

**Motability  
Operations group plc**

# **Social Bond Framework**

**Last updated Dec 2023**



# Foreword

We are Motability Operations, the organisation that delivers the Motability Scheme to over 700,000<sup>1</sup> disabled people across the UK. Our purpose is to deliver smart, sustainable solutions that improve our customers' mobility in a fast-changing world.

The Motability Foundation oversees and sets the strategic direction of the Motability Scheme and provides additional support, such as grants to Scheme customers.

Since Motability Operations was founded in 1978, we have grown to be the largest leasing company in the UK. Over this time, we have provided more than five million customers with affordable transport solutions. As a purpose-driven and customer-focussed company, any money we make is invested in disabled mobility.

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1. As at 30<sup>th</sup> September 2023

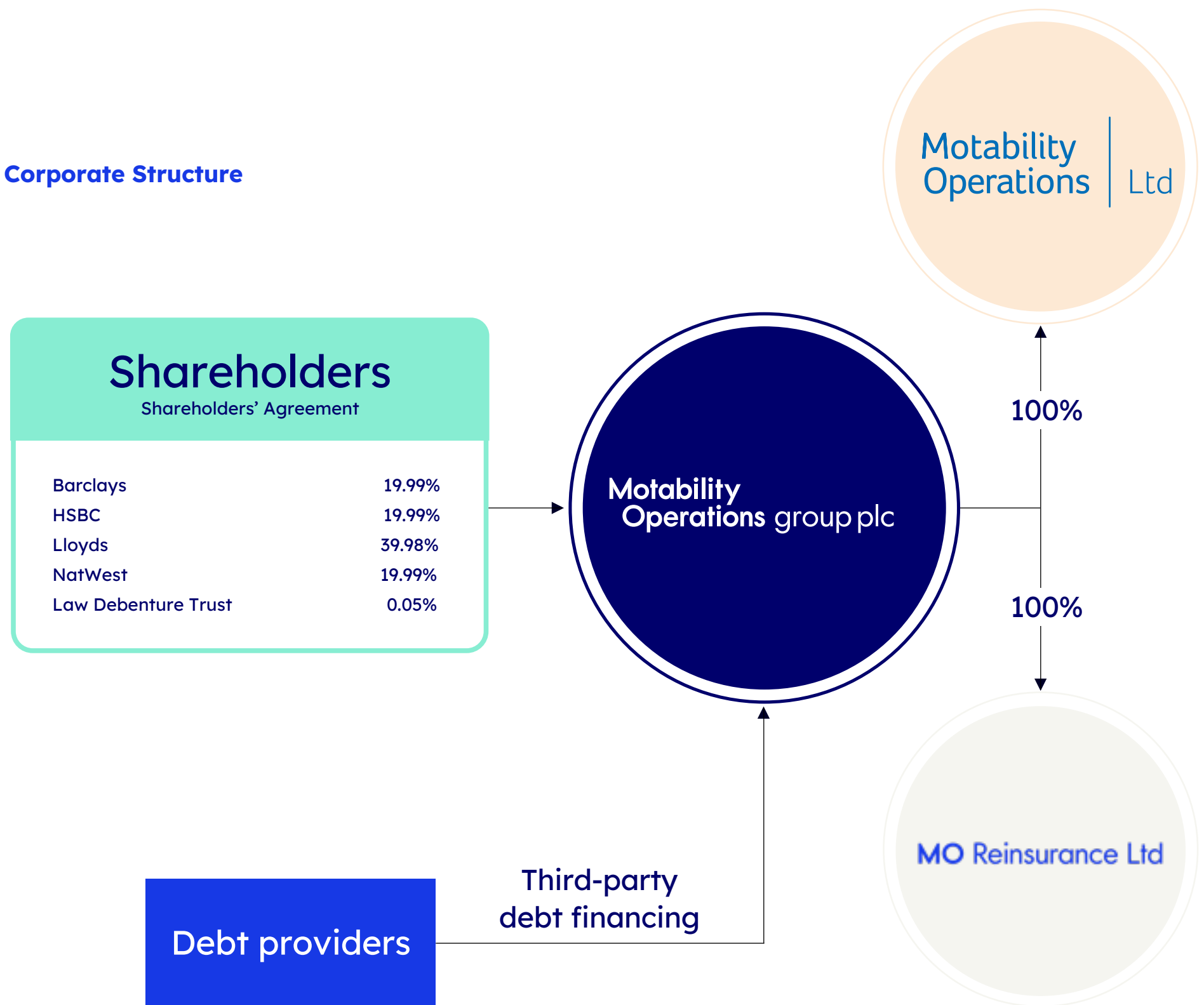
# Introduction

Motability Operations was established in 1978 to deliver the Motability Scheme (the Scheme) under contract to the Motability Foundation (the Foundation). The Foundation retains responsibility for oversight of the Scheme. The Scheme enables disabled people to use their mobility allowance to lease a new car, scooter, powered wheelchair or Wheelchair Accessible Vehicle (WAV).

