered, of which 63% were women
- Supporting the creation or preservation of more than 1,200,092 jobs
- Supporting 600,847 people thanks to return-to-work allowance
- Financing almost 240,000 Micro, Small and Medium Enterprises

Community

- Supporting 130,000 inhabitants through urban regeneration projects
- Supporting 9,200,000 people with enhanced access to transport services
- Financing 1,186 associations working to promote culture, sports, and solidarity

Access to services

- Supporting 6,929,668 individuals or families through access to social benefits
- Financing 61,034 eco-loans at a 0% rate

Green highlights from Green and Sustainability bonds

Over the year, our investments included 109 issuers through bonds representing 45% of the Fund in terms of net asset value. These show a positive impact on greenhouse gas (GHG) savings:

Year	Million tons of CO^2 avoided	Number of reported bonds
2018	14 million tons of CO^2 emissions were avoided	19 reported bonds (50% of total), equivalent to shutting down 3.6 coal-fired power plants for one year[12]
2019	over 21 million tons of CO^2 emissions were avoided	30 reported bonds (50% of total), equivalent to shutting down 5.6 coal-fired power plants for one year
2020	over 30 million tons of CO^2 emissions were avoided	65 reported bonds (63% of total), equivalent to shutting down 8 coal-fired power plants for one year.
2021	40 million tons of CO^2 emissions were avoided	62 reported bonds (41% of total), equivalent to shutting down 10.7 coal-fired power plants for one year
2022	45 million tons of CO^2 emissions were avoided	69 reported bonds (44% of total), equivalent to shutting down 12 coal-fired power plants for one year

In **2023**, **46 million tons of CO^2 emissions were avoided** on the basis of 69 reported bonds (44% of total), equivalent to **shutting down 12 coal-fired power plants for one year**. More than 30% of the portfolio is invested in Green and Transition bonds which are targeting green transition outcomes.

In **2023**, more than **14 million MWh of renewable energy** were produced by the issuers. Energy producers are increasingly investing in renewable energies: in Europe, renewable energy represents 22.5 % of energy consumed[13].

[12] According to the EPA website calculator: https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator
[13] https://www.eea.europa.eu/ims/share-of-energy-consumption-from

Sustainable Development Goals (SDG) alignment

Every investment is mapped to the 17 UN Sustainable Development Goals through the 169 targets that underly them, demonstrating the Fund's alignment with global social imperatives. The four most impacted SDGs were 11, 8, 7 and 3.

Examples of SDG targets and corresponding bonds

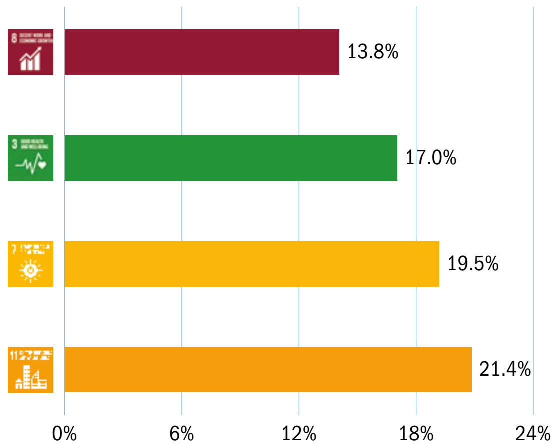
3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all: Sustainability Bond from **Autonomous community of Madrid** and **Social Bond from Instituto de Credito Oficial**.

7.2 Increase the share of renewable energy in the global energy mix: Green Bonds issued by **Enexis, Terna Rete Electrica** and **the Netherlands**.

8.3 Promote development-oriented policies that support productive activities, decent job creation and entrepreneurship: Social Bonds issued by **Intesa Sanpaolo** and **Caixabank**.

11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums: Social Bonds from **Bayerische Landesbodenkreditanstalt Bahn** and **Société Générale**.

SDG Alignment by % of NAV



About the partners

About the Social Advisory Panel

An independent Social Advisory Panel oversees the application of the methodology and ensures the management of the Fund is driven by social purpose. The board meets on a quarterly basis to monitor and review the social performance of the Fund and acts as an advisor on the social viability of investments. The Panel is composed of seven members – the majority of whom are not employed by the Fund manager – to ensure independence of thought and oversight. Details of the members can be found on pages 57–59.

The advisory panel has set the fund manager three specific targets:

- To invest over 30% in Social Impact Investments[14]
- To invest under 20% in Lower Social Outcomes (Bonds rated C3 and C4)[15]
- To increase the Fund's social intensity score over time.

A keyway the fund is achieving these goals is through engagement with issuers on a variety of topics, including the transitioning of Green and General Proceeds bonds toward having more socially targeted structures. You can read more about our engagement progress on page 56.

In addition, the panel would like to see a transition from General Social Benefit (including KPI Linked Bonds) and Green Bonds with social benefit to more targeted Social, Pandemic response and Sustainability Bonds over time.

About INCO

INCO is an investment firm with nearly a decade-long track record investing in socially inclusive and environmentally sustainable enterprises with compelling financial returns. Through both an international network of start-ups, support programmes, as well as local expert teams, INCO provides long-term equity and quasi-equity, from seed to growth stages. INCO complements its financial investments with strategic and technical assistance to support the growth, development and impact of its portfolio companies.

100+ investees

€100m+ assets under management

Over 50 years of combined expertise in PE and debt financing on the Management team

INCO manages or advises several funds, investing in early-stage social and green start-ups and in growth stage profitable, social and green companies. The firm advises the Threadneedle European Social Bond Fund in its social impact evaluation of European bonds. INCO acts as an independent advisor of the Fund, providing its expertise in the field of social and environmental evaluation. This partnership shows a common desire to support organisations that make a positive change in their community, whether they are companies, local authorities or non-profit organisations.

About Columbia Threadneedle Investments

Millions of people around the world rely on Columbia Threadneedle Investments to manage their money, including individual investors, financial advisers, and institutional investors. Together, they entrust us with €554 billion[16].

Its reach is expansive. It has built a global team of 2,500 people, including more than 650 investment professionals sharing global perspectives across all major asset classes and markets. Its analysts are dedicated to finding original, actionable insights that are shared and debated with portfolio managers. Responsible investing is fundamental. That's why we seek to integrate Environmental, Social, and Governance (ESG) considerations into our fundamental approach to investment research and stewardship. We run a number of dedicated strategies across the Responsible Investment spectrum including our Global and UK Social Bond Funds.

[14] Since the 6th of July 2022, the target has been increased to 30%. The prior target was 25%.
[15] Since the 30th of November 2022, the target has been decreased to 20%. The prior target was 25%.
[16] In Euros as of 30 September 2023. Source: Columbia Threadneedle Investments. Contact us for more current data.

Methodology

Social hierarchy of needs

The Fund assesses investment opportunities through a series of filters to ensure they meet defined objectives. The key element to this filtering is the Social Needs Category, which flows from a social hierarchy-of-needs approach, whereby more primary and basic needs (affordable housing, healthcare) are prioritised over more general needs.

The Fund is also aligned with United Nations' Sustainable Development Goals (SDGs):

Social need	Outcome area	Major SDGs	Minor SDGs
1. Primary Needs	**Affordable Housing** ■ Social housing ■ Key worker housing ■ Independent living housing ■ Care homes	11 Sustainable cities and communities	
2. Basic Needs	**Health & Welfare** ■ Physical health ■ Mental health ■ Healthy living ■ Rehabilitation & support	3 Good health and well-being	2
3. Social Enabling	**Education & Training** ■ Primary & Secondary ■ Vocational training & apprenticeships ■ Further & Adult education	4 Quality education	1, 5, 8, 10
4. Social Empowerment	**Employment** ■ Creation of jobs in deprived areas; and ■ Good employment standards	4 Quality education	1, 5, 8, 10
5. Social Enhancement	**Community** ■ Local amenities, services & environment ■ Care services ■ Personal (e.g. elderly) ■ Other community services	11 Sustainable cities and communities	6, 15, 16
6. Social Facilitation	**Access to Services** ■ Affordable financial products ■ First-time mortgages ■ Professional services ■ Communication & broadcast services	10 Reduced inequalities	8, 9
7. Societal Development	**Regeneration & Development** ■ Sustainable development ■ Public & community transport ■ Urban & community regeneration ■ Infrastructure & utility development ■ Environment & agriculture	9 Industry, innovation and infrastructure	2, 7, 13

Social categorisation and scoring

Above and beyond the segmentation that factually defines the bonds, the fund performs its own scoring of each investment opportunity, evaluating the social characteristics and expected impact of each bond.

This categorisation model is designed to differentiate the nature of the investments in terms of their focus on achieving the Fund's social aims. It is made up of 2 parts, one with a letter grade assessing the intentionality of the bond (Impact Intentionality Category, from A to C), and the other with a numbered grade assessing the quality and depth of the response (Social Intensity score, from 0 to 31, which translates into an Intensity rating ranging from 1 to 4, 1 being Strong and 4 being Minor).

For each intentionality category, the grades relate to the following:

Category A – Impact investment

Funding is designed specifically to generate positive social impact, development and/or change.

Category B – Investment with impact

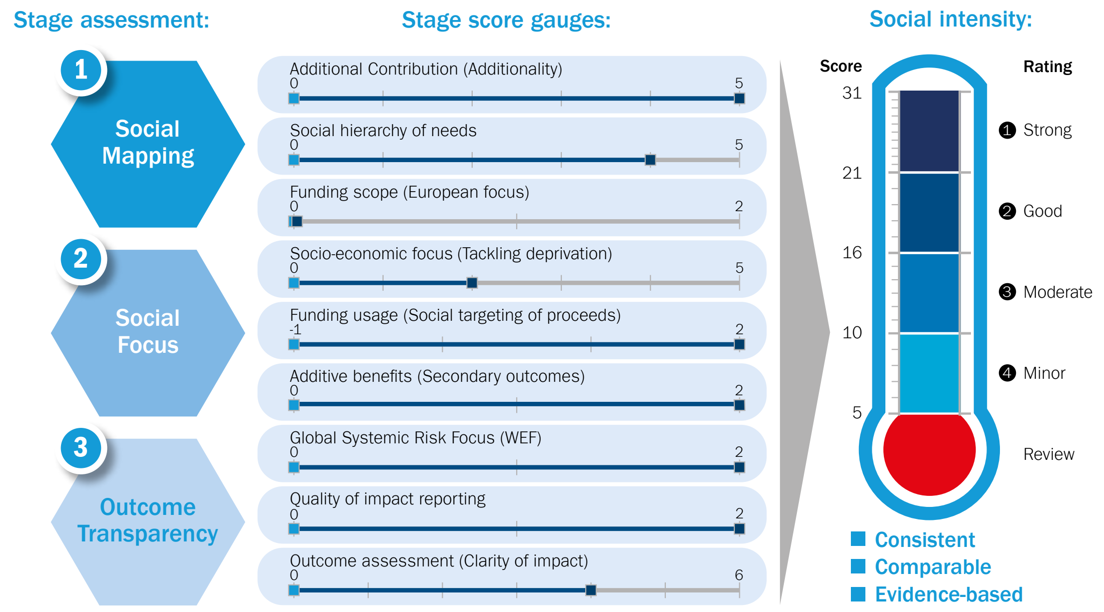
Funding is likely to generate expected and identifiable social impact for individuals, either indirectly or without specifically disclosed intentionality.

Category C – Development finance or global impact

Investments in capacity, infrastructure and other projects that generate social externalities, contributing to positive social and/or economic growth and development. Alternatively, investments in bonds, where the main scope of the outcome is outside Europe.

For Social Intensity, the grade comes from the following scoring model:
The scoring model is designed to give a comparable, evidence-based score of the impact of a bond. It moves through initial social mapping, to assessing the degree of social focus, to outcomes and impact.

