

Schroders

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SOCIETY  
CAPITAL

INVESTMENT  
SUSTAINABLE INVESTMENT  
AWARDS 2023

HIGHLY COMMENDED  
Best Newcomer Sustainable Fund

# Schroder BSC Social Impact Trust plc

Report and Accounts for the year ended  
30 June 2023

A unique investment opportunity  
to address social challenges



## Investment objective

The Company's investment objective is to deliver measurable positive social impact as well as long term capital growth and income, through investing in a diversified portfolio of private market impact funds, co-investments alongside impact investors and direct investments in order to gain exposure to private market Social Impact Investments.

The Company aims to provide a Net Asset Value total return of CPI plus 2 per cent. per annum (once the portfolio is fully invested and averaged over a rolling three- to five- year period, net of fees) with low correlation to traditional quoted markets while helping to address significant social issues in the UK.

## Investment policy

The Company will invest in a diversified portfolio of private market Impact Funds and Co-Investments alongside such funds or other impact investors (including the Portfolio Manager), which in turn support charities and social enterprises, with a focus on the United Kingdom. The Company may also make Direct Investments.

The Company will make Social Impact Investments that seek to deliver a positive social outcome together with a financial return, including but not limited to investments in:

- **High Impact Housing** – Including property funds that either acquire or develop high quality affordable housing, from more specialist housing for vulnerable groups (for example, transition accommodation for people who were formerly homeless or fleeing domestic violence) to housing for low income renters currently living in poor quality or insecure accommodation.
- **Debt and Equity for Social Enterprises** – Including charity bonds, portfolios of secured loans and funds that invest in established social enterprises via mezzanine debt and/or equity.
- **Social Outcomes Contracts** – Contracts between a public sector or government body and a delivery organisation whereby an external investor provides upfront capital to the delivery organisation and is repaid by the income stream from the public sector body based upon social outcomes delivered rather than on a fee for service basis.

The market for Social Impact Investments in the United Kingdom is a rapidly evolving market and the Company retains the flexibility to invest in Social Impact Investments other than those in the three categories set out above.

The Company will typically obtain exposure to Social Impact Investments through investing in Impact Funds and Co-Investments. The Company will usually make investments on a commitment basis, expected to be called over a period of time. The Company will generally hold minority interests in Impact Funds, but may hold majority interests where appropriate including, for example, where the Company may be a cornerstone investor alongside the Portfolio Manager. Co-Investments would be made alongside third party impact investors, including the Portfolio Manager. It is expected that the Company will invest in Impact Funds and Co-Investments alongside the Portfolio Manager, benefitting from the broad range of opportunities sourced by the Portfolio Manager. Direct Investments are not expected to comprise a material proportion of the Company's portfolio.

The portfolio composition at any one time will reflect the opportunities available to the Portfolio Manager, based on the performance, social impact and maturity of the Impact Funds, Co-Investments and Direct Investments.



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# Financial Highlights<sup>1</sup>

## Total returns<sup>2</sup>



## Other financial information

	30 June 2023	30 June 2022	% Change
Shareholders' funds (£'000)	88,753	89,916	-1.3
Shares in issue	84,604,866	85,316,586	-0.8
NAV per share (pence)	104.90	105.39	-0.5
Share price (pence)	93.50	106.50	-12.2
Share price (discount)/premium to NAV per share (%)*	(10.9)	1.1	
Gearing/(net cash) (%) <sup>3</sup>	(2.4)	(1.5)	

	Year ended 30 June 2023	Year ended 30 June 2022	% Change
Net revenue return after taxation (£'000)	1,974	1,119	+76.4
Revenue return per share (pence)	2.32	1.37	+69.3
Dividend per share (pence)	2.30	1.30	+76.9
Ongoing Charges (%)*	1.27	1.22	+4.1

<sup>1</sup> Some of the financial measures below are classified as Alternative Performance Measures, as defined by the European Securities and Markets Authority and are indicated with an asterisk (\*). Definitions of these performance measures, and other terms used in this report, are given on page 95 together with supporting calculations where appropriate.

<sup>2</sup> Total returns include the impact of dividends paid.

<sup>3</sup> Borrowings used for investment purposes, less cash, expressed as a percentage of net assets. The Company had no borrowings at the year end, or prior year end, so this is shown as a negative, net cash figure.

# Key Performance Indicators

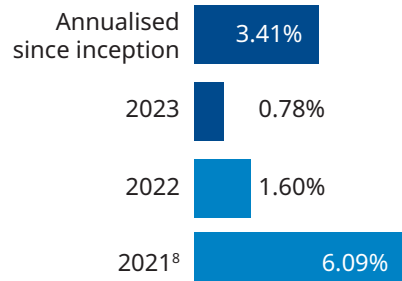
In order to track the Company's progress the following key performance indicators are monitored.

## Financial

### Net Asset Value ("NAV") total return per share<sup>4</sup>

NAV per share reflects the value attributable to our equity shareholders including dividends paid.

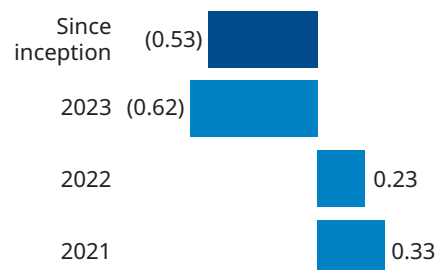
Discussion of this can be found in Financial Highlights at page 2 of this report and within the Strategic Report between pages 39 to 50.



### Share Price correlation<sup>5,6,7</sup> with FTSE All Share

Share price correlation describes the relationship between the respective price movement of the Company's share price and equity markets.

Discussion of this can be found within the Portfolio Manager's Report between pages 12 to 28.

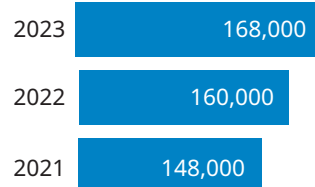


## Impact

### Number of people benefitted

Measures the number of people directly benefitting from the Company's investees' activities.

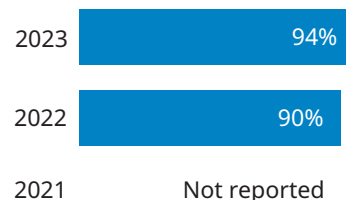
Discussion of this can be found within the Portfolio Manager's Report between pages 12 to 28 and the Impact Report between pages 29 to 33.



### Disadvantaged and vulnerable people served<sup>8</sup>

Measures the proportion of these people who are from more disadvantaged and vulnerable groups.

Discussion of this can be found within the Portfolio Manager's Report between pages 12 to 28 and the Impact Report between pages 29 to 33.



<sup>4</sup>The Company aims to provide a NAV total return of CPI plus 2 per cent per annum (once the portfolio is fully invested and averaged over a rolling three-to five-year period).

<sup>5</sup>The comparative figures for 2021 cover the period from the date of incorporation on 24 September 2020 to 30 June 2021. The Company began investing on 22 December 2020 ("launch date").

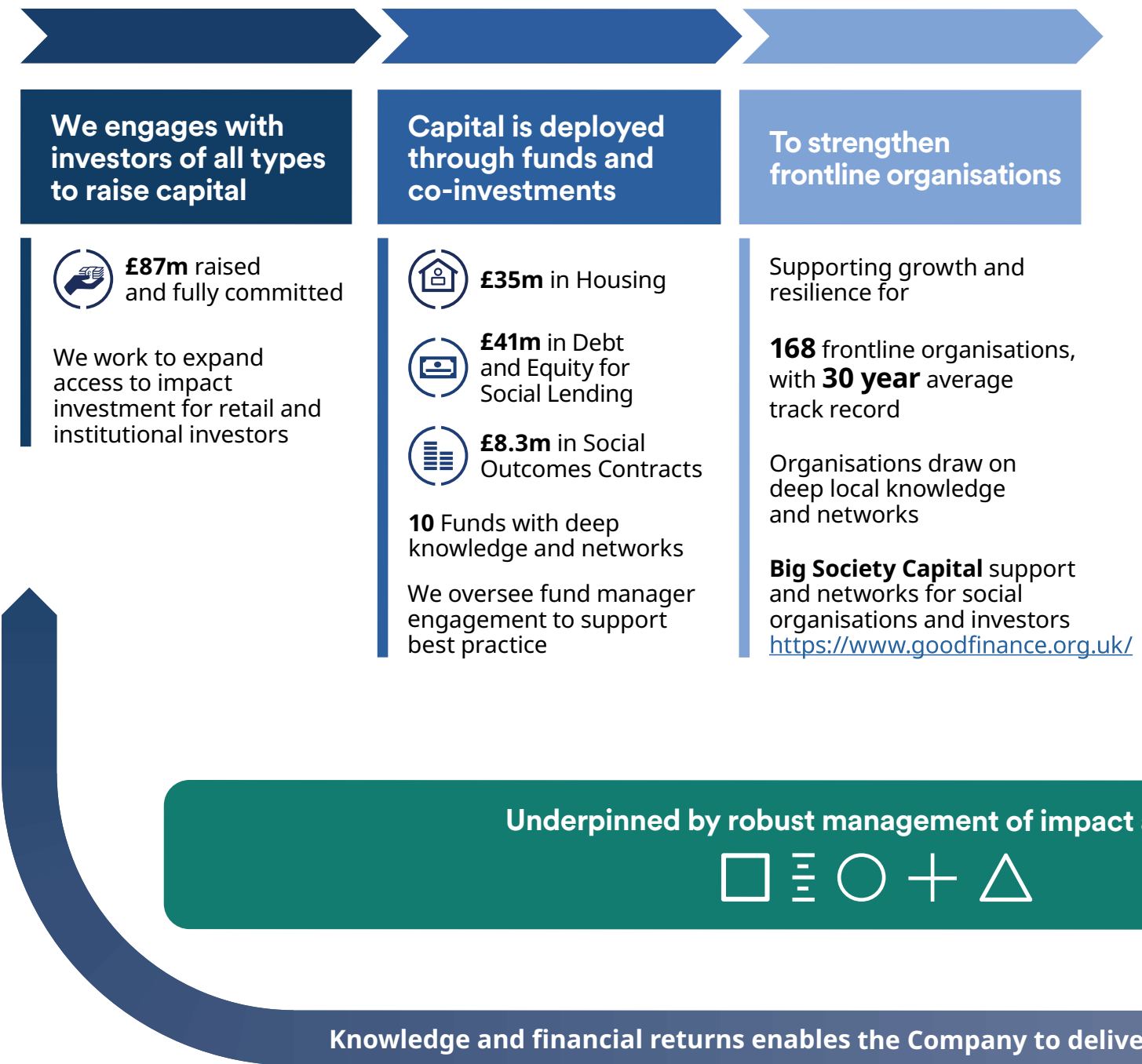
<sup>6</sup>Share Price correlation with FTSE All Share is classified as an alternative performance measure. Correlation is calculated by obtaining the daily closing prices in each time period for both the Company and FTSE All Share Index, sourced from Morningstar.

<sup>7</sup>Low correlation to traditional equity markets tends to reflect a useful diversifier. Correlation of less than 0.5 indicates a low correlation to the quoted markets. Negative correlation means the Company's share price moves in the opposite direction to the FTSE All Share index.

<sup>8</sup>Definition of 'Disadvantaged and vulnerable' is given on page 97.

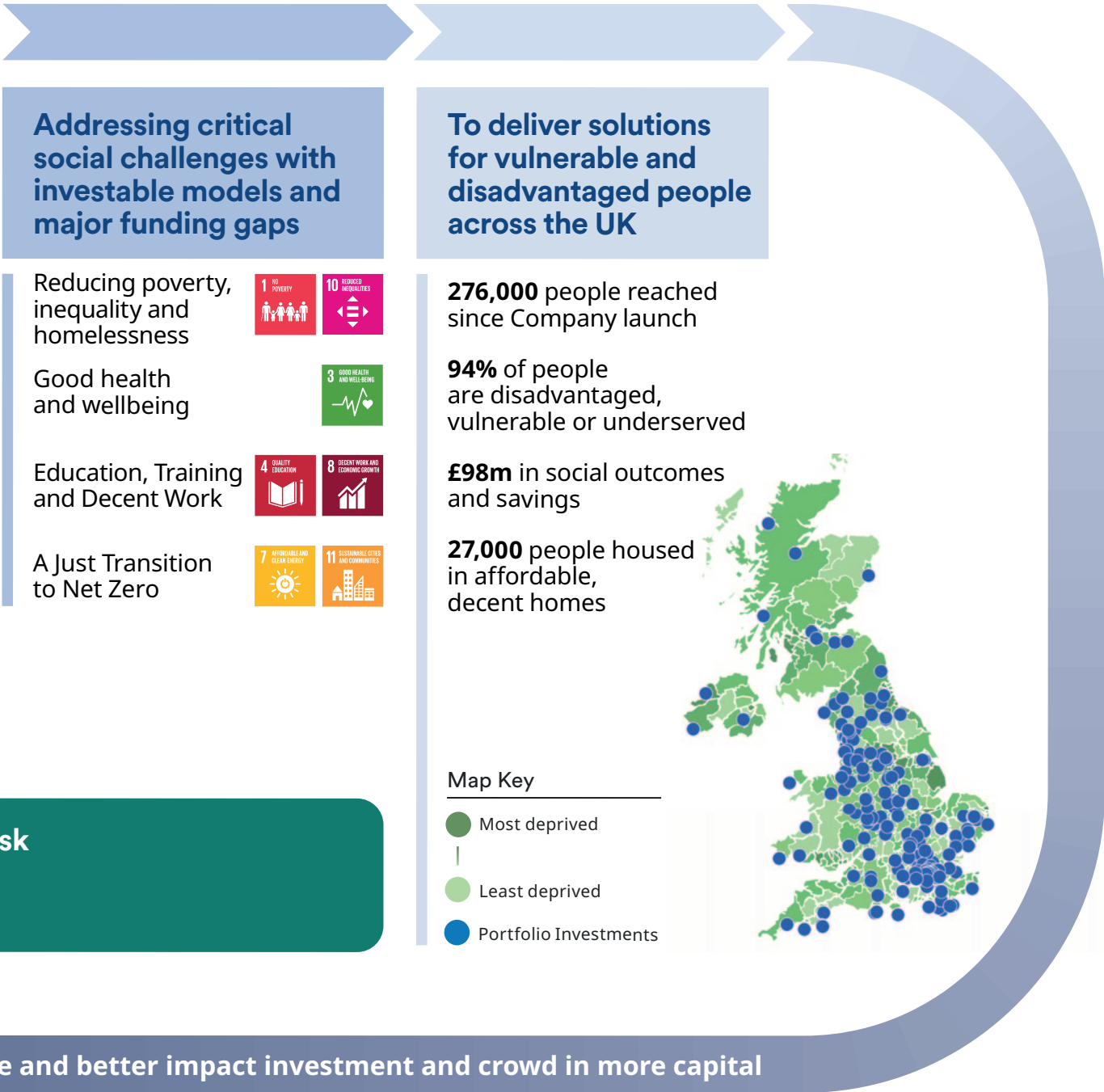
# How the Company supports positive social impact

Impact investments must have a clear, measurable rationale for how investment is intended to contribute to a “Theory of Change”, which forms the basis of the UK’s emerging criteria for Sustainable Impact Investments. We co-investments, in partnership with fund managers, to frontline organisations with strong track records to deliver solutions for vulnerable, disadvantaged and underserved people across the UK.



Impact

Contribute towards positive social change. In the social investment market this is often referred to as investments. The Company's Theory of Change sets out how capital is deployed through funds and vehicles of working on critical social challenges, enabling them to grow and become more resilient, to



# Our Approach and Impact Thesis

The Schroder BSC Social Impact Trust plc ('the Company') is a quoted investment company accessible to any investor, providing capital for high quality and high impact social investment to support resilient, equitable, flourishing communities in the UK.

The UK faces entrenched social issues that require targeted investment at scale.



Local social organisations are often best placed to tackle these challenges in their communities, by partnering with government and investors to develop new cost-effective solutions that are tailored to disadvantaged groups.

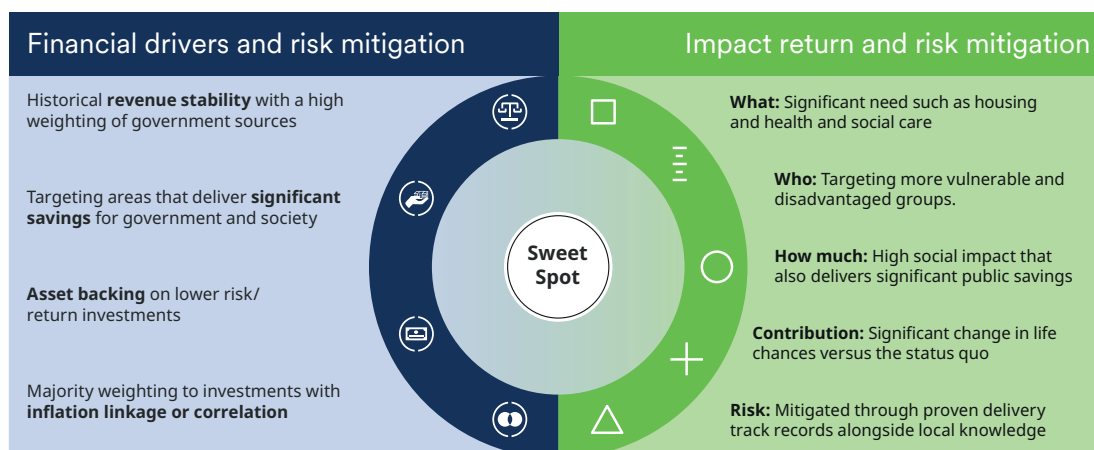
Many of these solutions are ready to scale with the right investment, but struggle to find it. Options are generally limited to mainstream retail finance that is often a poor fit, or very small private markets that are inaccessible or costly to manage for most investors.

The Company opens up access for investors in the public markets, by providing a listed asset structure, alongside deep knowledge and networks across social organisations and fund managers.

Our intention is to grow the Company over time to serve both our impact and financial objectives. Expanding the Company's shareholder base and increasing in scale will enable more deployment of capital to an attractive pipeline of social investment opportunities while also supporting liquidity in the shares and reducing cost ratios. We believe this is important in creating a virtuous cycle of lowering the barriers for investors and creating a demonstration effect to 'crowd in' more investors.

## Impact as a driver of value

The Company starts with the social issue, then identifies investment and enterprise models that can provide sustainable solutions. We then find and support fund managers who can channel investment to those enterprises. We help these fund managers balance the needs of investors with those of social enterprises, charities and social purpose organisations, to build a track record of success that can attract more capital over time.



<sup>1</sup>Social Care: Funding and Workforce (parliament.uk)

<sup>2</sup>Big Society Capital: Mapping the Market

<sup>3</sup>Green Finance Institute



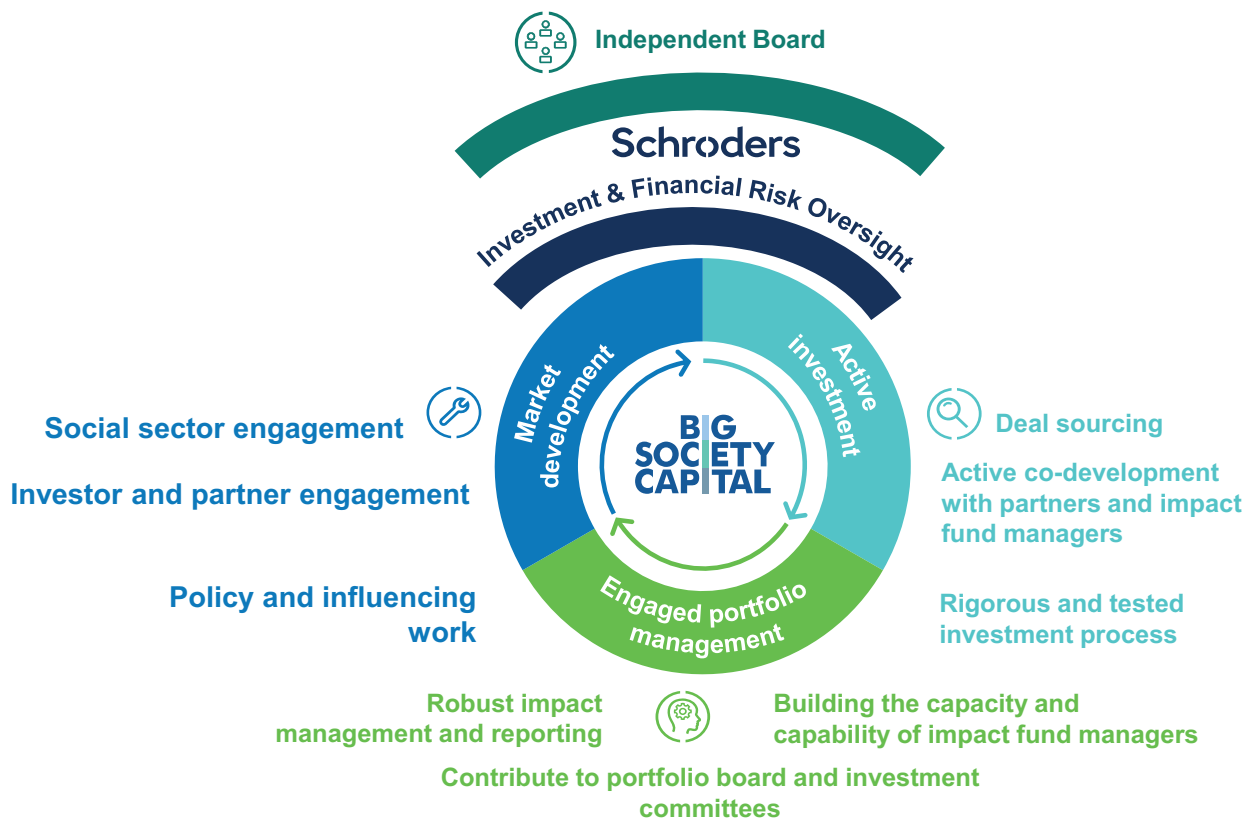
# An experienced partnership with deep impact investment expertise

The Company's objective is delivered by an experienced partnership in both sustainability and impact investing. Schroders Unit Trusts Limited (Schroders) is the Company's Alternative Investment Fund Manager (AIFM) whilst Big Society Capital is the Company's delegated Portfolio Manager and has responsibility for investment sourcing, selection, and management.

Big Society Capital was established in 2012 by Sir Ronald Cohen, the co-founder and former chair of global private-equity firm Apax Partners, and is the leading financial institution dedicated to social impact investment in the UK. Since inception Big Society Capital has made over 100 investments in funds, managers and social banks reaching 2,000+ social enterprises and charities. The Company's dedicated portfolio management team is backed by a team of social impact investment professionals at Big Society Capital, which has current assets under management of £695m.

Big Society Capital's broader activities further benefit the Company's performance. As examples, Big Society Capital has specialists in government policy which help to drive engagement with relevant stakeholders and has a dedicated social sector engagement team which works to understand the enterprise models of the social enterprises and charities in which the Company invests.

Big Society Capital's dual role in growing the social impact investment market by making investments, and through engagement with investors and recipients of capital, makes them uniquely qualified to manage the Company. Teamed with the experienced risk and financial oversight from Schroders, the Company is governed by an Independent Board of highly experienced professionals from impact investment and other financial backgrounds.



# Chair's Statement



I am pleased to present the third annual report of Schroder BSC Social Impact Trust plc ("the Company"), covering the year ended 30 June 2023.

Following a period of high market volatility, the Bank of England's monetary tightening policy appears to have been successful in bringing inflation back in single-digit territory in

2023. The "worst-case" recessionary concerns of late 2022 appear to have been (narrowly) averted, and we start seeing early signs of interest rate stabilisation, alongside hopes of reducing inflation.

However, the full impact of the higher inflation and interest rates environment are only beginning to be felt and will have long-term consequences for the cost of living in the UK, putting pressure on the affordability of essential items like food, energy, and housing.

It is estimated that UK households are facing the largest fall in living standards since records began in the 1950s, and low-income households are the most affected. In this challenging environment, the social impact created by the Company's investments is needed more than ever, with many investments providing solutions to the cost-of-living crisis, such as increasing the supply of affordable housing and helping households manage energy costs through retrofit businesses and community renewables. In a time of constrained government spending, the Company's investments targeting innovation in public service commissioning through Social Outcomes Contracts generate significant savings for the Government<sup>1</sup>.

The Board believes the Company offers investors a valuable source of portfolio diversification, through access to a unique mix of private market investments, with the dual objectives of providing long term capital growth and income and serving as a source of permanent funding for organisations dedicated to positive social impact.

Furthermore, the Board, AIFM and Portfolio Manager are committed to advancing impact investing in the UK, through events and publications aimed at increasing investors' understanding of best practices and supporting them in making impact allocations in their portfolios. We build relationships and maintain an active dialogue with the investment community, actively seeking to understand how the Company can best serve investors' requirements in committing capital to high quality, high impact investments.

We understand that our investors want the Company to grow, both through NAV asset growth and fresh capital raises, and it is a stated high priority for the Board to take actions to make this possible. We welcome conversations with investors interested in helping us to achieve this goal of growing the Company.

## Financial performance

The Company has delivered resilient NAV total returns since inception on 22 December 2020, in a highly volatile market. Net asset value ("NAV") total return for the year ended 30 June 2023 was 0.8% (2022: 1.6%), resulting in a NAV total return since inception of 8.6% (3.4% annualised).

Overall, the Company's NAV per share fell from 105.4p to 104.9p during the year ended 30 June 2023, after fees which included an interim dividend payment of 1.30p per share paid on 6 December 2022 (2021: 0.57p).

The total share price return during the year ended 30 June 2023 was -11.0% (2022: -4.7%) as the Company's shares were not immune to negative investor sentiment towards equities resulting in a wider discount to NAV. The Company moved from trading at a premium to NAV to a discount after the mini budget of September 2022, and traded at an average discount of 7.3% in the twelve months to 30 June 2023, narrower than the average investment trust discount of 13.2% over the same period.

A more detailed analysis of performance and additional information on investments in the period under review are included in the Portfolio Manager's Report. I would particularly like to highlight that our Portfolio Manager has demonstrated the benefits of extensive experience and an impact-led approach to investing in social housing this year. Our portfolio has shown resilience within a turbulent market, and should the Company raise more capital, we are well positioned to deploy it responsibly in this important sector.

## Social impact performance

The Company published its second Impact Report on 29 June 2023, showcasing the meaningful roles our investees have played in communities across the UK during the year, the engagement of our Portfolio Manager to support their success, and our impact management methodology.

As of the date of the Impact Report the Company had committed £87m, financing 168 organisations and reaching 276,000 people, of whom at least 94% were from disadvantaged and vulnerable backgrounds. The Company's investments helped fund over 27,000 affordable homes through the High Impact Housing asset class and generated over £98m of near-term value as savings for government and households. The full report is available on the Company's website.

The Company's investments are also contributing to addressing the specific social challenges created by rising energy costs. For example, Agility Eco (in the Bridges Evergreen portfolio) is a leading installer of energy efficiency improvements for low-income households. Man Community Housing Fund received planning permission for a development of 226 zero carbon, 100% affordable homes. Heart of England Community Energy (backed by Triodos UK and the Community Investment Fund) generates enough power for 4,500 homes as well as providing wider community benefits.

<sup>1</sup>Outcomes for All: Ten Years of Social Outcomes Contracts, Big Society Capital, June 2022

# Chair's Statement

More detail can be found in the Impact Report section on pages 29 to 30. We continue to welcome your feedback on the report, to help guide our communications with shareholders about the frontline work of our investees and our impact management methodology.

The Board was privileged in May 2023 to see first hand the valuable work that our investees are undertaking in Hull and together with representatives from the Portfolio Management team visited Hull Women's Network, an organisation helping women and their children escape domestic abuse, and Hull and East Yorkshire Mind, providing support services to individuals and families experiencing poor mental health. Both organisations also provide safe and appropriate housing for people who need it most as part of their wrap-around support services and have used social investment from the Social and Sustainable Housing fund (in the Company's High Impact Housing portfolio) to purchase and refurbish homes to a high standard for their beneficiaries.

The Board is keen to help our investors meet their own developing needs in relation to impact reporting, and we welcome feedback.

## Discount management

During the year to 30 June 2023 the Company's share rating ranged between a discount to NAV of 15.3% and a premium to NAV of 1.5%. The 12-month average discount on 30 June 2023 was 7.3% (average discount 2022: 0.5%).

The Company's share price moved to a discount to NAV in October 2022, during a period of turbulence for UK equities. Following consultation with the Manager and the Company's corporate broker in late 2022 the Board agreed that it was in shareholders' best interests to commence buying back a limited number of shares with the aim of narrowing the discount at which the shares were trading to NAV. The Board also considers the shares an attractive investment and the buybacks have been accretive to existing shareholders.

While the Board is conscious that buybacks shrink the size of the Company marginally in the short-term it remains our ambition to grow the Company through share issuance in the longer term. Addressing the discount to NAV is considered critical to achieving this goal and the Board believes buy backs are one of the tools to use in pursuit of this. During the year ended 30 June 2023 the Company bought back 711,720 ordinary shares for a total consideration of £674,000. All shares were bought back at a discount to the prevailing NAV, and were placed into Treasury for future re-issue. Should the Company's shares reach a sufficient rating to its NAV, the Board will seek to use these shares to issue to new and existing investors. Our Portfolio Manager has an attractive pipeline of high impact investments, and it is the Board's ambition to raise funds to take advantage of these opportunities for our shareholders and to deploy further capital to create more equal life chances and build resilient communities in the UK.

Since 30 June 2023 and up to 26 October 2023, a further 449,924 shares have been bought back for a total consideration of £411,130.84 and placed in Treasury.

At the forthcoming Annual General Meeting ("AGM") the Board will seek to renew the authorities previously granted by shareholders to issue or buy back shares. We encourage shareholders to vote in favour of these resolutions which are described in more detail in the on pages 91 to 94.

## Investor engagement

Another important plank in the strategy of closing the discount and ultimately growing the Company, is active engagement with current and prospective shareholders, which the Board and the Managers take very seriously. Webinars and forums have been held during the year under review to shed light on the investment approach and portfolio holdings, and to help educate and inform investors newer to social impact investing. In particular, excellent feedback was received about the event convened in March 2023 that focused on the UK social housing market and the way that a high impact focus has successfully been used to manage risk and deliver resilient returns.

I am personally keen to meet with investors who may have a desire or mandate to allocate to social impact, as the Company aspires to be an attractive, diversified and reliable 'go-to' partner for such portfolios. It has been useful to hear the issues being faced by investors in this regard, and I am grateful for the ideas shared in the meetings I have had during the year under review and subsequently.

The Board recognises the size of the Company is a hurdle for some investors, but we also hear from many that our strategy answers a need across a range of investor types. Therefore, the Board is thinking creatively and proactively about our outreach in the year ahead. I hope our events, reports, and activities will be valuable to you, and will help broaden and deepen our shareholder base. I look forward to more dialogue with new investors to increase our own investor impact and accelerate the much-needed deployment of capital into high quality, high impact investments in communities across the UK.

## Dividend

The Board has considered the amount available to distribute to investors and, as in previous years, has declared that the Company will pay out substantially all of its income as a dividend, resulting in a dividend of 2.30p per share (2022: 1.30p), payable on 20 December 2023 to shareholders on the Company's share register on 10 November 2023. This is above the target dividend of 1-2% of net asset value communicated to investors at the initial public offering ("IPO") and the Portfolio Manager is increasing its guidance for future dividends to yield 2-3%. The dividend of 2.30p is split between a 2.16p interest distribution and a 0.14p equity dividend.

# Chair's Statement

## Continuation vote

In the Prospectus, published at the time of the IPO, the Company undertook to provide shareholders with the opportunity to vote on the Company's continuation should the Company's shares trade, on average, at a discount in excess of 10% to NAV for the two-year period ending 31 December 2023 and in any subsequent two-year period. In the event that a vote was triggered shareholders would be provided with the opportunity to vote on whether the Company should continue in its present form.