The Foundation and Motability Operations are constitutionally and operationally separate entities; their relationship is governed by a Service Agreement. This Agreement sets out the Foundation’s role in overseeing the Scheme and grants Motability Operations the exclusive right to utilise the Mobility Allowances to provide customers with a vehicle.

Motability Operations is owned by affiliates of Barclays Bank, HSBC Bank, Lloyds Bank and NatWest. The owner banks have permanently waived their right to equity dividends. This means any profit is invested back into the Scheme and the provision of disabled mobility.

## Corporate Structure





As the largest fleet operator in the UK, our objective is to offer affordable worry-free mobility to the c.2.2 million people (as at 2023) in receipt of 'higher-rate' mobility allowances. This enables them to achieve freedom and independence through mobility.

We strive to provide not only the right car for each of our customers' needs, but a whole worry-free package: including insurance, roadside assistance, tyres and breakdown. It's more than just a car. On average, our package is 45% cheaper<sup>2</sup> than the cost of an alternative lease.

Without the Scheme, many of our customers would be unable to enjoy the freedom that others take for granted – there are often no viable alternative means of transport available to them.

Ensuring our products and services remain affordable for our customers is our number one priority. By using our scale, we're able to make independence a reality for many more people. In 2022 Motability Scheme vehicles accounted for around 12% of all new cars on the road<sup>3</sup>.

We directly employ around 1,500 people<sup>4</sup> over four primary locations, London, Bristol, Edinburgh and Coalville. We work with the majority of leading car manufacturers to supply vehicles to the Scheme and during 2023 provided customers with, on average, a choice of more than 650 makes and models with an ever-increasing number of electric vehicles (EVs).

For over 45 years our relationship with manufacturers, and their 21,000 trained Motability Scheme Specialists at their franchise dealerships across the UK have helped us to deliver the Scheme, providing customers with support throughout their lease and delivering a unique service.

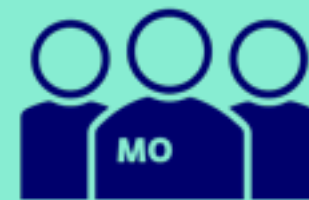
To be eligible to join the Motability Scheme, a person must be in receipt of the higher rate component of a qualifying mobility allowance. Qualifying allowances include:

- Higher rate mobility part of Personal Independence Payment (PIP)
- Higher rate mobility part of Disability Living Allowance (DLA)
- Enhanced rate mobility part of Adult Disability Payment (Scotland)
- Higher rate mobility component of Child Disability Payment (Scotland)
- War Pensioners' Mobility Supplement (WPMS)
- Armed Forces Independence Payment (AFIP)