A high-level outline of the process is shown below.



Values and governance

Values and Environmental, Social and Governance (ESG) Risk

We start by shaping a Social Universe. This comprises only categories of bonds with higher potential for delivering social outcomes, and hence excludes those in areas that pose a higher risk of adverse impacts.

We exclude bonds that meet the following criteria, which represent general minimum requirements and are assessed at the bond level:

1. **Norm adherence:** We exclude on any evidence of violation of key norms and standards
2. **Sustainable energy focus:** We avoid those that generate material revenue from nuclear energy and coal
3. **Health enhancement:** We have minimal tolerance for tobacco production
4. **Social cohesion:** We exclude those that generate material revenue from adult entertainment or gambling
5. **Weapon avoidance:** We avoid weapons and firearms, with zero tolerance for controversial weapons
6. **Severe environmental impact avoidance:** We avoid companies with severe controversies related to water or biodiversity and land use. This applies to all issuers, including of Green, Social or Sustainability bonds
7. **Controversial regimes:** We only invest in Green, Social or Sustainability bonds from Sovereign Issuers. Nevertheless, we will not invest in countries with the death penalty, those subject to EU sanctions, those taking minimal collaborative action on climate change, or those considered to be oppressing freedoms or taking action which would violate principles of the UN Global Compact. Companies wholly owned by such regimes will be excluded.

We also evaluate any material ESG risks as part of each social assessment. Any key issues are noted and, where they may jeopardise the overall social impact of an investment, the scoring may be affected, or the bond deemed out of scope for the Fund. We also review these issues during our monitoring process, described below.

The fund has held the Belgium Towards Sustainability label since 2018. In 2022 the criteria for this award evolved to reflect the label's interpretation of SFDR Article 9 requirements. The changes also included a lower minimum standard for exposure to thermal coal from 10% to 5%. Following these changes, fund was again awarded the Towards Sustainability label which is regarded as a highly rigorous sustainable management endorsement.

Governance and monitoring

The Social Advisory Panel plays a vital role in reviewing, checking and monitoring the Fund, while ongoing monitoring checks are undertaken by both the Mandate Monitoring and Responsible Investment teams.

Key issues and assessments are discussed at the Social Advisory Panel, comprising members nominated by our social partners, INCO and the Fund Manager. The Panel is Chaired by an INCO-nominated member.

Ahead of each Social Advisory Panel, the Responsible Investment team undertakes portfolio screening to ensure that requirements are continuing to be met by Fund constituents. Any non-compliance – or high risk of non-compliance – are highlighted to the Social Advisory Panel.

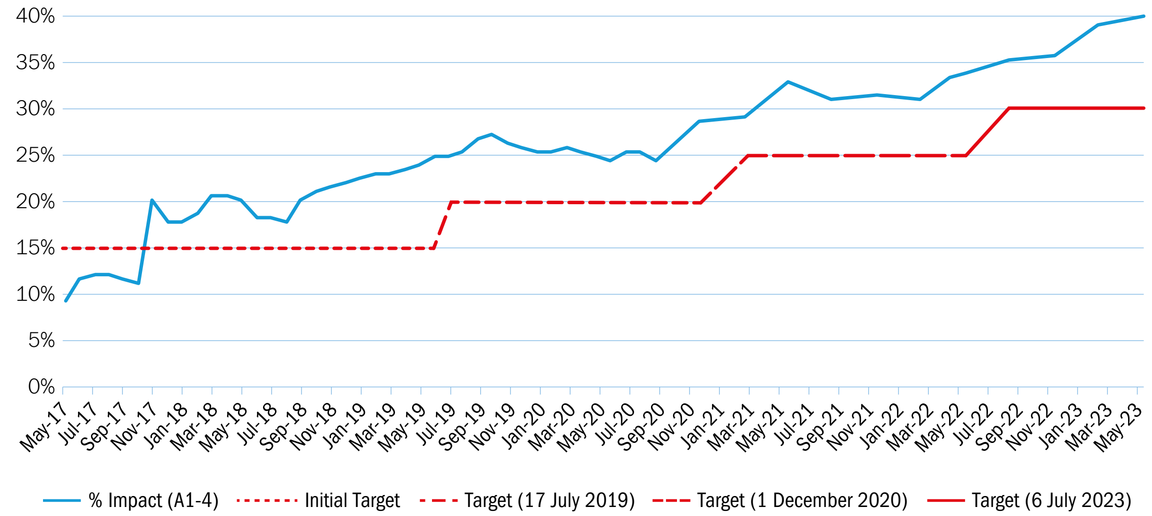
The Panel has the right of referral on the final assessment. If a bond is considered ineligible or no longer eligible for the Fund, the Fund Manager will draw up and implement an action plan comprising an exit strategy in the best interest of the underlying investors.

Social Targets

The Fund met or exceeded all its targets over the period

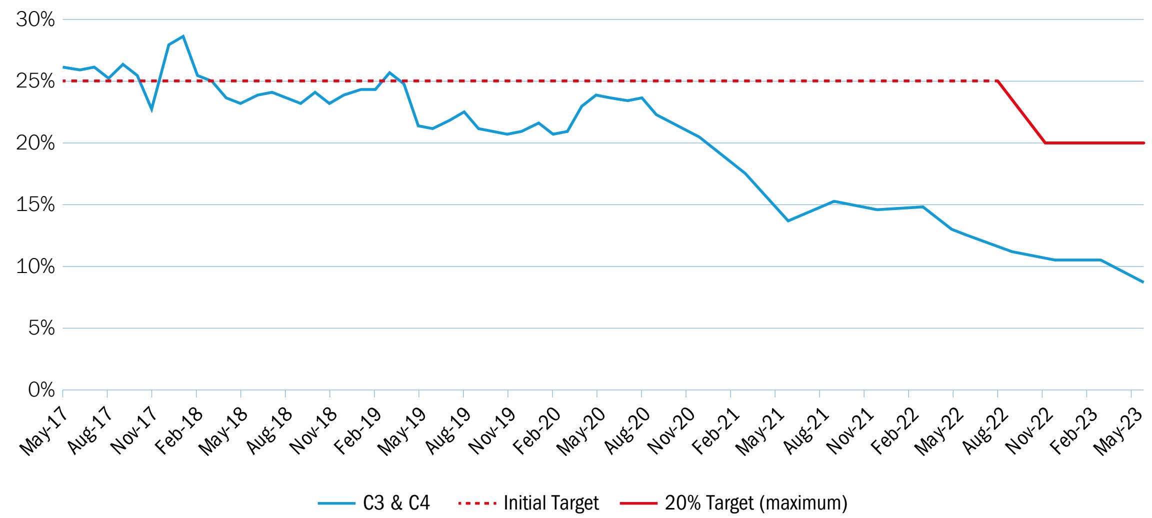
- 39.8% in Social Impact Investments (A1-4) (current target of 30% minimum)

Evolution of share of Impact Investments (% of overall portfolio)



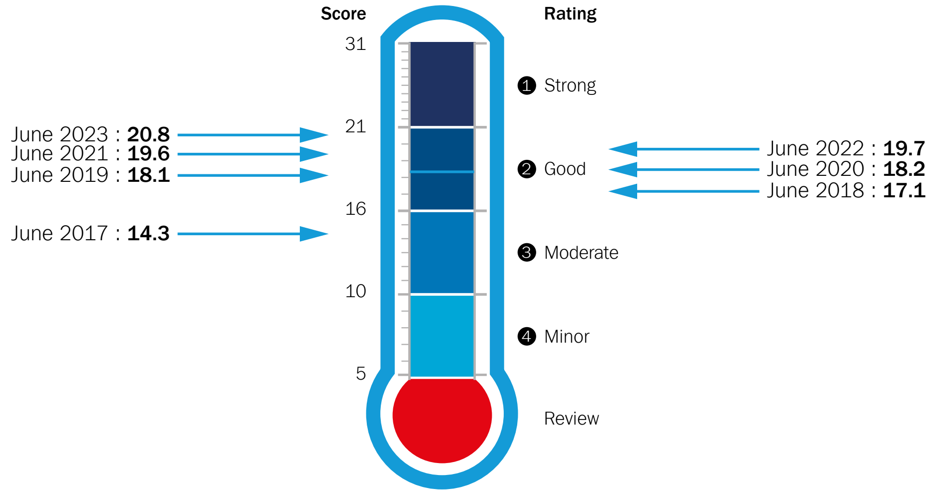
- 8.8% in Lower Social Outcomes (C3 & C4) (target of 20% maximum)

Evolution of share of Lower Social Outcomes (C3 & C4)



[17] Since the 6th of July 2022, the target has been increased to 30%. The prior target was 25%.
[18] Since the 30th of November 2022, the target has been decreased to 20%. The prior target was 25%.

- Average social intensity score of 20.8 versus 14.3 at Fund launch (targeting a continuous incremental improvement)

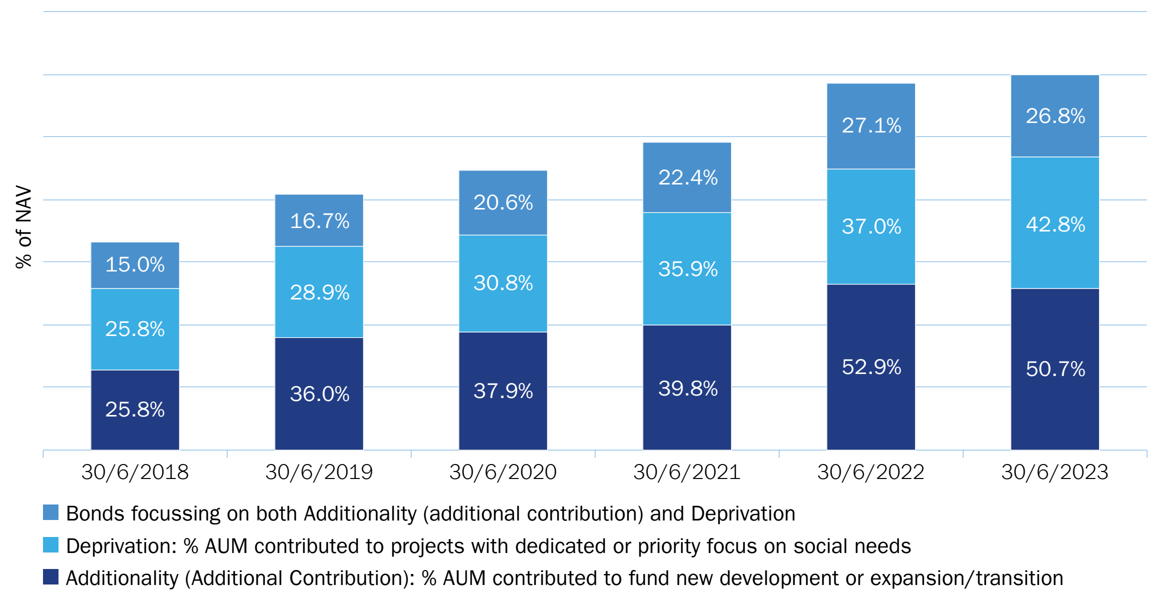


Focus on additionality and deprivation mitigation

The Fund, in its primary social aims, targets the populations that are most in need. Since inception the % of the fund which targets high additionality (additional contribution) and deprivation mitigation has continually increased. In 2023, the % of bonds with high additionality has slightly decreased due to a high number of refinancing impactful projects that have a lower additionality score than new projects. As of 30th June 2023:

- **50.7% of the AUM contributed to projects with additionality (additional contribution) where the funding resulted in new development or expansion/transition.**
- **42.8% of the AUM contributed to projects with focus on deprivation, where funding went to projects with a dedicated or priority focus on social needs.**
- **26.8% of the AUM funded projects with focus on both additionality (additional contribution) and deprivation, versus 27.1% as of 30th June 2022 and 22.4% as of 30th June 2021**