The Board believes that since launch the Company has established a clearly differentiated and unique position relative to other investment companies. The Company provides shareholders with exposure to hard to access high impact assets and managers whilst its investments support partnerships between UK fund managers, social organisations and the communities they serve. The Board also believes that social impact investments should continue to provide attractive long term investment opportunities and that the prospects for private market social impact investments remains positive. In addition, your Board notes that if the discount on 26 October 2023 of 13.13% were to continue until the end of this year, then the Company's shares will have traded for the two years ending 31 December 2023 on average at a discount of 6.79%.

## Quarterly valuations

In the Half Year Report, I advised that the Company intended to increase the frequency of its valuation points from bi-annually to quarterly to provide increased transparency for existing and potential shareholders. Subsequently, the quarterly NAVs in respect of 31 March and 30 June 2023 were published and the Company will continue to publish the NAVs on a quarterly basis.

## Online presentation

There will be a presentation by the Portfolio Manager at 2.00 p.m. on Tuesday, 31 October 2023 which will be available to watch online. To sign up to watch the presentation please click on this link:

<https://registration.duuzra.com/form/SBSI23>

Details on how to watch the presentation are also available on the Company's webpage: [www.schroders.com/sbsi](http://www.schroders.com/sbsi)

By using a webinar, I hope more shareholders, and interested parties will be able to listen to and ask questions of the Portfolio Manager.

## AGM

The AGM will be held on Friday, 15 December 2023 at 12.00 noon at the offices of Schroders at 1 London Wall Place, London, EC2Y 5AU. A presentation from the Portfolio Manager will be given at the AGM, and attendees will also be able to ask questions in person. The presentation will be made available on the Company's website following the meeting. Details of the formal business of the meeting are

set out in the Notice of Meeting on pages 92 to 94 of this Annual Report.

All shareholders are encouraged to vote by proxy in advance of the AGM and to appoint the Chair of the meeting as their proxy. This will ensure that shareholders' votes will be counted even if they (or any appointed proxy) are not able to attend.

If shareholders have any questions for the Board, please write to the Company's registered office address: Company Secretary, Schroder BSC Social Impact Trust plc, 1 London Wall Place, London, EC2Y 5AU, or email: [amcompanysecretary@schroders.com](mailto:amcompanysecretary@schroders.com).

For regular news about the Company, shareholders are also encouraged to sign up to the Manager's investment trusts update by visiting the Company's website: <https://www.schroders.com/en/uk/private-investor/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/never-miss-an-update/>

## Outlook

Following the volatile environment in global and UK markets, a higher inflation, higher interest rate environment is expected to have a long-term impact on the real economy, and the standards of living of UK households. Most vulnerable and disadvantaged households are the most affected, at a time when government spending is also constrained.

In this context, the services provided by the organisations funded by the Company's investments are needed more than ever. While some of these organisations themselves will be affected by rising cost pressures, the organisations in the Company's portfolio have an average 30-years' track record, having demonstrated their resilience through multiple economic cycles.

An expected election in the UK in the next twelve months introduces further uncertainty around the policy risk. A significant portion of the Company's portfolio is invested in organisations with government-backed revenue sources. The Portfolio Manager mitigates policy risk by diversifying the portfolio across policy areas, and targeting areas with broad cross-party support, such as housing, health and social care, and energy resilience.

Despite the challenging market environment, the social investment market in the UK grew by 18% to £9.4bn in 2022, according to the most recent annual market sizing exercise published by Big Society Capital<sup>2</sup>. The Board believes that the Company remains well positioned to lead and benefit from further market growth, as the Portfolio Manager continues to see an expanding and maturing pipeline of investment opportunities.

One of these opportunities is in very advanced stages, and we expect the Portfolio Manager to fully commit the capital available (following partial exits and capital repayments from the existing portfolio) by early 2024. This opportunity would increase the portfolio exposure to the "just transition to net zero" impact theme and is expected to provide attractive returns to investors.

# Chair's Statement

In September 2023, the Company was Highly Commended in the Best Newcomer Sustainable Fund category of Investment Week's Sustainable Investment Awards 2023. We are pleased that the Company's contribution as a key player in the sustainable investing space is being recognised by the investor community.

We are encouraged to see growing appetite for sustainable investment products, and an increased focus both from regulators and investors on ensuring quality and clear standards. In the UK, the Company engaged with the Financial Conduct Authority's Sustainable Disclosure Requirement ("SDR") consultation through Schroders and Big Society Capital, and we were pleased to see extensive engagement from the broader financial sector. The proposed SDR framework signals the regulator's commitment to supporting the integrity and growth of the impact and wider sustainability investment markets in the UK. We believe transparent labelling and disclosure of impact products are essential for the impact investment market to grow healthily. We also welcome the EU's Sustainable Finance Disclosure Requirements ("SFDR") consultation, launched this year to review SFDR's implementation and explore new classifications that offer greater clarity on investment product impact credentials.

Through engagement with key stakeholders in the investment and regulatory space, as well as showcasing best practice in making successful impact investments, the Managers aspire to position the Company as a trusted leader and attractive partner for investors making allocations to this emerging asset class.

We have been gratified to hear the interest in, and support for, the Company's approach and purpose, but realise successful growth depends on converting more of this latent demand and widening the shareholder base. We look forward to speaking with you during the year.

**Susannah Nicklin**

Chair

27 October 2023

<sup>2</sup><https://bigsocietycapital.com/latest/investment-into-uk-social-impact-exceeds-9-billion-despite-economic-gloom/>



# Portfolio Manager's Report

## Market developments

The twelve months to 30 June 2023 were a particularly challenging one for the UK economy with inflation at a 40 year high, led by large increases in energy and food prices and contending with recessionary concerns. The "mini-budget" of September 2022 further exacerbated the instability in financial markets, and negative investor sentiment, despite its subsequent reversal.

The Bank of England's ("BoE") response to market conditions was to raise interest rates eight times in a 12-month period, to 5% on 30 June 2023, with a further rise to 5.25% voted for in August 2023. The new interest rate environment has broad implications on the investment community as well as the broader population, in particular, the most vulnerable and disadvantaged people that the Company's investments are aiming to support.

Inflation started to reduce during 2023, returning to single digits; however, the full effects of the higher inflationary and interest rate environment are only just beginning to be felt, and are expected to have long term consequences in areas such as housing affordability, and continued pressures on cost-of-living.

A House of Commons research briefing published in September 2023 highlights some of the starkest data illustrating the impact on the cost of living of the last 2 years of rising inflation:

- **Food prices:** Over the two years from August 2021 to August 2023 food prices rose by **28.4%**. It previously took over 13 years, from April 2008 to August 2021, for average food prices to rise by the same amount.
- **Energy prices:** household energy tariffs and road fuel costs increased sharply in 2022; in an effort to mitigate the impact of rising gas and electricity prices, the Government introduced an Energy Price Guarantee (EPG) in October 2022, capping typical consumption at £2,500 a year. This limited increases in typical bills to **27%** in October 2022.
- **Housing affordability:** base interest rates rose from 0.1% in December 2021 to 5.25% in September 2023, which led to higher borrowing rates for households (specifically higher mortgage rates), and higher rental costs – significantly impacting housing affordability.

Low-income households are most affected by rising prices, mostly due to being more affected by high food and energy prices.

*"Food bank charities are reporting an increase in demand: the Trussell Trust reported that in the year to March 2023 they provided nearly 3 million emergency food parcels, a record number, more than during the pandemic and more than double the number in the same period five years before."*

– House of Commons Library Research –  
Rising Cost of Living in UK – Sep 23.

The new environment creates both risk and opportunities for the Company on both social impact and financial returns. Looking first at the social impact risk, many of the charities and social enterprises supported by the Company's investments, and the vulnerable people who benefit from their services, will be negatively affected by the current environment. Whilst increasing the need for the positive impact of our investments it means that in some cases impact will be outweighed in overall terms by the rising cost of living. On financial returns, we have aimed to build a portfolio with a degree of inflation correlation. However, in a very volatile inflation environment some of those correlations will be only partial and some operate with a time-lag. In particular, as the portfolio relies to a significant extent on government backed revenues, government restrictions on how fast inflation flows through into social housing rents and contract payments will be important.

Looking at the opportunities for our investment strategy, the social impact created by our investments is needed more than ever. Many of our investments are directly tackling the cost of living crisis, such as increasing the supply of affordable housing and our retrofit and community renewable investments tackling fuel poverty. In a time of constrained government finances our investments are targeting service innovation that create significant savings – for example our recent review of Social Outcomes Contracts showed that every £1 spent has generated £10 in public value.

On the financial side, we expect the Company will continue to provide a valuable source of diversification in a challenging investment environment. High and volatile inflation is strongly negative for traditional public market equity and bond portfolios. We have aimed for a unique mix of impact-focused private assets with diverse and resilient revenue streams that has thus far protected capital and should continue to do so in the event of further sharp market downturns.

Across our portfolios we are seeing the wider move to invest in impact continuing. Our latest market sizing report values the social impact investment market at £9.4bn as of the end of 2022, an 18% increase from 2021. This represents an almost 11-fold increase in the social impact investment market in the last 11 years. As a result, we are seeing an expanding and maturing pipeline of investment opportunities, primarily in private markets that are difficult for many investors to access. We believe the Company remains well positioned to offer investor access to a mature portfolio of high quality impact investments within this expanding opportunity set.

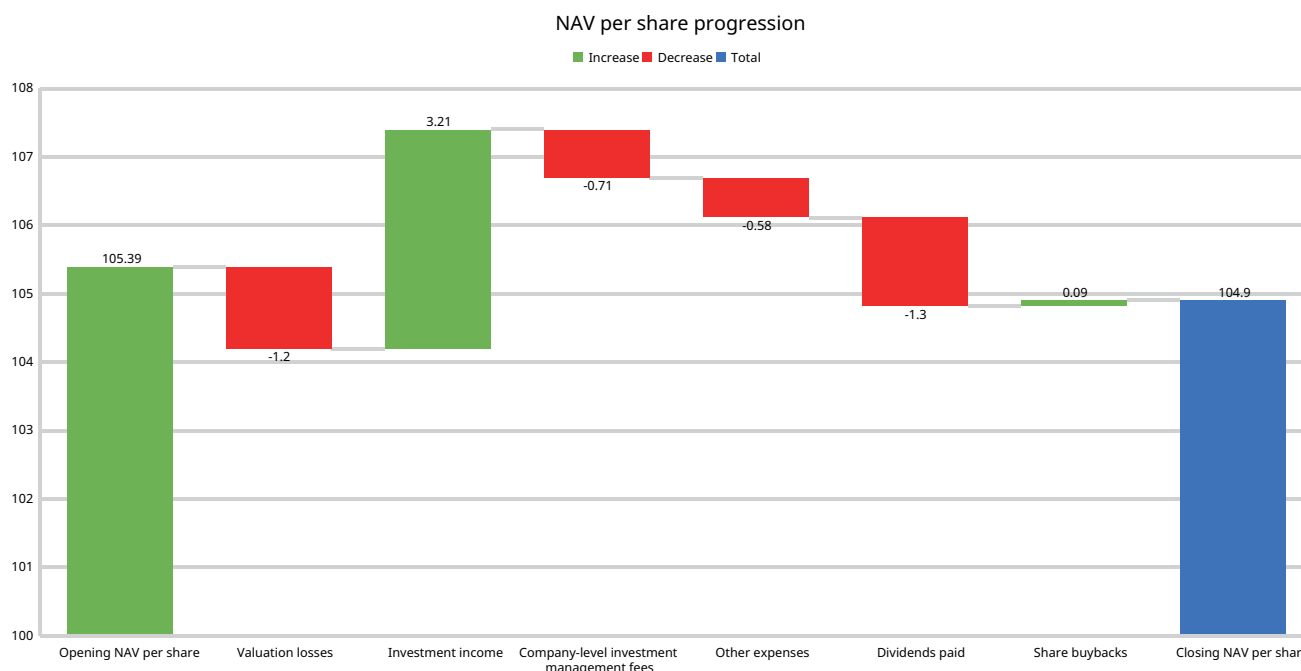
## Performance update

The NAV total return per share for the twelve-month period to 30 June 2023 was 0.8%. Overall, the Company's total NAV reduced slightly from £89.92m to £88.75m over the period due to share buy-backs reducing the number of shares in

# Portfolio Manager's Report

issue from 85.32 million to 84.60 million. The shares bought back were held in Treasury at the end of the financial year.

The Company's NAV per share declined from 105.39p to 104.90p after an 1.30p dividend payment – with a full performance bridge in the chart below.



In the 12 months to 30 June 2023 the Company recorded gross revenue of £2.77m (2022 – £1.86m) and net revenue after fees, costs and expenses of £1.97m (2022 – £1.12m), providing a net revenue return per share of 2.32 pence (2022 – 1.37 pence). The Company recorded losses on the fair value of investments of £1.02m (2022 – gains of £0.63m) and capitalised expenses of £0.33m (2022 – £0.29m), resulting in a total gross return of £1.75m (2022 – £2.49m), and total net return of £0.62m (2022 – £1.44m), or 0.73 pence per share (2022 – 1.77 pence).

As shown in the table below, portfolio returns since inception have been driven by the performance of investments in their mature phase, contributing 10.67% to NAV total return. However, in the 12 months to 30 June 2023, the mature

phase investments underperformed plan contributing 0.17% due to a significant write down in the Bridges Evergreen portfolio and the headwinds of rising rates.

Assets in their investment phase, which are earlier in their lifecycles and J-curves, made a 1.58% contribution to NAV total return during the year to 30 June 2023, which is in line with expectations.

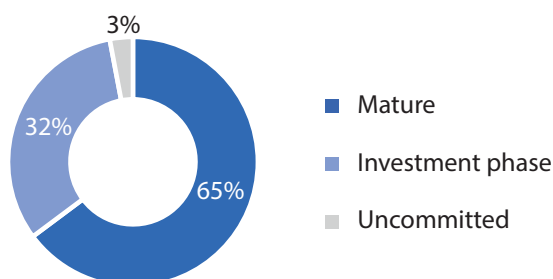
Liquidity Assets made a positive contribution of 0.16% to performance during a challenging year for markets through allocations to shorter duration and floating rate credit.

	30 Jun 2023 % NAV committed	30 Jun 2023 % NAV invested	NAV total return contribution 12m to 30 June 2023	NAV total return contribution since launch
Mature	65.04%	63.89%	0.17%	10.67%
Investment phase	32.33%	23.62%	1.58%	1.74%
Liquidity Assets	–	10.53%	0.16%	-0.57%
Cash and cash equivalents	–	1.97%	-1.14%	-3.23%
Total*	97.37%	100.00%	<b>0.78%</b>	<b>8.61%</b>

\*Please note totals might not sum due to rounding

# Portfolio Manager's Report

## High Impact Exposure\* as a % of NAV 30 June 2023



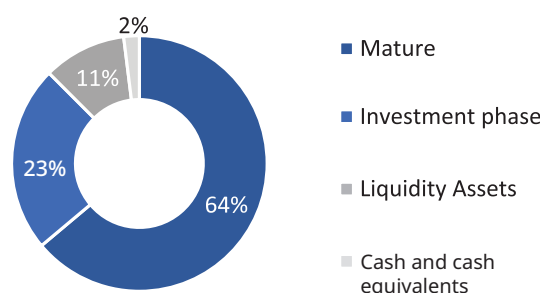
\*Exposure: NAV of High Impact Investments + undrawn commitments

The key drivers of financial performance in the twelve-month period to 30 June 2023 were:

- A ramp-up of returns in the High Impact Housing portfolio, in particular valuation gains in the CBRE Affordable Housing Fund, contributing 0.58p to NAV per share, and the Man Community Housing Fund contributing 0.48p to NAV per share, mostly driven by developments reaching completion.
- A mix of income and capital gains in the Social Outcomes Contracts portfolio driven by strong performance of the underlying projects, with Bridges Social Outcomes Fund II contributing 0.48p to NAV per share.
- A notable negative development in the Bridges Evergreen portfolio was the write-down to zero of their investment in Skills Training UK. Bridges Evergreen contributed a negative 1.66p to NAV per share.
- With the exception of the Bridges Evergreen investment, all other holdings in the Company's High Impact Portfolio made a positive contribution to returns and are performing to plan.

The Social Impact performance of the portfolio was reported in the Company's second Impact report published in June 2023. The report highlighted that since launch, the Company's investments have reached 276,000 people, 94% of whom are from disadvantaged, vulnerable or underserved backgrounds; generated £98m in social outcomes and savings; and funded 27,000 affordable, decent homes. The Impact Section of this report contains the key highlights from the Social Impact report, as well as details of our evolving approach to impact management and reporting.

## Invested as a % of NAV 30 June 2023\*



\*Please note totals might not sum due to rounding

## Portfolio cash flows and balance sheet

Overall, in the period £7.61m was deployed into existing and new investments in the High Impact Portfolio:

- The majority of the amount invested (£6.27m) was deployed towards delivering new affordable homes in the **High Impact Housing** allocation: Man Community Housing Fund drew down £2.55m and the Social and Sustainable Housing fund drew down £3.72m over the year.
- In **Debt and Equity for Social Enterprises**, £1.03m was drawn for further investment into the secured co-investments made with Charity Bank, and the Charity Bond portfolio, delivering high social impact in Health and Social Care.
- Within **Social Outcomes Contracts**, further investment was made into existing projects helping children on the edge of care and homelessness. The Social Outcomes Contracts investments made in the year to 30 June 2023 totaled £419,000.

Some of the Company's higher impact investments involve the staged deployment of capital over multiple years; we aim to mitigate any cash drag on returns through our Liquidity Assets allocation. This is invested in assets with similar financial risk and return characteristics as the core asset allocation, though has a lower direct social impact given the lack of availability of social impact-focused assets in publicly listed markets. During the period, we fully redeemed our positions in two investments to fulfil drawdowns in our High Impact Portfolio. The Liquidity Assets portfolio experienced some volatility over the year due to market turbulence but had a small net positive contribution to the total return for the year of 0.16%.

# Portfolio Manager's Report

## Portfolio Allocation

The Company's investment objective is defined as:

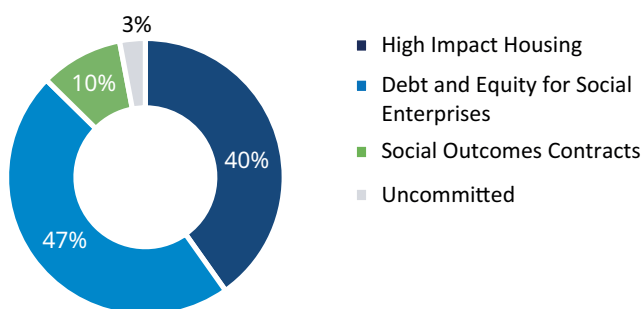
- Delivering measurable positive social impact as well as long term capital growth and income, through investing in a diversified portfolio of private market impact funds, co-investments alongside impact investors and direct investments in order to gain exposure to private market social impact investments.
- Aiming to provide NAV total return of CPI plus 2 per cent. per annum (once the portfolio is fully invested and averaged over a rolling three- to five-year period, net of fees).
- With low correlation to traditional quoted markets whilst offering to address significant social issues in the UK.

## A diversified asset allocation delivering local UK social impact

The Company delivers its investment objective through allocating to best-in-class social impact managers in private markets – with proven track records delivering high quality financial returns alongside measurable social impact for more disadvantaged groups in the UK. Investments that are committed but not yet drawn by private market funds are held in listed Liquidity Assets investments to mitigate cash drag during longer drawdown periods.

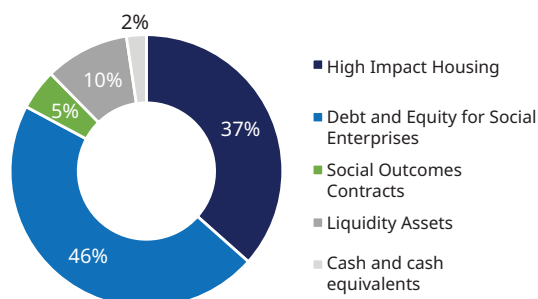
As of 30 June 2023, the portfolio was 97% committed and 88% invested in the Company's High Impact Portfolio. The Company has approximately £2.5m of uncommitted capital, following the cancellation of an unused follow-on commitment to the Charity Bond portfolio, a partial exit from the Real Lettings Property Fund in the third quarter of 2023, scheduled capital repayments from the portfolio, and share buybacks. Furthermore 10% of NAV was held in our Liquidity Assets portfolio and will in the longer term be invested in higher impact private investments. In response to the higher interest rate environment, the Company is balancing use of Liquidity Assets with greater use of cash and cash equivalents in money market funds, earning interest in line with base rates.

## High Impact Exposure as a % of NAV



Exposure: NAV of High Impact Investments + undrawn commitments

## Invested as a % of NAV



\*see asset class description on pages 19 to 24

Data as of 30 June 2023

Source: Big Society Capital

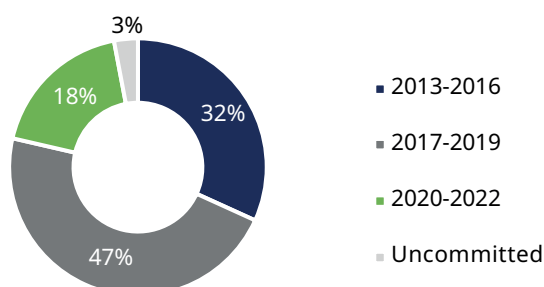
## Providing access to a seasoned high impact portfolio

The Company has built a seasoned high impact portfolio that would be difficult for shareholders to access directly – through a combination of a seed portfolio and secondary investments from the Portfolio Manager's relationships and knowledge of the sector. This provides a greater allocation to more mature assets that will help drive future financial and impact performance. The Portfolio Manager's broader portfolio relationships offer additional fee benefits to Company shareholders – with 41% of the Company's portfolio with no or discounted management fees – from co-investments or fee discounts that the Portfolio Manager has negotiated, often through their role as initial cornerstone investor in funds.

## High Impact Exposure as a % of NAV 30 June 2023 – asset class breakdown

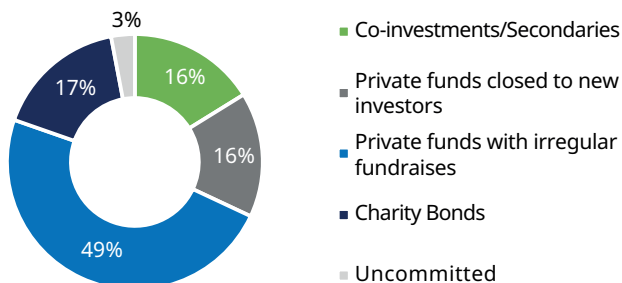
### Vintage

Vintage is defined as year of the fund establishment:



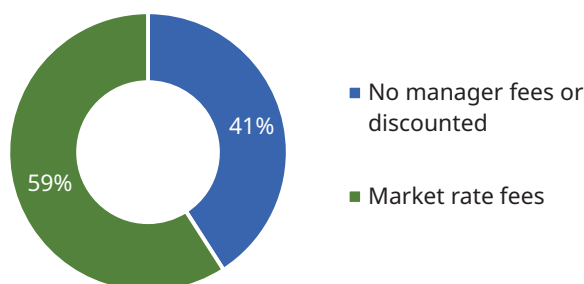
# Portfolio Manager's Report

## Access – Ease of access for other investors\*



\*Please note totals might not sum due to rounding

## Fees



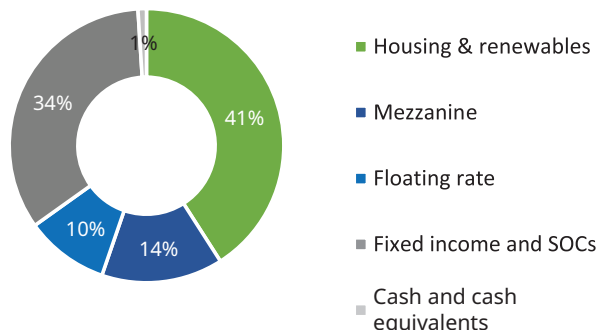
## Targeting inflation resilient returns

The Company aims to deliver an asset allocation that is resilient through periods of rising prices through targeting two-thirds of its asset allocation to assets that will benefit from inflation. These assets are:

- Property and renewables – with a mix of long dated inflation linked leases, shorter property leases where value is more driven by property prices, and smaller investments in community renewables in our Debt and Equity for Social Enterprises asset class; we also hold renewables investments in our Liquidity Assets portfolio
- Mezzanine and equity investments – where the value is driven by government contracts that have historically moved with inflation
- Floating rate instruments which will benefit from increases in the base rate

As of 30 June 2023, the Company had committed 62% of its capital to inflation sensitive assets. The remaining capital committed to high impact investments was allocated to fixed income securities such as charity bonds and social outcomes contracts; the Company aims to minimise the duration of these fixed income assets, to allow reinvestment over time into a potentially higher interest rate environment. Including the investments in Liquidity Assets and cash and cash equivalents held in money market funds, the Company's invested amount in assets that will benefit from inflation is 66% of its capital. The Portfolio Manager is seeking to optimise its liquidity management, by investing its cash reserves in money market funds benefitting from increases in the base rate.

## Asset Types\*



\*Please note totals might not sum due to rounding

As previously indicated, the Company sees significant risk in achieving target returns to match recent elevated inflation levels. As a result, the Company is underperforming its CPI+2% aim. This is due to:

- Property and renewables: The presence of caps and collars in property index linked leases, caps in housing benefit increases and expected real falls in property prices.
- Mezzanine and equity investments: Delays in the pass through of inflation to government contracts in the current environment
- Floating rate instruments: Expected path of floating rates to continue to lag inflation
- A portion of the investment allocation (34% of invested capital) in fixed income securities and social outcome contracts where Company revenue will only benefit over time from inflation at higher interest rates as capital is re-invested.

## Targeting low correlation to mainstream markets

The Company's asset allocation aims to achieve low correlation to mainstream markets by backing business models that are underpinned by government expenditure and have been historically resilient through economic cycles. As at 30 June 2023, 70% of the committed portfolio (61% invested) is underpinned by government backed revenue streams. The proportion of government-backed revenues in the portfolio is slightly below our long-term target of 75% (on a committed basis) due to the partial exit from The Real Lettings Property Fund ("RLPP1"), the cancellation of the charity bond top-up commitment, capital repayments in the period and the write-down in the BEH portfolio; however, the advanced pipeline opportunities which are being considered for the re-deployment of available capital have a high proportion of government-backed revenues, which we expect to bring our capital allocation in line with the target. These revenue streams are themselves diversified across policy areas, such as housing, clean energy and fuel poverty, education, redressing inequalities/levelling up. This diversification reduces exposure to individual policy risk, such as the risk that government or budgetary changes would significantly reduce or withdraw payments. The Company targets areas with a track record of delivering



# Portfolio Manager's Report

impact for more disadvantaged groups and generating savings for the public purse which provides additional revenue resilience. Reflecting the uncorrelated nature of the portfolio relative to mainstream markets, the Company's share price had a negative correlation with the FTSE ALL Share Index in the twelve months to 30 June 2023 (-0.62), and since inception (-0.53).

## Recent Events

Following the realisation of capital from RLPF1 and the cancellation of unused commitments, and net of capital used for share buybacks to date, the Company has c. £2.5m of uncommitted capital, held to invest in further High Impact Investment opportunities or provide flexibility for further share buybacks. We are actively reviewing an active pipeline of investments in the High Impact Portfolio, which we think will provide further diversification and exposure to the four key impact themes identified in our latest Impact Report (reducing poverty and inequalities; good health and wellbeing; education, training and decent work; and just transition to net zero), while also enhancing returns. In particular, we are in an advanced stage with a new investment in an opportunity that will increase the Company's exposure to the "just transition to net zero" theme (currently with the lowest weight in our investment portfolio), while providing an attractive returns profile. We expect to be in a position to complete and announce the transaction by the first quarter of next year, which would bring us back to being fully committed.

We are confident that the Company remains well positioned to lead and benefit from further market growth, as we continue to see an expanding and maturing pipeline of investment opportunities.

In September, the Company was Highly Commended in the Best Newcomer Sustainable Fund category of Investment Week's Sustainable Investment Awards 2023. Entries were judged by a panel of experts from across the investment industry considering factors such as strong performance record; strength of the team; meeting the fund's sustainable objectives; excellence in sustainable investing within the investment process; strong engagement record; effective client communication; wider fund impact; and key developments on the strategy in the past year. We are pleased that the Company's contribution is being recognised as playing a key role in the evolution of sustainable investing.

## Outlook

Following a year of monetary tightening, inflation continued on a downward trend over the summer, and in October UK food prices dropped slightly for the first time in two years. The Bank of England slowed its rate increases, and guides towards inflation reaching mid-single digits by the end of the year, returning to the long-term 2% target by 2025. HM Treasury has set 22 November 2023 for this year's Autumn Statement, to be accompanied by an Office for Budget Responsibility forecast. This is expected to be the chancellor's

last fiscal update before a general election, and it is expected that one of the areas of scrutiny will be the government's performance against the economic pledges from earlier this year, in particular the pledge to halve inflation by year end. While the Prime Minister made comments about prioritising curbing inflation and easing cost of living, there is an expectation that we will see real-term cuts to benefits and public spending while the UK is trying to contain high levels of national debt.

Despite the "bright spots", the outlook for the UK economy remains uncertain, with some market commentators suggesting a recession remains "unavoidable"<sup>1</sup>, as higher rates will have a lagged effect on the economy.

It is estimated that UK households are facing the largest fall in living standards since records began in the 1950s<sup>2</sup>, and this fall in living standards disproportionately affects those who are already most vulnerable in society<sup>3</sup>. UK households are seeing their real incomes fall, while struggling to meet significantly higher costs for essential items like food, energy and housing<sup>4</sup>.

With continued pressures on government spending, the scaling of proven solutions tackling social issues – such as the organisations that the Company supports – remains as essential as ever.

This uncertain environment provides opportunities and risks for the Company. While the solutions provided by the organisations that the Company supports are needed more than ever, these organisations need to manage higher cost bases themselves in order to remain viable. We work with organisations with long track records (30 years on average<sup>5</sup>), who have demonstrated their resilience over multiple economic cycles. Two thirds of our capital is invested in models with revenues rising with inflation; while our historical returns to date are lagging the CPI+2% target, as explained in the Performance Update section, we are maintaining our target for the medium-to-long term, as we expect some of the benefits to flow through with a lagged effect, and the inflation and interest rate environment to stabilise. What we have seen in the last year was an increase in the income generated by the portfolio, as a result of increases in the interest rate on floating-rate loans, and higher income generated by maturing investments. This increased income is being passed on to our investors as a dividend exceeding our previous guidance of 1-2% yield on net asset value. We expect the income generated by our investments to continue to improve in the future and have increased our future guidance on dividend yield to 2-3%.

With a general election expected in the next 12 months, we acknowledge our portfolio is subject to policy risk. At the time of writing, 70% of our committed capital is underpinned by government-backed revenues. During the year, we have seen a negative impact from policy risk in our portfolio, following a change in government policy regarding traineeships, leading to a write-down in the Bridges Evergreen portfolio. While this development was disappointing, we believe this to be an isolated case in our

<sup>1</sup><https://www.investmentweek.co.uk/opinion/4130808/recession-probably-coming>

<sup>2</sup>Institute for Government, 2023

<sup>3</sup>Joseph Rowntree Foundation, 2023

<sup>4</sup>House of Commons Library, Rising Cost of Living in the UK report, 2023

<sup>5</sup>SBSI Impact Report

# Portfolio Manager's Report

portfolio, which is diversified across multiple policy areas, mostly targeting the most vulnerable and disadvantaged groups. Successful interventions in these areas typically generate savings for the government that are multiples of the cost, and therefore these areas benefit from cross-party support. We further mitigate policy risk by working with organisations that have been successfully operating for several decades, navigating different policy environments, and making investments that benefit from some element of asset backing.

We are encouraged to see growing appetite for sustainable investment products, and an increased focus both from regulators and investors on ensuring quality and clear standards.