2. Motability Operations 2022 ARA

3. Motability Operations 2022 ARA

4. During 2023



**9.6 out of 10**  
average Scheme customer  
satisfaction rating as at  
October 2023



**45%**  
cheaper than the cost of an  
alternative leasing option

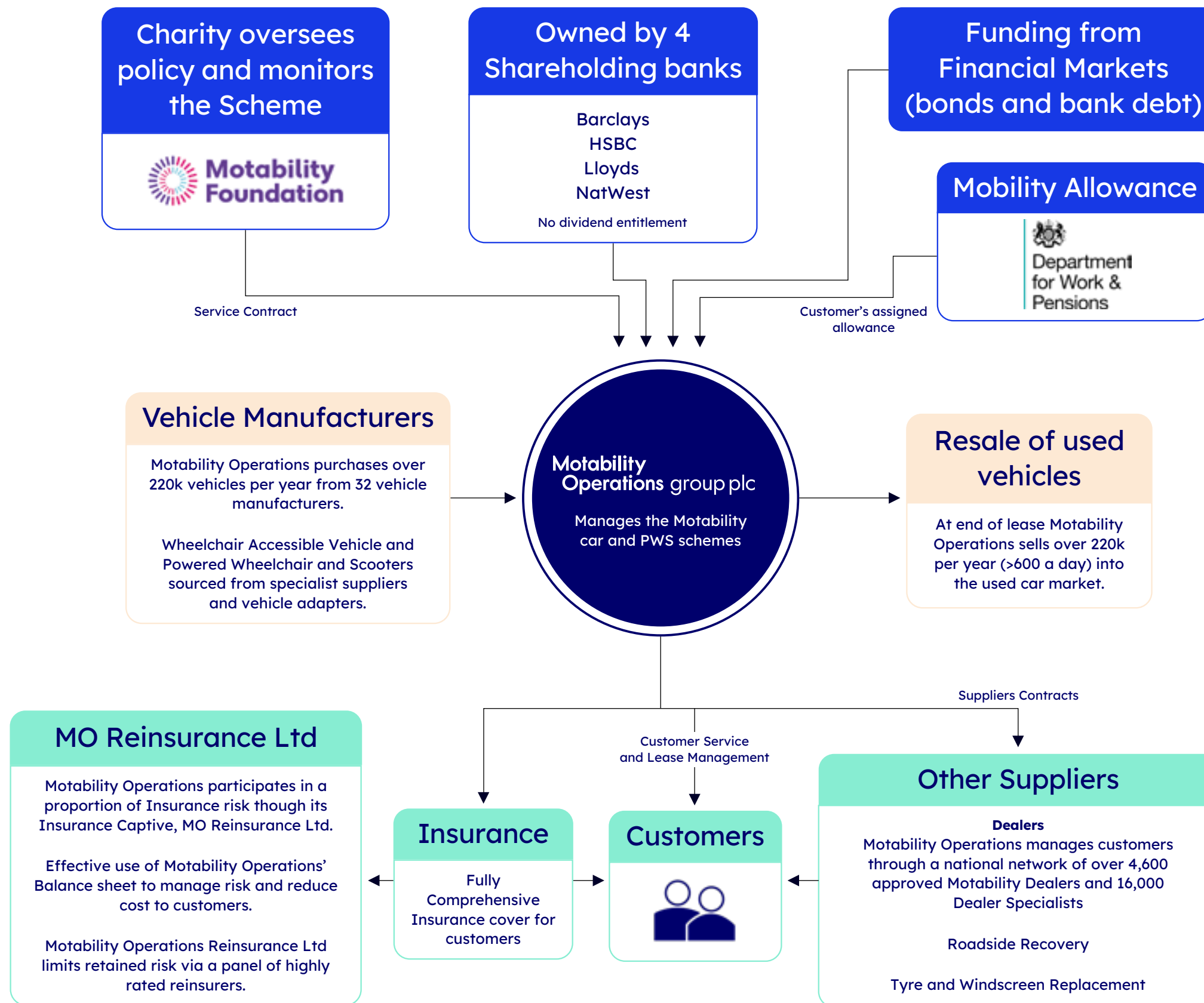


**700,000+**  
customers on  
the Scheme

# 1.1. The Motability Scheme

The Motability Scheme is accessible to recipients of the higher rate of mobility allowances. Once a customer chooses to join the Scheme their mobility allowance is used to lease a new car, scooter, powered wheelchair or Wheelchair Accessible Vehicle (WAV).

The Scheme offers a leasing package that is, on average, 45% cheaper than an alternative leasing option. During 2023, over 700,000 people used and benefitted from the Scheme. Since 1978, we have provided over five million vehicles, powered wheelchairs and scooters to our customers.



## 1.1 The Scheme continued

### Scheme Objectives

We're passionate about supporting our customers through every stage of their mobility journey, whether it be choosing the right vehicle for their needs or enjoying the latest technical innovations. As such our customers benefit from a unique proposition that is delivered to a consistently high standard; in 2023, customers rated their satisfaction with the Scheme on average as 9.6 out of 10. This is the result of Motability Operations providing:

- **Universal service offering** – the lease proposition is designed to be universally accessible to all recipients of a qualifying mobility allowance, regardless of their personal circumstances, location or means;
- **Worry-free mobility** – providing a comprehensive, all-inclusive worry-free mobility solution, with standard car lease including:
  - full insurance, maintenance and servicing,
  - tyre and windscreen replacement,
  - breakdown cover and
  - 60,000-mile allowance over three years;
- **Excellent customer service** – with particular focus on understanding how disability affects customers' needs, having a dedicated call centre and working with our service partners to ensure this is consistent through all customer touch points.
- **Affordable choice** – providing customers with access to a wide range of affordable vehicles which are suitable for their specific needs.
- **Value for money** – delivering a proposition which represents excellent value for money for its customers.
- **Efficiency** – delivering a cost-effective and seamless proposition for its customers, including a continual focus on tightly managing MO's cost base and maximising its economies of scale.
- **Sustainability** – delivering the proposition in a sustainable manner, to meet the needs of today's and tomorrow's customers.

In order to ensure customers are able to get a model of their choice that includes any optional functionality or trim levels they choose customers are able to pay an upfront amount at the time of ordering their new vehicles. The majority of customers choose to make an Advance Payment. Since this payment, taken in full at the start of each lease this mitigates any customer credit risk.

We remain committed to providing vehicles with no need for an Advance Payment (Nil AP). To this extent it is a company executive objective to ensure that at least 10% of the vehicles on the quarterly price list are 'Nil AP'. This metric is one that has replaced a previous target of having more than 200 vehicles at Nil AP and better reflects changed automotive industry production. By ensuring a varied range of Nil AP vehicles is available we are making the widest commitment to affordability possible.

Long lead times in R&D and government mandates mean that manufacturers are already increasing their electric vehicle (EV) offering and reducing the number of petrol and diesel (ICE) vehicles they produce. We know that there won't be a good choice of ICE vehicles at an affordable price within the next three years. But we also know, from our extensive insight, that a lot of our customers are wary of making the switch, and the delay of phasing out the sale of new ICE vehicles to 2035 is making many of them choose to wait. Our challenge is to help our customers understand that the industry is driving towards electric right now, and to understand their concerns and barriers to electric so we can help solve them.



## 1.2. Our Financial Model

To ensure that the Scheme remains sustainable in the long-term, Motability Operations' financial model and policies are designed to be robust and resilient.

