

## Media Release

### LATEST ANNUAL IMPACT REPORT SHOWS THREADNEEDLE (LUX) EUROPEAN SOCIAL BOND FUND SUPPORTING THE COVID-19 RECOVERY

- **Report by social partner INCO assesses how well the fund has delivered on its impact objective to support more inclusive and sustainable development in Europe**
- **The fund's investments reflect a general shift in issuance from environmental to social outcome areas, amplified by the Covid-19 crisis**
- **In its primarily social aims, the fund targets the populations most in need**
- **'Impact Investments', the category of investments with the biggest social impacts, reached 32% vs. 24% in 2019-2020**

**LONDON, 3 March 2022:** The social advisor to the Threadneedle (Lux) European Social Bond fund has released its fourth *Annual Social Impact Report* as part of the fund's annual disclosure to investors. The report assesses the degree to which the investment strategy's impact objective to support more inclusive and sustainable development <sup>1</sup>in Europe has been achieved.

Launched in 2017 as Europe's first mainstream, fixed income social investment offering, the Threadneedle (Lux) European Social Bond fund is a partnership between Columbia Threadneedle Investments and INCO, who acts as the social advisor.

In producing the annual report, INCO assesses portfolio holdings according to the bonds' alignment to the Sustainable Development Goals (SDGs) and their social performance rating (high, medium, low) by outcome area and geography. The investment projects' impact reporting, transparency and relevant impact evidence are also scored using standards such as the Impact Management Project.

Overall, in the 12 months ending June 2021, the fund held 194 issuers, through 323 bonds, from charities, government agencies, supranationals, NGOs, universities, social housing providers and corporates targeting seven outcome areas, aligned with the UN sustainable development goals. The fund increased the amount of capital invested in bonds with a strong social focus (rated A) to 32.7% of the fund value, well above the target of 25%. Investment in lower social outcomes (ranked C3-C4) decreased from 23.5% to 13.7% compared to the previous year.

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<sup>1</sup> The decision to invest in the promoted fund should also take into account all the characteristics or objectives of the promoted fund as described in its prospectus. The fund's sustainability related disclosures can be found on our website [columbiathreadneedle.com](https://www.columbiathreadneedle.com)

New issuance in response to the Covid-19 pandemic, so-called “pandemic response bonds “ became prevalent in the fund over the period. Examples of such bond issuance include:

- An **\$8bn sustainability bond** issued by the **International Bank of Reconstruction & Development** to help member countries expand laboratory capacity, invest in detection equipment, train health workers and resolve supply constraints.
- A **\$750m social (vaccine) bond** issued by the **International Finance Facility for Immunisation** for funding to the Global Alliance for Vaccines and Immunisations’ core immunisation programmes and its COVAX Advance Market Commitment scheme, which pools funding to purchase Covid-19 vaccines for participating countries<sup>2</sup>.

The fund investments’ impacts by outcome area were split as follows:

- **Economic regeneration and development** (42% of the fund’s investments) – 40 tons of CO2 emissions were avoided and more than 18m MWh renewable energy provided
- **Health & welfare** (15%) – financed more than 109,000 hospital beds; supported care facilities for 1.86 million patients and funded 36,000 researchers and scientists
- **Access to services** (15%) – financed the supply of internet connectivity to 88,458 homes in rural areas
- **Employment** (11%) – supported the creation or preservation of more than 650,000 jobs and funding 22,500 micro, small and medium enterprises
- **Affordable housing** (9%) – financed 131,000 social homes and financing the supply of 529,230 households with 100% renewable energy
- **Community** (3%) – 3.7 million individuals or families given access to social benefits
- **Education and Training** (1%) – supported more than 248,000 students through academic or professional education.

**Simon Bond, manager of the Threadneedle Lux) European Social Bond, said:** “Over the course of last year, we have continued to invest in organisations and bonds delivering and enabling tangible social impact. It has been particularly fascinating to watch the quick and efficient bond market response to one of the most pressing social challenges of our time. This has presented our fund’s investors with an opportunity to support an inclusive and sustainable recovery from the Covid-19 pandemic, while at the same time generating returns on their investments. The developments over the last few years also reflect the growth of the ‘S’ within Environmental, Social and Governance investment - social bond issuance

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<sup>2</sup> The mention of any specific shares or bonds should not be taken as a recommendation to deal. Columbia Threadneedle Investments does not give any investment advice. If you are in doubt about the suitability of any investment, you should speak to your financial adviser.

more than doubled year on year in 2021. There will be plenty more opportunities to put investments to work for social good, and I look forward to continuing to manage the fund in this way.”

**Jean-Michel Lecuyer, Chairman of the Social Advisory Panel and Managing Director of INCO, said:**

“Since 2020, the fund’s social investment strategy has taken place in a particularly unique and exceptional context, due to the COVID-19 pandemic. Many states, supranational organisations and even banks have used these relatively new tools – the Social Bonds Principles were created in 2017 – to offer financial markets the opportunity to contribute to the enormous financing needs in the economy as well as the health and social sectors. This resulted in an extraordinary growth of social and sustainable bonds issuance over the last couple of years, while the issuance of green bonds, which constitutes the other major category of the fund’s investments, also continued to grow in a context of increased awareness of the climate crisis urgency and the collapse of biodiversity in the world. We’ve seen exponential growth in green and social bond issuance, which amounted to nearly \$700m over the first 8 months of 2021. This is already significantly more than over the entire year of 2020 which amounted to \$500m.”