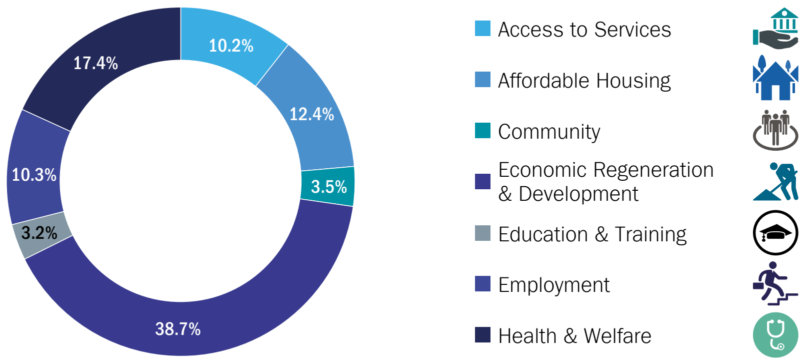
% of Fund focussing on Additionality and Deprivation Mitigation



Social profile

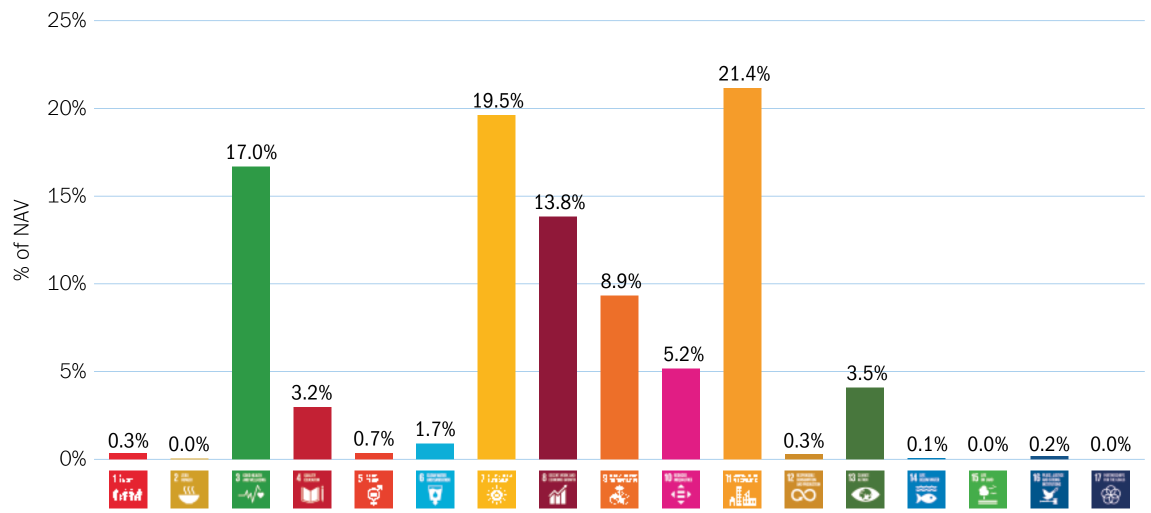
The Fund is invested in seven outcome areas, or Development Opportunities, led by Regeneration and Development, which includes the majority of the Fund's Green Bonds. As a result, this area is dominated by infrastructure, which is particularly appropriate for bond financing.

Social Outcome Areas (by % of NAV)



All investments are mapped to the 17 UNSDGs through the 169 underlying targets, demonstrating the Fund's alignment with global social and environmental imperatives. The four SDGs most supported were 3, 7, 8 and 11. This reflects the Fund's strong focus on quality employment opportunities and encouragement of micro, small and medium enterprises (SDG 8), access to safe and effective medicines and vaccines for all (SDG 3) and affordable housing and sustainable communities (aligned with SDG 11), and renewable energy (SDG 7).

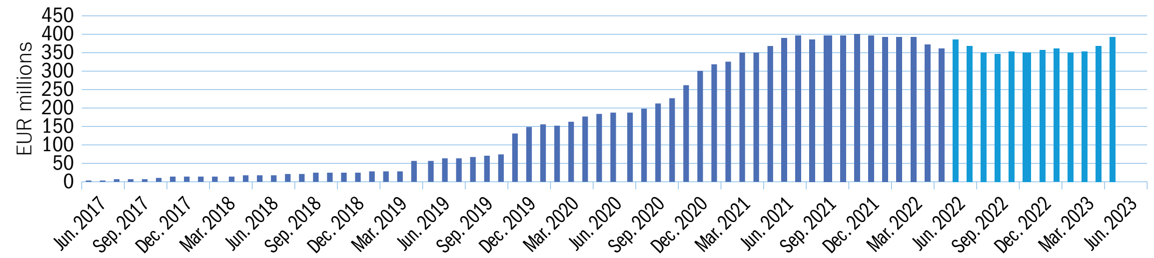
SDG Alignment



Fund growth

The Fund's AUM reached €396.7m in June 2023 representing a €31m increase over a one-year period (€365.4m in June 2022). This is notable growth given the overall impact bonds market remains at the same level as last year.

ESBF AUM Growth

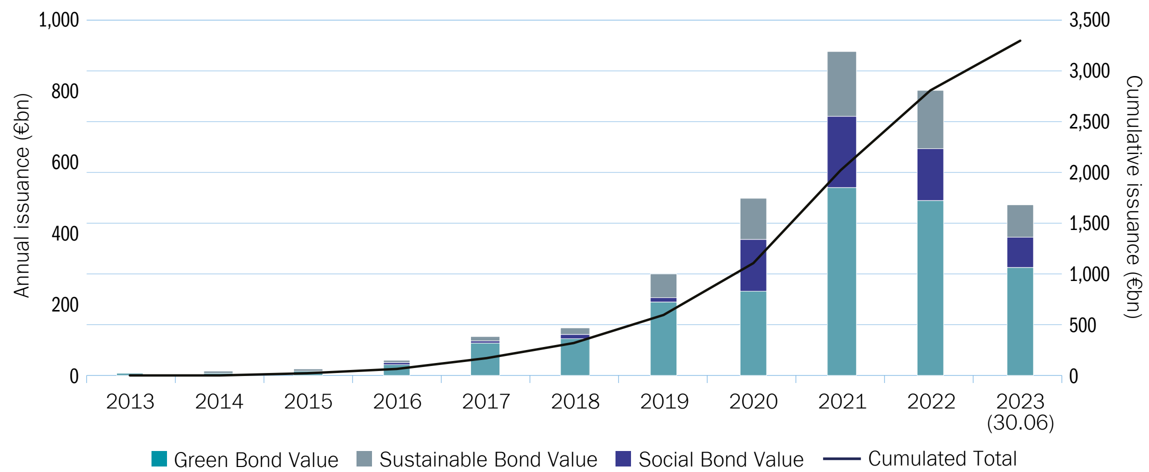


By mid-2023 €477bn of new social, green, and sustainable bonds were issued, the same level over the same period in 2022. This was in the context of a market which saw lower issuance generally. In fact, the social/sustainable/green labelled proportion of total issuance in the market was larger in this period than previously.

Whilst issuance in Green, Social and Sustainable bonds peaked in 2021 (at €900bn), and whereby the annual issuance trends since have been lower, the trend is consistent with that of the broader fixed income market issuance (and not just impact issuance). Encouragingly, the labelled bond issuance in the first half of 2023 is not at a materially dissimilar pace to that of the more recent years and we are encouraged to see that labelled bond issuance continues in the order of magnitude towards €1 trillion per annum.

The Social Bond team play a key role in supporting the growth of the market, particularly through engagement with and education of issuers. The team would like to see growth in the proportion of Green, Social and Sustainable bonds from issuers who access the bond market regularly and each year. The team would also like to see a wider spectrum of issuers issuing labelled bonds, these considerations remain a key point of engagement focus.