With this objective in mind, Motability Operations uses an Economic Capital model to determine its capital requirements and a capital management policy which aims to ensure that the business is capable of withstanding significant economic or market shocks, thereby safeguarding the provision of services to customers into the long-term.

Motability Operations also factors a profit margin into the lease prices to ensure that there is an appropriate degree of inbuilt recoverability in the event of financial shock. Given that we do not pay equity dividends to our shareholders, any capital or retained profit that is deemed surplus to requirements may, at the discretion of the Board, be periodically donated to the Motability Foundation.

## 1.3. The Motability Foundation

The Motability Foundation, the Foundation, is a national charity set up with all-party parliamentary support in 1977 and incorporated by Royal Charter. Its objective is to help disabled people with their personal mobility and its areas of responsibility include:

- Setting the strategic policies and direction of the Motability Scheme (which comprises the Car Scheme and the Powered Wheelchair and Scooter Scheme) and overseeing its performance to ensure that it meets the needs of disabled people;
- Providing grants to disabled people who would not otherwise be able to afford the vehicle or adaptations they need.
- Raising awareness of the Scheme among potential customers and people who advise them, for example health professionals, so that they can make an informed decision as to whether they join the Scheme or not.

The Foundation is also mandated to fund wider activities to benefit those in the UK that experience mobility challenges. In December 2019, the Foundation announced the establishment of an endowment fund which will support the mobility and transportation needs of disabled people on a sustainable basis into the future.

Since it was set up in 1977, the Motability Scheme has provided more than five million vehicles and has helped millions of disabled people and their families to enjoy everyday freedom.

The Foundation can provide grants to help disabled people where the need is greater, or other associated costs are prohibitive, including:

- Vehicle adaptations – such as wheelchair hoists and Infra-Red controls
- Vehicle advance payments – often for larger, more expensive vehicles on the Scheme
- Driving lessons – to enable independence and access to the Scheme

Each quarter, in its role as overseer of the Scheme, the Foundation reviews our performance against contractual Key Performance Indicators. These relate to customer service, affordability and sustainability. If necessary, the Foundation will ensure appropriate actions are taken in the event of any shortfalls in performance.



“Before I joined the Motability Scheme I could only travel by blue light ambulance to and from hospitals, as travelling was extremely uncomfortable and painful. Motability has changed mine and my family’s lives and helped me to get out in the world after many years in hospital.

It is a lifeline.

Without my WAV I wouldn’t be able to get out, go to specialist hospital appointments, physiotherapy or hydrotherapy appointments, swimming club, meet friends, go to college, shopping or anywhere really. Having a Motability Scheme vehicle has made the world of difference.”

**Hannah, a Motability Scheme customer**

## 1.4 Purpose, Strategy and Values

Led by our purpose, we have defined three strategic pillars that set out how we align our business objectives, strategic initiatives, performance targets and business planning. The harmonisation and synchronisation of these are fundamental to delivering the proposition and ensuring Motability Operations delivers the best service and value possible.

### Our Values

Our values are central to delivering and meeting the needs and expectations of its customers. In 2022, we redesigned our values to support the purpose-led approach.

### Our Purpose & Strategy

Our purpose, to deliver smart, sustainable solutions that improve our customers' mobility in a fast-changing world, is at the heart of everything we do. Our strategic framework underpins and is informed by our purpose. It ensures we keep delivering for our customers, look for new ways to improve our customers mobility and support our customers to make the switch to more environmentally friendly modes of transport including Electric Vehicles.





## 1.5. Impact, Sustainability & Corporate Responsibility

As a purpose-led business, we aspire to be responsible, both in the short-term and into the future. Ensuring the Scheme can be sustained for our customers is our top priority.

As one of the UK's largest fleet operators, we recognise our responsibility to our planet, our customers, our people and the importance of upholding our principles. Our beliefs and values underpin the delivery of our strategic pillars and our integrated sustainability strategy.

We know from our research and customer satisfaction surveys the impact the Motability Scheme has on our customers' lives with 9.6 out of 10 customers trusting the business and the Scheme during 2023. A study by [Oxford Economics in 2021](#) estimated the value of the Scheme to be worth £8.5bn to the UK economy. We believe in strong governance to drive change in the way the business and [Scheme operates](#). The size and scale of our fleet represents both opportunities and challenges that we are looking to address.

Below are the highlights of our progress so far:

- £300m investment to support the affordability of electric vehicles from 2022
- Increased New Vehicle Payment to £750 to support customers through their renewal during 2023 and 2024 Increased the number of makes and models of electric vehicles on the fleet
- Installed over 25,000 home charging points as at the end of September 2023
- Directly linked executive remuneration targets to delivering against measures
- Introduced verified Science-Based targets (short-term). Published an enhanced Pay Gap Report to address gender, disability, ethnicity and LGBTQ+ pay gaps
- Recycling at all our sites, with waste separated out into different categories for onward disposal
- Investing in greener offices which have been refurbished to the highest BREEAM standards
- Achieved lower CO<sub>2</sub> emissions as a registered member of the Carbon Trust
- Formed an employee Impact & Sustainability (IS) Champions forum to share ideas, implement strategies and encourage sustainability dialogue across the business
- Supported charitable donations and matched employee fundraising through the IS Champions
- Making periodic donations to the Motability Foundation

We recognise our responsibility to support our customers in making the transition to an electric vehicle. Our customers face additional barriers in making the switch to EV. That's why we've incorporated sustainability into our strategic framework, ensuring that we continue to support our customers, partners and manufacturers in their efforts to transition to electric.