In this uncertain environment the goals of the Company remain the same: to deliver for shareholders high quality returns with a low correlation to traditional quoted markets alongside significant social impact for more disadvantaged groups across the UK.

**Hermína Popa, Jeremy Rogers**

Big Society Capital

27 October 2023

# Portfolio Manager's Report

## Portfolio developments

The Company invests primarily in three asset classes that were selected to give a diversified set of opportunities with low correlation, both with one another and with mainstream financial markets. We have been pleased to see positive developments across all three in the year under review.



### Debt and Equity for Social Enterprises

Lending and some preference shares to typically large and well-established charities and social enterprises to help fund expansion projects to scale operations and impact including:

- Health and Social Care
- Community Facilities and Services
- Fuel Poverty



### High Impact Housing

Investment to increase the number of safe, secure and genuinely affordable homes for more disadvantaged groups, diversified across:

- Transitional Supported Housing
- General Needs Social and Affordable Housing
- Specialist Supported Housing



### Social Outcome Contracts

Outcomes Contracts, where private capital enables a consortium of expert charities and social enterprises to deliver outcomes for Government commissioned contracts across:

- Family Therapy and Children's Services
- Homelessness
- Adult Health and Social Care





# Portfolio Manager's Report

*Child Dynamix, Community Investment Fund*

## Asset class: Debt and Equity for Social Enterprises

Many impact-led social enterprises need capital to grow and increase their impact, as well as to satisfy their existing working capital requirements. The Company's portfolio is designed to include a diversified set of investments, including charity bonds, asset-backed lending and portfolios of secured loans, and funds that invest in established social enterprises via mezzanine debt and/or equity. The underlying charities and social enterprises deliver interventions to support the most disadvantaged or vulnerable members of society, in areas such as health and social care, and often benefit from government backed revenue streams.

As of 30 June 2023, the value of investments in this asset class is £40.99m (46% of 30 June 2023 NAV). The Company has committed £42.01m (47% of NAV) to investments in this asset class, £1.02m (1% of NAV) of which remains undrawn at the year end.

**Bridges Evergreen Holdings**, run by Bridges Fund Management, is a long-term capital vehicle that makes subordinated debt, mezzanine and equity investments into highly impactful businesses. The fund targets a combination of capital growth and a 3-5% income yield on cost.

As of 30 June 2023, the Company's investment was valued at £12.75m (14% of NAV) and was 100% drawn, funding investments into Agility Eco, the Ethical Housing Company, New Reflexions, and Skills Training UK. Bridges Evergreen financial performance was below plan for the period with gains from Agility Eco and New Reflexions offset by the write down to nil of Skills Training UK in March 2023, following a government policy change and contract losses, delivering a 1.66p detractor to Company NAV per share growth in the period. While the write-down was disappointing and dampened performance in 2023, the

other companies in the fund's portfolio performed well despite the challenging macroeconomic environment.

Fund Impact performance remains strong. The portfolio provides a range of essential services, including energy efficiency support for 45,000 households at risk of fuel poverty annually, 181 affordable homes for people moving from insecure tenancy agreements, 18,969 days of care, education and therapy per year for young people, and quality training provided to 6,570 learners, including 30% with no prior qualifications.

**The Charity Bond Portfolio** managed by Rathbones supports larger UK charities seeking to raise capital via the public and private bond markets, providing an alternative source of funding to bank finance. As of 30 June 2023, the Company's investment was valued at £14.85m (17% of NAV). The portfolio is invested in nine bonds (both listed and unlisted) issued by charities and social enterprises through the Allia C&C and Triodos Bank UK fundraising platforms, predominantly delivering care and housing services with government revenue. The portfolio delivered a 4% yield for the period delivering a 0.74p contribution to Company NAV per share. All borrowers are expected to repay interest and capital in line with schedules. Impact performance of portfolio companies in the year included over 16,000 tenants housed at affordable rents, intensive support including care, education, training, employability and housing provision to more than 7,000 people with health conditions or special educational needs, as well as 7,000 rural properties connected with broadband.

**The Community Investment Fund (CIF)** managed by Social and Sustainable Capital provides secured loans to charities and social enterprises focused on community renewable energy, social housing, and family support in the community. A high proportion of revenue comes from government mandated sources. As of 30 June 2023, the Company's investment was valued at £5.47m (6% of NAV). The Company is targeting a 5% net return on the fund with the benefit of a mature fully deployed fund immediately

# Portfolio Manager's Report

*Campbell Wharf, Man Community Housing Fund*

contributing to returns. During the period the Fund contributed 0.18p to Company NAV per share from income and capital gains. Impact performance in the period included 1,234 people reached by 10 social organisations providing essential services, including housing, care and training.

The **Charity Bank Co-investment Portfolio** comprises four secured loans with a total value as of 30 June 2023 of £5.42m (6% of NAV). Working with Charity Bank, the portfolio invests in housing and care related low loan to value ratio (average 41%) loans to Sue Ryder, Abbeyfield South Downs, Uxbridge and Abbeyfield York. The portfolio delivered a 6% net income yield for the period and a 0.37p contribution to Company NAV per share. Overall, the four facilities are performing in line with plan and income is benefiting from recent increases in base rates. Impact performance in the year includes the provision of care to 44 people suffering from serious injury in a purpose-built facility funded by one of the loans and the development of 48 housing units for the elderly.

The Company's investment in a private bond issued by **Triodos Bank UK Ltd** was valued as of 30 June 23 at £2.52m (3% of NAV). Triodos Bank is a leading lender to sustainability and social impact focused organisations. This includes social housing, healthcare, education, renewable energy, arts and culture, and community projects. The bond issue enables Triodos Bank to continue to grow its loan book and contribute to the resilience and growth of charities and social enterprises. Triodos Bank UK is well capitalised (Tier 1 Common Equity Ratio of 21.6% and a total capital ratio of 22.2% as of 31 December 2022<sup>1</sup>) and has a track record of continued profitability through cycles including the financial crisis. The bond has a ten-year duration, callable by Triodos Bank at year five. It pays a fixed 4% coupon, which will reset to base rate +3.9% in 2025, if not called. The bond delivered a 4% yield during the period and contributed 0.11p to Company NAV per share. In year impact performance included 1,900 children provided with education or childcare, 161 older people housed and supported in care homes and 558 tenants housed in social and community housing<sup>2</sup>.

## Asset class: High Impact Housing

The portfolio is invested in affordable and social housing, which is intended to address the housing needs of a wide spectrum of people, who are often those on the lowest incomes and the most vulnerable. We invest across a range of asset types, from long-term inflation-linked lease contracts with high-quality counterparties to shorter leases to address specific issues, such as homelessness or the housing needs of survivors of domestic abuse. Counterparties include Registered Providers of social housing (such as housing associations) and charities with long-standing track records, deep expertise in addressing specific issues, and strong local relationships with authorities and beneficiaries.

In addressing these needs, we seek to deliver returns that are often supported by the government-backed housing benefit system. This has led to a lower historical correlation to mainstream markets and insulation from the sharper price movements in the private housing market. Historically housing benefit has moved in line with inflation though it is not expected rents will fully benefit from the current elevated inflation levels.

The portfolio has a diversified exposure to rental streams and is experiencing a mix of increases in the current environment. The UK Affordable Housing and the Man Community Housing funds have mainly seen rents increase driven by caps in index-linked leases and a government 7% cap on social rent. The Social and Sustainable Housing (SASH) portfolio is primarily "Exempt Accommodation" for high need groups which has been increasing in line with inflation. The Real Lettings Portfolio is primarily Local Housing Allowance which is currently frozen after previous large increases. Furthermore, we note some of the challenges being experienced by listed Social Property REITs – often linked to the short operating history and limited delivery experience of property counterparties. We are not seeing any comparable issues in our High Impact Housing investments – with 100% of rent due by June 2023 collected.

As of 30 June 2023, the value of investments in this asset class is £32.41m (37% of 30 June 2023 NAV). The Company has committed £35.81m (40% of NAV) to investments in this asset class, £3.41m (4% of NAV) of which remains undrawn at the year end.

<sup>1</sup>Tier 1 common equity ratio is a measurement of a bank's core equity capital compared with its total risk-weighted assets, that signifies a bank's financial strength.

<sup>2</sup>Triodos Bank reports to the Company on social impact for its entire loan book, however the Company calculation for total beneficiaries reached by the Bank Bond is based only on the share of loans made possible by the Bond.



# Portfolio Manager's Report

North East RISE, Bridges SOF II

**The UK Affordable Housing Fund**, managed by CBRE Investment Management, aims to increase the supply of sustainable and affordable homes for people unable to purchase or rent in the open market. The fund targets a total return greater than 6% (with an annual target income distribution yield of 4% from income producing assets) net of all costs over the long term. The Company's investment is fully deployed and valued at £10.24m (12% of NAV). The fund contributed 0.58p to Company NAV per share growth due to completed assets becoming income producing, as well as property valuations increasing through rent review uplifts. On impact performance the fund has so far delivered 1,800 homes, housing 2,258 people.

**The Real Lettings Property Fund (RLPF1)**, managed by Resonance Impact Investments Limited, was set up in 2013 in partnership with leading homelessness charity St Mungo's. RLPF1 houses people in London who are homeless or at risk of homelessness in stable, private tenancies without deposits. After buying each of the 259 properties the fund refurbished all of them to a high standard. The fund leases the properties to housing partners who manage the tenancies and support tenants, helping them access support services and become part of local communities. After a decade-long partnership with St. Mungo's, in 2023 Resonance expanded its partner network, entering into 15-year leases with Notting Hill Genesis (NHG) and Capital Letters. As of 30 June 2023, over 60% of the fund's property portfolio was managed by the new partners (with NHG managing over 150 properties); the intention is that the new partners will replace St Mungo's, with a majority of the property portfolio transferred to NHG and the remaining to Capital Letters. The fund has an overall target return of 6% and a 3.5% annual cash yield. As of 30 June, the Company's investment was valued at £5.48m (6% of NAV), following the £1m capital repayment from the Company's partial exit earlier this year (delivering an 8% IRR during Company ownership). During the period the fund contributed 0.39p to Company NAV per share from rental income and capital gains. On impact performance the fund housed 595 tenants at risk of homelessness in the year, alongside broader targeted social outcomes such as building long term resilience to homelessness. In the last year, 76% of tenants reported that they benefited from improvement in their support networks and relationships.

**The Man GPM RI Community Housing Fund** aims to address the UK's housing crisis through the provision of new affordable rental and shared ownership homes. The target is for 70% of its homes to be affordable and delivered in mixed-tenure communities, predominantly leased to housing associations. The fund seeks to achieve returns driven by long-term inflation-linked income streams, with a stabilised yield<sup>3</sup> of 5% from income producing assets. During the period, the fund drew down £2.55m and as of 30 June 2023 the Company's investment was valued at £8.15m (9% of NAV). The fund contributed 0.48p to Company NAV per share performance in the period, mainly due to income and capital gains from stabilised assets in the portfolio. The fund is now substantially committed and expects to fund 1,295 homes across the UK, with a focus on people on median or lower incomes. This is significantly ahead of schedule – 2 years since the fund's first close in April 2021 versus the forecast investment period of 5 years. On impact performance, 973 homes had been built or acquired as of December 2022, 100% of which are in areas of constrained affordability and 91% of which are to be offered as affordable homes.

The UK construction industry is currently in a period of heightened financial stress. Insolvencies have affected market participants across different sizes, locations and construction trades. Man CHF mitigates development risk in a number of ways, including having a variety of development types and providers. For example, the fund manager contracts with a mix of traditional housebuilders and modular builders, operate with fixed price contracts, procure insurances and guarantees, and have defensive payment terms. For modular builders specifically, the risk of insolvency is mitigated by having payment terms which are structured to mitigate the risk of failure, and the developer providing a bond to cover losses, typically a percentage of the contract sum. In addition to this, there will be warranties from sub-contractors. To mitigate the risk of delay in delivering homes, favourable terms for the fund are set that include payments in the event of late handovers. The fund manager has a Clerk of Works and Project Monitor who reviews in detail the monitoring reports and is regularly on site to mitigate the risk of poor construction and delivery.

**The Social and Sustainable Housing LP (SASH)**, managed by Social and Sustainable Capital, provides investment to high-performing social sector organisations with local

<sup>3</sup>Stabilised yield is the target yield once development is complete and units are occupied.

# Portfolio Manager's Report

knowledge and networks, and a strong track record of managing transitional supported housing for vulnerable individuals. They may include survivors of domestic violence, children leaving the care system, ex-offenders, asylum seekers, people with complex mental health issues and people with addiction issues. SASH makes flexible secured loans which participate in changes in property prices and rental incomes – generated from government-backed rental payments with a target net return of 6%. During the period, the fund drew down £3.72m and as of 30 June, the Company's investment was valued at £8.55m (10% of NAV). The fund contributed 0.16p to Company NAV per share growth during the period with the fund still in its Investment Period and deployment on track. On impact performance the fund has placed 693 vulnerable people (including 158 children) in the year into housing while contributing more consistent and higher quality service provision.

## Asset class: Social Outcomes Contracts

Social outcomes contracts (SOCs) aim to help the government achieve better life outcomes for vulnerable people and better value for public funds. They are public sector contracts designed to overcome challenges in the way that public services have traditionally been managed. The providers of these services are being paid for achieving specified and measurable outcomes rather than prescribed

inputs. Investment is used to cover the upfront costs incurred to deliver the service, which ultimately produces the desired social outcomes. We look to invest in a pool of outcomes contracts that is diversified across central and local government commissioners and different policy areas.

As of 30 June 2023, the value of investments in this asset class is £4.27m (5% of 30 June 2023 NAV). The Company has committed £8.59m (10% of NAV) to investments in this asset class, £4.32m (5% of NAV) of which remains undrawn at the year end.

**Bridges Social Outcomes Fund II**, managed by Bridges Fund Management, invests in social outcomes contracts, receiving payments when outcomes are delivered and thereby ensuring that payment is aligned with measurable improvements in the lives of participants. The fund has a target return of 6%. During the period the fund drew down a further £306k taking the total value of the investment to £4.27m (5% of NAV). The fund contributed 0.48p to Company NAV per share performance during the period with overall outcomes payments running in line with plan. So far, the fund has supported 21,437 people across homeless, education, employment and family care services, achieving £57.7m outcomes payments to date. Based on a recent report published by Big Society Capital<sup>4</sup>, it is estimated that for every £1 spent by commissioners on outcomes partnerships, £10.2 of public value has been generated.

Liquidity Assets	Value at 30 June 2023 (£)	Value as % of NAV	Target return/benchmark	Contribution to SBSI total return (last 12 months) (pps)	Interest rate duration	Yield: fixed or floating
TwentyFour Sustainable Enhanced Income Asset Backed Securities	3,149,032	3.55%	Providing income over 3 month SONIA over 3-5 years	0.37	0.11	Floating
Vontobel Fund TwentyFour Sustainable Short Term Bond Income Fund	387,323	0.44%	SONIA + 250bps over ~3yrs	0.03	1.43	Fixed
Bluefield Solar Income Fund Ltd	2,353,846	2.65%	Target dividend: 8.16pps p.a.	(0.08)		Renewables
Greencoat UK Wind Plc	1,711,399	1.93%	IRR: 8-9%	0.03		Renewables
Rathbone Ethical Bond Fund	1,741,024	1.96%	Outperform IA Sterling Corporate Bond over a 5 year period	(0.08)	5.70	Fixed
EdenTree Responsible and Sustainable Bond Fund B	0	0.00%	Outperform IA Sterling Corporate Bond	(0.07)		Fixed
CT UK Social Bond Fund	0	0.00%	ICE BofA 1-10 Year Sterling Non-Gilt index	(0.03)		Fixed
<b>Total Liquid Assets</b>	<b>9,342,624</b>	<b>10.53%</b>		<b>0.17</b>		

## Asset class: Liquidity Assets

The Company includes an allocation into Liquidity Assets to mitigate cash drag during the ramp up of private funds. Liquidity Assets sit within a broader set of tools to manage Company cash and commitment levels, with the central objective of contributing to the Company's target returns and impact goals by minimising the amount of unproductive cash held prior to deployment. In the current environment of

heightened inflation, we believe this allocation is particularly important to reduce the cash drag impact on the performance of the Company. This allocation can be invested in bond funds, real estate investment trusts, infrastructure trusts and other liquid investments that align with the Company's liquidity requirements, meet high ESG standards and are compliant with the Company's investment policy. As of 30 June 2023, the Company had invested a total of £9.34m

<sup>4</sup>BSC\_Outcomes\_For\_All\_Report\_2022.pdf (cdn.ngo)

# Portfolio Manager's Report

in five funds, and fully redeemed positions in two funds (in grey), detailed in the table below.

Our Liquidity Assets portfolio, representing 11% of NAV, has contributed 0.17p per share to the Company's total NAV. The positive performance was achieved by robust dividend income from underlying investments and benefited from overweighting floating rate credit. Early portfolio rebalancing to reduce fixed income duration exposure from the above exits and reducing renewable energy trusts also minimised negative mark-to-market returns. The cash from the sales of the liquidity assets was deployed into the High Impact portfolio.

With the significant increase in base rates during the period, the Company expects an increasing use of Money Market Funds to manage liquidity with 1.93% of NAV invested in money market funds at period end.

The existing portfolio at year end reflects a focus on generating positive real returns by capturing spreads over cash returns through dividends from investments with strong ESG credentials (77% of the Liquidity Assets portfolio). Elsewhere, we retain flexibility with 4% in short duration fixed income exposure for near-term liquidity and 19% in mid duration that is best placed to capture yield curve mispricing.

# Portfolio Manager's Report

## High Impact Portfolio Investments

As at 30 June 2023

1

16.7%  
of NAV  
Mature

### Charity Bond Portfolio

**Portfolio size (£m): 15**

**Asset Class:** Debt and equity for social enterprises



Direct investments in bonds issued by charities targeting support for disadvantaged and vulnerable groups.

Charity Bond Portfolio	30/06/2023
Company Commitment (£m)	15.05
Value (£m)	14.85
Distributions to date (£m)	4.38
Drawn Commitment (£m)	15.05
Premium paid at purchase (£m)	0.00
Total paid into investment (£m)	17.43
% drawn	100.0%
Total Value to Paid In	1.10

2

14.4%  
of NAV  
Mature

### BRIDGES Evergreen Holdings

Fund Management

**Fund size (£m): 66**

**Asset Class:** Debt and equity for social enterprises



Provide long term, large (£5m+) investment (mix of debt and equity) and support to established mission-led organisations.

Bridges Evergreen Holdings	30/06/2023
Company Commitment (£m)	10.00
Value (£m)	12.75
Distributions to date (£m)	1.28
Drawn Commitment (£m)	10.00
Premium paid at purchase (£m)	0.43
Total paid into investment (£m)	10.81
% drawn	100.0%
Total Value to Paid In	1.30

3

11.5%  
of NAV  
Mature

### UK Affordable Housing Fund

**Fund size (£m): 671**

**Asset Class:** High Impact housing



Homes for people unable to purchase or rent on the open market leased to housing associations and local authorities.

UK Affordable Housing Fund	30/06/2023
Company Commitment (£m)	10.00
Value (£m)	10.24
Distributions to date (£m)	0.22
Drawn Commitment (£m)	10.00
Discount received at purchase (£m)	(0.10)
Total paid into investment (£m)	9.91
% drawn	100.0%
Total Value to Paid In	1.06

# Portfolio Manager's Report

## Investments

As at 30 June 2023

4

9.6%  
of NAV

Investment  
Phase

SASC

SOCIAL and  
SUSTAINABLE CAPITAL

Social and  
Sustainable  
Housing

Fund size (£m): 64

Asset Class: High impact housing

1 NO POVERTY

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

SASH (Social and Sustainable Housing LP)

30/06/2023

Company Commitment (£m)

10.00

Value (£m)

8.55

Distributions to date (£m)

0.13

Drawn Commitment (£m)

8.74

Discount received at purchase (£m)

(0.14)

Total paid into investment (£m)

8.55

% drawn

86.9%

Total Value to Paid In

1.01

5

9.2%  
of NAV

Investment  
Phase

M

Man

Community Housing  
Fund

Fund size (£m): 235

Asset Class: High Impact housing

1 NO POVERTY

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

Man Group Community Housing Fund

30/06/2023

Company Commitment (£m)

10.00

Value (£m)

8.15

Distributions to date (£m)

0.06

Drawn Commitment (£m)

7.95

Premium paid at purchase (£m)

0.00

Total paid into investment (£m)

8.00

% drawn

79.5%

Total Value to Paid In

1.03

6

6.2%  
of NAV

Mature

SASC

SOCIAL and  
SUSTAINABLE CAPITAL

Community  
Investment  
Fund

Fund size (£m): 18

Asset Class: Debt and equity for social enterprises

1 NO POVERTY

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

Community Investment Fund

30/06/2023

Company Commitment (£m)

7.17

Value (£m)

5.47

Distributions to date (£m)

1.68

Drawn Commitment (£m)

7.17

Discount received at purchase (£m)

(2.67)

Total paid into investment (£m)

6.03

% drawn

100.0%

Total Value to Paid In

1.19

Secured lending to leading charities supporting vulnerable people through housing.

SASH (Social and Sustainable Housing LP)	30/06/2023
Company Commitment (£m)	10.00
Value (£m)	8.55
Distributions to date (£m)	0.13
Drawn Commitment (£m)	8.74
Discount received at purchase (£m)	(0.14)
Total paid into investment (£m)	8.55
% drawn	86.9%
Total Value to Paid In	1.01

Mixed tenure affordable homes benefiting more disadvantaged groups leased to local authorities and housing associations.

Man Group Community Housing Fund	30/06/2023
Company Commitment (£m)	10.00
Value (£m)	8.15
Distributions to date (£m)	0.06
Drawn Commitment (£m)	7.95
Premium paid at purchase (£m)	0.00
Total paid into investment (£m)	8.00
% drawn	79.5%
Total Value to Paid In	1.03

An evergreen fund that makes majority secured loans to charities and social enterprises across the UK.

Community Investment Fund	30/06/2023
Company Commitment (£m)	7.17
Value (£m)	5.47
Distributions to date (£m)	1.68
Drawn Commitment (£m)	7.17
Discount received at purchase (£m)	(2.67)
Total paid into investment (£m)	6.03
% drawn	100.0%
Total Value to Paid In	1.19



# Portfolio Manager's Report

## Investments

As at 30 June 2023

7

6.2%  
of NAV  
Mature



### Real Lettings Property Fund

**Fund size (£m): 57**

**Asset Class:** High Impact housing



Homes for families and individuals at risk of homelessness leased to large charities delivering support services.

Resonance Real Lettings Property Fund	30/06/2023
Company Commitment (£m)	4.24
Value (£m)	5.48
Distributions to date (£m)	2.12
Drawn Commitment (£m)	4.24
Premium paid at purchase (£m)	0.82
Total paid into Investment (£m)	6.54
% drawn	100.0%
Total Value to Paid in	1.16

8

6.1%  
of NAV  
Mature



### Co-Investment Portfolio

**Portfolio size (£m): 7**

**Asset Class:** Debt and equity for social enterprises



Co-investments into secured floating rate loans to charities benefiting more disadvantaged groups.

Charity Bank Co-investment Portfolio	30/06/2023
Company Commitment (£m)	6.98
Value (£m)	5.41
Distributions to date (£m)	1.07
Drawn Commitment (£m)	5.96
Premium paid at purchase (£m)	0.00
Total paid into Investment (£m)	5.96
% drawn	85.4%
Total Value to Paid in	1.09

9

4.8%  
of NAV  
Investment  
Phase



### Social Outcomes Fund II

**Fund size (£m): 35**

**Asset Class:** Social outcome contracts



Invests in social outcomes contracts across the areas of homelessness, children's services, education and training and health.

Bridges Social Outcomes Fund II	30/06/2023
Company Commitment (£m)	8.30
Value (£m)	4.27
Distributions to date (£m)	0.52
Drawn Commitment (£m)	4.91
Discount received at purchase (£m)	(0.33)
Total paid into Investment (£m)	4.11
% drawn	53.5%
Total Value to Paid in	1.17

# Portfolio Manager's Report

## Investments

As at 30 June 2023

10

2.8%  
of NAV  
Mature

**Triodos Bank**

**Bond size (£m): 6**

**Asset Class:** Debt and equity for social enterprises



Direct investment in a private bond supporting growth of the leading secured lender to sustainability and social impact organisations.

Triodos Bond UK Bond Issue	30/06/2023
Company Commitment (£m)	2.50
Value (£m)	2.52
Distributions to date (£m)	0.24
Drawn Commitment (£m)	2.50
Premium paid at purchase (£m)	0.00
Total paid into Investment (£m)	2.50
% drawn	100.0%
Total Value to Paid in	1.10

Definitions	
Company Commitment (£m)	Total commitment to the investment
Value (£m)	Current value of the drawn portion of the investment
Distributions to date (£m)	Capital and income distributions since investment
Drawn Commitment (£m)	Drawn portion of the commitment
Premium paid/Discount received at purchase (£m)	Premium paid/discount received by the Company at purchase, either from BSC as part of the original seed portfolio, or in a secondary market purchase. The amount reflects value differences between original cost of the investment and value at the time of purchase
Total paid into Investment (£m)	Total cost of the investment to the Company, including any premium/(discount) at purchase for the seed portfolio and secondary market purchases
% drawn	% of the Company Total Commitment drawn by investee
Total Value to Paid In	(Value + Distributions) divided by (Total paid into investment) Calculated over the period from investment by the Company to 30 June 2023

# Impact Report


The Company published its second Impact Report in June 2023. The report provides an in-depth assessment of impact performance across the Company portfolio and sets out the Company's priorities for enhancing impact management in the year ahead.

## Annual Impact report highlights: 2023

The Company targets four key impact themes. These have been selected based on our assessment of entrenched social issues in the UK, current investment gaps, and the availability of sustainable, high impact solutions that have the potential to scale with targeted investment.

### Reducing poverty and inequality

Lower-income people in the UK face multiple barriers to accessing essential products and services. This 'poverty premium' costs the UK more than £2.8 billion a year. The Company's investments provide essential services and housing that are tailored to disadvantaged and underserved groups, directly contributing to the UK's goals to reduce poverty and inequality.

Investments aligned to theme  \*



**266,000** disadvantaged people served

Company attributed share: **22,000**



**+7% yoy**

### Good health and well-being

An estimated £31 billion in funding is needed to meet the UK's rising demands for social care by 2030. Meanwhile between £3000-4000 is spent per person on healthcare annually. The Company invests in organisations providing health and care services and additional early intervention support to reduce both poor health outcomes and the strain on public health and care institutions

Investments aligned to theme  \*



**10,243** people provided with health and care services


Company attributed share: **1,186**



**+51% yoy**

### Education, training and decent work

The Company's investments support social organisations empowering disadvantaged and underserved people to improve educational outcomes and access better training and employment opportunities.

Investments aligned to theme  \*



**10,344** people provided with education, training and employment support

Company attributed share: **3,038**



**+17% yoy**

### Just transition to net zero

Moving the UK to net zero emissions by 2050 will require an estimated £6 trillion in investment over the next 30 years. This unprecedented level of financial mobilisation also offers huge opportunities for positive social impact. Investments that combine positive social and environmental outcomes are also more likely to gain wider community and public buy-in, which is vital to a successful transition. The Company invests in organisations leading the drive towards a more sustainable, fair economy, and creating new opportunities to reduce emissions and social inequality.

Investments aligned to theme  \*

**£67m** savings and income generated for underserved people

Company attributed share: **£5.35m**



**+254% yoy**



**57,535** metric tonnes of CO2 avoided






Company attributed share: **5,788**

\*Pie charts represent percentage of portfolio aligned to each impact theme

# Impact Report

## Progress Report Card

The Company targets deep, scalable positive impact for disadvantaged and vulnerable people in the UK, by connecting investors with opportunities that have an unmet need for capital. We assess progress for all investments, and for the Company as a whole, towards this mission.

What we look for	Progress summary 2023	Progress summary 2022
 <b>What</b> Important positive outcomes, meaningful to those experiencing the issue and addressing at least one SDG	<b>On track</b> 100% of capital deployed in line with thesis and aligned with at least one UN SDG	<b>On track</b> 100% of capital deployed in line with thesis and aligned with at least one UN SDG
 <b>Who</b> Beneficiaries, who are disadvantaged and/or vulnerable	<b>On track</b> 94% of beneficiaries from disadvantaged or vulnerable groups in year (targeting minimum 60% at portfolio level year on year)	<b>On track</b> 90% of beneficiaries from disadvantaged or vulnerable groups
 <b>How much</b> Significant depth of impact, in making meaningful improvements for people, and high scale of impact, through reaching a large number of underserved people	<b>On track</b> Scale – in year investments reaching more than 168,000 people  Depth: All investments providing services with high potential for deep and sustained positive impact	<b>On track</b> Scale – in year investments reaching more than 160,000 people
	<b>Area for improvement</b> Impact measurement extension ongoing, focus on enterprise level impact (growth and resilience)	<b>Area for improvement</b> Extend outcome measurement in portfolio segments with limited data on depth of impact (ongoing)
 <b>Contribution</b> Significant improvement or additional benefit as a result of investment and activities	<b>On track</b> £98m (cumulative) savings generated through improved and more accessible services  27,000 people housed (cumulative)	<b>On track</b> £55.6m savings generated through improved and more accessible services  19,000 people housed with Fund support
	<b>Area for improvement</b> Assessment of outcomes in Housing (ongoing, in-year focus on counterparty resilience and tenant service quality)	<b>Area for improvement</b> Assessment of outcomes and performance in Housing (ongoing)
 <b>Risk</b> Fund managers must assess and mitigate the risks that may prevent the intended outcomes occurring	<b>On track</b> ESG measurement and management extended to include Equality, Diversity and Inclusion surveying and action plans, CO2 emissions and environmental monitoring	<b>On track</b> Mitigated by focus on social organisations with strong track records. Average social organisation track record of 28 years.
	<b>Area for development</b> Alignment with UK Sustainable Disclosure Requirements once published	<b>Priority area</b> Assessment and deeper engagement with investees on ESG Risk Management (achieved)

Joe Shamash

Big Society Capital

27 October 2023

# Impact in practice – Case studies

## Debt and Equity for Social Enterprises

### Uxbridge United Welfare Trust (UUWT)



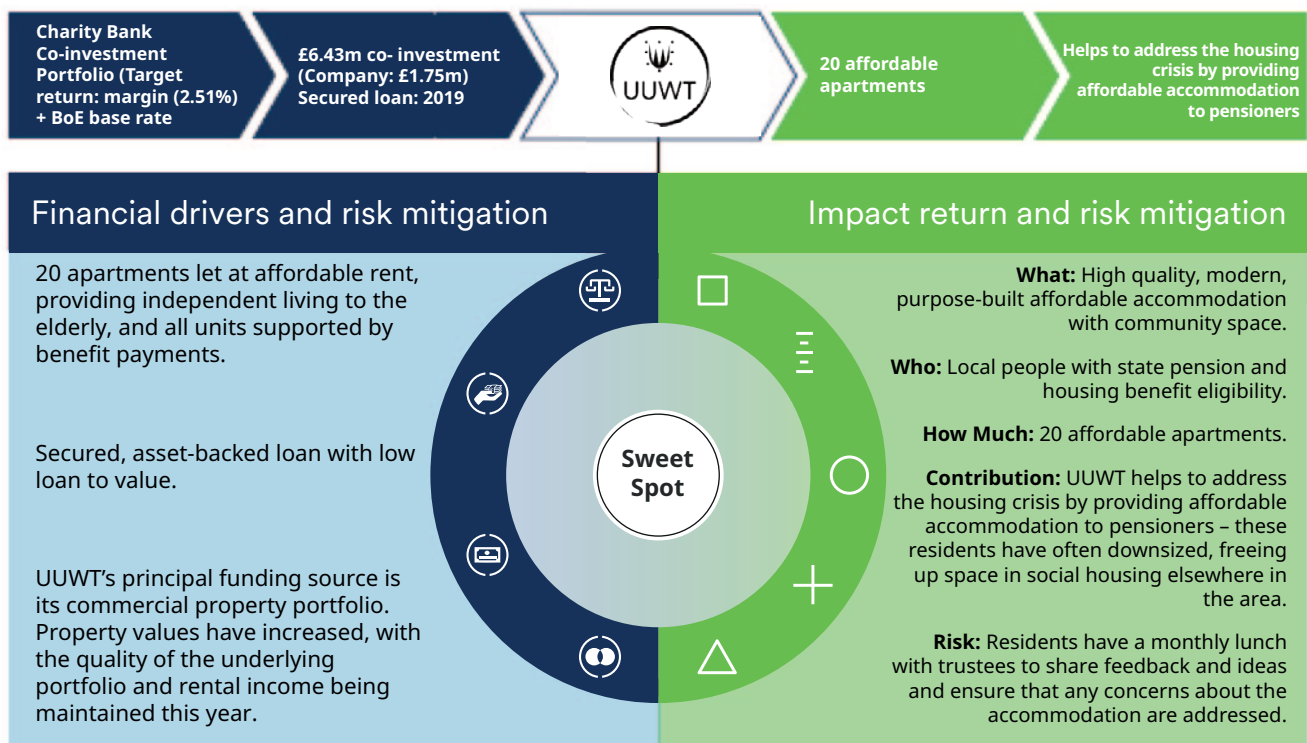
*Providing affordable, neighbourly social accommodation for elderly people*

There is a dearth of social housing in the UK, with over 1 million households waiting for a social home<sup>6</sup> and a trend of more of these homes being demolished or sold than built each year. Loneliness is also a problem for 1.4 million older people<sup>7</sup>.