Evolution of Social, Green & Sustainable bond issuance in the market

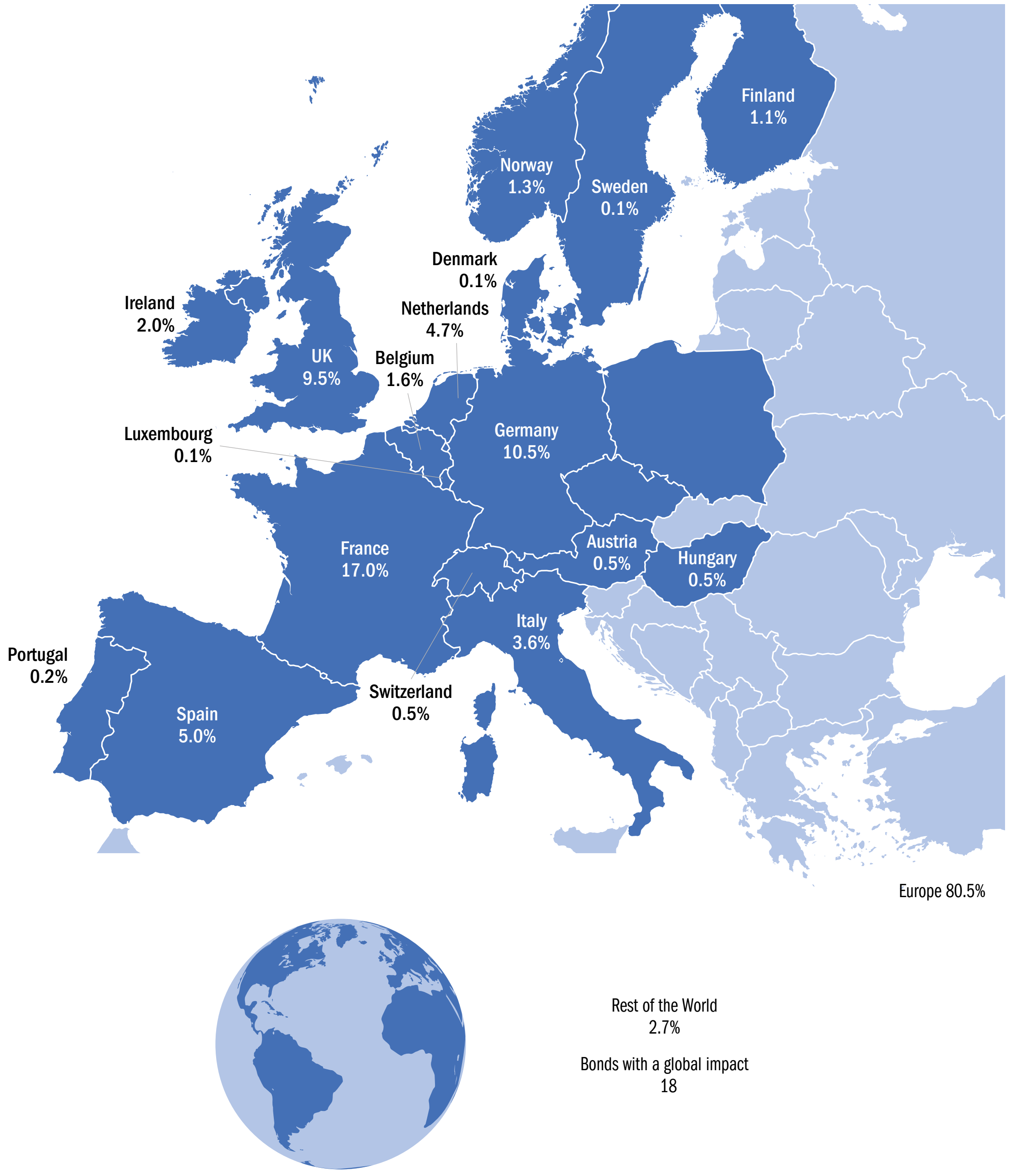


Top 25 holdings

Rank	Name	Bond type	Main social need category	Main development opportunity	Social rating scores	% porfolio	Main SDG mapping
1	**Council Of Europe Development Bank**	Social bond	Social empowerment	Employment	A1	2.59%	11
2	**Wellcome Trust**	GSB	Basic social needs	Health & Welfare	C1	2.47%	3
3	**Caisse Amortissement de la Dette Sociale**	Social bond	Social empowerment	Employment	A1	2.36%	8
4	**AIB Group**	Social bond	Basic social needs	Health & Welfare	A1	2.24%	3
5	**EU**	Pandemic bond	Social empowerment	Employment	A1	2.24%	8
6	**Vonovia**	Social bond	Primary social needs	Affordable housing	A1	2.13%	11
7	**Unedic**	Social bond	Social empowerment	Employment	A1	2.07%	8
8	**Natwest Group**	Social bond	Primary social needs	Affordable housing	A1	1.94%	11
9	**Motability Operations Group**	Social bond	Social facilitation	Access to services	A1	1.92%	10
10	**Orange**	Sustainability bond	Societal development	Economic regeneration & development	B1	1.92%	7
11	**Crédit Agricole**	Social Bond	Primary social needs	Affordable housing	A1	1.86%	10
12	**International Finance Facility for Immunisation Company**	Social bond	Basic social needs	Health & Welfare	C1	1.84%	3
13	**Prologis International Funding II**	Green bond	Societal development	Economic regeneration & development	B2	1.51%	11
14	**Bank of Ireland Group**	Green bond	Societal development	Economic regeneration & development	B2	1.50%	7
15	**Becton Dickinson Euro Finance**	GSB	Basic social needs	Health & Welfare	C3	1.41%	3
16	**Yorkshire Building Society**	Social bond, GSB	Social facilitation	Access to services	A2-B3	1.37%	8
17	**E. ON**	Green bond	Societal development	Economic regeneration & development	B3	1.35%	7
18	**Madrid**	Sustainability bond	Basic social needs	Health & Welfare	A1	1.34%	3
19	**Eurogrid**	Green bond	Societal development	Economic regeneration & development	B2	1.34%	7
20	**Amprion**	Green bond	Societal development	Economic regeneration & development	B2	1.20%	7
21	**Thames Water Utilities Finance**	Green bond	Societal development	Economic regeneration & development	B2	1.18%	6
22	**O2 Telefonica Deutschland**	GSB	Social facilitation	Access to services	C4	1.17%	9
23	**European Investment Bank**	Pandemic bond	Basic social needs	Health & Welfare	A1-C1	1.16%	3
24	**Caixabank**	Social bond	Social facilitation	Access to services	A1	1.15%	8
25	**Intesa Sanpaolo**	Social bond	Social empowerment	Employment	A1	1.05%	8

Investment map

Investment outcomes map by % of NAV



[19] Within the portfolio, 30.5% of the bonds have an impact across Europe generally, this does not include those bonds that have an impact in specific European countries. Together, the Europe-wide and European country specific impact bonds made up 86.5% of the portfolio.

[20] These bonds have an impact worldwide (including Europe), whereas the bonds including in the "Rest of the World" category specifically target regions other than Europe.

Thematic spotlight

Primary needs – Affordable housing

One-sixth of the EU population lives in overcrowded dwellings, and one in 20 suffers from severe housing deprivation. A key component of UN Sustainable Development Goal 11 'Sustainable Cities and Communities' relates to decent living and housing.

Under this outcome area, we seek to support organisations and bonds that increase the provision of quality and affordable homes and related local facilities. Examples include social housing, key worker housing, independent living housing and care homes.

Context

Europe is facing a housing crisis. This is due to a combination of factors, including urban population growth, rising property prices and a shortage of social housing. Combined with soaring energy and food costs, the crisis is forcing people to adapt their living conditions, particularly younger populations.

In fact, more than a quarter of Europeans aged 15 to 29 reported living in overcrowded conditions in 2022[21]. However, the housing crisis continues, as rents have inflated and interest rates are high, while supply is decreasing. The rise of mortgage interest rates is driving up costs for homeowners with variable-rate mortgages and keeping out many potential buyers.

As mentioned above, Europe also faces a shortage of social housing, which leaves many people homeless or forced to live in substandard accommodation, and poor housing quality, which can lead to health and safety problems. Homelessness in the EU has risen by 30% since 2019.

A recent report of the EU showed that access to easy-to-use and affordable key services, including water, sanitation, energy, internet, financial services and digital communications is still a challenge for part of the population in Europe. In 2022, the share of people that struggled to keep their homes adequately warm across the EU increased to 9.3[22]. Indeed, Europe has experienced a record rise in energy prices in 2022 due to the Ukraine invasion, prices began falling gradually in 2023 but electricity prices are still way above what they were in 2021.

20 issuers through 27 bonds

2 general social benefit bonds

18 social bonds

7 sustainability bonds

Through investments in bonds within this area[23] we are contributing towards outcomes including:

- Financing the renovation or creation of 927,992 social houses
- Financing the wastewater disposal of 26,541 inhabitants
- Financing the supply of 8,156,283 households with 100% renewable energy
- Supporting 25 non-profit housing associations

[21] "26% of young people lived in overcrowded households", Eurostat, 2023
[22] "9% of EU population unable to keep home warm in 2022", Eurostat, 2023
[23] Out of the 27 bonds, 18 bonds were studied. In addition, we added information from 9 bonds not included in the 27 bonds from the Affordable Housing category, but which also create impact in this category

Increasing the provision of quality and affordable homes and facilities

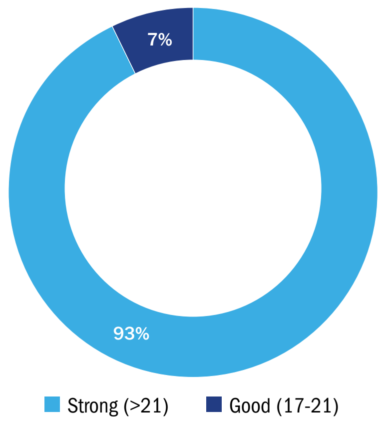
Recent bonds entry

Over the last year, the fund financed **5 new bonds** in this thematic among which the BNG Bank social bond. Its proceeds will be used for loans to the Dutch Social Housing Associations' different projects such as developing/redeveloping a variety of children's homes and developing schools and community centres.

Bond issuers

- Action Logement
- Aster Treasury PLC
- Bayerische Landesbodenkreditanstalt
- BNG Bank
- Cassa Depositi
- Council of Europe Development Bank
- Credit Agricole
- Deutsche Kreditbank AG
- Investitionsbank Berlin
- Kuntarahoitus
- La Banque Postale
- Natwest Group PLC
- Nederlandse Waterschapsbank
- NRW Bank
- RCB Bonds
- Region of Ile de France
- Société Générale
- Stonewater Funding
- The Flemish Community
- Vonovia

Affordable Housing bonds social intensity rating



Société Générale Social Bond

SDG Target 11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

IMP mapping C – Contribute to Solutions

Entity Overview

Société Générale is one of France's leading banks and one of the oldest, founded in 1864. Société Générale is France's third-largest bank in terms of total assets. It is also Europe's sixth-largest bank.

Société Générale is committed to financing a more sustainable economy.

Context

In France, there are continuing social disparities over the national territory. Some regions, such as Provence, Occitanie and Nord, are affected by a high unemployment rate. Nevertheless, other regions also have to face serious social challenges, such as Ile de France, which has a very high number of companies affected by the consequences of extreme events.

Île-de-France is a highly urbanised region, with a high density of population and economic activity. This makes it particularly vulnerable to extreme events such as the pandemic. The tourism and hotel sectors were hit particularly hard by the drop-in tourist numbers. Companies in the catering and events sectors, as well as those in the transport and logistics sectors, were also affected by the health restrictions.

Bond Overview

This positive impact social bond of €1 billion was the first social bond issued by Société Générale. It came two days after the issue of a €1.5 billion green bond. Since issuing its first Positive Impact Bond in 2015, the Group has continued to focus its financing on activities with a social and environmental impact. The funds raised will be used exclusively to finance or refinance projects contributing to social economic progress and empowerment, social housing, access to education and vocational training, and access to healthcare.

Outcome and Impact

The bond was issued in December 2021 and had the following impact results:

- More than **5,000 SMEs** located in areas of France where the unemployment rate is above the national average and more than **20,000 SMEs** impacted by the consequences of extreme events benefitted from loans
- Almost **1,300 Social and Solidarity Economy enterprises** (mostly associations) benefitted from loans
- Almost **24,000 students** received a financial support

SDG and Target

Goal 11	Make cities and human settlements inclusive, safe, resilient and sustainable
Target 11.1	By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Social bond Rating	A1
Social Intensity Score	28
IMP classification	C – Contribute to Solutions
Use of proceeds bond	Social Bond
Issue date	02/12/2021

Basic needs – Health and welfare

This area is focused on investments that help to deliver universal access to basic infrastructures and health services. This encompasses both physical and mental health, healthy living, rehabilitation and support, and well-being.

It is aligned with UN Sustainable Development Goal 3, Good Health and Well-being, which focuses on both communicable and non-communicable diseases.

Context

While the average level of health in Europe has steadily improved, major health disparities remain within the continent.

Health and income inequality are closely linked, with people in the lowest income quintile almost three times more likely to have a disability than those in the highest income quintile (20%). During the COVID-19 crisis in the EU, inequalities in access to healthcare services based on income increased: in 2020, the risk of having an unmet medical need was 5.4 times higher for people in the lowest income quintile than for those in the highest[24].

According to Eurostat[25], more than a quarter of the Union's population (aged 15 or over) declare that they have had unmet health needs, for three main reasons: financial costs; distances to travel to a medical care facility; or long delays. The UK is also concerned; a study carried out by the authorities in 2023 shows that, in the absence of free access to healthcare, some citizens are trying to treat themselves. For example, access to dental care is out of reach for a whole section of the population, with some Britons even pulling out their own teeth[26].

22 issuers through 36 bonds

10 general social benefit bonds

7 pandemic response bonds

8 social bonds

5 sustainability bonds

1 sustainability linked bond

Through investments in bonds within these areas[27] we are contributing towards outcomes including:

- Financing the creation or modernisation of 2,457 nursing homes
- Supporting healthcare for almost 6m beneficiaries
- Financing more than 180,460 hospital beds
- Financing loans to 658 public hospitals

[24] "Economic and social inequalities in Europe in the aftermath of the COVID-19 pandemic", Eurofound, 2021
[25] "Unmet healthcare needs statistics", European Commission, 2022
[26] "Faute d'accès aux soins, de plus en plus de Britanniques s'arrachent leurs propres dents", BFMTV, 2023
[27] Out of the 36 bonds, 10 bonds were studied. In addition, we added information from 15 bonds not included in the 36 bonds from the Health and Welfare category, but which also create impact in this category

Helping to deliver universal access to basic infrastructures and health services

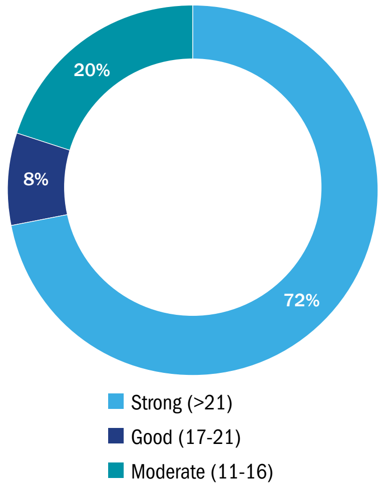
Recent bonds entry

Over the last year, the Fund financed **3 new bonds** in this thematic among which is the AIB social bond. Its proceeds will be used to give loans to healthcare facilities, residential care facilities and pure-play companies in the healthcare area.