[To read more about our progress and plans for sustainability please see our Impact Report on the investors hub](#)



**28,000+**  
home chargepoints  
installed



**£300m**  
ring-fenced to support  
EV affordability in 2022



**£750**  
New Vehicle Payment,  
increased from  
£250 in 2022

## 1.6. Transition to Electric

In 2023, we're proud to have doubled the size of our electric vehicle fleet and will continue to work with our customers and partners to recognise and remove barriers to adoption.

Our capital reserves enable us to invest in supporting our customers to make the switch to electric and we are proud to be at the forefront of the country's journey to carbon-free motoring by 2035. We know that if the green transition is to succeed, it must be accessible to all and so in 2022 we ringfenced £300m to make EVs more affordable and accessible for our customers. The progression we're making in the electrification of the fleet is available in our Annual Reports

- We are proud of the progress we've made so far and are excited for the journey to come. To find the latest on our transition to an electric fleet, please check our [Annual Report and Accounts](#).

We need to ensure EVs are fit for purpose for our customers. Our innovation team pilots technologies and services to better understand and address the unique needs of our customers. We're getting involved at ground level with some of the most forward-thinking tech start-ups, putting accessibility on the roadmap from day one. Our customers are instrumental in trialling new products and services to provide valuable feedback. We're always looking for solutions to accessibility challenges facing our customers, including access to EV charging and finding an EV charging payment solution that works for all.

The accessibility challenges of EVs are evident and nowhere is this gap more clear than electrifying Wheelchair Accessible Vehicles (WAVs). The industry has highlighted that the traditional conversion methods for WAVs won't work for electric WAVs (eWAV) and we're looking to develop a solution to ensure WAV customers remain mobile post 2035.




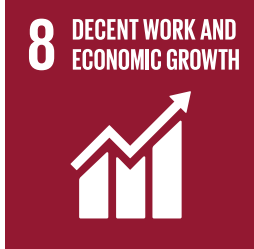



# 1.7 Sustainable Development Goals Alignment

## SDGs 4, 8, 10

Funding raised under Motability Operations' Social bond framework aligns to a number of the targets published under UN's Sustainable Development Goals (SDG) for socioeconomic advancement and empowerment.

## SDGs 7, 13

Other targets published under the SDGs also align to Motability Operations' activities and ambitions. Highlighted in the table opposite, these are not explicitly included as part of the Social Bond Framework but are included to illustrate relevance to our business.

UN SDG	Target	Application
 <p><b>4</b> QUALITY EDUCATION</p>	<p><b>4.5</b></p> <p>By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations</p>	<p>Provision of vehicle lease to customers regardless of age, economic circumstance or other aspects – a universal offering – enabling access to education that may otherwise not be possible</p>
 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	<p><b>8.5</b></p> <p>By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p>	<p>Provision of vehicle lease to customers regardless of age, economic circumstance or other aspects – a universal offering – such that employment opportunities may be taken in locations, activities or/and jobs that would have been inaccessible</p>
 <p><b>10</b> REDUCED INEQUALITIES</p>	<p><b>10.2</b></p> <p>By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p>	<p>Provision of vehicle lease to customers regardless of age, economic circumstance or other aspects – a universal offering – such that disability and an inability to travel safely, at a time of choosing and in an appropriate manner is no longer a barrier to any form of inclusion</p>
 <p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p>	<p><b>7.2</b></p> <p>By 2030, increase substantially the share of renewable energy in the global energy mix</p>	<p>The transition to a fleet of electric vehicles and financial support provided to assist customers in this process promotes the adoption of renewable energy technology</p>
 <p><b>13</b> CLIMATE ACTION</p>	<p><b>13.2</b></p> <p>Integrate climate change measures into national policies, strategies and planning</p>	<p>A reduction in petrol/diesel powered vehicles, as customers choose electric vehicles, reduces emissions shown to affect climate change and advances cleaner technologies</p>



# Framework Overview

We exist to deliver smart, sustainable solutions that improve our customers mobility in a fast-changing world. We do this by combining value, expertise, assistance and choice to ensure our customers remain mobile.

The Scheme must ensure it retains accessibility to funds that allow it to meet current and future financial requirements. The vast majority of Motability Operations' funding is taken from the wholesale debt capital markets. Funding is required to finance the fleet and associated activities that ensure we can deliver the social benefits the company was created for.

Our unique position as a provider of mobility to people that may not otherwise have access to a vehicle has therefore led us to create a Social Bond Framework (the "Framework"), under which it can issue Social Bond(s). This Framework is in accordance with the ICMA Social Bond Principles (SBP) 2023<sup>6</sup>.