The loan from the Company and Charity Bank helped UUWT to demolish and rebuild a former Almshouse in Uxbridge, updated to the highest standard, improving accessibility with the needs of older people at the forefront of the renovation. The facility is designed for independent living and self-sufficiency, while staying faithful to the courtyard design of the original building with dedicated space to encourage a sense of community which has been attributed to a longer life for Almshouse residents<sup>8</sup>.

The site includes a mix of 20 affordable properties alongside 10 commercial properties, with rents tied to Local Housing Allowance. Providing purpose-built accommodation for older people frees up local housing stock for families in need of social housing.

UUWT are able to finance the loan with a variety of commercial lets owned in the local area as well as rental income from the sought-after private units which provides security for the loan repayment despite an increase in cost-of-living.



<sup>6</sup>Shelter

<sup>7</sup>Age UK

<sup>8</sup>Bayes Business School, City University London



# Impact in practice – Case studies

## High Impact Housing

### Towergate – Man Community Housing Fund



Affordable housing for rent and purchase in Milton Keynes

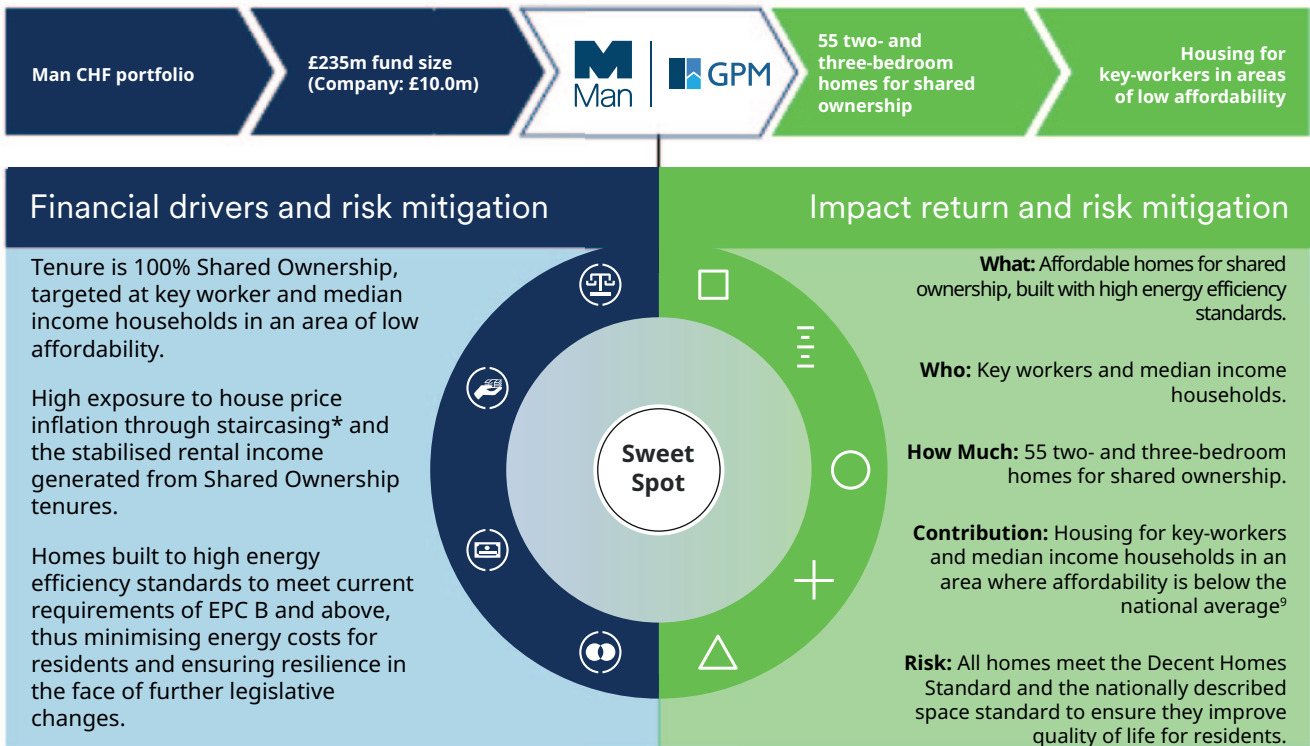
The UK housing crisis has led to a lack of affordability for housing across the UK. Man Group’s Community Housing Fund is investing in the building and management of

affordable housing across the least affordable parts of the UK.

The Towergate development in Milton Keynes is made up of 55 two- and three-bedroom homes which are for key workers or households on median household incomes, and form part of a larger 150 home package with property developer Crest Nicholson.

Of the units, 35 have been handed over and a further 14 units are due to complete before the end of 2023. Each of the units the third quarter of this year meet the Decent Homes Standard and have an average Standard Assessment Procedure (SAP) rating of 84 (out of between 1 and 100+), meaning reduced lower fuel costs for residents and lower emissions, helping further reduce the financial burden on residents and helping to minimise the impact of the development on the environment.

Lack of good quality local housing availability means that demand is consistent and reliable these units have been reserved extremely quickly, with demand far outstripping supply, underlying the significant local need.



\*Staircasing is a term used in “shared ownership” home sales, to describe the process that allows shared owners to buy partial equity stakes in their homes over time, building up to 100% ownership.

<sup>9</sup>Housing affordability in England and Wales – Office for National Statistics

# Impact in practice – Case studies

## Social Outcomes Contracts

### Norfolk Carers Partnership – Bridges Social Outcomes Fund II



*Outcomes contract providing support for unpaid carers in Norfolk*

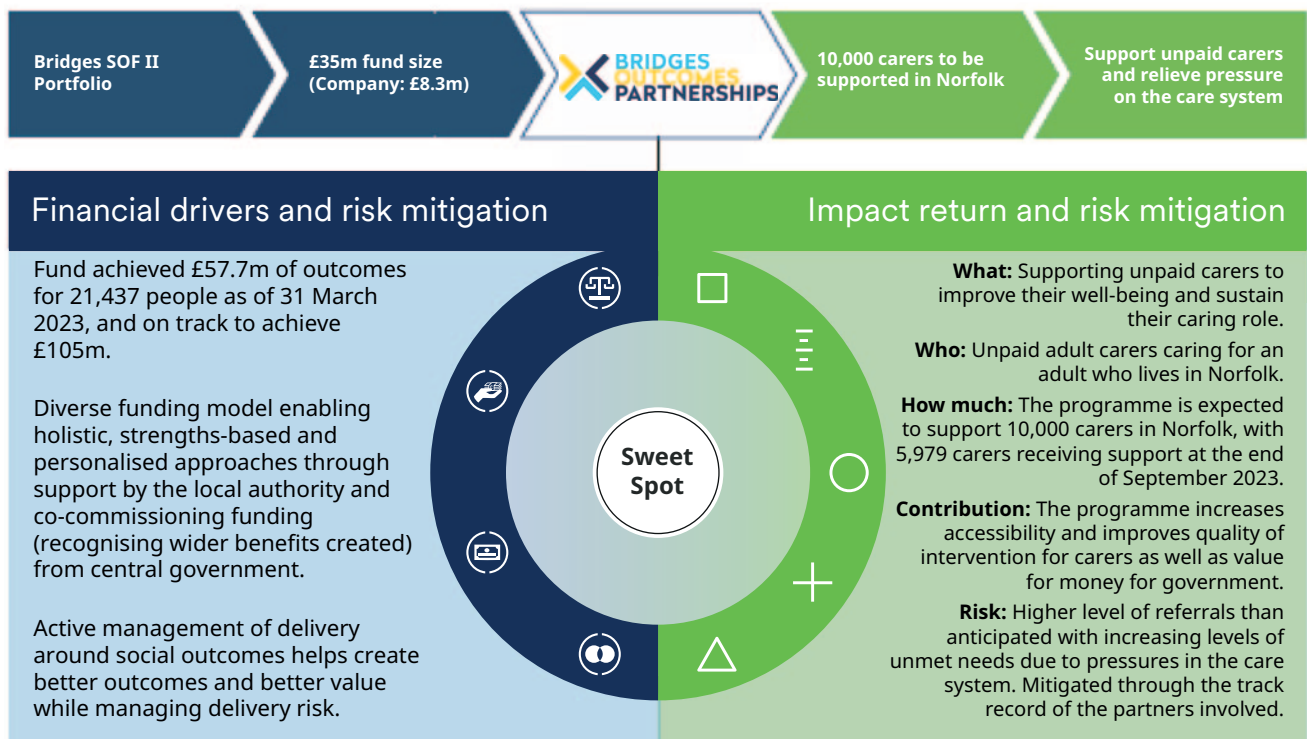
The number of unpaid carers in England and Wales is estimated at 5 million<sup>10</sup> according to the most recent census 2021, with 100,000 adult carers estimated to live in Norfolk. Caring has significant impact on finances, health and

employment, and is more likely to be carried out by women than men. Black, Asian and ethnic minority carers are more likely to be struggling financially<sup>11</sup>.

Norfolk County Council did a review of its carer support services and found that they were not reaching enough carers; and even when they did, the support was largely focused on the cared-for person.

An outcomes contract was designed and launched in 2020, supporting adult unpaid carers caring for another adult living in Norfolk. The programme provides an advice line, which offers signposting, advice and statutory carer assessment. Through this service, carers can also access a range of support services including breaks, counseling, benefits advice and one-to-one support with a dedicated practitioner.

One of the aims of the programme is to identify more carers and provide support tailored to their situation. The outcomes which the commissioner, Norfolk County Council, will pay for are an improvement in carer well-being and sustainment of the caring role when appropriate.



<sup>10</sup>Unpaid care, England and Wales – Office for National Statistics

<sup>11</sup>Carers UK

# Investment Portfolio at 30 June 2023

Holding	Nature of Interest	Listed/Unlisted	Country of Incorporation	Industry Sector	Carrying Value <sup>1</sup> £'000	Total Investments %
UK Affordable Housing Fund	Equity Shares	Unlisted	United Kingdom	Investor in Affordable and Social Housing	10,199	11.5
Social and Sustainable Housing LP	Limited Partnership Interest	Unlisted	United Kingdom	Investor in Affordable and Social Housing	8,547	9.6
Man GPM RI Community Housing <sup>1</sup> LP	Limited Partnership Interest	Unlisted	United Kingdom	Investor in Affordable and Social Housing	8,146	9.1
Resonance Real Lettings Property Fund LP	Limited Partnership Interest	Unlisted	United Kingdom	Investor in Affordable and Social Housing	5,476	6.2
<b>High Impact Property</b>					<b>32,368</b>	<b>36.4</b>
Bridges Evergreen Capital LP	Limited Partnership Interest	Unlisted	United Kingdom	Investor in Profit-With-Purpose Organisations	12,750	14.3
Community Investment Fund	Limited Partnership Interest	Unlisted	United Kingdom	Investor in Communities supporting Social Inclusion and Change	5,468	6.2
Triodos Bank UK Limited 2020 Bond 4% 23/12/2030	Fixed Income Security	Unlisted	United Kingdom	Ethical Banking	2,500	2.8
Rathbones Bond Portfolio: Hightown Housing Association 4% 31/10/2029	Fixed Income Security	Listed	United Kingdom	Charity (Affordable and Social Housing)	2,483	2.8
Rathbones Bond Portfolio: Dolphin Square Charitable Foundation 4.25% 06/07/2028	Fixed Income Security	Listed	United Kingdom	Charity (Affordable and Social Housing)	2,450	2.8
Charity Bank Co Invest Portfolio: Sue Ryder FRN 04/12/2043	Fixed Income Security	Unlisted	United Kingdom	Charity (Medical)	2,440	2.7
Rathbones Bond Portfolio: Greensleeves Homes Trust 4.25% 30/03/2026	Fixed Income Security	Listed	United Kingdom	Charity (Care Services)	2,357	2.7
Rathbones Bond Portfolio: RCB Bonds PLC 3.5% 08/12/2033	Fixed Income Security	Listed	United Kingdom	Ethical Banking	2,223	2.5
Charity Bank Co-Invest Portfolio: Uxbridge United Welfare Trust 2.85% 20/12/2033	Fixed Income Security	Unlisted	United Kingdom	Charity (Community and Social Housing)	1,743	2.0
Rathbones Bond Portfolio: Thera Trust 5.5% 31/03/2024	Fixed Income Security	Unlisted	United Kingdom	Charity (Care Services)	1,650	1.9
Rathbones Bond Portfolio: Alnwick Garden Trust 5% 27/03/2030	Fixed Income Security	Listed	United Kingdom	Charity (Public Gardens)	1,500	1.7
Charity Bank Co-Invest Portfolio: Abbeyfield York 3.6% 12/05/2049	Fixed Income Security	Unlisted	United Kingdom	Charity (Care Services)	980	1.1
Rathbones Bond Portfolio: Golden Lane Housing 3.9% 23/11/2029	Fixed Income Security	Listed	United Kingdom	Charity (Affordable and Social Housing)	952	1.1
Rathbones Bond Portfolio: B4RN (Broadband for Rural North Limited) 4.5% 30/04/2026	Fixed Income Security	Unlisted	United Kingdom	Communications for Rural Communities	865	1.0
Charity Bank Co-Invest Portfolio: Abbeyfield Southdowns 3.35% 26/7/2044	Fixed Income Security	Unlisted	United Kingdom	Charity (Care Services)	223	0.3
Rathbones Bond Portfolio: Colgach Community CIC 5.248% 31/03/2030	Fixed Income Security	Unlisted	United Kingdom	Renewable Energy	217	0.2
<b>Debt and Equity for Social Enterprises</b>					<b>40,801</b>	<b>46.1</b>
Bridges Social Outcomes Fund II LP	Limited Partnership Interest	Unlisted	United Kingdom	Social Outcomes Contracts	4,271	4.8
<b>Social Outcomes Contracts</b>					<b>4,271</b>	<b>4.8</b>
TwentyFour Sustainable Enhanced Income ABS Fund	Equity Shares	Listed	Luxembourg	Diversified	3,149	3.5
Bluefield Solar Income Fund	Equity Shares	Listed	Guernsey	Diversified	2,354	2.6
Rathbone Ethical Bond Fund	Equity Shares	Listed	United Kingdom	Diversified	1,741	2.0
Greencoat UK Wind Plc Fund	Equity Shares	Listed	United Kingdom	Diversified	1,711	1.9
Vontobel Fund TwentyFour Sustainable Short Term Bond Fund	Equity Shares	Listed	Luxembourg	Diversified	387	0.4
<b>Liquidity Assets</b>					<b>9,342</b>	<b>10.4</b>
<b>Total investments<sup>2</sup></b>					<b>86,782</b>	<b>97.7</b>
Cash at bank and in hand					2,089	2.4
Other net liabilities					(118)	(0.1)
<b>Total Shareholders' Funds</b>					<b>88,753</b>	<b>100.0</b>

<sup>1</sup>Fixed income securities amounting to £22,583,000 are included at amortised cost. These include investments amounting to £11,965,000 which are listed, but traded in inactive markets.

<sup>2</sup>Total investments comprise:

	£'000	%
Unquoted	65,475	75.4
Listed in the UK	15,417	17.8
Listed on a recognised stock exchange overseas	5,890	6.8
<b>Total</b>	<b>86,782</b>	<b>100.0</b>

# Investment Portfolio at 30 June 2023

## Material unquoted holdings (comprising more than 5% of the portfolio and/or included in the top ten)

Holding	Description of the business	Cost of the investment £'000	Fair value £'000	Income receivable in the year £'000
Bridges Evergreen Capital LP	Provides long term, large (£5m+) investment (mix of debt and equity) and support to established mission-led organisations.	10,434	12,750	300
UK Affordable Housing Fund	Delivering affordable and sustainable homes for those unable to purchase or rent in the open market.	9,906	10,199	130
Social and Sustainable Housing LP	Secured lending to leading charities supporting vulnerable people through housing.	8,552	8,547	104
Man GPM RI Community Housing 1 LP	Mixed tenure affordable homes benefiting more disadvantaged groups leased to local authorities and housing associations.	7,946	8,146	21
Resonance Real Lettings Property Fund LP	Homes for families and individuals at risk of homelessness leased to large charities delivering support services.	4,831	5,476	168
Community Investment Fund	An evergreen fund that makes majority secured loans to charities and social enterprises across the UK.	4,500	5,468	150
Bridges Social Outcomes Fund II LP	Investments in social outcomes contracts across the areas of homelessness, children's services, education and training and health.	3,739	4,271	153
Triodos Bank UK Limited 2020 Bond 4% 23/12/2030	Direct investment in a private bond supporting growth of the leading secured lender to sustainability and social impact organisations.	2,500	2,500	117
Charity Bank Co Invest Portfolio: Sue Ryder FRN 04/12/2043	Co-investments in to secured floating rate loans to charities benefiting more disadvantaged groups.	2,440	2,440	134
Charity Bank Co-Invest Portfolio: Uxbridge United Welfare Trust 2.85% 20/12/2033	Co-investments in to secured floating rate loans to charities benefiting more disadvantaged groups.	1,743	1,743	99

Section 82 of the AIC SORP requires the Company to disclose turnover, pre-tax profits and net assets attributable to shareholders at the valuation date. Where such information is not publicly available, this has not been disclosed.

# Environmental, Social and Governance Risk Management

Key Company processes for ensuring ESG alignment and performance		Portfolio status 2023
Signal	Clear signalling that ESG factors are important by publishing and sharing from the outset Big Society Capital's Responsible Business Principles.	All fund managers are signed up to the Responsible Business Principles or a carefully assessed equivalent.
Screening	Negative screen applied to ensure the investment opportunity will not invest in any excluded sectors. Investees are also required to provide an annual compliance certificate confirming that Big Society Capital's negative exclusions have been adhered to or a carefully assessed equivalent.	No underlying investments within excluded sectors.
Assessment	Risk-based assessment of the fund manager's ESG approach to ensure it is appropriate and will identify and manage material ESG risk in frontline investees.	Initial risk-based assessments have been undertaken on all Company investments with no material ESG risks identified that are not being sufficiently managed.
Engagement and stewardship	Building trusted relationships with fund managers that enable us to influence their approach, including ESG risk management, and agreeing appropriate targets for ESG measurement.	Established and trusted relationships with all fund managers in place. More specific engagement objectives are due to be developed in the coming year where appropriate.
Monitoring	Portfolio Manager maintains an ongoing dialogue about ESG with fund managers and, where appropriate, monitors any ESG-related action plans that respond to material ESG risks.	<p>Clear frameworks for impact measurement within core portfolio. ESG management processes also applied across core portfolio and liquid investments in ethical Bond Funds and Renewables Funds.</p> <p>Annual impact conversations include open discussions of experience in implementing ESG management and alignment to evolving ESG regulatory frameworks.</p>
Learning and market engagement	Engage with peer organisations and wider sectoral bodies to share insights and support the development of standards and best practices.	<p>Big Society Capital response submitted to FCA Consultation Paper CP22/20 on Sustainability Disclosure Requirements (SDR). Contributed to roundtables and discussions hosted by Impact Investing Institute, Global Impact Investing Network, and BVCA.</p> <p>Continued sectoral engagement with the Equity Impact Project in social housing.</p>



# Environmental, Social and Governance Risk Management Summary

## Engagement

Big Society Capital, the Company's portfolio manager, actively engages with underlying fund managers throughout due diligence, investment and portfolio management stages of the investment process. Their engagement seeks to ensure that the organisation's investment approach, processes and operations minimise negative and maximise positive impacts for people, communities and the planet. These aims and beliefs act as the foundation of our engagement approach with fund managers and other stakeholders that contribute to the achievement of the Company's investment objectives, which are outlined in Big Society Capital's Engagement Policy. The policy was updated in 2023 to comply with the new Investment Firms Prudential Regime (IFPR) disclosure requirements to note the Company's voting behaviour.

## Alignment with evolving Environmental, Social and Governance regulatory frameworks and standards

The Company has been closely monitoring the evolving landscape of ESG regulatory frameworks. In January 2023, Big Society Capital and Schroders submitted responses to the Financial Conduct Authority (FCA) on its consultation paper on the Sustainability Disclosure Requirements (SDR) and shared the response with fund managers. As a long-standing impact investor, Big Society Capital also contributed to the responses and discussions held by other key players in the impact investing industry such as the Impact Investing Institute, Global Impact Investing Network (GIIN), and British Private Equity and Venture Capital Association (BVCA) to augment the views of the impact investing industry. The response primarily focused on how to improve the Sustainable Impact label, offering the expertise in impact investing developed over the last 10 years.

Big Society Capital has published voluntary Task Force on Climate-Related Financial Disclosures (TCFD) disclosures for two consecutive years ahead of the mandatory requirement. TCFD disclosure will become a formal requirement for Big Society Capital starting with the Financial Statements for the year ending 31 December 2023, which will be published in 2024.

The 2022 TCFD disclosure for Schroders can be found at [https://mybrand.schroders.com/m/8645ae373488e2e/original/Schroders\\_TCFD\\_2022.pdf](https://mybrand.schroders.com/m/8645ae373488e2e/original/Schroders_TCFD_2022.pdf).

Big Society Capital became a PRI signatory in 2023. The organisation also participates in asset class-wide initiatives, for example, the Equity Impact Project and Sustainability Reporting Standards with respect to housing funds.

## Equality, Diversity and Inclusion (EDI)

Tackling inequality is at the heart of the Company's mission. Since inception the Company's portfolio has delivered substantial progress in reaching diverse communities, with more than 94% of the people reached by portfolio organisations coming from vulnerable, underserved or marginalised backgrounds.

Ensuring Equality, Diversity and Inclusive approaches at every level within the Company is also crucial to our mission. Following a detailed independent review, Big Society Capital launched a five-year action plan for Equality, Diversity and Inclusion in 2021. The initiatives of this plan will flow through to the management of the Company.

## Embedding EDI in the Company's investment process

Our hypothesis is that more diverse fund managers will lead to more diverse-led frontline organisations, who will in turn generate greater outcomes for underrepresented groups. There is a proven business case for this: organisations that are more diverse and have inclusive cultures often have better performance and greater innovation. There is also an impact case, as we are likely to have a greater positive social impact if we are more representative, diverse, and inclusive as a sector. And the reasons go beyond any economic rationale: it simply is the right thing to do.

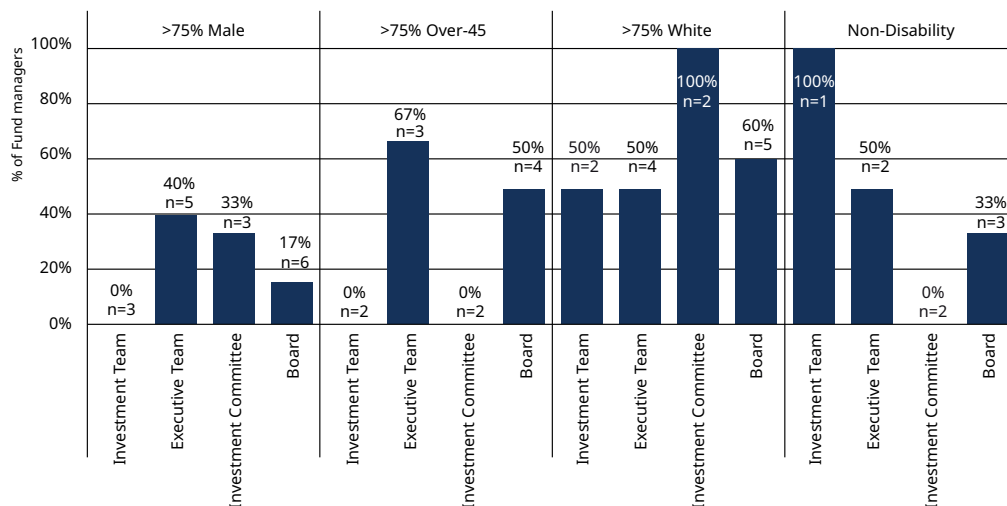
Specifically, Big Society Capital is building in EDI considerations across our investment strategy, process, portfolio management and reporting. Considering both EDI-related policy and evidence of inclusive practice, our approach includes:

1. Systematically considering how our investments contribute to specific EDI goals being set within our asset classes.
2. Looking at fund EDI policies, and, crucially, understanding how fund managers live those policies in practice. We want to understand the equalities impact of proposed investment strategies, and how EDI is embedded in Fund investment processes.
3. Track progress against these goals by engaging with our managers on EDI in portfolio monitoring and data collection.

In 2022, Big Society Capital asked some of the largest fund managers in the portfolio to share data on diversity within their organisations and, for the first time, also on their portfolio companies. The findings below include the responses from 60% of the Company's portfolio.

# Environmental, Social and Governance Risk Management Summary

## Summary of EDI fund manager survey findings<sup>26</sup>



<sup>26</sup>Survey results are displayed as a percentage of fund managers who responded to the specific question. Where fund managers have not answered a question, they have not been included in the population (n = denominator). For non-disability, the percentage represents % of able-bodied individuals in the respective team.

## Progress update on EDI action plan

Priority areas	Goals and progress to date
<b>People and culture:</b> Embedding Equality, Diversity and Inclusion into our culture, policies and practices. We want to ensure we live our values, demonstrating this through our behaviours and how we respect and value each other and the partners and organisations we work with.	<b>2022-2023:</b> Signatory to the Diversity Forum manifesto <sup>27</sup> . Targeting reductions in gender and ethnicity pay gaps. Ongoing engagement with market leading EDI programmes. Rolled out Reverse Mentoring programme and preparing Female Development Programme. Launched Asking for a Friend sessions.
<b>Investment and portfolio:</b> There is no such thing as an equality "neutral" investor or investment. In our investment strategy we want to embed equality, diversity, and inclusion considerations intentionally, reflecting these in how we articulate our impact approach where it is meaningful wherever possible.	<b>2022-2023:</b> Collected diversity and gender pay gap data from fund managers and published results in Dec 2022. Developing EDI assessment framework for due diligence. Contributed to Equality Impact Investing Taskforce, Diversity Forum and DiversityVC.
<b>Engagement and market building:</b> We will work with partners to build our shared capacity and understanding on how to improve equality, diversity, and inclusion in the wider sector.  Focusing on breaking down barriers, we will develop shared tools and resources with users at the heart of design to support this and collaborate share and amplify the best practice of others.	<b>2022-2023:</b> Hosted Addressing Imbalance programme. Launched Investment Committees of the Future. Developing user voice training.

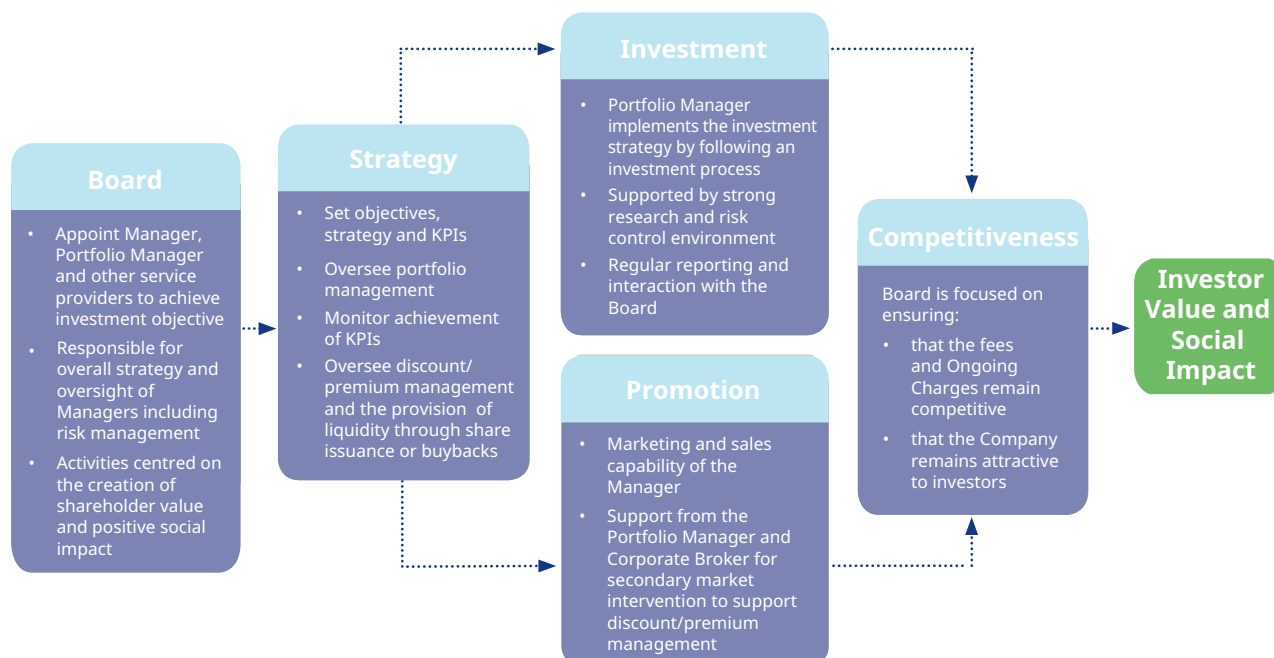
Joe Shamash

Big Society Capital

27 October 2023

# Strategic Report

The Strategic Report sets out the Company's strategy for delivering the investment objective set out on the inside front cover, the business model, the risks involved and how the Board manages and mitigates those risks. It also details the Company's purpose, values and culture, and how it interacts with stakeholders.



## Purpose, values and culture

The Company's purpose is to create long term shareholder value.

The Company's culture is driven by its values: Transparency, Engagement and Rigour, with collegial behaviour and constructive, robust challenge. The values are all centred on achieving returns for shareholders in line with the Company's investment objective. The Board also promotes the effective management or mitigation of the risks faced by the Company and, to the extent it does not conflict with the investment objective, aims to structure the Company's operations with regard to all its stakeholders and take account of the impact of the Company's operations on the environment and community.

As the Company has no employees and acts through its service providers, its culture is represented by the values and behaviour of the Board and third parties to which it delegates. The Board aims to fulfil the Company's investment objective by encouraging a culture of constructive challenge with all key suppliers and openness with all stakeholders. The Board is responsible for embedding the Company's culture in the Company's operations.

## Strategy and business model

The Company is a listed investment trust, that has outsourced its operations to third party service providers.