Bond issuers

- AIB
- Andalucia
- Asia Development Bank
- Astra Zeneca
- Autonomous Community of Madrid
- Becton Dickinson
- BPCE
- BUPA Finance
- Caisse amortissement de la dette sociale
- Caisse Française de Financement Local
- Danone
- Essity
- European Investment Bank
- GSK Consumer Healthcare
- IBRD
- IFFIM
- Instituto de Credito Oficial
- Kerry Group
- Osterreichische Kontrollbank
- Roche
- Sanofi
- Wellcome Trust

Health & Welfare



Instituto de Credito Oficial Social Bond

SDG Target 3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

IMP mapping C – Contribute to solution

Entity Overview

Instituto de Crédito Oficial (ICO) is a Spanish lending institution, initially created in 1962 under the name of Instituto de Crédito a Medio y Largo Plazo, which became ICO in 1971. Previously under the jurisdiction of the Ministry of Economy and Finance, it became a State company in 1989. Its functions include funding investment projects and the assistance for the liquidity needs of Spanish companies. It also operates as a State Financial Agency.

Context

Spain is a country with a highly diversified economic fabric, but some regions, such as Andalusia, Galicia and the Valencian Community, are experiencing economic difficulties. These difficulties are due to a combination of factors, such as a large rural population, high unemployment and dependence on specific economic sectors. Andalusia, for example, relies heavily on tourism, a sector subject to market volatility and climate change. Galicia relies on agriculture and fishing, sectors that face international competition and climate change. In the Valencian Community, manufacturing is an important sector, threatened by globalisation and competition from low-cost countries.

ICO has therefore decided to issue a bond to finance SMEs in these regions. The aim is to support economic growth and job creation in these areas.

Bond Overview

ICO was a pioneer in Spain in the issuance of social bonds (it has managed to raise funds amounting to €4,050 million to boost business activity in the most disadvantaged areas nationwide). ICO wants to contribute to the growth of the sustainable bond market by issuing at least one transaction each year, ensuring that funds are channelled to finance projects with a positive social and environmental impact. Hence, this €500m bond issued in November 2021 will finance projects of Spanish self-employed workers, SMEs and companies that contribute to boosting recovery and sustainable economic growth.

Outcome and Impact

The bond was issued in November 2021 and had the following outcome:

- **Financing 4,998 SME** (in economically underperforming regions) which permitted the creation or preservation of **36,227 jobs**
- Giving a **new job opportunity to more than 300 peoples with disabilities**
- **Buying 81 social houses** to be incorporated into the rental market for vulnerable groups
- **Building 1 new hospital in Nicaragua** to create 207 new beds
- **Financing 3 companies facing difficulties** from Covid-19 crisis which permitted to create or retain **1,458 jobs**

SDG and Target

Goal 3	Ensure healthy lives and promote well-being for all at all ages
Target 3.8	Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
Social bond Rating	A1
Social Intensity Score	29
IMP classification	C – Contribute to Solutions
Use of proceeds bond	Social Bond
Issue date	24/11/2021

Social enabling – Education and Training

Education is a key enabler of social progress and mobility, with UN Sustainable Development Goal 4 dedicated to this area. We focus on bonds that support inclusive education and training programmes in primary and secondary education, as well as vocational training and apprenticeship, and further education.

Context

The European School system definitely has some challenges ahead, first of all, the average budget remains fairly stable while each year the number of students is increased by about 500 children[28]. Secondly, the number of teachers is also a huge issue, the teacher recruitment crisis is a problem in almost all of Europe. In the UK for instance, 95% of schools struggle with recruitment, in Sweden this led to only 71% of teachers in the elementary and middle schools having the required skills to teach[29].

Furthermore, adult education is as important as primary education and in many European regions, unemployment is quite high (Spain, Greece, Turkey, Albania etc)[30]. Education and training for adults could guarantee better adequation on the labour market.

Nevertheless, the adult learning and education sector in Europe has already been struggling with a lack of structural and financial support for many years[31].

9 issuers through 11 bonds

2 general social benefit bonds

5 social bonds

4 sustainability bonds

Through investments in bonds within these areas[32] we are contributing towards outcomes including:

- Supporting 2,517,618 students
- Financing university building projects that benefited 588,350 students
- Supporting 28,876 people thanks to return-to-work training allowance
- Financing 2,312 educational building projects

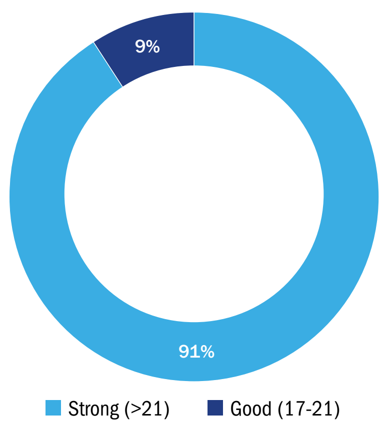
Recent bonds entry

Over the last year, the Fund financed **4 new bonds** in this thematic among which is the Communauté Française de Belgique social bond. Its proceeds will be mainly used to support education and an access to sport and cultural infrastructure in the French part of Belgium.

Bond issuers

- Agence France Locale
- Cardiff University
- Communauté Française de Belgique
- Crédit Mutuel
- Pearson
- State of North Rhine-Westphalia
- UCL

Education & Training




Supporting inclusive education and training programmes

28 "The European School System: Challenges and Opportunities" European School Heads Association, 2023
29 "The Teacher Recruitment Crisis: A Looming Threat to Education Quality", Education International, 2022
30 The European Union in Figures - Employment and Unemployment", Eurostat, 2023
31 "Adult Education and Lifelong Learning in Europe - Trends, Challenges and Policy Responses", European Commission, 2022
32 Out of 11 bonds, 1 bond was studied. In addition, we added information from 17 bonds not included in the 11 bonds from the Education and Training category, but which also create impact in this category

Communauté Française de Belgique Social Bond

SDG Target 4.1: By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.

IMP mapping C – Contribute to solution

Entity Overview

Communauté française de Belgique ("CFB") is an entity of the Belgian Federal State which has its own constitutionally protected powers as well as both a legislative and an executive institution. In addition to the federal level, the Federal State consists of three Communities (French, Flemish and German) and three Regions (Wallonia, Flanders and Brussels). Each entity has its own constitutionally protected powers and both legislative and executive institutions. It has authority in the fields of Education, Culture, Sport, Youth Assistance, Scientific Research and Legal Advice Centres. In 2011, it was decided to refer to the French Community of Belgium as the "Wallonia-Brussels Federation".

Context

The financing of higher education in the Fédération Wallonie-Bruxelles (FWB) has been a matter of concern for many years. Continued growth in the student population, combined with the maintenance of a "closed budget envelope" system, has resulted in a steady deterioration, year on year, in the "means per student" available to higher education establishments, and therefore in the conditions of support they can offer their students.

Between 2000 and 2017, the resources per student allocated by the FWB to educational institutions fell (in real terms) by almost 15% in higher education (-22% for universities and -7% for higher education institutions)[33].

Bonds overview

The CFB has issued 2 social bonds in less than a year, this one raised €700m to implement policies mainly targeting children and young people. They will primarily be intended for education and dealing with major challenges in terms of early childhood care, primary, secondary and tertiary education (including higher education and university), as well as youth support. Therefore, education, research and the training sector represent around three quarters of CFB's general expenditure budget.

They dedicated €222m in 2020 for the « Pacte pour un enseignement d'excellence » which plans to provide free enrolment in nursery school, hiring of new teachers, training of teachers etc.

Outcome and Impact

The CFB will measure their impact according to different Social Principles Eligible categories:

- Access to essential services: Education, CFB has allocated resources to develop school and nursery services, as well as health care for socially and economically disadvantaged people (free prenatal and child consultations, housing facilities outside the family environment),
- Affordable basic infrastructure: Sport and Culture, access to sports equipment and cultural heritage opportunities to promote social cohesion. Major infrastructure projects have been set up such as the construction of two large theatres, a cultural centre and a major museum renovation.
- Access to essential services: Social Inclusion

[33] "Rapport sur la situation de l'enseignement supérieur: Communauté française de Belgique", Direction générale de l'Enseignement supérieur, de l'Enseignement tout au long de la vie et de la Recherche scientifique, Administration générale de l'enseignement, Ministère de la Fédération Wallonie-Bruxelles, 2022

Additionality

This bond was issued in March 2023, however, the initial position in the bond was only taken in the secondary market leading to low additional contribution than if the bond position had been taken up in the primary market.

SDG and Target

Goal 4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
Target 4.1	By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
Social bond Rating	A1
Social Intensity Score	23
IMP classification	C – Contribute to Solutions
Use of proceeds bond	Social Bond
Issue date	16/03/2023

The Social Bond Principles

Social empowerment – Employment

Lack of quality employment opportunities remains a key issue for Europe. We focus on issuers supporting inclusive job creation and growth in major employment sectors, especially in deprived areas and promotion of good employment standards. As such, it is aligned with SDG 8, Decent Work and Economic Growth.

Context

Although society tends to be more inclusive and egalitarian, the goal has not yet been achieved. The job market is still marked by difficulties and significant unemployment. In Europe, access to employment remains a significant challenge for various vulnerable groups.

Women continue to face persistent inequalities in the labour market, often encountering wage gaps and barriers to access senior management positions. In 2022, in all EU countries, the employment rate for women was lower than that for men, averaging 69.3%, compared with 80% for men[34]. In the UK, it was 72% versus 79%[35].

Disabled people also face major difficulties, as companies often struggle to adapt their working environments to meet their specific needs, in addition to the stereotypes and discrimination they face. In Europe, 51% of people with disabilities are employed, compared with 75% of people without disabilities, according to the European Commission[36].

Disadvantaged groups, particularly those from precarious socio-economic backgrounds, face barriers to find jobs due to their lack of access to quality education, their residence in economically disadvantaged areas and the systemic discrimination they face.

13 issuers through 28 bonds

1 general social benefit bond

18 social bonds

1 sustainability bond

8 pandemic bonds

Through investments in bonds within these areas[37] we are contributing towards outcomes including:

- Supporting more than 22,000 people to be professionally empowered, of which 63% were women
- Supporting the creation or preservation of more than 1,200,092 jobs
- Supporting 600,847 people through a return-to-work allowance
- Financing almost 240,000 Micro, Small and Medium Enterprises

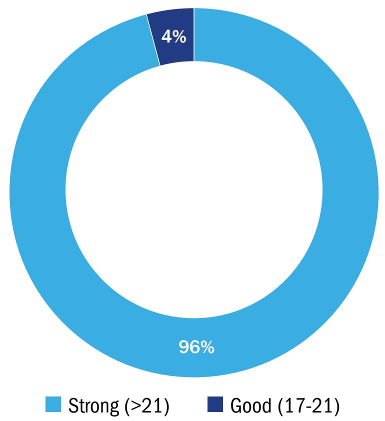
Recent bonds entry

Over the last year, the Fund financed **5 new bonds** in this thematic among which is the Natwest Social Bond. It is the first gender bond from a financial institution in Europe. The proceeds will support female empowerment by financing women owned and led businesses.

Bond issuers

- Banco BPM
- CADES
- Cassa Depositi e Prestiti
- CFB
- Council Of Europe Development Bank
- EU
- FMO
- Hungarian Development Bank
- Instituto de Credito Oficial
- Luxembourg
- Region of Ile de France
- UNEDIC

Employment



[34] "Employment statistics", Eurostat, 2022
[35] "Employment rate", OECD, 2022
[36] "European Human Rights Report", European Disability Forum, 2023
[37] Out of 28 bonds, 13 bonds were studied. In addition, we added information from 14 bonds not included in the 28 bonds from Employment category, but which also create impact in this category

Supporting inclusive job creation and growth in deprived areas

Intesa Sanpaolo Social Bond

SDG Target 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

IMP mapping C – Contribute to solution

Entity Overview

Intesa Sanpaolo is an Italian international banking group. It is Italy's largest bank by total assets and the world's 27th largest, with a significant ESG commitment, a world-class position in social impact and strong focus on climate. It was formed following the merger of Banca Intesa and Sanpaolo IMI in 2007, but has a corporate identity stretching back to its first foundation as Instituto Bancario San Paolo di Torino in 1583.