In alignment with these Principles, for each Social Bond issued, Motability Operations asserts that it will adopt the following, as set out in this Framework:

- i. Use of Proceeds
- ii. Process for Project Evaluation and Selection
- iii. Management of Proceeds
- iv. Reporting

Motability Operations will aim to, where possible, adhere to best practices in the market and will review the Framework's alignment to updated versions of the Principles as and when they are released. As such, this Framework may be updated and amended in the manner described in Section 4 ("Amendments to this Framework") below. Any such updated and amended Framework will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Reviewer, be published on Motability Operations' website and replace this Framework. Any bonds subsequently issued will be subject to the updated and amended Framework.

6. Social-Bond-Principles-SBP-June-2023-220623.pdf (icmagroup.org)

## 2.1 Use of Proceeds

An amount equivalent to the gross proceeds raised from any Motability Operations Social Bond issued under this Framework will be allocated, in part or in full, to finance new eligible social expenditures (“Eligible Social Projects”) and/or to refinance existing Eligible Social Projects whose disbursements occurred no earlier than 24 months prior to the issue date of the Bond.

We expect to use proceeds raised by social bond(s) on a portfolio basis to fund both the extant fleet and the new vehicles joining the Scheme in the future. All assets bought are new, directly from the manufacturers’ dealer network. All vehicles are for the use or benefit of qualifying disabled customers; no other customers exist now or in the future for Motability Operations. The assets are purchased solely for the use by customers and usually follow a rolling 3-year profile. At the end of the lease a customer can choose to take a new vehicle and returns their vehicle to Motability Operations, at which point it is sold into the used car market. In some cases, extensions to the lease may be made when customers choose to retain their vehicle for a period longer than 36 months.

The portfolio approach to assets ensures we, as issuer, are not required to identify specific leases or vehicles against each bond issued. Customer vehicles, normally being owned by Motability Operations for 3 years, are significantly shorter in tenor than the usual maturity of bonds issued. Following the first full allocation of proceeds raised from bonds issued under the Framework, as disclosed in the Annual Report, future reporting on use of the proceeds is not required; upon vehicle sale at end of lease funding is recycled back into the Eligible Social Project for the ongoing benefit of customers.

### Eligibility Criteria for Replenishing Fleet — the Eligible Social Project

Vehicles (including petrol, diesel and alternatively fuelled vehicles such as hybrid, electric etc), for recipients leased to individuals that receive one of the:

- Higher rate mobility part of Personal Independence Payment (PIP)
- Higher rate mobility part of Disability Living Allowance (DLA)
- Enhanced rate mobility part of Adult Disability Payment (Scotland)
- Higher rate mobility component of Child Disability Payment (Scotland)
- War Pensioners’ Mobility Supplement (WPMS)
- Armed Forces Independence Payment (AFIP)



## 2.2 Process for Project Evaluation and Selection

The Project Evaluation and Selection Process will ensure that the proceeds of Social Bond(s) issued under this Framework are allocated to new or existing expenditures that meet the eligibility criteria set out above in Section 2.1 (“Use of Proceeds”).

Motability Operations’ Impact & Sustainability Committee (“Committee”) will review semi-annually (or more frequently as required) adherence to the project evaluation and selection process principles and that ICMA guidelines are being met. The Committee is chaired by Motability Operations’ Chief Finance Officer (CFO) with representatives from across the company. The Committee is the forum used to review and discuss the eligible social project. Committee members are taken from the following areas: Legal, Finance, Human Resources, Marketing, Business Risk, Impact and Sustainability, Customer Services, Vehicle Remarketing, Asset Risk and Workplace. Ultimate responsibility for the tracking of funds in the Social Bond register belongs to the CFO.