The Board has appointed the Manager, Schroder Unit Trusts Limited, to act as the Company's alternative investment fund manager for the purposes of the AIFM Rules. The Board believes that Schroders' institutional risk management capabilities and infrastructure provide the stable and robust platform needed for the efficient management of the Company. The AIFM is responsible for providing

administrative, company secretarial and marketing services to the Company. These include general fund administration services (including calculation of the NAV based on the data provided by the Portfolio Manager), bookkeeping, and accounts preparation.

The Company and the AIFM have appointed Big Society Capital Limited to provide portfolio management and related services in respect of the Company's portfolio. The terms of the appointments are described more completely in the Directors' Report. The Manager also promotes the Company using its sales and marketing teams. The Board, Manager and Portfolio Manager work together to deliver the Company's investment objective, as demonstrated in the diagram above. The investment and promotion processes set out in the diagram are described in more detail below.

## Investment objective

The Company's investment objective is to deliver measurable positive social impact as well as long term capital growth and income, through investing in a diversified portfolio of private market impact funds, co-investments alongside impact investors and direct investments in order to gain exposure to private market Social Impact Investments.

The Company aims to provide a Net Asset Value total return of CPI plus 2 per cent. per annum (once the portfolio is fully invested and averaged over a rolling three- to five-year period, net of fees) with low correlation to traditional quoted markets while helping to address significant social issues in the UK.

# Strategic Report

## Investment policy

The Company will invest in a diversified portfolio of private market Impact Funds and Co-Investments alongside such funds or other impact investors (including the Portfolio Manager), which in turn support charities and social enterprises, with a focus on the United Kingdom. The Company may also make Direct Investments. The Company will make Social Impact Investments that seek to deliver a positive social outcome together with a financial return, including but not limited to Investments in:

- **High Impact Housing** – Including property funds that either acquire or develop high quality affordable housing, from more specialist housing for vulnerable groups (for example, transition accommodation for people who were formerly homeless or fleeing domestic violence) to housing for low income renters currently living in poor quality or insecure accommodation.
- **Debt and Equity for Social Enterprises** – Including charity bonds, portfolios of secured loans and funds that invest in established social enterprises via mezzanine debt and/or equity.
- **Social Outcomes Contracts** – Contracts between a public sector or government body and a delivery organisation whereby an external investor provides upfront capital to the delivery organisation and is repaid by the income stream from the public sector body based upon social outcomes delivered rather than on a fee for service basis.

The market for Social Impact Investments in the United Kingdom is a rapidly evolving market and the Company retains the flexibility to invest in Social Impact Investments other than those in the three categories set out above.

The Company will typically obtain exposure to Social Impact Investments through investing in Impact Funds and Co-Investments. The Company will usually make investments on a commitment basis, expected to be called over a period of time. The Company will generally hold minority interests in Impact Funds, but may hold majority interests where appropriate including, for example, where the Company may be a cornerstone investor alongside the Portfolio Manager. Co-Investments would be made alongside third party impact investors, including the Portfolio Manager. It is expected that the Company will invest in Impact Funds and Co-Investments alongside the Portfolio Manager, benefitting from the broad range of opportunities sourced by the Portfolio Manager. Direct Investments are not expected to comprise a material proportion of the Company's portfolio.

The portfolio composition at any one time will reflect the opportunities available to the Portfolio Manager, based on the performance, social impact and maturity of the Impact Funds, Co-Investments and Direct Investments.

## Investment process

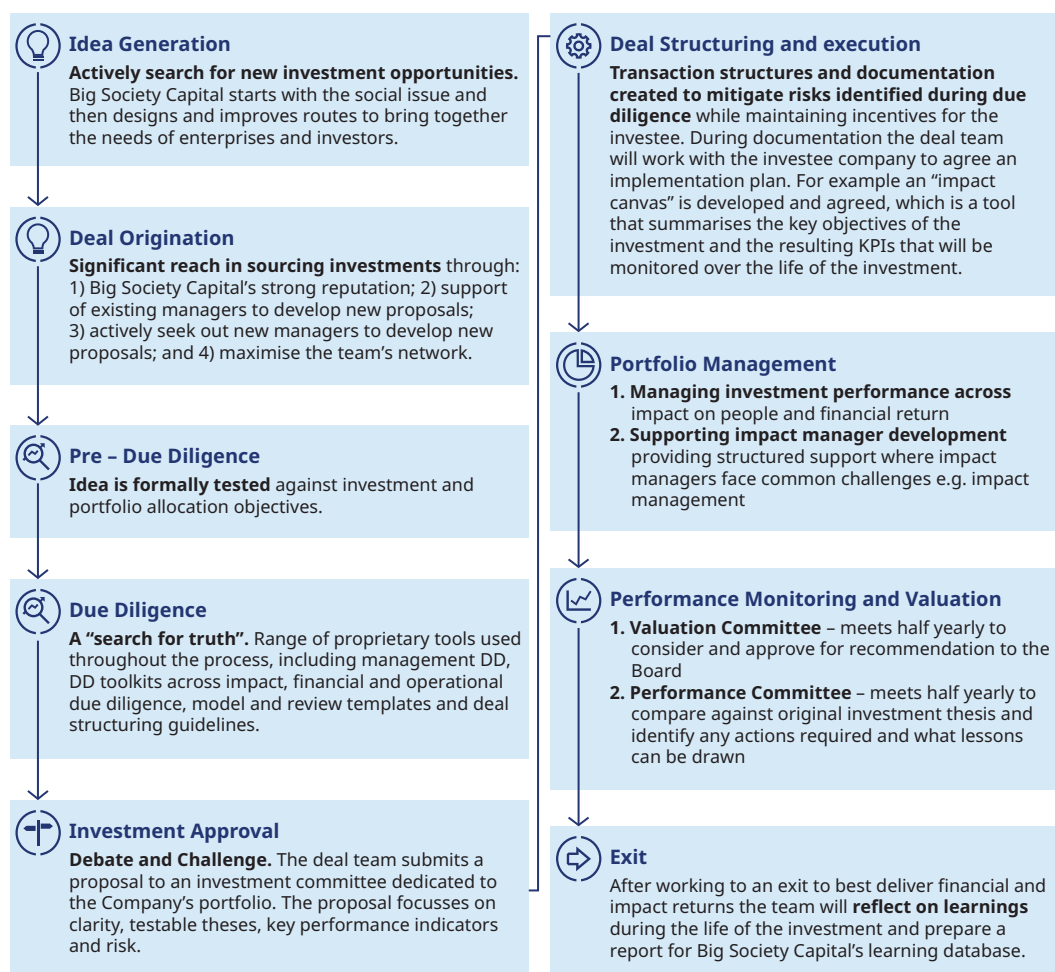
Big Society Capital begins by identifying and framing solutions to deep rooted social issues where investment could play a role, seeking to understand the available revenue models and their financial and social impact potential and risks. Big Society Capital also receives inbound proposals to address these social issues and, where investment products are not currently available, aims to design these proposals with suitable partners.

Big Society Capital then undertakes robust investment analysis to test a proposed investment's hypothesis for both financial returns and social impact. Big Society Capital leverages proprietary tools and tests to analyse the context of a proposal, the impact outcomes and financial drivers and their associated risks, including ESG-related risks, and to analyse the delivery risk by conducting due diligence on the operational and management aspects of the proposal. There is a strong learning culture at Big Society Capital that is reflected throughout the investment process to ensure that lessons learned from Big Society Capital's existing portfolio and the team's diverse experience are reflected in its analysis and recommendations.

In selecting investments, Big Society Capital analyses the revenue streams of the underlying investments. Government funding may be available to address significant social issues in the UK, but the innovation or delivery to best tackle the issues lies in the charity and social enterprise sector. From a financial perspective these businesses have demand, risk and return characteristics that are distinct from mainstream financial markets given the government revenue streams.

When building the Company's portfolio, Big Society Capital aims to use the team's financial and impact understanding to produce an optimal, diversified portfolio to deliver the target financial and impact outcomes and to manage risk. It is anticipated the Company will invest in the more proven investment models and managers that have been developed within the existing Big Society Capital portfolio.





## Investment restrictions

The Company will manage its assets with the objective of spreading risk through the following investment restrictions that limit the Company's exposure to not more than:

- 60 per cent. of Net Assets in High Impact Housing;
- 60 per cent. of Net Assets in Debt and Equity for Social Enterprises, of which, not more than 30 per cent. of Net Assets will be held in equity interests via funds;
- 40 per cent. of Net Assets in Social Outcomes Contracts;
- 30 per cent. of Net Assets in Social Impact Investments other than High Impact Housing, Debt and Equity for Social Enterprises and Social Outcomes Contracts;
- 10 per cent. of Net Assets to a single Investment, held directly or indirectly on a look-through basis;
- 20 per cent. of Net Assets to any one Impact Fund;
- 25 per cent. of Net Assets to Impact Funds managed or advised by the same investment management and advisory group; and
- 15 per cent. of Net Assets to non-UK Investments.

Each of the above restrictions will be calculated at the time of commitment and where the Company's exposure will be the aggregate of the value of the Company's Investments plus its outstanding commitments. Where the Company makes an Investment otherwise than on a commitment basis, the time of commitment will be the time of investment.

The Company will not be required to dispose of any investment or to rebalance the portfolio as a result of a change in the respective valuations of its assets. However, the Portfolio Manager will regularly monitor the portfolio and may make adjustments from time to time consistent with the objective of spreading risk. Where the calculation of an investment restriction requires an analysis of underlying Investments held by an Impact Fund in which the Company is invested, such calculation will be based on the information reasonably available to the Portfolio Manager at the relevant time.

As a result of managing its assets and spreading investment risk in accordance with the above restrictions, the Company expects to have diversified exposure across its various counterparties and co-investors.

# Strategic Report

## Hedging and derivatives

The Company will not employ derivatives of any kind for investment purposes.

Whilst the Company may use derivatives for currency hedging purposes, non-Sterling exposures are expected to be limited and, to the extent there are such exposures, the Company currently anticipates that these will not be hedged.

## Borrowing policy

The Company may, from time to time, use borrowings for working capital and portfolio management purposes, including for the purpose of satisfying capital calls and the short term funding of investments. Borrowings will not exceed 20 per cent. of the Company's Net Assets, calculated at the time of borrowing.

## Cash and liquidity management

The Company may hold cash on deposit and may invest in cash equivalent investments, which may include short-term investments in money market type funds and tradeable debt securities. In order to efficiently allocate the Company's funds whilst it may otherwise hold significant levels of cash, the Company may also make short and medium term liquid investments, including in social bond funds, closed-ended listed funds and other liquid ESG investments, that the Portfolio Manager considers are consistent with the Company's liquidity requirements, investment policy, investment guidelines and risk profile while also meeting high ESG criteria ("**Liquidity Assets**"). The Company may invest up to **30** per cent. of Net Assets in Liquidity Assets, measured at the time of investment. The Company intends to only utilise the full 30 per cent. allocation immediately after a fundraise and at most times no more than 20 per cent. of Net Assets shall be invested in Liquidity Assets.

The Company will seek to ensure the Liquidity Assets target the Portfolio Manager's responsible investment policy, which is underpinned by nine core responsible business principles, including:

- 'Do No Harm' – To minimise negative impacts on target beneficiaries and communities, the environment, employees, and all stakeholders.
- 'Protect the Environment' – To promote and practice the efficient use of natural resources and protect the environment wherever possible.
- 'Inclusive Practices' – To promote equality, diversity and inclusion practices through good corporate governance and decision making, employment, organisational culture and values, and operational delivery.

When identifying key ESG risks, the Portfolio Manager aims to be proportionately compliant with its responsible investment policy, based on an assessment of the materiality of the ESG risks and best practice within the target industry.

The policy is integrated into the Portfolio Manager's investment approach. For example, material ESG risks that are identified will be reported to the SBSI Investment Committee when a recommendation paper is presented for decision.

Co-Investments would be made alongside third party impact investors, including the Portfolio Manager. It is expected that the Company will invest in Impact Funds and Co-Investments alongside the Portfolio Manager, benefitting from the broad range of opportunities sourced by the Portfolio Manager. Direct Investments are not expected to comprise a material proportion of the Company's portfolio.

The portfolio composition at any one time will reflect the opportunities available to the Portfolio Manager, based on the performance, social impact and maturity of the Impact Funds, Co-Investments and Direct Investments. There may be times when it is appropriate for the Company to have a significant cash or cash equivalent position instead of being fully or near fully invested, including for the purpose of seeking to satisfy expected capital calls on commitments to Impact Funds and to manage the working capital requirements of the Company.

There is no restriction on the amount of cash or cash equivalent investments that the Company may hold. Cash and certain cash equivalents will be held with approved counterparties and in line with prudent cash management guidelines agreed between the Board, AIFM and Portfolio Manager.

## Changes to the investment policy

No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution. Non-material changes to the investment policy may be approved by the Board.

In the event of a breach of the investment policy set out above and the investment and gearing restrictions set out therein, the Portfolio Manager shall inform the AIFM and the Board upon becoming aware of the same and if the AIFM and/or the Board considers the breach to be material, notification will be made to a Regulatory Information Service.

## Promotion and shareholder relations

The Company promotes its shares to a broad range of investors who have the potential to be long-term supporters of the investment strategy. The Company seeks to achieve this through its Manager and corporate broker, which promote the shares of the Company through regular contact with both current and potential shareholders.

Promotion is focused via two channels:

- Discretionary fund managers. The Manager promotes the Company via both London and regional sales teams.
- Retail end investors. The Company promotes its shares via engaging with platforms, via the press, and through its webpages.

These activities consist of investor meetings, one-on-one meetings, regional road shows and attendance at conferences for professional investors. In addition, the Company's shares are supported by the Manager's wider marketing of investment companies targeted at all types of investors; this includes maintaining close relationships with advisers and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on Schroders' website. The Board also seeks active engagement with investors, and meetings with the Chair are offered to

# Strategic Report

professional investors where appropriate. Shareholders are also encouraged to sign up to the Manager's Investment Trusts update, to receive information on the Company directly.

<https://www.schroders.com/en/uk/privateinvestor/fund-centre/funds-infocus/investment-trusts/schroders-investment-trusts/never-miss-anupdate/>

Details of the Board's approach to discount management and share issuance may be found in the Annual General Meeting Recommendations on page 91.

Shareholder relations are given high priority by both the Board and the Manager. In addition to the engagement and meetings held during the year described on page 56, the chairs of the Board and committees and the other Directors, usually attend the AGM and are available to respond to queries and concerns from shareholders. The Board is keen to hear from shareholders and can do so by writing to the Company Secretary (Company Secretary, Schroder BSC Social Impact Trust plc, 1 London Wall Place, London EC2Y 5AU), or emailing [amcompanysecretary@schroders.com](mailto:amcompanysecretary@schroders.com).

## Key performance indicator – the investment objective

The Board measures the development and success of the Company's business through achievement of the Company's investment objective which is considered to be the most significant key performance indicator for the Company. Comment on performance against the investment objective can be found in the Chair's Statement and the Portfolio Manager's Report.

## Ongoing Charges

The Board continues to review the Company's Ongoing Charges to ensure that the total costs incurred by shareholders in the running of the Company remain fair and competitive when measured against peer group funds and other market factors. An analysis of the Company's costs, including management fees, Directors' fees and general expenses, is submitted to each Board meeting. Management fees are reviewed at least annually.

## Corporate and Social Responsibility

The Board recognises the Company's responsibilities with respect to corporate and social responsibility and engages with its outsourced service providers to safeguard the Company's interests. As part of this ongoing monitoring, the Board receives reporting from its service providers with respect to their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; diversity policies; and greenhouse gas and energy usage reporting.

## Further disclosures

### Diversity policy

The Board has adopted a diversity and inclusion policy which seeks to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. The Board recognises that its debates and decision-making are greatly enriched by a wider range of perspectives and thinking.

The Board will encourage any recruitment agencies it engages to find a range of candidates that meet the objective criteria agreed for each appointment. Appointments will always be based on merit. Candidates for board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall board taking into account the criteria for the role being offered. The board also considers the diversity and inclusion policies of its service providers.

### Implementation of diversity policy

The Board has adopted the FCA's Listing Rules (LR 9.8.6R(9)(a)) in relation to diversity which requires that:

- (i) at least 40% of individuals on the board are women;
- (ii) at least one of the senior board positions is held by a woman; and
- (iii) at least one individual on the board is from a minority ethnic background.

The FCA defines senior board positions as Chair, Chief Executive Officer (CEO), Chief Financial Officer (CFO) or Senior Independent Director (SID). As an investment trust with no executive officers, the Company has no CEO or CFO. The Board has reflected the senior position of the Chair in its diversity tables below.

The Board has chosen to align its diversity reporting reference date with the Company's financial year end and proposes to maintain this alignment for future reporting periods.

The Company has met all but the target for one individual to be from a minority ethnic background as at its chosen reference date, 30 June 2023, and there have been no changes since then to the date of publication of the annual report and accounts. It is the Board's intention that achieving all three targets continues to be a priority during the Board's next succession appointments.

The data is set out in the tables below.

	Number of Board Members	Percentage of the Board	Number of senior positions on the Board	Listing Rules Target
Men	2	50%	0	Women should make up at least 40% of the Board and hold at least one of the senior positions
Women	2	50%	1	

	Number of Board Members	Percentage of the Board	Number of senior positions on the Board	Listing Rules Target
White British or other White (including minority-white groups)	4	100%	1	At least one member of the board should be from an ethnic minority background excluding white ethnic groups (as set out in categories used by the Office for National Statistics)
Mixed/Multiple Ethnic Groups	0	0%	0	
Asian/Asian British	0	0%	0	
Black/African/Caribbean/Black British	0	0%	0	
Other ethnic group, including Arab	0	0%	0	
Not specified/prefer not to say	0	0%	0	

# Strategic Report

Given that the Company is an investment trust with no executive board members, the columns and references regarding executive management have not been included in the above table.

## Financial crime policy

The Company continues to be committed to carrying out its business fairly, honestly and openly operates a financial crime policy (available on the Company's website), covering bribery and corruption, tax evasion, money laundering, terrorist financing and sanctions, as well as seeking confirmations that the Company's service providers' policies are operating soundly.

## Modern Slavery Act 2015

As an investment trust, the Company does not provide goods or services in the normal course of business and does not have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

## Greenhouse gas emissions and energy usage

The Company qualifies as a low energy user and is exempt from reporting under the Streamlined Energy & Carbon Reporting requirements. It has no significant greenhouse gas emissions, energy consumption or energy efficiency action to report.

## Responsible investment

The Company delegates to its Portfolio Manager the responsibility for taking ESG issues into account when assessing the selection, retention and realisation of investments. The Board expects the Portfolio Manager to engage with investee companies on social, environmental and governance issues and to promote best practice.



# Strategic Report

## Promoting the success of the Company, section 172 of the Companies Act 2006

The Directors are required to include in the annual report a statement which describes how they have discharged their duties under section 172 of the Companies Act 2006 in promoting the success of the Company for the benefit of its members as a whole having regard to the interests of all stakeholders. This includes the likely consequences of the decisions in the longer term and how wider stakeholders' needs have been taken into account.

As an externally managed investment trust, the Company has no employees, operations or premises. The Board has identified its key stakeholders as the Company's shareholders, the Manager and the Portfolio Manager, other service providers and the Investee companies / social impact managers.

The following disclosure explains how the Directors have engaged with stakeholders, how stakeholders' needs have been taken into account, the outcome of this engagement and the impact that it has had on the Board's decisions. Key activities undertaken during the reporting period are also outlined. As an externally managed investment trust, the Company has no employees, operations or premises. The Board has therefore identified its key stakeholders as the Company's shareholders, the Manager, other service providers and the social impact managers to which assets are allocated.

Stakeholder	Engagement
Shareholders	<p>The Board recognises the importance of engaging with shareholders on a regular basis in order to maintain a high level of transparency and accountability. The Board receives regular reports from the Manager and broker on shareholder engagement, and the Manager and Portfolio Manager maintain regular and open dialogue with shareholders. The Manager also has a dedicated client services team which maintains regular contact with the Company's shareholders and reports regularly to the Board.</p> <p>Shareholders can also contact the Chair and Directors throughout the year via the Company Secretary or the Corporate Broker. The Chair is also available to meet major shareholders to understand their views and to help inform the Board's decision making process. During the year under review a number of meetings of this nature took place.</p> <p>The Company maintains a website from which copies of the annual and half year reports along with factsheets and other relevant materials are available. Shareholders are also invited to attend the AGM at which they have the opportunity to speak directly with the Directors and Portfolio Manager.</p> <p>The Board is responsible for formulating the strategy to manage the discount or premium at which the Company's shares trade to NAV. The strategy is designed to contain discount volatility, provide liquidity to the market and enhance returns to shareholders.</p>
Manager and Portfolio Manager	<p>The Board's main working relationships are with the Manager and the Portfolio Manager. The Manager is responsible for providing administrative, company secretarial, accounting and marketing services to the Company. Together with the Company, the Manager has appointed the Portfolio Manager to perform portfolio management and related services in respect of the Company's portfolio.</p> <p>The Board maintains a constructive and collaborative relationship with the Manager and Portfolio Manager, encouraging open discussion.</p> <p>The Board invites the Portfolio Manager to attend all Board and certain committee meetings and receives regular reports on the performance of the portfolio and the implementation of the investment strategy, policy and objective. The portfolio activities undertaken by the Portfolio Manager and the impact of decisions affecting investment performance are set out in the Portfolio Manager's Review on pages 12 to 18.</p> <p>The Management Engagement Committee reviews the performance of the Manager and Portfolio Manager, their remuneration and the discharge of their contractual obligations at least annually.</p>
Other service providers, including: – depositary and custodian – registrar – corporate broker – legal counsel – third-party research provider	<p>The Board maintains regular contact with its key service providers, both at the Board and committee meetings, and through ad hoc communication during the year. The need to foster business relationships with key service providers is central to the Directors' decision-making as the Board of an externally managed investment trust.</p> <p>During the year, the Management Engagement Committee undertook reviews of the third-party service providers and agreed that their continued appointment remained in the best interests of the Company and its Shareholders. The committee periodically reviews the market rates for services received, to ensure that the Company continues to receive high quality service at a competitive cost. Directors attended a meeting during the year to assess the internal controls of certain service providers including the Company's Depositary HSBC Bank, the registrar, Equiniti and Schroder's Group Internal Audit. These meetings enable the Board to conduct due diligence on operations and IT risks amongst service providers; and to receive up to date information on changes to regulation and market practice in the industry.</p>

# Strategic Report

Stakeholder	Engagement
Investee companies / Social impact managers	<p>The Board recognises the importance of good stewardship and communication with investee companies / social impact managers to whom assets are allocated in meeting the Company's investment objective and strategy. The Portfolio Management team conducts face-to-face and/or virtual meetings with all portfolio companies' management teams to understand current trading and prospects for their funds and businesses, and to ensure that their ESG investment principles and approach are understood.</p> <p>The Portfolio Manager, where available, has representatives in governance bodies of investee companies (such as Board seats, voting or observer roles in investment committees, or representation in Advisory Committees). The Portfolio Manager reports to the Board on stewardship issues and the Board will question the rationale for decisions made. Through engagement and exercising governance rights, the Portfolio Manager actively works with companies to improve corporate standards, transparency and accountability.</p>

Specific examples of stakeholder consideration during the year:

The Directors were particularly mindful of stakeholder considerations in reaching the following key decisions during the year ended 30 June 2023, accordingly:

- the Board has declared an interim dividend of 2.30p per ordinary share (2022: 1.30p) which, will be paid on 20 December 2023 to shareholders on the register on 10 November 2023;
- in May 2023 the Board visited Hull to experience first hand the valuable work that was being undertaken by Hull Women's Network and East Yorkshire Mind;
- In January 2023, the Company began to buy back a limited number of shares with the aim of narrowing the discount at which the shares were trading to NAV;
- the Chair has actively engaged with current and prospective shareholders who may have a desire, or mandate, to allocate or further allocate to social impact;
- webinars and forums have been held to educate and inform investors; and
- the Company engaged with the Financial Conduct Authority's Sustainable Disclosure Requirement (SDR) consultation through Schroders and Big Society Capital.

# Strategic Report

## Principal and emerging risks and uncertainties



The Board, through its delegation to the Audit and Risk Committee, is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit and Risk Committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal and emerging risks and the monitoring system are also subject to robust assessment at least annually. The last assessment took place in October 2023.

During the year, the Board discussed and monitored a number of risks which could potentially impact the Company's ability to meet its strategic objectives. The Board received updates from the Manager, Portfolio Manager, Company Secretary and other service providers on emerging risks that could affect the Company. The Board was mindful of the following emerging risks during the year; the ongoing conflict in Ukraine, rising inflation and interest rates, the threat of a UK recession and volatile energy prices. These risks were not seen as new principal or emerging risks but those that exacerbate existing risks and have been incorporated in the market risks section in the table below.

Although the Board believes that it has a robust framework of internal control in place this can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

Actions taken by the Board and, where appropriate, its committees, to manage and mitigate the Company's principal risks and uncertainties are set out in the table below.

The "Change" column on the right highlights the Audit and Risk Committee's assessment of any increases or decreases in risk during the year after mitigation and management. The arrows show the risks as increased or decreased, and sideways arrows show risks as stable.

Risk	Mitigation and management	Change
<b>Strategic risk</b> The Company's investment objectives may become out of line with the requirements of investors, or the Company's investment strategy might not lead to the Company achieving its investment objective resulting in the Company being subscale and shares trading at a discount.	The appropriateness of the Company's investment remit is regularly reviewed and the success of the Company in meeting its stated objectives is monitored.  The share price relative to NAV per share is monitored and the Board has implemented a buy-back programme.  The target return of the company is inflation plus 2%. There is no guarantee that this will be achieved and in high inflation environments the target becomes more challenging despite a element of the portfolios investment returns benefitting from higher inflation, with a lag.	
<b>Continuity risk</b> 31 December 2023, and in any two-year period following such date, the Ordinary Shares have traded, on average, at a discount in excess of 10 per cent. to Net Asset Value per Share, the Directors will propose an ordinary resolution at the Company's next annual general meeting that the Company continues its business as presently constituted (the "Continuation Resolution").  It could take several years until all of the Company's private equity investments are disposed of and any final distribution of proceeds made to shareholders.  The Company moved from trading at a premium to NAV to trading at an average discount of 7.3% in the twelve months to 30 June 2023, which is narrower than the average investment trust discount over the period.	The Portfolio Manager has extensive experience and a track record in accurately timing the exits of private equity investments. The Board will regularly monitor the position to ensure that any alternative proposals to be made to shareholders are put forward at an appropriate time.  The Board also made enquiry of the broker and discussed with Big Society Capital and Schroders, who in aggregate hold 43.99% of the Company's total voting rights as at 30 September 2023. It believed that there is no reason to anticipate that shareholders would not be supportive should a continuation vote be held in 2024.  If the Continuation Resolution is not passed, the Directors will put forward proposals for the reconstruction or reorganisation of the Company, bearing in mind the liquidity of the Company's Investments, as soon as reasonably practicable following the date on which the Continuation Resolution is not passed. These proposals may or	

# Strategic Report

Risk	Mitigation and management	Change
	may not involve winding up the Company and, accordingly, failure to pass the Continuation Resolution will not necessarily result in the winding up of the Company.	
<b>Investment management risks</b> Risks relating to the social impact of investee companies and the achievement of the target financial return.	<p>The Portfolio Manager has extensive experience in selecting private social impact investments and has a robust investment process to ensure that the anticipated positive impact of investee companies is realistic and achievable. The Board also monitors impact regularly and publishes an annual impact report.</p> <p>The Portfolio Manager makes investments according to a tested and robust process and based on the goal of achieving the target return. A pipeline of opportunities is vetted and reviewed and significant care is taken in selecting high quality managers and investees. The Portfolio Manager receives regular management information and engages regularly with investees to monitor and ensure performance to plan.</p>	→
<b>Liquidity risk</b> Liquidity risks include those risks resulting from holding private equity investments as well as not being able to participate in follow-on fundraises through lack of available capital which could result in dilution of an investment.  Risks relating to investment commitments and capital calls.	<p>Concentration limits are imposed on single investments to minimise the size of positions.</p> <p>The Portfolio Manager can sell Liquidity Assets to meet investment commitments and capital calls. The Portfolio Manager will monitor and manage cash flows and expected capital calls.</p> <p>The Portfolio Manager will seek to manage cashflow such that the Company will be able to participate in follow on fundraisings where appropriate.</p>	→
<b>Valuation risk</b> Private equity investments are generally less liquid and more difficult to value than publicly traded companies. A lack of open market data and reliance on investee company projections may also make it more difficult to estimate fair value on a timely basis.	<p>Contracts with investee companies and funds are drafted to include obligations to provide information to the Portfolio Manager in a timely manner, where possible.</p> <p>The Portfolio Manager and AIFM have extensive track records of valuing privately held investments.</p> <p>A valuation policy has been agreed by the AIFM and Portfolio Manager and includes a robust process for the valuation of assets, including consideration of the valuations provided by investee companies and the methodologies they have used. Any changes to this policy must be approved by the Audit and Risk Committee.</p> <p>The Audit and Risk Committee reviews all valuations of unlisted investments and challenges the methodologies used by the Portfolio Manager and AIFM. The Audit and Risk Committee may also appoint an independent party to complete a valuation of the Company's assets.</p>	→

# Strategic Report

Risk	Mitigation and management	Change
<b>Cyber security risks</b> Each of the Company's service providers is at risk of cyber attack, data theft or disruption to their infrastructure which could have an effect on the services they provide to the Company. These risks could lead to reputational damage or the risk or loss control of sensitive information leading to a potential breach of data protection law.	<p>Experienced third party service providers are employed by the Company under appropriate terms and conditions and with agreed service level specifications in relation to cyber security and related procedures.</p> <p>The Board receives regular reports from its service providers and the Management Engagement Committee will review the performance of key service providers at least annually.</p> <p>The Audit and Risk Committee reviews reports on the external audits of the internal controls operated by certain service providers.</p>	→
<b>Economic, policy, and market risk</b> Changes in general economic and market conditions, such as interest rates, inflation rates, industry conditions, tax laws, political events and trends can substantially and adversely affect the value of investments. Market risk includes the potential impact of events which are outside the Company's control, such as pandemics, civil unrest and wars. Policy risk includes the potential negative impact of changes in UK government policies that affect the business models, revenue streams or have other material implications for investees.	<p>The risk profile of the portfolio is considered and appropriate strategies to mitigate any negative impact of substantial changes in markets and government policies are discussed with the Portfolio Manager.</p> <p>The rise in government bond yields has had, and may continue to have, a negative impact on property prices. A portion of the Company's portfolio is invested in UK property.</p>	N/A

## Risk assessment and internal controls review by the Board

Risk assessment includes consideration of the scope and quality of the systems of internal control operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the Audit and Risk Committee, including the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition.

No significant control failings or weaknesses were identified from the Audit and Risk Committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this report. The Board is satisfied that it has undertaken a detailed review of the risks facing the Company.

A full analysis of the financial risks facing the Company is set out in note 20 to the accounts on pages 86 to 89.



# Strategic Report

## Viability statement

The Directors have assessed the viability of the Company over a five year period, taking into account the Company's position at 30 June 2023 and the potential impact of the principal risks and uncertainties it faces for the review period. The Directors have assessed the Company's operational resilience and they are satisfied that the Company's outsourced service providers will continue to operate effectively, following the implementation of their business continuity plans.

A period of five years has been chosen as the Board believes that this reflects a suitable time horizon for strategic planning, taking into account the investment policy, liquidity of investments, payment of commitments, potential impact of economic cycles, nature of operating costs, dividends and availability of funding. This time period also reflects the average holding period of an investment.

In its assessment of the viability of the Company, the directors have considered each of the Company's principal risks and uncertainties detailed on pages 47 to 49. The Directors have also considered the Company's income and expenditure projections, liquid investments, cash balances as well as commitments to provide further funding to the Company's private equity investee companies; the Company currently has no borrowings. A substantial proportion of the Company's expenditure varies with the value of the investment portfolio. In the event that there is insufficient cash to meet the Company's liabilities, the liquid investments in the portfolio may be realised.