Context

Italy is characterised by significant economic disparities between its different regions. On a macro level, GDP per capita in northern Italy is twice that of southern Italy. Unemployment is also higher in the South, averaging 18.5% in 2023, compared to 13.3% in the North.

The most disadvantaged areas of Italy are those in the South, notably Sicily, Calabria and Basilicata. These regions are characterized by low productivity, high unemployment and an aging population. They also face specific challenges, such as crime and corruption. Sicily and Puglia also recently faced natural disasters such as fires or floods; the Puglia region was hit by a series of floods in 2022 that caused extensive damage to infrastructure and housing (the region also faces a problem of poverty and unemployment).

Italy's most attractive areas are in the north, notably Lombardy, Veneto and Emilia-Romagna. These regions are characterised by strong economic growth, low unemployment and a younger population.

Bond Overview

To support the ESG transition, Intesa Sanpaolo achieve this through the issuance of bonds dedicated to the financing of social and environmental projects. This £750m bond issued in May is the second social bond issued by Intesa Sanpaolo after the Senior Preferred one in Euro issued in October 2022. Currently, the social portfolio refinanced by the proceeds of the bond is mainly made up of loans to Italian SMEs operating in disadvantaged areas (including Covid loans) and loans to non-profit entities focused on social sectors (Healthcare, Education, Welfare and Solidarity).

Outcome and Impact

The bond was issued in May 2023 so its proceeds are not fully allocated, and no impact report has been published yet. But the projects supported by Intesa Sanpaolo will encompass the financing and/or refinancing of eligible social loans in the following sectors of action:

- **Access to essential services:** healthcare, education, entertainment, recreational and sports activities, welfare and solidarity, art and culture.
- **Socioeconomic advancement and empowerment:** loans to SMEs in order to support them to finance ESG initiatives or to support their digital transformation through investments in digital projects, loans to specific target groups such as students, individuals with low income, and refugees as well as loans to fund micro-enterprises or microfinance initiatives.
- **Employment generation:** Loans to SMEs in socio-economically disadvantaged areas in Italy and to companies and micro-enterprises facing natural disaster, health or social emergencies…
- **Affordable housing:** loans for construction and, renovation and to provide access to decent housing for people with economic difficulties.

Additionality

This bond was issued in May 2023 and an initial position was taken by the Fund in the primary market, the bond's proceeds are supporting the issuers existing social project portfolio through refinancing, leading to lower additionality.

SDG and Target

Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Target 8.3	Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
Social bond Rating	A1
Social Intensity Score	26
IMP classification	C – Contribute to Solutions
Use of proceeds bond	Social Bond
Issue date	31/05/2023

The Social Bond Principles

Social enhancement – Community

Enhancing the quality of life and resilience of communities can include improving the availability of community services, local amenities, care services, or enhancement of citizenship, arts, sport and faith. As such, it is aligned with SDG 11, Sustainable Cities and Communities.

Context

Communities and associations working for the well-being of Europe's territories play a crucial role in local development, environmental protection and social inclusion. However, many of them face major financial challenges. Growing demand for local services and initiatives, combined with reduced public funding in many countries, creates a pressing need for financial resources. These organisations often rely on grants, donations and volunteers to carry out their work, but budget constraints can hamper their efforts.

There are some 1.6 million active associations in Europe. According to a study by the European Foundation for Social Cooperation, 40% of associations in Europe are facing financial difficulties[38]. These difficulties are due to a number of factors, including falling donations, decreasing public subsidies and rising costs.

The allocation of funds, both at national and European level, is essential to support these communities and associations in their mission to strengthen territories, promote the well-being of inhabitants, and foster sustainable development throughout Europe.

Concerning transportation, 2.4% of all people in the EU and 5.8% of those at risk of poverty could not afford to use public transport regularly.

If we take a look at European cities' waste management, the latest European Environment Agency data reveals that the overall recycling rate in Europe was 49% in 2021. Despite growth in recycling in the past years, the EU still recycles below half of the generated waste.

For biowaste, the EU introduced a law stating that by 31 December 2023, bio-waste must either be separated and recycled at source or collected separately and not mixed with other types of waste

8 issuers through 9 bonds

2 general social benefit bonds

2 social bonds

3 sustainability bonds

2 pandemic bonds

Through investments in bonds within this area[39] we are contributing towards outcomes including:

- Supporting 130,000 inhabitants through urban regeneration projects
- Supporting 9,200,000 people with enhanced access to transport services
- Financing 1,186 associations working to promote culture, sports, and solidarity

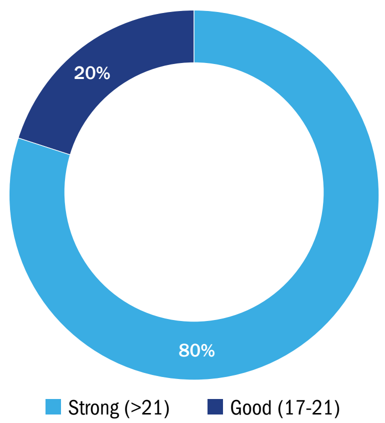
Recent bonds entry

Over the last year, the Fund financed **2 new bonds** in this thematic among which is the Central American Bank social bond. Its proceeds will contribute to enhancing the overall quality of life in the Central American region and promote their economic integration.

Bond issuers:

- Autonomous community of Galicia
- Belgium Post
- CADES
- Central American Bank
- City of Paris France
- La Poste
- State of Berlin
- Wallonia Region

Community



[38] "Les associations européennes face aux défis du financement", Fondation européenne pour la coopération sociale, 2023

[39] Out of 9 bonds, 2 bonds were studied. In addition, we added information from 4 bonds not included in the 9 bonds from the Community category, but which also create impact in this category

Enhancing the quality of life and resilience of communities through the availability of community services

State of Berlin Sustainability Bond

Target 10.3: Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.

IMP mapping C – Contribute to Solutions

Entity Overview and Context

Berlin is a city state in Germany with 3.7 million inhabitants, expected to reach 3.9 million by 2030. It faces challenges of affordable housing, high housing development costs, and climate change. The city emphasises the importance of green spaces for community health and cohesion. Despite reducing CO_2 emissions by 41% since 1990, Berlin still has high emissions. Berlin is a hub for business and science, collaborating with Brandenburg on innovation in energy, healthcare, ICT, media, optics, photonics, and mobility logistics.

Bond Overview

As part of its sustainable finance strategy, the State of Berlin intends to support the financing of the sustainable transformation of Berlin by issuing sustainable bonds. This enables investors to promote Berlin's social and ecological development through their investments.

Issued on February 6th 2023, this bond aligns with the State of Berlin's sustainability framework from December 2022. Around 73% of the funds would be allocated to social projects. Within that, approximately 32% is dedicated to socioeconomic advancement, including initiatives for women in science, participation for individuals in poverty, and gender-equitable education. Additionally, about 20% of the funding focuses on sustainable food systems.

Outcome and Impact[40]

The bond was issued in February 2023 so its proceeds are not fully allocated, and no impact report has been published yet. But the projects supported by the state of Berlin will encompass the financing of multiple green and social projects in the following categories:

- Renewable energy (e.g.a Solar centre)
- Energy efficiency (e.g. conversion of gas-powered street lighting)
- Environmentally sustainable management of living natural resources and land use (e.g. improving nature and environment in socially disadvantaged neighbourhoods)
- Climate change adaptation (e.g. green roofs)
- Clean transportation (e.g. extension of the U5 underground line)
- Affordable basic infrastructure (e.g. free public transport for pupils)
- Access to essential services (e.g. renovation of day care centres and playgrounds)
- Employment generation (e.g. solidarity basic income program)
- Food security and sustainable food systems (e.g. free school lunch)
- Socioeconomic advancement and empowerment (e.g. construction, operation and maintenance of refugee shelters)

This bond aims to enhance social support for vulnerable and disadvantaged groups in Berlin, while also providing assistance and resources to the general population. The project focuses on improving the well-being and quality of life for those facing various challenges. Additionally, it emphasises the importance of mitigating climate change by implementing sustainable practices and raising awareness about environmental issues. By addressing both social and environmental aspects, the initiative seeks to create a more inclusive and resilient community for all residents of Berlin.

[40] Expectations at the end of the several projects financed

Additionality

The initial position in this bond was purchased at issuance in the primary market, the bond's proceeds are primarily refinancing existing projects, providing low additional contribution.

SDG and Target

Goal 10	Reduce inequality within and among countries
Target 10.3	Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard
Social bond Rating	A1
Social Intensity Score	24
IMP classification	C – Contribute to Solutions
Use of proceeds bond	Sustainability Bond
Issue date	14/02/2023

Social facilitation – Access to services

Access to finance and technology are a vital part of contemporary life, and therefore underpin a number of the SDGs. We particularly focus on bonds that improve inclusion via the availability of affordable financial products, first-time mortgages, communication and broadcast services.

Context

Access to the Internet is improving in Europe. In 2022, the share of EU households with internet access has risen to 93%, compared to 72% in 2011[41]. In the UK, the internet penetration rate stood at 97.8% of the total population at the start of 2023[42].

Regarding access to phones, in 2021, 474 million people in Europe (86% of the population) were subscribed to mobile services[43].

For financial services, we see that the number of unbanked citizens more than halved over the past four years, even if we still count more than 13 million adult EU citizens who lack access to formal financial services. 3.6% of Europe's population remain financially excluded, an improvement from the 8.2% reported in 2017[44]. For the UK around 1.1 million adults are currently living their lives "unbanked"[45].

Individuals outside the banking populations have generally lower incomes and lack advanced education like college diplomas and degrees.

Moreover, across Europe, borrowers looking to secure new mortgages or refinance existing ones have found their payments soaring on the back of sharp rises in central banks' interest rates. Mortgage interest rates are rising and households in the lower-income quintile are actually three times less likely to have a mortgage than high-income households in Europe[46].

16 issuers through 23 bonds

10 general social benefit bonds

2 green bonds

7 social bonds

3 sustainability bonds

1 pandemic bond

Through investments in bonds within this area[47] we are contributing towards outcomes including:

- Supporting 6,929,668 individuals or families through access to social benefits
- Financing 61,034 eco-loans at a 0% rate

[41] "Digital economy and society statistics - households and individuals - European Commission", European Commission, 2023
[42] "Digital 2023: The United Kingdom — DataReportal", DataReportal, 2023
[43] "The Mobile Economy Europe 2022", GSM Association, 2022
[44] "Global Findex 2021: Financial Inclusion, Data and Policy", World Bank, 2021
[45] "Financial Lives 2022", Financial Conduct Authority (FCA), 2022
[46] "Housing Taxation in OECD Countries - Highlights", Organisation for Economic Co-operation and Development, 2023
[47] Out of 23 bonds, 8 bonds were studied. In addition, we added information from 9 bonds not included in the 23 bonds from the Access to Services category, but which also create impact in this category

Improving inclusion through the availability of affordable financial products

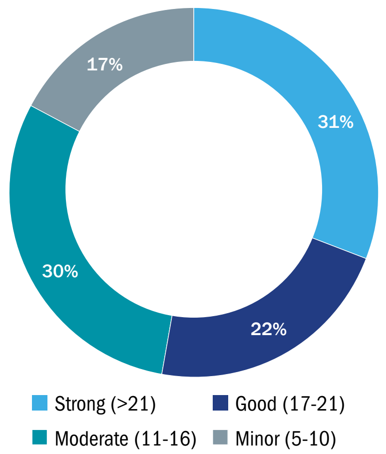
Recent bonds entry

Over the last year, the Fund financed 3 new bonds in this thematic among which is the Motability Operations social bond. Its proceeds will contribute to providing access to accessible vehicles for disabled persons by giving loans at lower prices to disabled customers to purchase new cars.