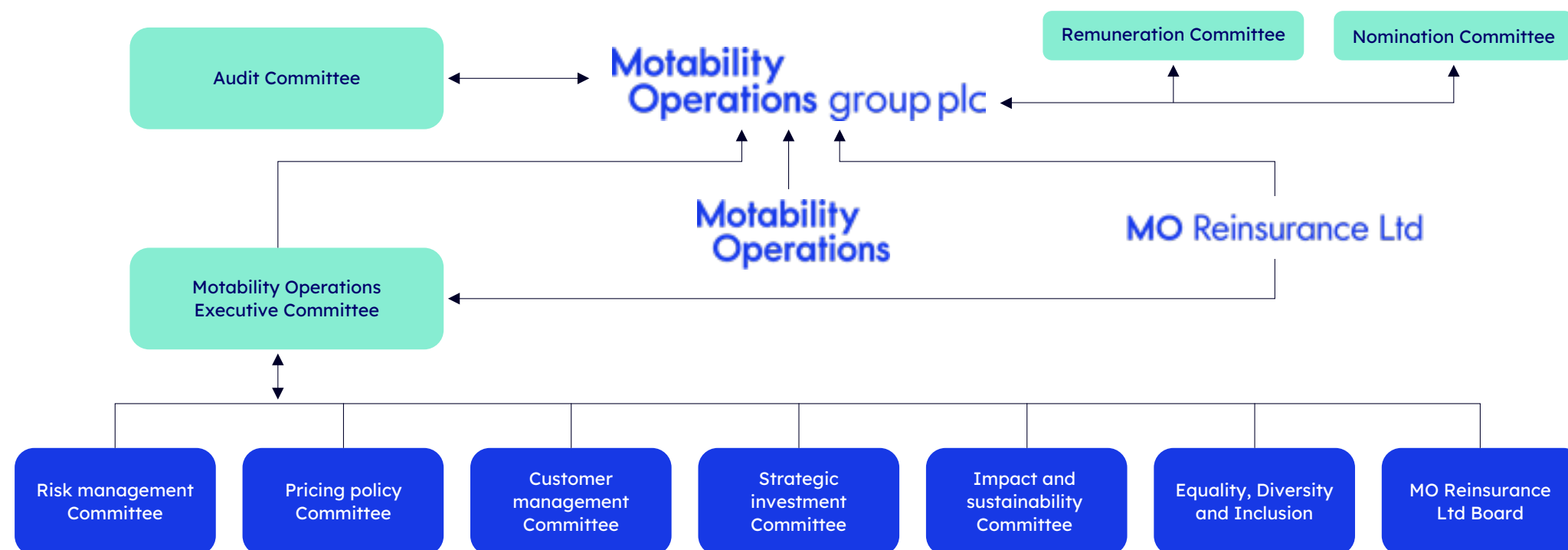
The Committee will give its opinion from an impartial and disinterested basis.

Also, on a semi-annual basis, the Committee will review the aggregate pool of social expenditures for alignment with the eligibility criteria listed in Section 2.1 (“Use of Proceeds”). The Committee will review the management of proceeds (as described in Section 2.3) and facilitate reporting (as described in Section 2.4).

The Committee will report its findings to Motability Operations’ Risk Management Committee. This Committee will provide final sign-off that undertakings, made in the Framework, are being accurately and effectively discharged.

All eligible social projects will be evaluated against, and aligned with, Motability Operations’ internal guidelines, policies and risk management procedures. In addition, they will be evaluated against applicable national, European and international social and environmental standards and regulations, to ensure stringent management of any potential negative social and environmental impacts.

The diagram below shows the governance structures:



Within this framework are three core UN SDGs which are highly material to the business and can demonstrate the impact on Socioeconomic Advancement and Empowerment on customers.

ICMA Social Bond Principles Project category and target population	SDG	Alignment with UN SDG Targets	Eligibility Criteria
Socioeconomic Advancement and Empowerment Target Population : People with Disabilities	SDG 4: Quality Education	<p><b>SDG 4.5</b> By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations</p>	<p>The provision of Vehicles (including petrol, diesel, hybrid, and electric etc) in accordance with the Eligibility Criteria below will enable physical access to places of education for people with disabilities. Eligible customers are in receipt of one of the following allowances</p> <ul style="list-style-type: none"> <li>• Higher Rate Mobility Component of the Disability Living Allowance (DLA);</li> <li>• Enhanced Rate of the Mobility Component of the Personal Independence Payment (PIP); or</li> <li>• War Pensioners' Mobility Supplement (WPMS)</li> <li>• Armed Forces Independence Payment (AFIP)</li> <li>• Enhanced rate mobility part of Adult Disability Payment (ADP Scotland)</li> <li>• Higher rate mobility component of Child Disability Payment (CDP Scotland)</li> </ul>
	SDG 8: Decent Work & Economic Growth	<p><b>SDG 8.5</b> By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p>	<p>The provision of Vehicles (including petrol, diesel, hybrid and electric etc) in accordance with the Eligibility Criteria below will enable physical access to places providing the opportunity to undertake work, economic advancement or other commercial activities Eligible customers are in receipt of one of the following allowances</p> <ul style="list-style-type: none"> <li>• Higher Rate Mobility Component of the Disability Living Allowance (DLA);</li> <li>• Enhanced Rate of the Mobility Component of the Personal Independence Payment (PIP); or</li> <li>• War Pensioners' Mobility Supplement (WPMS)</li> <li>• Armed Forces Independence Payment (AFIP)</li> <li>• Enhanced rate mobility part of Adult Disability Payment (ADP Scotland)</li> <li>• Higher rate mobility component of Child Disability Payment (CDP Scotland)</li> </ul>
	SDG 10: Reduced Inequalities	<p><b>SDG 10.2</b> By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p>	<p>The provision of Vehicles (including petrol, diesel, hybrid and electric etc) in accordance with the Eligibility Criteria below will enable the ability to participate in social, recreational, economic and all other activities that may have been previously inaccessible Eligible customers are in receipt of one of the following allowances</p> <ul style="list-style-type: none"> <li>• Higher Rate Mobility Component of the Disability Living Allowance (DLA);</li> <li>• Enhanced Rate of the Mobility Component of the Personal Independence Payment (PIP); or</li> <li>• War Pensioners' Mobility Supplement (WPMS)</li> <li>• Armed Forces Independence Payment (AFIP)</li> <li>• Enhanced rate mobility part of Adult Disability Payment (ADP Scotland)</li> <li>• Higher rate mobility component of Child Disability Payment (CDP Scotland)</li> </ul>

## 2.3 Management of Proceeds

Management of Proceeds will be the responsibility of the Treasury department at Motability Operations under delegated authority from the Impact & Sustainability Committee.