The Company has additionally performed stress tests which confirm that a 50% fall in the market prices of the portfolio would not affect the Board's conclusions in respect of going concern.

The Board monitors the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls at its quarterly meetings. Although there continue to be regulatory changes which could increase costs or impact revenue, the Directors do not believe that this would be sufficient to affect its viability.

The Board has assumed that the business model of a closed ended investment company, as well as the Company's investment objective, will continue to be attractive to investors. The Directors also considered the beneficial tax treatment the Company is eligible for as an investment trust. If changes to these taxation arrangements were to be made it would affect the viability of the Company to act as an effective investment vehicle.

The Board made enquiry of the broker and discussed with Big Society Capital and Schroders, who in aggregate hold 43.99% of the Company's total voting rights as at 30 September 2023. It believes that there is no reason to anticipate that shareholders would not be supportive should a continuation vote be held in 2024.

Therefore, Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

## Going concern

The Directors have assessed the principal risks, the impact of the emerging risks and uncertainties and the matters referred to in the viability statement. Based on the work the Directors have performed, they have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period assessed by the Directors, being the period to 31 October 2024 which is at least twelve months from the date the financial statements were authorised for issue.

By order of the Board

Schroder Investment Management Limited  
Company Secretary

27 October 2023

# Board of Directors



## Susannah Nicklin

### Status: Independent non-executive Chair

**Length of service:** appointed a Director and Chair in November 2020.

**Experience:** Susannah Nicklin, CFA, is an investment and financial services professional with 25 years of experience in executive roles at Goldman Sachs and Alliance Bernstein in the US, Australia and the UK. She has also previously been involved in the social impact private equity sector with Bridges Ventures, the Global Impact Investing Network and Impact Ventures UK. She was previously a non-executive director of Pantheon International plc and Amati AIM VCT plc. She is currently non-executive director of The North American Income Trust plc, Baronsmead Venture Trust plc, Ecofin Global Utilities and Infrastructure Trust plc, and Frog Capital Limited. Susannah is also serving on the newly created AIC ESG Forum.

**Committee membership:** Audit and Risk, Management Engagement and Nomination.

**Current remuneration:** £40,000 per annum

**Number of shares held:** 21,558\*



## Mike Balfour

### Status: Independent non-executive Director and Chair of Audit and Risk Committee

**Length of service:** appointed a Director in November 2020

**Experience:** Mike Balfour is chair of Fidelity China Special Situations plc and a non-executive director and chair of the audit committee of abrdn Property Income Trust plc. He also chairs TPT Investment Management. He has over 35 years' experience in financial services. He was chief executive of Thomas Miller Investment Ltd until 2016 and prior senior appointments included chief executive at Glasgow Investment Managers and chief investment officer at Edinburgh Fund Managers Limited. He is a member of the Institute of Chartered Accountants of Scotland.

**Committee membership:** Audit and Risk (Chair), Management Engagement and Nomination

**Current remuneration:** £35,000 per annum

**Number of shares held:** 20,000\*

# Board of Directors



## James B. Broderick

**Status:** Independent non-executive Director and Chair of Management Engagement Committee

**Length of service:** appointed a Director in November 2020

**Experience:** James B. Broderick is deputy chair of the Impact Investing Institute, with primary responsibility for leading the engagement with UK pension funds. He also worked in 2016-2019 with the Institute's predecessor bodies, the Implementation Taskforce on Growing a Culture of Social Impact Investing, and the Advisory Group, both sponsored by the Cabinet Office. He is currently a trustee of Philanthropy Impact, which works with advisors, philanthropists and charities to promote philanthropy and social impact investing. He was also a commissioner in the Commission on Social Investment, chaired by Lord Victor Adebawale CBE.

James was head of UBS Wealth Management in the UK & Jersey for five years before retiring in 2018, in which position he also served as chair of UBS Optimus Foundation (UK). Before that, he worked for 19 years at JPMorgan Asset Management, latterly as head of its EMEA business. In that position, he was CEO and/or director of the firm's principal asset management and insurance subsidiaries in the UK, and a director of the principal affiliated mutual fund investment and management companies in continental Europe.

**Committee membership:** Audit and Risk, Management Engagement (Chair) and Nomination.

**Current remuneration:** £30,000 per annum

**Number of shares held:** 500,000\*



## Alice Chapple

**Status:** Independent non-executive Director and Chair of Nomination Committee

**Length of service:** appointed a Director in November 2020

**Experience:** Alice Chapple is an economist and a specialist in impact investment and impact assessment. She established Impact Value, a consultancy advising on impact investment, in October 2012. Before establishing Impact Value, Alice worked as director of sustainable financial markets at Forum for the Future.

Prior to Forum for the Future, she worked at UK development finance institution CDC (now BII) as financial analyst, fund manager and social and environmental advisor. In the late 1990s, she established a programme for evaluation of development impact and in the 2000s she designed processes for fund managers to assess the ESG aspects of their investments.

Alice's current roles include chair of the Tracker Group (which seeks to align capital markets with a sustainable future through Carbon Tracker and Planet Tracker), chair of the Walcot Foundation, trustee of the Shell Foundation, director of i(x) Net Zero plc and member of the Advisory Boards of Acre Impact Fund, WHEB Asset Management, Frontier Finance Solutions and Connected Asset Management. Alice has also developed the University of Cambridge Institute of Sustainability Leadership's course on sustainable finance.

**Committee membership:** Audit and Risk, Management Engagement and Nomination (Chair).

**Current remuneration:** £30,000 per annum

**Number of shares held:** 10,000\*

\*Shareholdings are as at 27 October 2023, full details of Directors' shareholdings are set out in the Remuneration Report on page 65.

# Directors' Report

## Directors and officers

The Directors as at 30 June 2023 and their biographies are set out on pages 51 and 52.

### Chair

The Chair is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chair's other significant commitments are detailed on page 51. She has no conflicting relationships.

### Company Secretary

Schroder Investment Management Limited provides company secretarial support to the Board and is responsible for assisting the Chair with Board meetings and advising the Board with respect to governance. The Company Secretary also manages the relationship with the Company's service providers, except for the Manager. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the address given on the outside back cover or by email to: [amcompanysecretary@schroders.com](mailto:amcompanysecretary@schroders.com).

## Role and operation of the Board

The Board (of four Directors, listed on pages 51 and 52) is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long-term success. The Board is responsible for appointing and subsequently monitoring the activities of the Manager, Portfolio Manager and other service providers to seek to ensure that the investment objective of the Company continues to be met. The Board also ensures that the Portfolio Manager adheres to the investment restrictions set by the Board and acts within the parameters set by it in respect of any gearing. This is also monitored by the Manager as part of its responsibilities as AIFM. The Strategic Report on pages 39 to 50 sets out further detail of how the Board reviews the Company's strategy, risk management and internal controls and also includes other information required for the Directors' Report, and is incorporated by reference.

A formal schedule of matters specifically reserved for decision by the Board has been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

The Chair ensures that all Directors receive relevant management, regulatory and financial information in a timely manner and that they are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. The Board meets at least quarterly and receives and considers reports regularly from the Portfolio Manager and other key advisers, as well as ad hoc reports and information supplied to the Board as required.

Four Board meetings are usually scheduled each year to cover matters including: the setting and monitoring of investment strategy; approval of borrowings and/or cash positions; review of investment performance; the level of premium or discount of the Company's shares to NAV per share; promotion of the Company; services provided by third

parties. Additional meetings of the Board are arranged as required.

The Board is satisfied that it is of sufficient size with an appropriate balance of diverse skills and experience, independence and knowledge of the Company, its sector and the wider investment trust industry, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making.

The Board has approved a policy on Directors' conflicts of interest. Under this policy, Directors are required to disclose all actual and potential conflicts of interest to the Board as they arise for consideration and approval. The Board may impose restrictions or refuse to authorise such conflicts if deemed appropriate. No Directors have any connections with the Manager or Portfolio Manager, shared directorships with other Directors or material interests in any contract which is significant to the Company's business.

## Key service providers

The Board has adopted an outsourced business model and has appointed the following key service providers:

### Manager

The Company is an Alternative Investment Fund as defined by the AIFM Directive and has appointed Schroder Unit Trusts Limited ("SUTL") as the Manager in accordance with the terms of an AIFM agreement. The AIFM agreement, which is governed by the laws of England and Wales, can be terminated by either party on six months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. As at the date of this report no such notice had been given by either party.

SUTL is authorised and regulated by the Financial Conduct Authority ("FCA") and provides portfolio management, risk management, accounting and company secretarial services to the Company under the AIFM agreement. Part of the fund accounting and administration activities are currently performed by HSBC Securities Services (UK) Limited. The Manager also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the Chair, other Board members or the corporate broker as appropriate. The Manager has delegated investment management, accounting, administration and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited ("SIM"). The Manager has in place appropriate professional indemnity cover.

The Schroders Group manages £726.1m (as at 30 June 2023) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

### Portfolio Manager

Big Society Capital is the delegated Portfolio Manager. It uses its social impact expertise to source deals, perform robust due diligence and manage the portfolio. As at 30 June 2023, Big Society Capital are also the Company's largest shareholder, with a 26.3% stake.



# Directors' Report

## Management fee

The AIFM is entitled to receive from the Company in respect of its AIFM, administration and company secretarial services, a management fee calculated and paid bi-annually in arrears at an annual rate of 0.80 per cent. per annum of "chargeable assets", of which 50% is payable to the Portfolio Manager.

For this purpose, "chargeable assets" shall be calculated as the cum-income Net Asset Value of the Company adding back any loans, less any cash, money market instruments and Liquidity Asset, and any investments in funds which are managed by the Manager, the Portfolio Manager or any member of their respective groups.

For the purpose of calculating "chargeable assets" only, "Liquidity Asset" means:

(a) any security that is admitted to trading on (i) any "regulated market" as defined in MiFID II and as listed in the register of regulated markets within the EEA maintained by the European Securities and Markets Authority from time to time; or (ii) any "recognised investment exchange" as recognised by the FCA under Part XVIII of FSMA; or (iii) any "recognised overseas investment exchange" as recognised by the FCA under Part XVIII of FSMA; or

(b) any unit, share or other security issued by a collective investment scheme that has been authorised and regulated by the FCA and which has trading on a monthly or more frequent basis,

in each case being investments intended to benefit stakeholders using ESG frameworks to ensure a variety of stakeholders beyond just shareholders' interests are addressed.

## Depository

HSBC Bank plc, ("HSBC Bank") which is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority, carries out certain duties of a depository specified in the AIFM Directive including, in relation to the Company:

- safekeeping of the assets of the Company which are entrusted to it;
- cash monitoring; and
- oversight of the Company and the Manager to the extent described in the AIFM Directive.

HSBC Bank is liable to the Company for losses suffered by it as a result of any negligence, wilful default, fraud or fraudulent misrepresentation on its part.

The Company, the Manager and HSBC Bank may terminate the depository agreement at any time by giving 90 days' notice in writing. HSBC Bank may only be removed from office when a new depository is appointed by the Company.

## Registrar

Equiniti Limited ("Equiniti") has been appointed as the Company's registrar. Equiniti's services to the Company include share register maintenance (including the issuance, transfer and cancellation of shares as necessary), acting as agent for the payment of dividends, management of general meetings (including the registering of proxy votes and scrutineer services as necessary), handling shareholder queries, correspondence and processing corporate actions.

## Corporate Governance Statement

The Financial Conduct Authority requires all UK listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code 2018 (the "UK Code") issued by the Financial Reporting Council ("FRC").

The Board of the Company has considered the principles and provisions of the AIC Code of Corporate Governance (the "AIC Code"). The AIC Code addresses the Principles and Provisions set out in the Financial Reporting Council's ("FRC") UK Corporate Governance Code (the "UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to the Company as an investment company. The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the FRC provides more relevant information to shareholders.

The AIC Code is available on the AIC website <https://www.theaic.co.uk/aic-code-of-corporate-governance>. It includes an explanation of how the AIC Code adopts the Principles and Provisions set out in the UK Code to make them relevant for investment companies. The UK Code is available from the FRC's website at [www.frc.org.uk](http://www.frc.org.uk).

The Board is satisfied that the Company's current governance framework is compliant with the AIC Code with the exception of forming a remuneration committee. Given the Company has no chief executive or other executive directors, the size of the Board and the infrequent nature at which it is expected that Directors' fees will need to be changed, the Board believe a separate committee responsible for reviewing and determining fees is not necessary but will be considered in future. As permitted under the AIC Code, the Chair is a member of the Audit and Risk Committee. An explanation as to why this is considered appropriate is set out in the Audit and Risk Committee Report on page 57.

The Board has also determined that given its size, it is appropriate that all Directors are members of the Audit and Risk, Management Engagement and Nomination Committees and the appointment of a Senior Independent Director is not considered necessary. However, the Chair of the Audit and Risk Committee effectively acts as the Senior Independent Director, leads the evaluation of the performance of the Chair and is available to Directors and/or shareholders if they have concerns which cannot be resolved through discussion with the Chair.

As all of the Company's day-to-day management and administrative functions are outsourced to third parties, it has no executive directors, employees or internal operations and therefore has not reported in respect of the following UK Code Provisions:

- the role of the executive directors and senior management;
- the need for an internal audit function; and
- executive directors' remuneration.

## Revenue and interim dividend

The net revenue return for the year under review, after finance costs and taxation, was £1,974,000, equivalent to a revenue return per ordinary share of 2.32 pence. As stated in the Company's prospectus, the Company will use the



# Directors' Report

investment trust interest streaming regime. This enables an investment trust which receives "qualifying interest income" to treat the whole or part of a dividend distribution as an interest distribution. The effect of streaming is to move the point of taxation in respect of the Company's qualifying interest income, from the Company to its investors and the Company may treat the streamed payment as a loan relationship deduction in its tax computation.

For investors within the charge to UK corporation tax, the distribution will be taxed in the normal way as interest under a creditor relationship. For UK income taxpayers it will be taxed as interest received on the date the distribution was made. The potential benefit is to any investor who is not liable to taxation.

The Board has recommended the payment of an interim dividend of 2.30 pence per share payable on 20 December 2023 to shareholders on the register on 10 November 2023. The ex dividend date will be 9 November 2023. This year's dividend is split between an interest distribution of 2.16 pence per share and an equity dividend of 0.14 pence per share.

The Board's policy is to pay out substantially all the Company's normal revenue. The Company may be required to pay a second dividend distribution in respect of the year ended 30 June 2023, in order to comply with the investment trust qualifying rules in section 1158 of the Corporation Tax Act 2010. The income retention test in section 1158 is based on income receivable in the corporation tax computation, and income receivable from the Company's holdings in limited partnerships will be taxed on a "look through" basis, sourced from accounting information which may not be available until after the year end.

## Committees

In order to assist the Board in fulfilling its governance responsibilities, it has delegated certain functions to committees. The roles and responsibilities of these committees, together with details of work undertaken during the year under review, are outlined in the next few pages.

The reports of the Audit and Risk, Management Engagement and Nomination Committees are incorporated into and form part of the Directors' Report.

## Other required Directors' Report disclosures under laws, regulations, and the UK Code

### Status

The Company has been incorporated with an unlimited life. The Company carries on business as an investment trust. Its shares are listed and admitted to trading on the premium segment of the main market of the London Stock Exchange. It has been approved by HM Revenue & Customs as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010, by way of a one-off application and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

The Company is not a "close" company for taxation purposes.

The Company is domiciled in the UK and is an investment company within the meaning of section 833 of the Companies Act 2006.

If in the two-year period ending on 31 December 2023, and in any two-year period following such date, the Ordinary Shares have traded, on average, at a discount in excess of 10 per cent. to Net Asset Value per Share, the Directors will propose an ordinary resolution at the Company's next annual general meeting that the Company continues its business as presently constituted (the "Continuation Resolution").

If the Continuation Resolution is not passed, the Directors will put forward proposals for the reconstruction or reorganisation of the Company, bearing in mind the liquidity of the Company's Investments, as soon as reasonably practicable following the date on which the Continuation Resolution is not passed. These proposals may or may not involve winding up the Company and, accordingly, failure to pass the Continuation Resolution will not necessarily result in the winding up of the Company.

The discount prevailing on each business day will be determined by reference to the closing market price of Ordinary Shares on that day and the last announced Net Asset Value per Share (adjusted for dividends).

### Information included in Strategic Report

The Company's disclosures on future developments and carbon emissions are included in the Strategic Report on pages 10 to 11 and 17 to 18 and page 44 respectively. The Chair's Statement and Portfolio Manager's Report form part of the Strategic Report.

### Financial risk management

Details of the Company's financial risk management objectives and exposure to risk can be found in note 20 on pages 86 to 89.

## Share capital

Details of the Company's issued share capital are given in note 12 to the accounts on page 83. Details of the voting rights in the Company's shares as at 26 October 2023 are given in note 7 to the Notice of Annual General Meeting on page 94.

The ordinary shares carry the right to receive dividends and have one voting right per ordinary share. There are no restrictions on the voting rights of the ordinary shares or on the transfer of the ordinary shares. There are no shares which carry specific rights with regard to the control of the Company. At 30 June 2023, the Company's issued share capital was 84,604,866 ordinary shares, excluding 711,720 shares held in treasury.

## Share repurchases

The Company has authority to purchase its ordinary shares in the market to be held in treasury or for cancellation. During the year the Company bought back 711,720 ordinary shares at an average price of 94.15p per share, at an average discount of 11.6%, for a total cost of £670,000. Since the year end and up to 26 October 2023, a further 449,924 ordinary shares have been repurchased for a total cost of £411,130.84.

# Directors' Report

The latest buy back authority was granted to Directors on 2 December 2022 and expires at the conclusion of the Annual General Meeting on 15 December 2023. The Directors are proposing that their authority to buy back shares be renewed at the forthcoming Annual General Meeting.

## Substantial share interests

The Company has received notifications in accordance with the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rule 5.1.2R of the below interests in 3% or more of the voting rights attaching to the Company's issued share capital.

The Company is reliant on investors to comply with these regulations, and certain investors may be exempted from providing these. As such, this should not be relied on as an exhaustive list of shareholders holding above 3% or more of the Company's voting rights.

	As at 30 June 2023	
	Number of shares	% of total voting rights
Big Society Capital Limited	22,425,000	26.28
Schroders plc	19,618,185	22.99 <sup>1</sup>
East Riding of Yorkshire Council	7,500,000	10.00 <sup>2</sup>
Newton Investment Management Limited	4,215,408	4.96
EQ Investors Limited	3,595,000	4.79
Stichting Juridisch Eigendom Privium Sustainable Impact Fund	4,000,000	4.69

<sup>1</sup>16.73% of the holding is held by clients of Cazenove Capital Management

<sup>2</sup>Notification based on an issued share capital of 75,000,000 shares and received prior to the increase in share capital in November 2021

The Company also received a notification on 5 August 2021 from Pentwater Capital Management LP for a holding of 3,550,000 shares and 4.73% of total voting rights. Based on information received, the Company is of the knowledge that Pentwater Capital Management LP is no longer a shareholder of the Company.

There have been no notified changes to the above holdings since the year end.

## Provision of information to the auditor

The Directors at the date of approval of this report confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## Directors' attendance at meetings

The number of scheduled meetings of the Board and its committees held during the year under review and the attendance of individual Directors is shown below. Whenever possible all Directors attend the AGM.

Director	Board	Audit and Risk Committee	Management Engagement Committee	Nomination Committee
Susannah Nicklin	4/4	2/2	1/1	1/1
Mike Balfour	4/4	2/2	1/1	1/1
James B. Broderick	4/4	2/2	1/1	1/1
Alice Chapple	4/4	2/2	1/1	1/1

The Board and Committees meet more frequently, between scheduled meetings, when business needs require.

## Directors' and officers' liability insurance and indemnities

Directors' and officers' liability insurance cover was in place for the Directors throughout the year. The Company's articles of association provide, subject to the provisions of the Companies Act 2006, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgment is given in their favour by the court. This is a qualifying third party indemnity policy and was in place throughout the year under review for each Director and to the date of this report.

By order of the Board

### Schroder Investment Management Limited

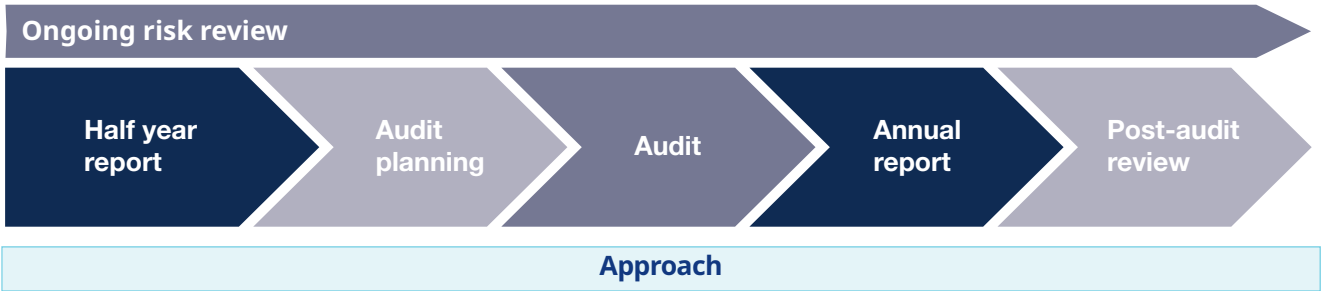
Company Secretary

27 October 2023

# Audit and Risk Committee Report

The responsibilities and work carried out by the Audit and Risk Committee during the year under review are set out in the following report. The duties and responsibilities of the Committee, which include monitoring the integrity of the Company's financial reporting and internal controls, are set out in further detail, and may be found in the terms of reference which are set out on the Company's website, [www.schroders.com/sbsi](http://www.schroders.com/sbsi).

All Directors are members of the Committee. Mike Balfour is the Chair of the Committee. The AIC Code permits the Chair of the Board to be a member of the audit committee of an investment trust. As the Board consisted of only four members, recognising Susannah Nicklin's significant experience, it is considered appropriate for the Chair to be a member of the Audit and Risk Committee. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector in which the Company operates. The Committee's effectiveness was assessed, and considered to be satisfactory, as part of the Directors' annual review of the Board and its committees.



The committee's key roles and responsibilities are set out below.

Risk Management and Internal Controls	Financial Reports and Valuation	Audit
<p><b>Principal and Emerging Risks and uncertainties</b></p> <p>To establish a process for identifying, assessing, managing and monitoring the Company's emerging and principal risks and uncertainties and identifying how these are being managed or mitigated.</p>	<p><b>Financial statements</b></p> <p>To monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance and valuation. To review the annual and half year reports.</p>	<p><b>Audit results</b></p> <p>To discuss any matters arising from the audit and consider recommendations made by the auditor.</p>
<p><b>Internal controls</b></p> <p>To consider the appropriateness of the Company's internal financial controls and review the adequacy and effectiveness of the Company's risk management systems.</p> <p>As the Company outsources all of its functions to third parties, it also requires its service providers to report on their internal controls.</p>	<p><b>Going concern and viability</b></p> <p>To review the position and make recommendations to the Board in relation to whether it considers it appropriate to adopt the going concern basis of accounting in preparing its annual and half-yearly report and accounts.</p> <p>The Committee is also responsible for reviewing the disclosures made in the viability statement.</p>	<p><b>Auditor appointment, independence and performance</b></p> <p>To make recommendations to the Board, in relation to the appointment, re-appointment, effectiveness and removal of the external auditor together with any non-audit services. To review auditor independence, and to approve their remuneration and terms of engagement. Reviewing the audit plan and engagement letter.</p>

The following table sets out how the Committee discharged its duties during the year. The Committee met twice during the year under review. Further details on attendance can be found on page 56. In addition, an evaluation of the committee's effectiveness and review of its terms of reference were also completed during the year.

# Audit and Risk Committee Report

Significant issues identified during the year under review and key matters communicated by the auditor during the audit are included below.

Application during the year		
Risk and Internal Controls	Financial Reports and Valuation	Audit
<b>Principal and emerging risks</b> <p>Reviewed the principal and emerging risks faced by the Company together with the systems, processes and oversight in place to manage and mitigate the risks.</p>	<b>Valuation and existence of holdings</b> <p>The Company's accounting policy for valuing unquoted investments is set out in note 1 on page 78 of the notes to the accounts.</p> <p>The Committee reviewed the valuations taking account of the latest available information about the Company's investments and the Portfolio Manager's knowledge of the underlying investments.</p>	<b>Meetings with the auditors</b> <p>Met the auditors without representatives of the Manager present. Representatives of the auditor attended the committee meeting at which the draft annual report and accounts were considered and presented a report on the findings of the audit.</p>
<b>Internal controls</b> <p>Consideration of several key aspects of internal control and risk management operating within the Manager, Portfolio Manager, depositary and registrar, including assurance reports and presentations on these controls.</p>	<b>Calculation of the investment management fee</b> <p>The management fee is calculated in accordance with the contractual terms contained in the AIFM agreement.</p> <p>The Committee reviewed the calculation of the management fee.</p>	<b>Auditors independence</b> <p>On 16 October 2020, BDO LLP was appointed as auditor to the Company. This is the third year that BDO LLP will be undertaking the Company's audit.</p> <p>The auditor is required to rotate the senior statutory auditor every five years. This is the third year that the senior statutory auditor, Vanessa-Jayne Bradley has conducted the audit of the Company's annual report and accounts.</p> <p>There are no contractual obligations restricting the choice of external auditor.</p>
<b>Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010</b> <p>Consideration of the Manager's report confirming compliance.</p>	<b>Overall accuracy of the report and accounts</b> <p>Consideration of the draft report and accounts and the letter of comfort from the Manager in support of the letter of representation to the auditor.</p>	<b>Audit results</b> <p>The Committee met with and reviewed a comprehensive report from the auditor which detailed: the results of the audit; compliance with regulatory requirements; safeguards that have been established; and their own internal quality control procedures.</p>

# Audit and Risk Committee Report

Application during the year (continued)		
Risk Management and Internal Controls	Financial Reports and Valuation	Audit
	<b>Fair, balanced and understandable</b> Reviewed the annual report and accounts to advise the Board whether it was fair, balanced and understandable.	<b>Provision of non-audit services by the auditor</b> <p>The Committee has reviewed the FRC's Guidance on Audit Committees and has formulated a policy on the provision of non-audit services by the Company's auditor.</p> <p>The Committee has determined that the Company's appointed auditor will not be considered for the provision of certain non-audit services, such as accounting and preparation of the financial statements, internal audit and custody. The auditor may, if required, provide other non-audit services which will be judged on a case-by-case basis.</p> <p>The Committee was satisfied that this did not affect the independence or objectivity of the auditor.</p>
	<b>Going concern and viability</b> Reviewed the impact of risks on going concern and longer-term viability, as described further in page 50.	<b>Consent to continue as auditor</b> BDO LLP indicated to the committee their willingness to continue to act as auditor.



## Recommendations made to, and approved by, the Board:

- As a result of the work performed, the Committee concluded that the annual report for the year ended 30 June 2023, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 66.
- The Committee recommended that the Board approve the report and accounts.
- The Committee recommended that the going concern presumption be adopted in the annual report and accounts and the explanations set out in the viability statement.
- Having reviewed the performance of the auditor as described above, the Committee considered it appropriate to recommend the firm's re-appointment. Resolutions to re-appoint BDO LLP as auditor to the Company, and to authorise the Directors to determine their remuneration will be proposed at the AGM.

**Mike Balfour**

Audit and Risk Committee chair

27 October 2023



# Management Engagement Committee Report

The Management Engagement Committee is responsible for (1) the monitoring and oversight of the Manager's and Portfolio Manager's performance and fees, and confirming their ongoing suitability, and (2) reviewing and assessing the Company's other service providers, including reviewing their fees. All Directors are members of the Committee. With effect from 13 October 2022, James B. Broderick was appointed as Chair of the Committee. The Committee's terms of reference are available on the Company's website, [www.schroders.com/sbsi](http://www.schroders.com/sbsi). The Committee's effectiveness was assessed, and judged to be satisfactory, as part of the Directors' annual review of the Board and its committees.

Approach		
Oversight of the Manager and the Portfolio Manager		Oversight of other service providers
<p>The Committee:</p> <ul style="list-style-type: none"> <li>reviews the Portfolio Manager's performance, over the short and long term, against the Company's target investment return, peer group and the market and considers the social impact performance of investments made on behalf of the Company.</li> <li>considers the reporting it has received from the Manager and Portfolio Manager throughout the year, and the reporting from the Manager and Portfolio Manager to shareholders.</li> <li>assesses management fees on an absolute and relative basis, receiving input from the Company's broker, including peer group and industry figures, as well as the structure of the fees.</li> <li>reviews the appropriateness of the Manager's and Portfolio Manager's contracts, including terms such as notice period.</li> <li>assesses whether the Company receives appropriate administrative, accounting, company secretarial and marketing support from the Manager.</li> </ul>		<p>The Committee reviews the performance and competitiveness of the following service providers on at least an annual basis:</p> <ul style="list-style-type: none"> <li>Depositary and custodian</li> <li>Corporate broker</li> <li>Registrar</li> </ul> <p>The Committee also receives a report from the Company Secretary on ancillary service providers, and considers any recommendations.</p> <p>The Committee noted the Audit and Risk Committee's review of the Auditor</p>

Application during the year		
<p>The Committee undertook a detailed review of the Portfolio Manager's performance and agreed that it has the appropriate depth and quality of resource to deliver superior returns over the longer term.</p> <p>The Committee also reviewed the terms of the AIFM and portfolio management agreements, including fee structures, and agreed they remained fit for purpose.</p> <p>The Committee reviewed the other services provided by the Manager and agreed they were satisfactory.</p>		<p>The annual review of each of the service providers was satisfactory.</p> <p>The committee noted that the Audit and Risk Committee had undertaken a detailed evaluation of the Manager, registrar, and safekeeping agents' internal controls.</p>

## Recommendations made to, and approved by, the Board:

- That the ongoing appointment of the Manager and Portfolio Manager on the terms of their agreements with the Company, including fees, was in the best interests of shareholders as a whole.
- That the Company's service providers' performance remained satisfactory.
- That James B. Broderick be appointed as Chair of the Committee with effect from 13 October 2022.

# Nomination Committee Report

The Nomination Committee is responsible for (1) the recruitment, selection and induction of Directors, (2) their assessment during their tenure and fees, and (3) the Board's succession. All Directors are members. With effect from 13 October 2022, Alice Chapple was appointed as Chair of the Committee. The Committee's terms of reference are available on the Company's website, [www.schroders.com/sbsi](http://www.schroders.com/sbsi). The Committee's effectiveness was assessed, and judged to be satisfactory, as part of the Directors' annual review of the Board and its committees.