[Click here](#) to read the 2021 Annual Social Impact Report.

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**Notes to Editors**

**About Columbia Threadneedle Investments**

Columbia Threadneedle Investments is a leading global asset manager that provides a broad range of actively managed investment strategies and solutions for individual, institutional and corporate clients around the world.

We have more than 2500 people including over 650 investment professionals based in North America, Europe and Asia<sup>4</sup>. We manage €663bn<sup>3</sup> of assets across equities, fixed income, multi-asset, solutions and alternatives.

Our priority is the investment success of our clients. We know investors want strong and repeatable risk-adjusted returns and we aim to deliver this through an active and consistent investment approach that is team-based, risk-aware and performance-driven. Our investment teams around the world work together to uncover investment insights. By sharing knowledge across asset classes and geographies we generate richer perspectives on global, regional and local investment landscapes. The ability to exchange and debate investment ideas in a collaborative environment enriches our teams’ investment processes to ensure the best insights are applied to portfolios. More importantly it results in better informed decisions for our clients.

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<sup>3</sup> Source: Ameriprise Financial Q4 2021 earnings release

Columbia Threadneedle Investments is the global asset management group of Ameriprise Financial, Inc. (NYSE:AMP), a leading US-based financial services provider. As part of Ameriprise, we are supported by a large and well-capitalised diversified financial services firm.

[www.columbiathreadneedle.com](http://www.columbiathreadneedle.com)

## Key Risks and Objective

Objective: The Fund aims to provide income with the potential to grow the amount you invested over the medium term by investing in bonds that are considered to support or fund socially beneficial activities and development mainly in Europe.

The Fund is categorised an Article 8 under the EU Regulation 2019/2088 on sustainability related disclosures in the financial services sector (SFDR) and promote environmental or social characteristics as an objective.

Key risks:

- **Investment Risk:** The value of investments can fall as well as rise and investors might not get back the sum originally invested.
- **Currency Risk:** Where investments are in assets that are denominated in multiple currencies, or currencies other than your own, changes in exchange rates may affect the value of the investments.
- **Issuer Risk:** The Fund invests in securities whose value would be significantly affected if the issuer refused, was unable to or was perceived to be unable to pay.
- **Liquidity Risk:** The Fund holds assets which could prove difficult to sell. The Fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities.
- **Inflation Risk:** Most bond and cash funds offer limited capital growth potential and an income that is not linked to inflation. Inflation is likely to affect the value of capital and income over time.
- **Interest Rate Risk:** Changes in interest rates are likely to affect the Fund's value. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa.
- **Valuation Risk:** The Fund's assets may sometimes be difficult to value objectively, and the actual value may not be recognised until assets are sold.
- **Derivatives for EPM /Hedging:** The investment policy of the fund allows it to invest in derivatives for the purposes of reducing risk or minimising the cost of transactions.
- **Volatility Risk:** The fund may exhibit significant price volatility.
- **Investment and Social Investment Risk:** The Fund aims to invest in assets that are deemed to be supporting and funding socially beneficial activities and development and utilises a Social Assessment Methodology. This will affect the Fund's exposure to certain issuers, industries, sectors, and regions, and may impact the relative performance of the Fund positively or negatively, depending on whether such investments are in or out of favour. The concept of socially beneficial activities and development is subjective. It is therefore possible that an investment may not perform in a way that an investor considers to be a socially beneficial activity or development, even though it has been selected in accordance with the Social Assessment Methodology.

The risks currently identified as applying to the Fund are set out in the "Risk Factors" section of the prospectus.

## Important information

Your capital is at risk. Threadneedle (Lux) is a Luxembourg domiciled investment company with variable capital ("SICAV"), managed by Threadneedle Management Luxembourg S.A..

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The SICAV's current Prospectus, the Key Investor Information Document (KIID) and the summary of investor rights are available in English and/ or in local languages (where applicable) from the Management Company Threadneedle Management Luxembourg S.A., International Financial Data Services (Luxembourg) S.A., your financial advisor and/or on our website [www.columbiathreadneedle.com](http://www.columbiathreadneedle.com). These documents are available in Switzerland from the Swiss Representative and Paying Agent RBC Investor Services Bank S.A., Esch-sur-Alzette, Zurich branch, Bleicherweg 7, CH 8027 Zurich. Threadneedle Management Luxembourg S.A. may decide to terminate the arrangements made for the marketing of the SICAV. Pursuant to article 1:107 of the Act of Financial Supervision, the sub-fund is included in the register that is kept by the AFM. Threadneedle (Lux) is authorised in Spain by the Comisión Nacional del Mercado de Valores (CNMV) and registered with the relevant CNMV's Register with number 177.

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