Funds raised will be directed to activities concerning the provision of vehicles to customers; management of proceeds will reflect this objective.

Full use of proceeds to the Eligible Social Project may not occur over a short period. During the period between receipt of funds and full deployment Motability Operations may hold amounts in investments until required. Investment assets include bank deposits and money market funds so being highly liquid; these are highly rated and subject to stringent counterparty checks to minimise exposure to losses. Motability Operations will keep a record of the shortfall and temporarily hold and/or invest an amount equal to the unallocated proceeds of any Social Bond issuance in its accounts and/or treasury liquidity portfolio.

Motability Operations will oversee the allocation and tracking of expenditures for Eligible Social Projects up to an amount equal to or exceeding the gross proceeds of Social Bond(s) issued. Motability Operations intends to fully allocate the proceeds within 24 months after the issuance date of each Social Bond; full use should be significantly more rapid.

To manage this process Motability Operations will establish a Social Bond Register using the Annual Reports. The proceeds of any Social Bonds will be deposited in Motability Operations' general funding accounts and be earmarked as being used as such in Motability Operations' Social Bond Register. The Social Bond Register will be reviewed semi-annually by the Committee.

The Social Bond Register will contain relevant information including:

1. Details of the Bond(s): ISIN, pricing date, maturity date, etc.
2. Details of Eligible Use of Proceeds, including:
  - Eligible Social Projects;
  - Amount allocated;
  - Other necessary information, so that the aggregate of issuance proceeds allocated to the Eligible Use of Proceeds is recorded; and
  - Number of beneficiaries from the use of proceeds.

Motability Operations will operate a rolling portfolio of assets to be categorised as Eligible Social Projects; the portfolio will be replenished as vehicles leave the Scheme. Replenishment may occur via new customers taking a vehicle for the first time or as existing customers replace their vehicle with a new one.

Until the maturity of relevant Social Bond(s), in case of divestment or cancellation of an Eligible Social Project, or if an allocated project no longer meets the eligibility criteria, Motability Operations commits to reallocate the proceeds to other Eligible Social Projects depending on availability. These changes would be tracked thoroughly and included in reporting to maximise transparency and to prevent double counting.

## 2.4 Reporting

Motability Operations will make available reporting on the allocation of the gross proceeds allocated to the Eligible Social Projects, and wherever feasible, report on the impact of the Eligible Social Projects.

Motability Operations is committed to report within one year from the launch of a Social Bond, and annually thereafter, until full allocation of the gross proceeds. This reporting will be made publicly available on Motability Operations' website

<https://www.motabilityoperations.co.uk/our-performance/investors-hub/>

### 2.4.1 Allocation Reporting

An annual allocation report will be made publicly available following one year of issuance of any Motability Operations Social Bond(s), which will detail the allocation of the net proceeds from any outstanding issuance. The allocation report will include the following details:

- Total amount allocated to Eligible Social Projects;
- The amount and/or percentage of new and existing projects (share of financing and refinancing);
- The year of investment / disbursement; and
- The balance of unallocated proceeds.

### 2.4.2 Impact Reporting

Motability Operations will provide impact reporting on the social impacts of the Eligible Social Projects. Motability Operations will report on the number of beneficiaries from its activities, customer satisfaction scores, customer retention rates and affordability. Impact reporting will be made available on annual basis.

Motability Operations has also committed to publishing an Impact and Sustainability report annually, outlining the company's commitments, targets and measuring progress to date.

All reporting will be made public on our website

<https://www.motabilityoperations.co.uk/our-performance/investors-hub/>





# External Review

## 3.1 Second Party Opinion

Motability Operations has engaged DNV to provide an External Review, in the form of a Second Party Opinion on this Social Bond Framework, to confirm its alignment with the 2023 ICMA Social Bond Principles, as well as its strong social credentials.

The Second Party Opinion is publicly available at

<https://www.motabilityoperations.co.uk/our-performance/investors-hub/>

## 3.2 External Verification

Motability Operations is committed to engage an assurance provider, or an External Reviewer to assess the compliance of any bonds issued or loans drawn against the Motability Social Bond Framework on an annual basis.

The resulting report will be publicly available at our website

<https://www.motabilityoperations.co.uk/our-performance/investors-hub/>



# Amendments to this Framework

The Impact & Sustainability Committee will review this Framework on a regular basis, including its alignment to updated versions of the ICMA Principles as and when they are released, with the aim of adhering to best practices in the market.

Such a review may result in this Framework being updated and amended accordingly. The updates, if not minor in nature, will be subject to the prior approval of Motability Operations and DNV. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Reviewer. The updated Framework, if any, will be published on Motability Operations' website and will replace this Framework.

**28<sup>th</sup> December 2023**