## Oversight of Directors



Approach		
Selection and induction	Board evaluation and Directors' fees	Succession
<ul style="list-style-type: none"> <li>Committee prepares a job specification for each role, and an independent recruitment firm is appointed following a selection process. For the Chair and the chairs of committees, the Committee considers current Board members too.</li> <li>Job specification outlines the knowledge, professional skills, personal qualities and experience requirements.</li> <li>Potential candidates assessed against the Company's diversity policy.</li> <li>Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the Board.</li> <li>Committee reviews the induction and training of new Directors.</li> </ul>	<ul style="list-style-type: none"> <li>Committee assesses each Director annually.</li> <li>Evaluation focuses on whether each Director continues to demonstrate commitment to their role and provides a valuable contribution to the Board during the year, taking into account time commitment, independence, conflicts and training needs.</li> <li>Following the evaluation, the Committee provides a recommendation to shareholders with respect to the annual re-election of Directors at the AGM.</li> <li>All Directors retire at the AGM and their election or re-election is subject to shareholder approval.</li> <li>Committee reviews Directors' fees, taking into account comparative data and reports to shareholders in the Remuneration Report.</li> <li>Any proposed changes to the remuneration policy for Directors are discussed and reported to shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>The Board's succession policy is that Directors' tenure will be for no longer than nine years, except in exceptional circumstances, and that each Director will be subject to annual re-election at the AGM. The policy reflects FRC guidance that the Chair should not remain in post beyond nine years from the date of their first appointment to the Board, and that serving on the Board for more than nine years from the date of first appointment is likely to impair, or could appear to impair the independence of Directors.</li> <li>Committee reviews the Board's current and future needs at least annually. Should any need be identified the Committee will initiate the selection process.</li> <li>Committee oversees the handover process for retiring Directors.</li> </ul>
Application during the year		



# Nomination Committee Report

Application		
Selection and induction	Board evaluation and Directors' fees	Succession
<ul style="list-style-type: none"> <li>No new appointments were made during the year.</li> </ul>	<ul style="list-style-type: none"> <li>The Board, Chair and committee evaluation process was undertaken in October 2023. The evaluation included the completion of questionnaires, culminating in written reports being provided to the Committee. The evaluation of the Board and its committees was led by the Chair of the Committee. The evaluation of the Chair was led by the Chair of the Audit and Risk Committee.</li> <li>The Committee reviewed each Director's time commitment and independence by reviewing a complete list of appointments, including pro bono not for profit roles, to ensure that each Director remained free from conflict and had sufficient time available to discharge each of their duties effectively. All Directors were considered to be independent in character and judgement.</li> <li>The Committee considered each Director's contributions, and noted that in addition to extensive experience as professionals and non-executive Directors, each Director had valuable skills and experience, as detailed in their biographies on pages 51 and 52.</li> <li>Based on its assessment, the Committee provided individual recommendations for each Director's re-election.</li> <li>The Committee reviewed the remuneration policy for recommendation to the Board and shareholders, taking into account the provisions of the Company's articles of association and the prevailing remuneration environment for investment companies.</li> <li>The Committee reviewed Directors' fees, using external benchmarking, and recommended that Directors' fees, remain unchanged as detailed in the remuneration report.</li> </ul>	<ul style="list-style-type: none"> <li>The Committee believes it is important for the Board to have the appropriate skills and diversity and has reviewed composition and succession plans with these in mind.</li> <li>The Board has complied with the FCA Listing Rule in relation to diversity and provided the relevant disclosures on page 43.</li> </ul>



## Recommendations made to, and approved by, the Board:

- That all Directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the Board and remain free from conflicts with the Company and its Directors, and should all be recommended for re-election by shareholders at the AGM. Biographies of each Director can be found on pages 51 and 52.
- That Alice Chapple be appointed as Chair of the Committee with effect from 13 October 2022.

# Directors' Remuneration Report

## Introduction

The following remuneration policy is currently in force and is subject to a binding vote every three years. The next vote will take place at the AGM in 2024 and the current policy provisions will continue to apply until that date. The below Directors' Remuneration Report is subject to an annual advisory vote. An ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM.

At the AGM held on 3 December 2021, 100% of the votes cast (including votes cast at the Chair's discretion) in respect of approval of the Directors' Remuneration Policy were in favour. 3,000 votes were withheld.

At the AGM held on 2 December 2022, 100% of the votes cast (including votes cast at the Chair's discretion) in respect of approval of the Directors' Remuneration Report for the year ended 30 June 2022 were in favour. No votes were withheld.

## Directors' remuneration policy

The determination of the Directors' fees is the responsibility of the Nomination Committee, which makes recommendations to the Board.

It is the Nomination Committee's policy to determine the level of Directors' remuneration having regard to amounts payable to non-executive Directors in the industry generally, the role that individual Directors fulfil, in respect of Board and committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out in the Company's articles of association. This aggregate level of Directors' fees is currently set at £500,000 per financial year and any increase in this level requires approval by the Board and the Company's shareholders.

The Chair of the Board and the Chair of the Audit and Risk Committee each receive fees at a higher rate than the other Directors to reflect their additional responsibilities. Directors' fees are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary, and to promote the success of the Company in reaching its short and long-term strategic objectives.

The Board and its committees exclusively comprise non-executive Directors. No Director past or present has an entitlement to a pension from the Company and the Company has not, and does not intend to, operate a share scheme for Directors or to award any share options or long-term performance incentives to any Director. No Director has a service contract with the Company, however Directors have a letter of appointment. Directors do not receive exit payments and are not provided with any compensation for loss of office. Any Director who performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid additional remuneration to be determined by the Directors, subject to the previously mentioned fee cap and in accordance with the Company's articles of association. No other payments are made to Directors other than the reimbursement of reasonable out-of-pocket expenses incurred in attending to the Company's business.

The terms of Directors' letters of appointment are available for inspection at the Company's registered office address during normal business hours and during the AGM at the location of such meeting.

## Implementation of policy

The Board did not seek the views of shareholders in setting this remuneration policy. Any comments on the policy received from shareholders would be considered on a case by case basis.

As the Company does not have any employees, no employee pay and employment conditions were taken into account when setting this remuneration policy and no employees were consulted in its construction.

Directors' fees are reviewed annually and take into account research from third parties on the fee levels of Directors of peer group companies, as well as industry norms, inflation and factors affecting the time commitment expected of the Directors. New Directors are subject to the provisions set out in this remuneration policy.

## Directors' annual report on remuneration

This report sets out how the remuneration policy was implemented during the year ended 30 June 2023.

## Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the Nomination Committee in October 2023 and it was determined not to make any changes. The members of the Committee and Board at the time that remuneration levels were considered were as set out on pages 63 to 65. Although no external advice was sought in considering the levels of Directors' fees, information on fees paid to Directors of other investment companies managed by Schroders and peer group companies provided by the Manager was taken into consideration as was independent third party research.

Following this review, it was determined that Directors' fees would not be changed and for the year ending 30 June 2024 will be £30,000 per annum for each Director plus an additional annual fee of £5,000 per annum for the Chair of the Audit and Risk Committee. The Chair's fee will be £40,000 per annum. Directors' fees (before expenses) for the year ending 30 June 2024 are therefore expected to total £135,000 in aggregate.

# Directors' Remuneration Report

## Fees paid to Directors

The following amounts were paid by the Company to Directors for their services in respect of the year ended 30 June 2023. Directors' remuneration is fixed; they do not receive any variable remuneration. The performance of the Company over the period is presented on page 2, under the heading "Financial highlights".

Directors	Fees		Taxable benefits <sup>1</sup>		Change in annual fee over years ended 30 June		
	2023 £	2022 £	2023 £	2022 £	2023 %	2022 %	2021 <sup>2</sup> %
Susannah Nicklin (Chair)	40,000	40,046	486	–	0.0	0.0	0.0
Michael Balfour	35,000	35,040	4,643	1,563	0.0	0.0	0.0
James Broderick	30,000	30,034	292	–	0.0	0.0	0.0
Alice Chapple	30,000	30,034	168	–	0.0	0.0	0.0
	135,000	135,154	5,589	1,563			

<sup>1</sup>Comprise amounts reimbursed for expenses incurred in carrying out business for the Company, and which have been grossed up to include PAYE and NI contributions.

<sup>2</sup>Comprise amounts paid in respect of the period from inception on 22 December 2020, to 30 June 2021.

The information in the above table has been audited.

## Expenditure by the Company on remuneration and distributions to shareholders

The table below compares the remuneration payable to Directors, to distributions made to shareholders during the year under review and the prior year. In considering these figures, shareholders should take into account the Company's investment objective.

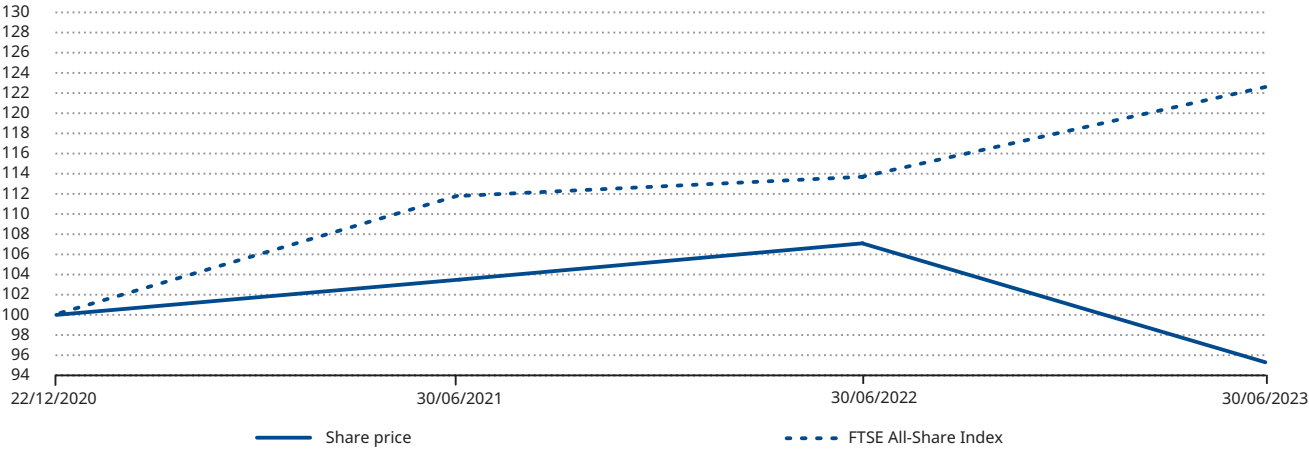
	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000	% Change
Remuneration payable to Directors	141	137	2.9
<b>Distributions paid to shareholders:</b>			
– Dividends paid	1,109	428	
– Share buybacks	674	–	
Total distributions to shareholders	1,783	428	316.6

The information in the above table has been audited.



# Directors' Remuneration Report

**Performance graph since 22 December 2020 (launch date)**  
Share price total return versus the FTSE All-Share Index Total Return, for the period from launch on 22 December 2020, to 30 June 2023<sup>1</sup>



<sup>1</sup>Source: Morningstar. Rebased to 100 at 22 December 2020. The Company is legally required to compare its performance with a broad equity market index. The Company's performance is expected to have a low correlation to traditional quoted markets and has no meaningful index comparator. So the FTSE All-Share Index been chosen as it is reflective of economic conditions in the UK.

Definitions of terms and performance measures are provided on page 95.

## Directors' share interests

The Company's articles of association do not require Directors to own shares in the Company. The interests of Directors, including those of connected persons, at the beginning and end of the financial year under review, are set out below.

Director	As at 30 June 2023 <sup>1</sup>	As at 30 June 2022 <sup>1</sup>
Susannah Nicklin	21,558	19,512
Mike Balfour	20,000	10,000
James Broderick	500,000	500,000
Alice Chapple	10,000	10,000

<sup>1</sup>Ordinary shares of 1p each

The information in the above table has been audited. There have been no changes in the Directors' interests in the shares of the Company between 30 June 2023 and the date of this Annual Report.

On behalf of the Board

**Susannah Nicklin**  
Chair

27 October 2023

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (FRS: 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland) and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the return or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare a directors' report, a strategic report and directors' remuneration report which comply with the requirements of the Companies Act 2006; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Manager. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Each of the Directors, whose names and functions are listed on pages 51 and 52, confirm that to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company;

- the annual report and accounts includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

**Susannah Nicklin**  
Chair

27 October 2023

# Independent Auditor's Report to the Members of Schroder BSC Social Impact Trust plc

## Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2023 and of its net return after taxation for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Schroder BSC Social Impact Trust plc (the 'Company') for the year ended 30 June 2023 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

## Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 16 October 2020 to audit the financial statements for the year ended 30 June 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is three years, covering the years ended 30 June 2021 to 30 June 2023. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the Directors' method of assessing the going concern in light of geopolitical instability, elevated inflation rates, depressed market prices and general market volatility by reviewing the information used by the Directors in completing their assessment; and
- Assessing the appropriateness of Directors' assumptions and judgements made in their base case and stress tested forecasts including consideration of current cash levels, committed funding and financial ratios to ascertain the financial health of the Company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## Overview

		2023	2022
<b>Key audit matters</b>	– Valuation of unquoted investments	✓	✓
<b>Materiality</b>	– <i>Company financial statements as a whole</i> £1.33m (2022: £1.70m) based on 1.5% (2022: 2%) of Net assets (2022: Investments)		

# Independent Auditor's Report to the Members of Schroder BSC Social Impact Trust plc

## An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How the scope of our audit addressed the key audit matter
<b>Valuation of unquoted investments</b> <b>(Note 1b and 9)</b>	<p>We consider the valuation of unquoted investments to be the most significant audit area.</p> <p>There is an inherent risk of management override arising from the unquoted investment valuations being prepared by the Manager, and the Portfolio Manager who is remunerated on the net asset value of the Company.</p> <p>There is a high level of estimation uncertainty involved in determining the unquoted investment valuations.</p> <p>Investments is the most significant balance in the financial statements and where we utilise most of our audit resources and was therefore considered to be a key audit matter.</p>
	<p>For 100% of the unquoted investment population, we challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and FRS 102 and performed the following procedures:</p> <p><b>Unquoted Investment held at fair value</b></p> <p>We attended all the Valuation Committee meetings in the year to observe the Portfolio Manager discussing and challenging the estimation uncertainty in the valuations and movements in valuations in the year.</p> <p>We obtained the unaudited June 2023 quarterly reports prepared by the Fund General Partners from the Portfolio Manager, which form the starting point of the Portfolio Manager and the Manager's period end valuation and used this to recalculate the value of the investments at the year-end.</p> <p>We obtained direct confirmation from the Funds of the Net Asset Values ('NAV') held at the balance sheet date.</p> <p>We recalculated the Company's share of NAV based on the direct confirmation received and the NAV reported within the June 2023 Investor Report.</p> <p>We reviewed the associated audited financial statements and audit reports of the Funds to check for each Fund that the audit report was unmodified and that the respective audit firms have the requisite skills and knowledge to audit the Funds. Additionally, we checked that the Fund investments are carried at fair value in accordance with the IPEV Guidelines and FRS102 which is the same basis as the Company.</p> <p>We analysed movements in the valuations of the Funds and reviewed the movements in the valuation of underlying investments held in the Funds, between the date of the audited financial statements and the June 2023 Investor Reports. We obtained explanations for any material movements from the Portfolio Manager and the Manager and looked for corroborating information in the Investor Reports provided by the General Partners of the Fund to support any material valuation movements.</p>

# Independent Auditor's Report to the Members of Schroder BSC Social Impact Trust plc

Key audit matter	How the scope of our audit addressed the key audit matter
	<p><b>Investment held at amortised cost</b></p> <p>We obtained direct confirmation from the holders of the loan notes of the capital amount outstanding at the balance sheet date.</p> <p>For all the investments held in loan portfolios, we agreed all the inputs used in the amortisation calculation to the underlying loan agreements. We also agreed capital and interest repayments to the underlying loan agreement and to bank statements if amounts had been paid in the period.</p> <p>We recalculated the amortised cost of each of the loans.</p> <p>We considered whether there were any impairment indicators present within the loan, such as interest payments not being made or capital repayments missed. We did this by tracing all payments through bank statements to confirm these were all made in line with the agreement.</p> <p><b>Key observations:</b></p> <p>Based on the procedures performed we consider the investment valuations and ownership to be appropriate.</p>

## Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.



# Independent Auditor's Report to the Members of Schroder BSC Social Impact Trust plc

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	<b>Company financial statements</b>	
	2023 £m	2022 £m
<b>Materiality</b>	1.33	1.7
<b>Basis for determining materiality</b>	1.5% of Net assets	2% of Investments
<b>Rationale for the benchmark applied</b>	We have changed the basis of materiality in the current year from Investments to Net Asset. This is as the Investment Trust has now been operating for a number of years since initial fundraise, with the funds raised, now invested in various investments. As such to be consistent with the approach followed for Investment Trusts, the basis of materiality was changed from Investments to Net Assets. The % chosen was set at 1.5% in the current year as the portfolio held is predominately made up of unquoted investments, with a significant portion of quoted investments, also held.	
<b>Performance materiality</b>	1.0	1.3
<b>Basis for determining performance materiality</b>	75% of materiality	75% of materiality
<b>Rationale for the percentage applied for performance materiality</b>	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	

## Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £66,000 (2022: £88,000) for the financial statements as a whole. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# Independent Auditor's Report to the Members of Schroder BSC Social Impact Trust plc

## Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

<b>Going concern and longer-term viability</b>	<ul style="list-style-type: none"> <li>• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and</li> <li>• The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate</li> </ul>
<b>Other Code provisions</b>	<ul style="list-style-type: none"> <li>• Directors' statement on fair, balanced and understandable;</li> <li>• Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;</li> <li>• The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and</li> <li>• The section describing the work of the audit committee.</li> </ul>

## Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

<b>Strategic report and Directors' report</b>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>• the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and</li> <li>• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
<b>Directors' remuneration</b>	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
<b>Matters on which we are required to report by exception</b>	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>• the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or</li> <li>• certain disclosures of Directors' remuneration specified by law are not made; or</li> <li>• we have not received all the information and explanations we require for our audit.</li> </ul>

# Independent Auditor's Report to the Members of Schroder BSC Social Impact Trust plc

## Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

### Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, the applicable accounting framework, and the Company's qualification as an Investment Trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

Our procedures in respect of the above included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- Reviewing minutes of meeting of those charged with governance throughout the period for instances of non-compliance with laws and regulations; and
- Reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain its Investment Trust Status.

### Fraud

We assessed the susceptibility of the financial statement to material misstatement including fraud.

Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

# Independent Auditor's Report to the Members of Schroder BSC Social Impact Trust plc

Based on our risk assessment, we considered the areas most susceptible to be valuation of unquoted investments and the risk of management override of controls in relation to the significant judgements made.

Our procedures in respect of the above included:

- In relation to the risk of management override of controls we assessed the significant judgements made by management as set out in the Key Audit Matters section of the report;
- In response to the risk of fraud in the valuation of the unquoted investments we performed the procedures set out in the Key Audit Matters section of the report;
- Recalculating investment management fees in total; and
- Obtaining independent confirmation of bank balances.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Vanessa-Jayne Bradley (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor  
London, UK

27 October 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Income Statement

For the year ended 30 June 2023

		2023			2022		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	2	-	(1,020)	(1,020)	-	632	632
Income from investments	3	2,695	-	2,695	1,817	-	1,817
Other interest receivable and similar income	3	77	-	77	40	-	40
<b>Gross return</b>		<b>2,772</b>	<b>(1,020)</b>	<b>1,752</b>	1,857	632	2,489
Investment management fees	4	(334)	(334)	(668)	(286)	(286)	(572)
Administrative expenses	5	(464)	-	(464)	(452)	-	(452)
Transaction costs		-	-	-	-	(22)	(22)
<b>Net return/(loss) before taxation</b>		<b>1,974</b>	<b>(1,354)</b>	<b>620</b>	1,119	324	1,443
Taxation	6	-	-	-	-	-	-
<b>Net return/(loss) after taxation</b>		<b>1,974</b>	<b>(1,354)</b>	<b>620</b>	1,119	324	1,443
<b>Return/(loss) per share</b>	7	<b>2.32p</b>	<b>(1.59)p</b>	<b>0.73p</b>	1.37p	0.40p	1.77p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other items of other comprehensive income, and therefore the net return after taxation is also the total comprehensive income for the year.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year (2022: none).

The notes on pages 78 to 90 form an integral part of these accounts.



# Statement of Changes in Equity

For the year ended 30 June 2023

## Year ended 30 June 2023

	Note	Called-up share capital £'000	Share premium £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 June 2022		853	10,571	72,993	4,373	1,126	89,916
Repurchase of the Company's own shares into treasury		-	-	(674)	-	-	(674)
Net (loss)/return after taxation		-	-	-	(1,354)	1,974	620
Dividends paid in the year	8	-	-	-	-	(1,109)	(1,109)
<b>At 30 June 2023</b>		<b>853</b>	<b>10,571</b>	<b>72,319</b>	<b>3,019</b>	<b>1,991</b>	<b>88,753</b>

## Year ended 30 June 2022

	Note	Called-up share capital £'000	Share premium £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 June 2021		750	-	72,993	4,049	435	78,227
Issue of ordinary shares		103	10,729	-	-	-	10,832
Share issue costs		-	(158)	-	-	-	(158)
Net return after taxation		-	-	-	324	1,119	1,443
Dividends paid in the year	8	-	-	-	-	(428)	(428)
<b>At 30 June 2022</b>		<b>853</b>	<b>10,571</b>	<b>72,993</b>	<b>4,373</b>	<b>1,126</b>	<b>89,916</b>

The notes on pages 78 to 90 form an integral part of these accounts.

# Statement of Financial Position at 30 June 2023

	Note	30 June 2023 £'000	30 June 2022 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	9	64,199	67,000
Investments held at amortised cost	9	22,583	21,832
		<b>86,782</b>	88,832
<b>Current assets</b>			
Debtors	10	401	206
Cash at bank and in hand		2,089	1,310
		<b>2,490</b>	1,516
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	11	(519)	(432)
<b>Net current assets</b>		<b>1,971</b>	1,084
<b>Total assets less current liabilities</b>		<b>88,753</b>	89,916
<b>Net assets</b>		<b>88,753</b>	89,916
<b>Capital and reserves</b>			
Called-up share capital	12	853	853
Share premium	13	10,571	10,571
Special reserve	13	72,319	72,993
Capital reserves	13	3,019	4,373
Revenue reserve	13	1,991	1,126
<b>Total equity shareholders' funds</b>		<b>88,753</b>	89,916
<b>Net asset value per share</b>	14	<b>104.90p</b>	105.39p

These accounts were approved and authorised for issue by the Board of Directors on 27 October 2023 and signed on its behalf by:

**Susannah Nicklin**  
Chair

The notes on pages 78 to 90 form an integral part of these accounts.

Registered in England and Wales as a public company limited by shares

**Company registration number: 12902443**

# Cash Flow Statement

For the year ended 30 June 2023

	Note	2023 £'000	2022 £'000
<b>Net cash inflow from operating activities</b>	15	<b>1,116</b>	873
<b>Investing activities</b>			
Purchases of investments		(7,833)	(31,411)
Sales of investments		9,279	4,516
<b>Net cash inflow/(outflow) from investing activities</b>		<b>1,446</b>	(26,895)
<b>Net cash inflow/(outflow) before financing</b>		<b>2,562</b>	(26,022)
<b>Financing activities</b>			
Dividend paid		(1,109)	(428)
Repurchase of the Company's own shares into treasury		(674)	-
Issue of Ordinary Shares		-	10,832
Share issue costs		-	(158)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(1,783)</b>	10,246
<b>Net cash inflow/(outflow) in the year</b>		<b>779</b>	(15,776)
<b>Cash at bank and in hand at the beginning of the year</b>		<b>1,310</b>	17,086
<b>Net cash inflow/(outflow) in the year</b>		<b>779</b>	(15,776)
<b>Cash at bank and in hand at the end of the year</b>		<b>2,089</b>	1,310

Included in net cash inflow from operating activities are dividends received amounting to £860,000 (year ended 30 June 2022: £723,000), income from debt securities amounting to £1,236,000 (year ended 30 June 2022: £1,039,000) and other interest receivable and similar income amounting to £70,000 (year ended 30 June 2022: £40,000).

The notes on pages 78 to 90 form an integral part of these accounts.

# Notes to the Accounts

## 1. Accounting Policies

### (a) Basis of accounting

Schroder BSC Social Impact Trust plc ("the Company") is registered in England and Wales as a public company limited by shares. The Company's registered office is 1 London Wall Place, London EC2Y 5AU.

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in July 2022. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value. The Directors believe that the Company has adequate resources to continue operating until 31 October 2024, which is at least 12 months from the date of approval of these accounts. In forming this opinion, the Directors have taken into consideration: the controls and monitoring processes in place; the Company's level of debt, undrawn commitments and other payables; the low level of operating expenses, comprising largely variable costs which would reduce pro rata in the event of a market downturn; the Company's cash flow forecasts and the liquidity of the Company's investments. In forming this opinion, the Directors have also considered any potential impact of climate change, and the risk/impact of elevated and sustained inflation and interest rates on the viability of the Company. The Company has additionally performed stress tests which confirm that a 50% fall in the market prices of the portfolio would not affect the Board's conclusions in respect of going concern. Further details of Directors' considerations regarding this are given in the Chair's Statement, Portfolio Managers' Review, Going Concern Statement, Viability Statement and under the Principal and emerging risks and uncertainties heading on page 47.

The accounts are presented in sterling and amounts have been rounded to the nearest thousand.

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 30 June 2022.

Certain judgements, estimates and assumptions have been required in valuing the Company's investments and these are detailed in note 19 on page 85.

### (b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. Investments with a fixed coupon and redemption amount are valued at amortised cost in accordance with FRS 102. Other financial assets are managed and their performance evaluated on a fair value basis, in accordance with a documented investment objective and information is provided internally on that basis to the Company's Board of Directors. Upon initial recognition these investments are designated by the Company as "held at fair value through profit or loss", included initially at cost and subsequently at fair value using the methodology below. This valuation process is consistent with International Private Equity and Venture Capital Guidelines issued in December 2022, which are intended to set out current best practice on the valuation of Private Capital investments.

- (i) Quoted bid prices for investments traded in active markets.
- (ii) The price of a recent investment, where there is considered to have been no material change in fair value.
- (iii) Where it is felt that a milestone has been reached or a target achieved, the Company may use the price of a recent investment adjusted to reflect that change.
- (iv) Investments in funds may be valued using the NAV per unit with an appropriate discount or premium applied to arrive at a unit price.
- (v) Price earnings multiples, based on comparable businesses.
- (vi) Industry benchmarks, where available.
- (vii) Discounted Cash Flow techniques, where reliable estimates of cash flows are available.

The above valuation methodologies are deemed to reflect the impact of climate change risk on the investments held.

Purchases and sales of quoted investments are accounted for on a trade date basis. Purchases and sales of unquoted investments are recognised when the related contract becomes unconditional.

### (c) Accounting for reserves

Gains and losses on sales of investments and the management fee or finance costs allocated to capital, are included in the Income Statement and dealt with in capital reserves. Increases and decreases in the valuation of investments held at the year end, are included in the Income Statement and in capital reserves within "Investment holding gains and losses".

For shares that are repurchased and held in treasury, the full cost is charged to the Special reserve.

# Notes to the Accounts

## (d) Income

Dividends receivable are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital.

Income from limited partnerships will be included in revenue on the income declaration date.

Income from fixed interest debt securities is recognised using the effective interest method.

Deposit interest outstanding at the year end is calculated and accrued on a time apportionment basis using market rates of interest.

## (e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to the revenue column of the Income Statement with the following exceptions:

- The management fee is allocated 50% to revenue and 50% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio.
- Expenses incidental to the purchase of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 9 (c) on page 83.

The underlying costs incurred by the Company's investments in collective funds are not included in the various expense disclosures.

## (f) Finance costs

Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest method and in accordance with FRS 102.

Finance costs are allocated 50% to revenue and 50% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio.

## (g) Financial instruments

Cash at bank and in hand may comprise cash, short-term deposits and highly liquid investments which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Other debtors and creditors do not carry any interest, are short-term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

Bank loans and overdrafts are initially measured at fair value and subsequently measured at amortised cost. They are recorded at the proceeds received net of direct issue costs. The Company had no bank loans or overdrafts at 30 June 2023 (2022: nil).

## (h) Taxation

Taxation on ordinary activities comprises amounts expected to be received or paid.

Tax relief is allocated to expenses charged to the capital column of the Income Statement on the "marginal basis". On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to the capital column.

As the Company continues to meet the conditions required to retain its status as an Investment Trust, any capital gains or losses arising on the revaluation or disposal of investments are exempt. The Company has no deferred tax asset, recognised or unrecognised at 30 June 2023 (2022: nil).

## (i) Value added tax ("VAT")

Expenses are disclosed inclusive of the related irrecoverable VAT.

## (j) Dividends payable

In accordance with FRS 102, dividends payable are included in the accounts in the year in which they are paid. Part, or all of any dividend declared may be designated as an "interest distribution", calculated in accordance with the investment trust income streaming rules and paid without deduction of any income tax.



# Notes to the Accounts

## 2. Gains on investments held at fair value through profit or loss

	2023 £'000	2022 £'000
(Losses)/gains on sales of investments based on historic cost	(642)	99
Amounts recognised in investment holding gains in the previous year in respect of investments sold in the year	537	12
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(105)	111
Net movement in investment holding (losses)/gains	(915)	521
(Losses)/gains on investments held at fair value in the current year through profit and loss	(1,020)	632

## 3. Income from investments

	2023 £'000	2022 £'000
Income from investments:		
UK dividends	1,133	752
Overseas dividends	163	20
Interest income from debt securities and other financial assets	1,399	1,045
	2,695	1,817
Other interest receivable and similar income:		
Deposit interest	37	2
Other income	40	38
	77	40
<b>Total income</b>	<b>2,772</b>	<b>1,857</b>

## 4. Investment management fees

	Revenue £'000	2023 Capital £'000	Total £'000	Revenue £'000	2022 Capital £'000	Total £'000
Investment management fees	334	334	668	286	286	572

The bases for calculating the investment management fees are set out in the Report of the Directors on page 54 and details of all amounts payable to the managers are given in note 17 on page 85.

## 5. Administrative expenses

	2023 £'000	2022 £'000
Other administrative expenses	261	263
Directors' fees <sup>1</sup>	141	137
Auditor's remuneration for the audit of the Company's annual accounts <sup>2</sup>	62	52
	464	452

<sup>1</sup>Full details are given in the remuneration report on pages 65 to 66

<sup>2</sup>Includes VAT amounting to £12,000 (2022: £9,000).

# Notes to the Accounts

## 6. Taxation

### (a) Analysis of tax charge for the year

	Revenue £'000	2023 Capital £'000	Total £'000	Revenue £'000	2022 Capital £'000	Total £'000
Taxation for the year	-	-	-	-	-	-

The Company has no corporation tax liability for the year ended 30 June 2023 (2022: nil).

### (b) Factors affecting tax charge for the year

	Revenue £'000	2023 Capital £'000	Total £'000	Revenue £'000	2022 Capital £'000	Total £'000
Net return before taxation	1,974	(1,354)	620	1,119	324	1,443
Net return before taxation multiplied by the Company's applicable rate of corporation tax for the year of 20.5% (2022: 19%)	405	(278)	127	213	62	275
Effects of:						
Capital gains on investments	-	210	210	-	(120)	(120)
Tax deductible interest distribution	(405)	68	(337)	(213)	54	(159)
Expenses not deductible for corporation tax purposes	-	-	-	-	4	4
Taxation on ordinary activities	-	-	-	-	-	-

UK Corporation Tax rate has increased from 19% to 25% with effect from 1 April 2023.

### (c) Deferred taxation

The Company has met the condition to retain its status as an Investment Trust Company. The Company has no unrecognised deferred tax asset (2022: nil).

## 7. Return per share

	2023 £'000	2022 £'000
Revenue return	1,974	1,119
Capital return	(1,354)	324
Total return	620	1,443
Weighted average number of shares in issue during the year	85,132,892	81,387,804
Revenue return per share	2.32p	1.37p
Capital return per share	(1.59)p	0.40p
Total return per share	0.73p	1.77p

There are no dilutive instruments, the return per share is actual return.

## 8. Dividends

	2023 £'000	2022 £'000
2022 final dividend of 1.30p (2021: 0.57p) paid out of revenue profits as an interest distribution	1,109	428
2023 final dividend proposed of 2.30p (2022: 1.30p), to be paid out of revenue profits	1,946	1,109

The 2023 final dividend of 2.30p will be split between a 2.16p interest distribution and a 0.14p equity dividend (2022: 1.30p was interest distribution).

The proposed final dividend amounting to £1,946,000 (2022: £1,109,000) is the amount used for the basis of determining whether the Company has satisfied the distribution requirements of Section 1158 of the Corporation Tax Act 2010. The revenue available for distribution by way of dividend for the year is £1,974,000 (2022: £1,119,000).