Bond issuers:

- Allianz
- Banco Bilbao Vizcaya
- Basque Region
- BPCE
- Caixa Bank
- Digital Realty
- Generali
- Legal & General
- Motability Operations Group
- Nykredit
- O2 Telefonica Deutschland
- Swisscom
- Telefonica
- Telekom Finanzmanagement
- Vodafone
- Yorkshire Building Society

Access to Services



Yorkshire Building Society Social Bond

SDG Target 8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

IMP mapping C – Contribute to Solutions

Entity Overview

Yorkshire Building Society (YBS) is a UK residential mortgage lender and servicer. It is the third largest Building Society in the UK with total assets of £47.9bn (2020), in excess of 3 million members and employing ~3,000 full and part time employees. With origins tracing back to 1864, YBS supports members and customers to achieve their financial goals by helping people into a home of their own and improving people's financial wellbeing. Much has changed over the course of the 155-year history – the financial services sector is now a major part of the UK economy and technological advancements are transforming the ways in which members are served. The fundamental purpose however, remains the same as when YBS was founded, expressed today as providing 'Real Help with Real Life'.

Context

The UK is experiencing an important mortgage crisis as interest rates have soared toward levels not seen in more than 20 years. A first-time buyer's mortgage payment as a percentage of take-home pay in London has increased from 25% in the first quarter of 1997 to 54.9% in the fourth quarter of 2021. In the UK the equivalent increase is from 17.7% to 32.3%.[48]

Bonds Overview

This bond is part of a series of bonds issuances which fall under the Social Financing Framework established in March 2021.

Under the Social Financing Framework, the proceeds of the bond will be financing easier access to essential services and specifically access to financing and financial services. To do so, mortgages are granted to underserved populations (first time buyers with low to medium annual income or self-employed or individual contractors). In addition, YBS is lending money to registered providers or social housing companies to support the development of social housing.

Outcome and Impact

YBS has a wide range of products designed to meet the needs of first-time buyers, including high LTV mortgages that include a range of special features such as free valuations and cashback

- Social housing lending is a means by which YBS can help some of society's most vulnerable people. Registered providers of social housing help people with specific health needs, as well as those without the income to pay rent at full-market rates or buy a home of their own.
- In addition to enabling borrowers to take a mortgage for up to 40 years, YBS has also increased the maximum age for a borrower to have completed their mortgage term from 75 to 80.

Additionality

These social bonds were issued in April 2022 and November 2021 purchased on the secondary market, providing low additionality within the fund.

SDG and Target

Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Target 8.10	Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.
Social bond Rating	A1
Social Intensity Score	26
IMP classification	C – Contribute to Solutions
Use of proceeds bond	Social Bond
Issue date	26/06/2021

[48] "Homeowners face mortgage shock as over 30 lenders hike rates with some monthly repayments tripling", The Guardian, June 2023

Societal Development – Regeneration and development

This area focuses on the environmental and economic areas that underpin social development. These include supporting sustainable development and conservation, public transport, urban regeneration, infrastructure, and utilities. As such, it is aligned with SDG 13, Climate Action.

Context

Climate change is already impacting Europeans' daily lives and will continue to do so for the foreseeable future. Europe is expected to get warmer, some regions getting drier, while others wetter. These changes will not only impact our health but also the ecosystems we depend on.

Moreover, climate change is the single biggest health threat facing humanity. Climate impacts are already harming health, through air pollution, disease, extreme weather events, forced displacement, pressures on mental health, and increased hunger and poor nutrition in places where people cannot grow or find sufficient food.

The consequences and the financial and social aftermath of climate change are yet to be fully evaluated.

Nevertheless, it is taken seriously at a national and international level. The EU has put in place a European Green Deal, in which the entity commits itself to make Europe neutral carbon by 2050. One third of the €1.8 trillion investments from the NextGenerationEU will finance this European Green Deal.

The UK has implemented a Climate Change Act planning several 5-year budgets to reduce carbon emissions.

94 issuers through 125 bonds

14 general social benefit bonds

92 green bonds

1 social bond

14 sustainability bonds

2 sustainability linked bonds

1 transition bond & 1 blue bond

Through investments in bonds within these areas[53] we are contributing towards outcomes including:

- In 2022/2023 almost 46M tons of CO_2 emissions were avoided
- More than 7,500km of road/railway renovated
- 553,043 m² of green buildings constructed
- More than 14M MWh renewable energy provided

[49] "Sixth assessment report", IPCC, 2022
[50] "Climate Change and Health: Now More Than Ever,", WHO, 2021
[51] "Regulation (EU, Euratom) 2021/1136 on the multiannual financial framework for the period 2021-2027", European Parliament and Council, 2021
[52] "The Climate Change Act 2021", UK government, 2021
[53] Out of 125 bonds, 58 bonds were studied. In addition, we added information from 9 bonds that are not included in the 125 bonds from the Regeneration and development category, but which also create impact in this category

Supporting sustainable development through urban regeneration, infrastructure and utilities

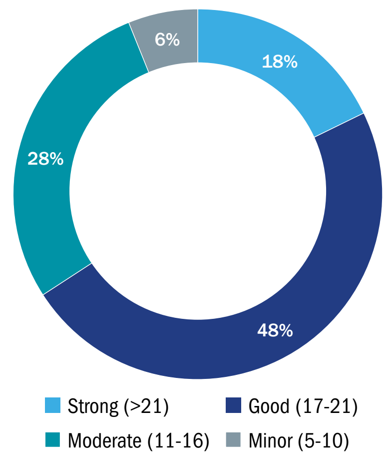
Recent bonds entry

Over the last year, the Fund financed 29 new bonds in this thematic among which is the Amprion green bond. Its proceeds will contribute to improve and extend Amprion's electricity grid that benefits to 29m customers in Germany.

List of top 30 Bonds issuers:

- Agence de France
- Amprion
- Avinor
- Axa
- Bank of Ireland
- Caisse des Dépôts et consignations
- CNP Assurances
- Commerzbank
- CO-OP Bank
- Crédit Mutuel Arkea
- Deutsche Bank
- Digital Realty
- DNB
- E.ON
- Enexis
- Erste Bank
- Eurogrid
- Federal Republic of Germany
- Eerrovie dello Stato
- ING
- Munich Re
- Orange
- Prologis
- Segro European Logistics
- Stedin
- Suez
- TenneT
- Terna Rete Electrica
- Thames Water
- Triodos

Economic Regeneration & Development



Suez Green Bond

SDG Target 11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

IMP mapping B – Benefit to Stakeholders

Entity Overview

Suez SA (formerly Suez Environment) is a French-based utility company which operates largely in the water and waste management sectors. SUEZ benefits from its historical expertise and know-how in the waste and water sector, all along the value chain, for more than 160 years, as an environmental services multinational company. The Group is one of the main players in the global environment market.

Context

Globally, 2 billion people (26% of the population) do not have safe drinking water and 3.6 billion (46%) lack access to safely managed sanitation, according to the report, published by UNESCO[54]. The world is facing an imminent water crisis, with demand expected to outstrip the supply of fresh water by 40% by the end of this decade, experts have said.

Concerning biowaste, the world's biogas and biomethane resources could cover 20% of global gas demand while reducing greenhouse gas emissions[55].

Bond Overview

In 2022, Suez hit a new milestone in the deployment of its finance model when it set up a €7.5bn Green Euro Medium Term Note programme. In 2022, Suez issued five green bonds, with 2 operations for a total value of €4.3bn:

As of 31/12/2022, 100% of the Green Bond proceeds have been allocated to Water activities

Outcome and Impact

In the activities of water and waste, Suez actions have:

- Avoided 610k tons of CO2 emissions
- Produced 296k MWh of renewable energy
- Benefitted to 13 million people thanks to the development, construction, extension, renewal of water collection, treatment and supply systems and facilities
- Allowed the collection and transfer to urban cleaning services from 1,14 million of tons of waste

Additionality

This bond was issued in November 2022 and an initial position was taken by the fund in the primary market. The proceeds have been used to refinance existing green projects leading to lower additionality.

SDG and Target

Goal 11	Ensure access to affordable, reliable, sustainable and modern energy for all
Target 11.6	By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Social bond Rating	B1
Social Intensity Score	22
IMP classification	B – Benefit to Stakeholders
Use of proceeds bond	Green Bond
Issue date	03/11/2022

[54] "World Water Development Report 2023", UNESCO on behalf of UN-Water, 2023
[55] "The Outlook for Biogas and Biomethane", International Energy Agency (IEA), 2022

Engagement

The Fund is dedicated to investing in socially impactful bonds and advancing the industry's mindset. The Fund sees a growing role for the fixed income market to play, in increasingly supporting the provision of more sustainable capital and for the purpose of contributing to solutions to our social and environmental problems. By investing in strong social and environmental impact bonds, and pursuing issuers which demonstrate strong ESG characteristics, the Fund signals to the market that impact and best practice matters.

This year, engagement has been had with governments, industry players and issuers to increase the number of issuers and the amount of capital being issued for social impact and to promote best practice in issuance and reporting of impact.

The Fund is highly focused on supporting best practice for impact reporting, in particular educating on the importance of community voice in impact reporting within the ICMA (International Capital Markets Association) working groups and among market leading issuers. The aim is to increase the prevalence of target population voice within impact reports, hearing directly from people supported by the bonds to understand exactly what impact has been had, and where future projects need to improve.

There has also been a significant drive to increase the prevalence of social considerations across the impact bond market through promoting social co-benefits reporting with green bond issuers. Notable successes have seen the UK and Australian Treasuries release of green bond frameworks which recognise the importance of measuring the social outcomes of green projects, further providing evidence of positive social outcomes regardless of the label attributed to the bond.

Another positive development in the climate change space has been important progress in recognising the Just Transition. The Just Transition takes into account the social impacts (both negative and positive) of the global transition to a low carbon economy including the shift in job availability, required skills and impact on local communities. Representatives from the Fund serve as active members of the International Capital Markets Association (ICMA) Social Bond Working Group and this year the working group included people affected by the Just Transition as an eligible vulnerable population within the social bond guidelines, allowing recognition of capital which will be needed to mitigate the negative social consequences of transitioning to a low carbon economy. In the coming year, representation from the fund will continue to contribute as an active member of ICMA, sitting on working groups concerning sustainability linked bonds and impact bonds reporting, and also as an Advisory Council member of the Impact Investing Institute.

Biographies

Social Advisory Panel

Jean-Michel Lécuyer
Managing Director, INCO

Jean-Michel Lécuyer is the Managing Director of INCO. Prior to this, he worked in consulting in the environmental industry. From 2003 to 2014, he served both as the Managing Director of the SIFA (Société d'Investissement France Active) and as the COO of France Active, a nationwide network, financing social businesses for over 25 years.

Jean-Michel graduated from the École Polytechnique and from Mines ParisTech).

He is also Treasurer of MOUVES (French Fellowship of Social Entrepreneurs) and President of the supervisory board of SOLIFAP (Investment Society of the Abbé Pierre Foundation).

Simon Bond
Former Executive Director – Responsible Investment Portfolio Management, Columbia Threadneedle Investments

Simon Bond joined the company in 2003 and has been the portfolio manager of the Threadneedle UK Social Bond Fund since its launch in 2013, as well as of the Threadneedle (Lux) European Social Bond Fund launched in 2017. Having previously managed a number of institutional and retail investment-grade corporate bond portfolios, Simon now focuses on managing Columbia Threadneedle's social bond portfolios and supporting the firm's development of other responsible investment strategies. Simon has 36 years' experience in the fund management industry, with the last 31 years specialising in corporate credit. In May 2016 Simon moved to the Responsible Investment Team and concentrated on developing our Impact strategies around the globe.

Simon Bond left the company in 2023 and is now an independent member of the Panel.

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

Simon is a Fellow of the Chartered Institute for Securities and Investment and holds the Investment Management Certificate and the General Registered Representatives Certificate. He sits on the Advisory Council of the Impact Investing Institute and is a member of the Guild of Investment Managers.

Isabelle Guénard-Malaussène
Observer Member- Founder and CEO, FINANCE@ IMPACT

Isabelle Guénard-Malaussène is the CEO of FINANCE@IMPACT, a consulting firm implementing ESG investment strategy in impact investing funds.

She has been involved for 16 years in so-called solidarity finance and social impact investing. She is still active in a solidarity funding organization, such France Active Ile de France and social businesses, such as Amasisa Perou, an ecological and social agroforestry company. She currently chairs the Finansol Label Committee, led by FAIR, a non-profit organisation committed that works towards an inclusive finance, for a better social and environmental impact. Introduced in 1997, this reference label certifies the social dimension of a financial products. It is mainly based on solidarity and transparency criterions. Investors therefore have an official certification that their money is really going towards activities that generate a strong social or environmental impact, targeting people or areas where basic human needs are not met. Moreover, she participates in the Impact Committee of the social and environmental impact investment fund dedicated to health, Mutuelles Impact.

Prior to FINANCE@IMPACT, Isabelle was head of European equities Asset Management and specialist in Socially Responsible Investment (SRI) within banking or insurance groups.

Isabelle has graduated from ESCP Business School in Paris and is the holder of an MBA from Bayes Business School in London.

Iain Richards
Head of Responsible Investment Policy, Columbia Threadneedle Investments

Iain Richards joined the company in 2012 and is Head of Responsible Investment Policy for the Global business, where he leads the strategy, development and implementation of Responsible Investment policy activities.

Before joining the company, he worked for Aviva Investors and Schroder Investment Management.

He has also worked in regulation as a member of the Policy Group of the UK's Listing Authority (including on the introduction of the UK's corporate governance 'comply or explain' rule in 1993) and at the London Stock Exchange. Before working in the City, he worked at the UK's Department of Trade and Industry (now BEIS) in various roles in the European and competition policy units.

Théo Savin
Investment Analyst, INCO

Théo Savin joined INCO in 2022 as an investment officer. He is a board member of 20+ start-up and scale-up.

Before joining the company, he worked for Pernod Ricard and Saint-Gobain.

Théo graduated from ESCP Business School with a degree in Corporate Finance.

Social Bond Fund Management Team, Columbia Threadneedle

Tammie Tang

Tammie Tang is a senior portfolio manager in the Fixed Income team with a focus on investment grade credit, having joined the company in 2012. She is lead portfolio manager for Columbia Threadneedle's UK, European and global social bond strategies, as well as various institutional UK credit strategies and the Threadneedle Pensions Corporate Bond Fund. Tammie's responsibilities and focus are geared towards generating active returns and alignment with clients' sustainability objectives.

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

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

Ben Kelly

Benjamin Kelly is a Senior Portfolio Impact and ESG Analyst at Columbia Threadneedle Investments. Ben leads on impact analysis within fixed income. In addition, Ben leads the firm's insight generation in behavioural science and provides insights to the investment teams regarding biases in investment decision making.

Previously, Ben was a senior thematic analyst within the Responsible Investment team covering green mobility and infrastructure. Within this role he led the sustainability research and asset improvement for the Threadneedle European Sustainable Infrastructure strategy.

Prior to joining the company in 2017, Ben worked in BlackRock's Investment Institute where he combined macroeconomic research across equity, fixed income, and real asset teams with expertise in behavioural finance and investment decision making. In this context, he worked with fundamental and quantitative alpha generation teams focusing on their investment processes and how these can be modified to combat behavioural biases. Ben has worked in the financial services industry since 2007.

Ben is a visiting lecturer in behavioural science at the University of St. Andrews, London School of Economics and Warwick Business School.

He holds a BSc (Hons) in Chemistry, an M.Litt in Management, Economics and International Relations and a PhD in Behavioural Economics, all from the University of St Andrews.

Letty Byatt

Letty Byatt is a Social Impact Analyst in the Investment Grade Credit team; she works closely with the Social Bond fund managers to identify positive social impact opportunities for the Social Impact Bond Funds. Further to this, Letty is focused on fixed income issuer and industry engagement to promote social impact investment awareness and best practice.

Letty joined Columbia Threadneedle in October 2022 having held senior roles in responsible investment reporting and client services at Royal London Asset Management. She holds a BSc (hons) in Psychology with Middle Eastern Studies and French Language, the CFA ESG Investing Certificate and has completed a Sustainable Finance course at Cambridge University Institute for Sustainability Leadership.

Calculations

All statistics included in this report are based on publicly available information. They represent minimum figures based on disclosure. Not all bonds report on each of the metrics we consider.

When the total impact of the company's portfolio is disclosed, this figure is scaled down to the proportion of the total portfolio that the bond we have invested in accounts for. For example, if a US$1 million portfolio saves 2 million tonnes of CO2e per annum and we invest in a bond from that portfolio with a size of $0.5 million, we would attribute 1 million CO2e (2 x 0.5) to our total estimate of Greenhouse Gases (GHG) avoided.

Figures are likely to be underestimated in some cases. For full references, please see the next page.

Affordable housing

Social houses: Sum of dwellings units constructed or renovate and purposely rent or sold to low-income households. The figures include social housing units financed by Aster, Autonomous Community of Madrid, Bayerische Landesbodenkreditanstalt, Cassa Depositi e Prestiti, Crédit Mutuel Arkea, France, Instituto de Credito Oficial, Ireland, Kuntarahoitus, La Banque Postale, NatWest, Nederlandse Waterschapsbank, NRW Bank.

Wastewater disposal: Number of inhabitants benefiting from the installation of wastewater disposal thanks to the Deutsche Kreditbank's social bond.

Supply of households with renewable energy: Number of households supplied with 100% renewable energy. The figures include statistics from Amprion, the Caisse des Dépôts et Consignations, Eurogrid.

Housing associations: Number of housing associations (private, non-profit making organisations that provide low-cost social housing for people in need of a home) financed by social bonds. The figures include associations financed by NatWest.

Health and welfare

Nursing homes: Number of nursing homes created or modernised by Bayerische Landesbodenkreditanstalt, Crédit Agricole, Crédit Mutuel Arkea.

Healthcare beneficiaries: Estimated sum of beneficiaries from healthcare projects financed by AIB, Crédit Mutuel Arkéa, Instituto de Credito Oficial, Kuntarahoitus.

Public hospitals loans: Number of public hospitals financed by the Autonomous community of Galicia, Caisse Française de Financement Local, Caixa Bank, Crédit Agricole, Instituto de Credito Oficial, and Société Générale.

Hospital beds: Estimated sum of hospital beds created by projects financed by the bonds in question. The statistics include figures from Caisse Française de Financement Local, Caixia Bank, Cassa Depositi e Prestiti, Council of Europe Development Bank, Crédit Mutuel Arkea and Instituto de Credito Oficial.

Education and Training

Students: Sum of students supported through academic or professional education programs financed by the bonds. The figures include statistics from AIB, Andalucia, Caixa Bank, Council of Europe Development Bank, Kuntarahoitus, Pearson, and Société Générale.

University building projects: Number of educational bulding projects financed by the bonds and number of students who benefited from it. The figures include statistics from Andalucia, Cassa Depositi e Prestiti and Crédit Mutuel Arkea.

Return-to-work training allowance: Number of people supported with UNEDIC's return-to-work training allowance.

Employment

Jobs created or retained: Estimated sum of the jobs created or retained by projects and companies financed by the bonds in question. The statistics include figures from Cassa Depositi e Prestiti, Caixa Bank, Council of Europe Development Bank, Danone, FMO, Instituto de Credito Oficial, NRW Bank.

People professionally empowered: Number of people enabled to develop and strengthen their employability and their social and economic inclusion trough the support of Danone Ecosysteme fund.

Return-to-work allowance: Number of people supported with UNEDIC's return-to-work allowance.

Micro, Small and Medium Enterprises financed: Number of Micro, Small and Medium Enterprises financed by projects supported by the bonds. The figures include AIB, Banco Bilbao Vizcaya, Banco BPM, BPCE, Cassa Depositi e Prestiti, Council of Europe Development Bank, Crédit Agricole, Instituto de Credito Oficial, Société Générale.

Community

Urban regeneration projects: Number of inhabitants benefiting from urban regeneration measures such as redevelopment and safeness of non-school public buildings, management of sports facilities and public parks, maintenance or renovation

of recreational facilities and redevelopment of cycling mobility infrastructure. The figures represent the impact of Cassa Depositi e Prestiti's social bond.

Enhanced access: Number of with a better access to transport services financed by IBRD's sustainability bond.

Associations: Associations working to promote culture, sports, and solidarity financed by Crédit Agricole's social bond.

Access to services

Social benefits: Number of individuals or families being given access to social benefits. The figures represent the impact of Andalucia, the Autonomous Community of Madrid, Caixa Bank, Osterreichische Kontrollbank and UNEDIC.

Eco-loan: loans at 0% rate granted to help people getting greener houses financed by France.

Regeneration and development

GHGs avoided: Total amount of estimated GHGs avoided. The figures include 58 bonds.

Coal-fired power station equivalents: This statistic is calculated using the estimated GHGs avoided (methodology above) and the EPA's Greenhouse Gas Equivalencies Calculator.

Renewable energy produced: Sum of MWH of renewable energy produced. The figures include 11 bonds.

Green buildings: Square meters of green buildings financed by Erste Bank.

Railways/roads renovation: Km of railways/roads renovated by the Autonomous Community of Galicia and the Netherlands.

Methodology: mapping of the bonds to the IMP categories

We mapped the bonds in the Fund to the IMP categories according to their social categorisation and the impact reporting of their use of proceeds.

The Fund categories are A (Impact investing), B (investment with impact) or C (Development finance)

The IMP categories are A (Act to avoid harm), B (Benefit to stakeholders) and C (Contribute to solutions).

IMP's category A (Act to avoid harm): **The Fund's category C bonds with no impact report of the use of proceeds.**

- The Fund's C bonds align to the Development finance category, which generate social externalities unintentionally. As no impact report of the use of proceeds has been published by the company, this allows the analyst to doubt the bond 'benefits to stakeholders". They are therefore categorised as "Acting to avoid harm ".

IMP's category B (Benefit to stakeholders): **The Fund's category C bonds with an impact report of the use of proceeds, and Fund category B bonds with no impact report.**

- The Fund's B bonds align to the Investment with impact category, which has identifiable social impacts for individuals. However, if this impact if not identified, it cannot be categorised as "Contributing to solutions". They are therefore categorised as "Benefiting to stakeholders".
- The Fund's C bonds align to the Development finance category, which generate social externalities unintentionally. As an impact report of the use of proceeds has been published by the company, this allows the analyst to be certain the bond actually 'benefits to stakeholders".

IMP's category C (Contributing to solutions): **The Fund's category B bonds with an impact report of the use of proceeds, and all Fund category A bonds regardless of the report.**

- The Fund's A bonds align to the Impact investing category, which were designed with the specific intent to generate positive social outcome. They are therefore categorised as "Contributing to solutions".
- The Fund's B bonds align to the Investment with impact category, which has identifiable social impacts for individuals. If their impact is identified via an impact report of the use of proceeds, they can be said to be "Contributing to solutions".

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WF1884165 (02/24) | XX ADTRAX XX