# Notes to the Accounts

## 9. Fixed assets

### (a) Movement in investments

	Investments held at fair value through profit or loss £'000	2023 Investments held at amortised cost £'000	Total £'000	Investments held at fair value through profit or loss £'000	2022 Investments held at amortised cost £'000	Total £'000
Opening book cost	62,267	21,832	84,099	37,169	21,142	58,311
Opening investment holding gains	4,733	-	4,733	4,200	-	4,200
Opening fair value	67,000	21,832	88,832	41,369	21,142	62,511
Purchases at cost	7,269	980	8,249	31,411	3,195	34,606
Sales proceeds	(9,050)	(229)	(9,279)	(6,101)	(2,816)	(8,917)
(Losses)/gains on investments held at fair value through profit or loss	(1,020)	-	(1,020)	321	311	632
Closing fair value	64,199	22,583	86,782	67,000	21,832	88,832
Closing book cost	59,844	22,583	82,427	62,267	21,832	84,099
Closing investment holding gains	4,355	-	4,355	4,733	-	4,733
Closing fair value	64,199	22,583	86,782	67,000	21,832	88,832

### (b) Unquoted investments, including investments quoted in inactive markets

#### Material revaluations of unquoted investments during the year

Investment	Opening valuation at 30 June 2022 £'000	Purchases £'000	Revaluation £'000	Distributions £'000	Closing valuation at 30 June 2023 £'000
Bridges Evergreen Capital LP	14,451	-	(1,701)	-	12,750
Man GPM RI Community Housing 1 LP	5,202	2,930	397	(383)	8,146
UK Affordable Housing Fund	9,848	-	351	-	10,199

#### Material revaluations of unquoted investments during the year ended 30 June 2022

Investment	Opening valuation at 30 June 2021 £'000	Purchases £'000	Revaluation £'000	Distributions £'000	Closing valuation at 30 June 2022 £'000
Community Investment fund	-	4,500	957	-	5,457

#### Material disposals of unquoted investments during the year

Investment	Book cost £'000	2023 Sales proceeds £'000	Realised gain/(loss) £'000
Resonance Real Lettings Property Fund LP	990	990	-

# Notes to the Accounts

## Material disposals of unquoted investments during the year ended 30 June 2022

Investment	Book cost £'000	2022 Sales proceeds £'000	Realised gain/(loss) £'000
Man GPM RI Community Housing 1 LP	851	851	–

There were no material disposals of unquoted investments during the year ended 30 June 2022.

### (c) Transaction costs

The following transaction costs, comprising stamp duty and legal fees, were incurred in the year:

	2023 £'000	2022 £'000
On acquisitions	–	12
On disposals	–	–
	–	12

## 10. Current assets

Debtors	2023 £'000	2022 £'000
Dividends and interest receivable	382	193
Other debtors	19	13
	401	206

The Directors consider that the carrying amount of debtors approximates to their fair value.

## 11. Current liabilities

### Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Other creditors and accruals	519	432

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

## 12. Called-up share capital

	2023 £'000	2022 £'000
Ordinary Shares of 1p each, allotted, called up and fully paid:		
Opening balance of 85,316,586 (2022: 75,000,000) shares	853	750
Repurchase of 711,720 (2022: nil) shares into treasury	(7)	–
Placing of nil (2022: 10,316,586) shares	–	103
Subtotal of 84,604,866 (2022: 85,316,586) shares	846	853
711,720 (2022: nil) shares held in treasury	7	–
Closing balance <sup>1</sup>	853	853

<sup>1</sup>Represents 85,316,586 (2022: 85,316,586) shares of 1p each, including 711,720 (2022: nil) held in treasury.

During the year, the Company repurchased 711,720 of its own shares, nominal value £7,117, to hold in treasury, representing 0.83% of the shares outstanding at the beginning of the year. The total consideration paid for these shares amounted to £674,000. The reason for these purchases was to seek to manage the volatility of the share price discount to NAV per share.

# Notes to the Accounts

## 13. Reserves

### Year ended 30 June 2023

	Share premium <sup>1</sup> £'000	Special reserve <sup>2</sup> £'000	Capital reserves Gains and losses on sales of investments <sup>3</sup> £'000	Investment holding gains and losses <sup>4</sup> £'000	Revenue reserve <sup>5</sup> £'000
Opening balance	10,571	72,993	(360)	4,733	1,126
Losses on sales of investments based on the carrying value at the previous balance sheet date	-	-	(105)	-	-
Net movement in investment holding losses	-	-	-	(915)	-
Transfer on disposal of investments	-	-	(537)	537	-
Repurchase of the Company's own shares into treasury	-	(674)	-	-	-
Management fees allocated to capital	-	-	(334)	-	-
Dividends paid	-	-	-	-	(1,109)
Retained revenue for the year	-	-	-	-	1,974
<b>Closing balance</b>	<b>10,571</b>	<b>72,319</b>	<b>(1,336)</b>	<b>4,355</b>	<b>1,991</b>

### Year ended 30 June 2022

	Share premium <sup>1</sup> £'000	Special reserve <sup>2</sup> £'000	Capital reserves Gains and losses on sales of investments <sup>3</sup> £'000	Investment holding gains and losses <sup>4</sup> £'000	Revenue reserve <sup>5</sup> £'000
Opening balance	-	72,993	(151)	4,200	435
Proceeds of placing	10,729	-	-	-	-
Expenses of placing	(158)	-	-	-	-
Gains on sales of investments based on the carrying value at the previous balance sheet date	-	-	111	-	-
Net movement in investment holding gains	-	-	-	521	-
Transfer on disposal of investments	-	-	(12)	12	-
Management fees allocated to capital	-	-	(286)	-	-
Transaction costs	-	-	(22)	-	-
Dividend paid	-	-	-	-	(428)
Retained revenue for the year	-	-	-	-	1,119
<b>Closing balance</b>	<b>10,571</b>	<b>72,993</b>	<b>(360)</b>	<b>4,733</b>	<b>1,126</b>

The Company's Articles of Association permit dividend distributions out of realised capital profits.

<sup>1</sup>Share premium is a non distributable reserve and represents the amount by which the fair value of the consideration received from shares issued exceeds the nominal value of shares issued.

<sup>2</sup>This is a distributable capital reserve arising from the cancellation of the share premium, and may be distributed as dividends or used to repurchase the Company's own shares.

<sup>3</sup>This is a realised (distributable) capital reserve and may be distributed as dividends or used to repurchase the Company's own shares.

<sup>4</sup>This reserve may include some holding gains on liquid investments (which may be deemed to be realised) and other amounts which are unrealised. An analysis has not been made between those amounts that are realised (and may be distributed as dividends or used to repurchase the Company's own shares) and those that are unrealised.

<sup>5</sup>The revenue reserve may be distributed as dividends or used to repurchase the Company's own shares.

## 14. Net asset value per share

	2023	2022
Net assets attributable to shareholders (£'000)	88,753	89,916
Shares in issue at the year end	84,604,866	85,316,586
Net asset value per share	104.90p	105.39p



# Notes to the Accounts

## 15. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	2023 £'000	2022 £'000
Total return before taxation	620	1,443
Less capital return before taxation	1,354	(324)
Less accumulation dividends <sup>1</sup>	(416)	(51)
(Increase)/decrease in prepayments and accrued income	(189)	14
(Increase)/decrease in other debtors	(6)	1
Increase in other creditors	87	98
Management fee and transaction costs allocated to capital	(334)	(308)
<b>Net cash inflow from operating activities</b>	<b>1,116</b>	<b>873</b>

<sup>1</sup>Accumulation dividends are capitalised to investments.

## 16. Uncalled capital commitments

At 30 June 2023, the Company had uncalled capital commitments amounting to £8,749,000 (2022: £17,392,000) in respect of follow-on investments, which may be drawn down or called by investee entities, subject to standard notice periods.

## 17. Transactions with the Managers

Under the terms of the Alternative Investment Fund Manager Agreement, the Manager is entitled to receive a management fee. Details of the basis of the calculation are given in the Directors' Report on page 54.

The fee payable to the Manager in respect of the year ended 30 June 2023 amounted to £614,000 (2022: £512,000), of which £307,000 (2022: £171,000) was outstanding at the year end. Any investments in funds managed or advised by the Manager or any of its associated companies, are excluded from the assets used for the purpose of the calculation and therefore incur no fee.

Under the terms of the Investment Management Agreement, the Manager may reclaim from the Company certain expenses paid by the Manager on behalf of the Company to HSBC in connection with accounting and administrative services provided to the Company. These charges amounted to £66,000 for the year ended 30 June 2023 (2022: £96,000), and the whole of this amount (2022: same) was outstanding at the year end.

No Director of the Company served as a Director of any company within the Schroder Group at any time during the year, or prior period.

In accordance with the terms of a discretionary mandate between the Company, Big Society Capital Limited and Rathbone Investment Management Limited is entitled to receive a management fee for portfolio management services relating to certain of the Company's investments. Details of the basis of the calculation are given in the Directors' Report on page 54. The fee payable to Rathbone in respect of the year ended 30 June 2023 amounted to £55,000, (2022: £61,000) of which £13,000 (2022: £14,000) was outstanding at the year end.

## 18. Related party transactions

Details of the remuneration payable to directors are given in the Directors' Remuneration Report on page 64 and details of Directors' shareholdings are given in the Directors' Remuneration Report on page 65. Details of transactions with the Managers are given in note 17 above. There have been no other transactions with related parties during the year or prior period.

## 19. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise certain investments held in its investment portfolio.

FRS 102 requires that financial instruments held at fair value are categorised into a hierarchy consisting of the three levels below. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement.

Level 1 – valued using unadjusted quoted prices in active markets for identical assets.

Level 2 – valued using observable inputs other than quoted prices included within Level 1.

Level 3 – valued using inputs that are unobservable.

# Notes to the Accounts

Details of the Company's policy for valuing investments are given in note 1(b) on page 78. Level 3 investments have been valued in accordance with note 1(b)(ii) to (vii).

The Company's unlisted investments held at fair value are valued using a variety of techniques consistent with the recommendations set out in the International Private Equity and Venture Capital guidelines. Investments in third-party managed funds were valued by reference to the most recent net asset value provided by the relevant manager. The valuation methods adopted by third-party managers include using comparable company multiples, net asset values, assessment of comparable company performance and assessment of milestone achievement at the investee. For certain investments, such as High Impact Housing, the third-party manager may appoint external valuers to periodically value the underlying portfolio of assets. The valuations of third-party managed funds will also be subject to an annual audit. The valuations of all investments are considered by the Portfolio Manager and recommended to the AIFM, who in turn recommends them to the Company. Where it is deemed appropriate, the Portfolio Manager may recommend an adjusted valuation to the extent that the adjusted valuation represents the Portfolio Manager's view of fair value.

At 30 June, the Company's investment held at fair value, were categorised as follows:

	2023 £'000	2022 £'000
Level 1	9,342	16,847
Level 2	–	–
Level 3	54,857	50,153
Total	64,199	67,000

There have been no other transfers between Levels 1, 2 or 3 during the year (2022: nil).

Movements in fair value measurements included in Level 3 during the year are as follows:

	2023 £'000	2022 £'000
Opening book cost	44,693	26,222
Opening investment holding gains	5,460	4,244
Opening fair value of Level 3 investments	50,153	30,466
Purchases at cost	6,957	18,471
Sales proceeds	(1,742)	–
Net gains on investments	(511)	1,216
Closing fair value of Level 3 investments	54,857	50,153
Closing book cost	49,908	44,693
Closing investment holding gains	4,949	5,460
Closing fair value of Level 3 investments	54,857	50,153

## 20. Financial instruments' exposure to risk and risk management policies

The Company's objectives are set out on the inside front cover of this report. In pursuing these objectives, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

These financial risks include market risk (comprising interest rate risk and other price risk), liquidity risk and credit risk.

The Directors' policy for managing these risks is set out below. The Board coordinates the Company's risk management policy. The Company has no significant exposure to foreign exchange risk on monetary items.

The Company's classes of financial instruments may comprise the following:

- investments in collective funds, listed and unlisted bonds, shares of quoted and unquoted companies which are held in accordance with the Company's investment objective;
- debtors, creditors, short-term deposit and cash arising directly from its operations;
- bank loans used for investment purposes; and
- derivatives used for efficient portfolio management or currency hedging.

# Notes to the Accounts

## (a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises two elements: interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these two elements of market risk is given in parts (i) and (ii) of this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

### (i) Interest rate risk

Interest rate movements may affect the level of income receivable on investments carrying a floating interest rate coupon, cash balances and interest payable on any loans or overdrafts when interest rates are re-set.

#### Management of interest rate risk

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Company may borrow from time to time, but gearing will not exceed 20 per cent of net asset value at the time of drawing. Gearing is defined as borrowings less cash, expressed as a percentage of net assets. The Company has arranged an overdraft facility with HSBC Bank plc but it has not been utilised during the year or prior year.

#### Interest rate exposure

The exposure of financial assets and financial liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below:

	2023 £'000	2022 £'000
Exposure to floating interest rates:		
Investments carrying a floating interest rate coupon	5,603	4,852
Cash at bank and in hand	2,089	1,310
	<b>7,692</b>	6,162

Sterling cash balances at call earn interest at floating rates based on the Sterling Overnight Interest Average rates ("SONIA"). The above year end amounts are broadly representative of the exposure to interest rates during the year and prior year.

#### Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.75% (2022: 0.75%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the accounting date with all other variables held constant.

	2023		2022	
	0.75% increase in rate £'000	0.75% decrease in rate £'000	0.75% increase in rate £'000	0.75% decrease in rate £'000
Income statement – return after taxation				
Revenue return	58	(58)	46	(46)
Capital return	–	–	–	–
Total return after taxation	<b>58</b>	<b>(58)</b>	46	(46)
Net assets	<b>58</b>	<b>(58)</b>	46	(46)

### (ii) Other price risk

Other price risk includes changes in market prices which may affect the value of investments.

#### Management of other price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The portfolio management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an

# Notes to the Accounts

acceptable risk/reward profile. The Board may authorise the Manager to enter derivative transactions for the purpose of currency hedging, although non-sterling exposures are expected to be limited.

## Market price risk exposure

The Company's total exposure to changes in market prices at 30 June comprises the following:

	2023 £'000	2022 £'000
Investments held at fair value through profit or loss	64,199	67,000

The above data is broadly representative of the exposure to market price risk during the period.

## Concentration of exposure to market price risk

An analysis of the Company's investments is given on pages 34 and 35. This shows a concentration of exposure to the social housing sector in the United Kingdom.

## Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the period and net assets to an increase or decrease of 10% in the fair values of the Company's investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's exposure to the underlying investments and includes the impact on the management fee but assumes that all other variables are held constant.

	2023		2022	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	(26)	26	(27)	27
Capital return	6,394	(6,394)	6,673	(6,673)
Total return after taxation and net assets	6,368	(6,368)	6,646	(6,646)
Percentage change in net asset value	7.2%	(7.2%)	7.4%	(7.4%)

## (b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

## Management of the risk

The Portfolio Manager monitors the cash position to ensure sufficient is available to meet the Company's financial obligations. For this purpose, the Portfolio Manager may retain up to 20% of net assets in Liquidity Assets, other liquid investments and a reserve of cash. The Company has also arranged an overdraft facility with HSBC Bank plc.

## Liquidity risk exposure

Contractual maturities of financial liabilities, based on the earliest date on which payment can be required are as follows:

	2023		2022	
	Three months or less £'000	Total £'000	Three months or less £'000	Total £'000
<b>Creditors: amounts falling due within one year</b>				
Other creditors and accruals	(519)	(519)	(432)	(432)
	(519)	(519)	(432)	(432)

# Notes to the Accounts

## (c) Credit risk

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Company.

### *Credit risk exposure*

The Company is exposed to credit risk principally from debt securities held, loans and receivables and cash deposits.

### *Portfolio dealing*

The credit ratings of broker counterparties are monitored by the AIFM and limits are set on exposure to any one broker.

### *Exposure to the Custodian*

The custodian of the Company's assets is HSBC Bank plc which has long-term Credit Ratings of AA- with Fitch and Aa3 with Moody's.

Any assets held by the custodian will be held in accounts which are segregated from the custodian's own trading assets. If the custodian were to become insolvent, the Company's right of ownership of those investments is clear and they are therefore protected. However the Company's cash balances are all deposited with the custodian as banker and held on the custodian's balance sheet. Accordingly, in accordance with usual banking practice, the Company will rank as a general creditor to the custodian in respect of cash balances.

### *Exposure to debt securities*

The Portfolio Manager's investment process ensures that potential investments are subject to robust analysis, appropriate due diligence and approval by an investment committee. Pre-investment checks are made to prevent breach of the Company's investment limits, which are designed to ensure a diversified portfolio to manage risk. Debt securities are subject to continuous monitoring and quarterly reports are presented to the Board.

### *Credit risk exposure*

The following amounts shown in the Statement of Financial Position, represent the maximum exposure to credit risk at the year end:

	2023		2022	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
<b>Fixed assets</b>				
Investments held at fair value through profit	64,199	–	67,000	–
Investments held at amortised cost (debt securities)	22,583	22,583	21,832	21,832
<b>Current assets</b>				
Debtors	401	401	206	206
Cash at bank and in hand	2,089	2,089	1,310	1,310
	<b>89,272</b>	<b>25,073</b>	90,348	23,348

## (d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either carried in the balance sheet at fair value, or the balance sheet amount is a reasonable approximation of fair value.



# Notes to the Accounts

## 21. Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern, and to maximise the income and capital return to its equity shareholders.

The Company's capital structure comprises the following:

	2023 £'000	2022 £'000
<b>Equity</b>		
Called-up share capital	853	853
Reserves	87,900	89,063
<b>Total equity</b>	<b>88,753</b>	89,916

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review will include:

- the possible use of gearing, which will take into account the Manager's views on the market;
- the potential benefit of repurchasing the Company's own shares for cancellation or holding in treasury, which will take into account the share price discount;
- the opportunity for issue of new shares; and
- the amount of dividend to be paid, in excess of that which is required to be distributed.

## 22. Events after the accounting date that have not been reflected in the financial statements

There have been no events we are aware of since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of note.

# Annual General Meeting – Recommendations

The Annual General Meeting (“AGM”) of the Company will be held on Friday, 15 December 2023 at 12.00 p.m. The formal Notice of Meeting is set out on page 92.

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your ordinary shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

## Ordinary business

Resolutions 1 to 9 are all ordinary resolutions. Resolution 1 is a required resolution. Resolution 2 concerns the Company's payment of interim dividends. Resolution 3 concerns the Directors' Remuneration Report, on pages 63 to 65.

Resolutions 4 to 7 invite shareholders to re-elect each of the Directors for a further year, following the recommendations of the Nomination Committee, set out on pages 61 and 62 (their biographies are set out on pages 51 and 52).

Resolutions 8 and 9 concern the re-appointment and remuneration of the Company's Auditor, discussed in the Audit and Risk Committee Report on pages 57 and 59.

## Special business

### Resolution 10 – Directors' authority to allot shares (ordinary resolution) and resolution 11 – power to disapply pre-emption rights (special resolution)

The Directors are seeking authority to allot a limited number of unissued ordinary shares for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures.

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £84,155 (being 10% of the issued share capital (excluding any shares held in treasury) as at 26 October 2023).

A special resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £84,155 (being 10% of the issued share capital as at 26 October 2023) on a non pre-emptive basis. This authority includes shares that the Company sells or transfers that have been held in treasury. The Directors do not intend to allot ordinary shares or sell treasury shares, on a non pre-emptive basis, pursuant to this authority other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company as a whole. Shares issued or treasury shares reissued, under this authority, will be at a price that is equal to or greater than the Company's NAV per share, plus any

applicable costs, as at the latest practicable date before the allotment of such shares.

If approved, both of these authorities will expire at the conclusion of the AGM in 2024 unless renewed, varied or revoked earlier.

### Resolution 12: authority to make market purchases of the Company's own shares (special resolution)

At the AGM held on 2 December 2022, the Company was granted authority to make market purchases of up to 12,788,956 ordinary shares for cancellation or holding in treasury. 1,161,644 ordinary shares were bought back under this authority and the Company therefore has remaining authority to purchase up to 11,627,312 ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to NAV. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at 26 October 2023 (excluding treasury shares). The Directors will exercise this authority to buy back shares only when the share price is at a discount to the Company's NAV and only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential reissue.

If renewed, this authority will lapse at the conclusion of the AGM in 2024 unless renewed, varied or revoked earlier.

### Resolution 13: notice period for general meetings (special resolution)

Resolution 13 set out in the Notice of AGM is a special resolution and will, if passed, allow the Company to hold general meetings (other than annual general meetings) on a minimum notice period of 14 clear days, rather than 21 clear days as required by the Companies Act 2006. The approval will be effective until the Company's next AGM to be held in 2024. The Directors will only call general meetings on 14 clear days' notice when they consider it to be in the best interests of the Company's shareholders and will only do so if the Company offers facilities for all shareholders to vote by electronic means and when the matter needs to be dealt with expediently.

## Recommendations

The Board considers that the resolutions relating to the above items of business are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the above resolutions and the other resolutions to be proposed at the forthcoming AGM, as they intend to do in respect of their own beneficial holdings.

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Schroder BSC Social Impact Trust plc will be held on Friday, 15 December 2023 at 12.00 p.m. at 1 London Wall Place, London EC2Y 5AU to consider the following resolutions, of which resolutions 1 to 10 will be proposed as ordinary resolutions, and resolutions 11 to 13 will be proposed as special resolutions:

## ORDINARY BUSINESS

1. To receive the Annual Report and Accounts for the year ended 30 June 2023.
2. To authorise the Directors of the Company to declare and pay all dividends of the Company as interim dividends and for the last dividend referable to a financial year not to be categorised as a final dividend that is subject to shareholder approval.
3. To approve the Directors' Remuneration Report for the year ended 30 June 2023.
4. To approve the re-election of Susannah Nicklin as a Director of the Company.
5. To approve the re-election of Mike Balfour as a Director of the Company.
6. To approve the re-election of James B. Broderick as a Director of the Company.
7. To approve the re-election of Alice Chapple as a Director of the Company.
8. To re-appoint BDO LLP as auditor to the Company.
9. To authorise the Directors to determine the remuneration of BDO LLP as auditor to the Company.

## SPECIAL BUSINESS

10. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"THAT in substitution for all existing authorities the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £84,155 (being 10% of the issued ordinary share capital, excluding treasury shares, at 26 October 2023) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company in 2024, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement."

11. To consider and, if thought fit, to pass the following resolution as a special resolution:

"THAT, subject to the passing of Resolution 10 set out above, the Directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said Resolution 10 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £84,155 (representing 10% of the aggregate nominal amount of the share capital, excluding treasury shares, in issue at 26 October 2023); and where equity securities are issued pursuant to this power they will only be issued at a price which is equal or greater than the

Company's NAV per share as at the latest practicable date before the allotment; and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."

12. To consider and, if thought fit, to pass the following resolution as a special resolution:

"THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 1p each in the capital of the Company ("Share") at whatever discount the prevailing market price represents to the prevailing net asset value per Share provided that:

- (a) the maximum number of Shares which may be purchased is 12,614,826, representing 14.99% of the Company's issued ordinary share capital as at 26 October 2023 (excluding treasury shares);
- (b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of;
  - i) 105% of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and
  - ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;
- (c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 1p, being the nominal value per Share;
- (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2024 (unless previously renewed, varied or revoked by the Company prior to such date);
- (e) the Company may make a contract to purchase Shares under the authority hereby conferred which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract; and
- (f) any Shares so purchased will be cancelled or held in treasury."

13. To consider and, if thought fit, to pass the following resolution as a special resolution:

THAT a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.

By order of the Board

**Schroder Investment Management Limited**  
Company Secretary

27 October 2023

Registered Office:  
1 London Wall Place,  
London EC2Y 5AU  
Registered Number: 12892325

# Explanatory Notes to the Notice of Meeting

1. Ordinary shareholders are entitled to attend, ask questions and vote at the meeting and to appoint one or more proxies, who need not be a shareholder, as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting.

A proxy form is attached. Shareholders are encouraged to appoint the Chair as proxy. If you wish to appoint a person other than the Chair as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on +44 (0)800 032 0641, or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

On a vote by show of hands, every ordinary shareholder who is present in person has one vote and every duly appointed proxy who is present has one vote. On a poll vote, every ordinary shareholder who is present in person or by way of a proxy has one vote for every share of which he/she is a holder. Voting will be by poll.

The "Vote Withheld" option on the proxy form is provided to enable you to abstain on any particular resolution. However it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution. A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at [www.sharevote.co.uk](http://www.sharevote.co.uk). Shareholders who are not registered to vote electronically, will need to enter the Voting ID, Task ID and Shareholder Reference Number set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at [www.shareview.co.uk](http://www.shareview.co.uk) using their user ID and password.

Once logged in simply click "View" on the "My Investments" page, click on the link to vote then follow the on-screen instructions. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 12 noon on 13 December 2023. If you have any difficulties with online voting, you should contact the shareholder helpline on +44 (0)800 032 0641.

If an ordinary shareholder submits more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence. Shareholders may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents to communicate with the Company for any purposes other than expressly stated.

Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the Annual General Meeting.

2. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
- The statement of the rights of ordinary shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.30 p.m. on 13 December 2023, or 6.30 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.30 p.m. on 13 December 2023 shall be disregarded in determining the right of any person to attend and vote at the meeting.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at [www.euroclear.com](http://www.euroclear.com). A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to [www.proxymity.io](http://www.proxymity.io). Your proxy must be lodged by 12 noon

# Explanatory Notes to the Notice of Meeting

on 13 December 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

5. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of their family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.
6. The biographies of the Directors offering themselves for re-election are set out on pages 51 and 52 of the Company's Annual Report and Accounts for the year ended 30 June 2023.
7. As at 26 October 2023, 85,316,586 ordinary shares of 1 pence each were in issue (1,161,644 were held in treasury). Therefore the total number of voting rights of the Company as at 26 October 2023 was 84,154,942.
8. A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the Company's website, [www.schroders.co.uk/sbsi](http://www.schroders.co.uk/sbsi).
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.
10. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to:
  - (a) the audit of the Company's Accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting; or
  - (b) any circumstance connected with an auditor of the Company ceasing to hold office since the last AGM, that the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.
11. The Company's privacy policy is available on its website. Shareholders can contact Equiniti for details of how Equiniti processes their personal information as part of the AGM.



# Definitions of Terms and Performance Measures

The terms and performance measures below are those commonly used by investment companies to assess values, investment performance and operating costs. Numerical calculations are given where relevant. Some of the financial measures below are classified as Alternative Performance Measures ("APMs") as defined by the European Securities and Markets Authority. Under this definition, APMs include a financial measure of historical financial performance or financial position, other than a financial measure defined or specified in the applicable financial reporting framework. APMs have been marked with an asterisk.

## Net asset value ("NAV") per share

The NAV per share of 104.90p (2022: 105.39p) represents the net assets attributable to equity shareholders of £88,753,000 (2022: £89,916,000) divided by the 84,604,866 (2022: 85,316,586) shares in issue at the year end.

## Total return\*

The combined effect of any dividends paid, together with the rise or fall in the share price or NAV per share. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either the assets of the Company at its NAV per share at the time the shares were quoted ex-dividend (to calculate the NAV per share total return) or in additional shares of the Company (to calculate the share price total return).

The NAV total return for the year ended 30 June 2023 is calculated as follows:

Opening NAV at 30/6/22	105.39p
Closing NAV at 30/6/23	104.90p

Dividend received	XD date	NAV on XD date	Factor
1.30p	3/11/22	104.29p	1.0124

NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage change in the opening NAV: +0.78

The NAV total return for the year ended 30 June 2022 is calculated as follows:

Opening NAV at 30/6/21	104.30p
Closing NAV at 30/6/22	105.39p

Dividend received	XD date	NAV on XD date	Factor
0.57p	28/10/21	103.92p	1.0055

NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage change in the opening NAV: +1.6%

The share price total return for the year ended 30 June 2023 is calculated as follows:

Opening share price at 30/6/22	106.50p
Closing share price at 30/6/23	93.50p

Dividend received	XD date	Share price on XD date	Factor
1.30p	3/11/22	96.50p	1.0135

Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage change in the opening share price: -11.0%

The share price total return for the year ended 30 June 2022 is calculated as follows:

Opening share price at 30/6/21	103.50p
Closing share price at 30/6/22	106.50p

Dividend received	XD date	Share price on XD date	Factor
0.57p	28/10/2021	103.50p	1.0055

Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage change in the opening share price: +3.5%

## Discount/premium\*

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. The discount or premium is expressed as a percentage of the NAV per share. The discount at the year end amounted to 10.9% (2022: 1.1% premium), as the closing share price at 93.50p (2022: 106.50p) was 10.9% lower (2022: 1.1% higher) than the closing NAV of 104.90p (2022: 105.39p).

## Gearing/(net cash)\*

The gearing percentage reflects the amount of borrowings (that is, bank loans or overdrafts) that the Company has used to invest in the market. This figure is indicative of the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. Gearing is defined as: borrowings used for investment purposes, less cash, expressed as a percentage of net assets. A negative figure so calculated is termed a "net cash" position.

At the year end, the Company had no loans or overdrafts, and thus was in a net cash position, calculated as follows:

	2023 £'000	2022 £'000
Borrowings/(net cash) used for investment purposes	(2,089)	(1,310)
Net assets	88,753	89,916
Net cash	(2.4)%	(1.5)%

# Definitions of Terms and Performance Measures

## Ongoing Charges\*

Ongoing Charges (OGC) is calculated in accordance with the AIC's recommended methodology and represents total annualised operating expenses payable including any management fee, but excluding any finance costs and transaction costs, expressed as a percentage of the average daily net asset values during the year. The operating expenses calculated as above amounted to £1,132,000 (2022: £1,024,000) for the year. This amount, expressed as a percentage of the average net asset values during the year of £89.4 million (2022: £84.1 million), gives an OGC figure of 1.27% (2022: 1.22%).

## Leverage\*

For the purpose of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as the ratio of the Company's exposure to its net asset value and is required to be calculated both on a "Gross" and a "Commitment" method. Under the Gross method, exposure represents the sum of the absolute values of all positions, so as to give an indication of overall exposure. Under the Commitment method, exposure is calculated in a similar way, but after netting off hedges which satisfy certain strict criteria. The leverage ratios and limits are presented on page 101 under Shareholder Information.

\*Alternative Performance Measures

# Methodological notes

## 1. Number of beneficiaries

The Company reports on the total number of beneficiaries reached directly by frontline organisations within the portfolio, and also reports on the subset of the total that is attributable to the Company's investment.

### Total beneficiaries:

This is an aggregation of the beneficiaries reached across the three asset classes in which the Company invests:

- Housing – the total number of people provided with homes by housing initiatives financed by organisations supported by the Company.
- Debt and Equity for Social Enterprises – the total number of people provided with services or products by organisations and projects financed by organisations supported by the Company.
- Social Outcomes Contracts – the total number of people provided with services by partnerships financed by the Bridges Social Outcomes Fund II.

### The total figure includes:

- Where the finance is targeted at a specific project (e.g. full finance for a frontline organisation to use for a specific purpose such as development of a new housing asset) the total number of beneficiaries reached by the project.
- Where the finance is targeted towards an organisation's resilience and/or growth, the total number served by an organisation since investment.

Approach for the Company's investment in the Triodos Bank Bond: The £5.7m Triodos Bank Bond contributes to Triodos Bank's capitalisation, enabling the bank to leverage by eight times to provide at least £45.6m in loans, within a larger loanbook. Triodos Bank reports to the Company on social impact for its entire loanbook, however the Company's calculation for total beneficiaries reached by the Bank Bond is based only on the Company's proportionate share of loans made possible by the Bond.

### Share of beneficiaries attributed to the Company:

This report includes the attributed share of total beneficiaries and other key impact metrics, based on the Company's investment as a proportion of the frontline investee's total capital.

## 2. Reporting on contribution to impact

Investment and non-financial support provided through the Company and underlying fund managers makes a significant contribution towards positive impact: however we recognise this as one set of inputs among many that are instrumental in portfolio organisations achieving positive outcomes for people. The contribution of an investment towards the outcomes achieved by investee organisations is highly variable and may depend on the size and purpose of the investment, the effect this has on a fund, a frontline organisation's ability to raise capital from other sources, and the nature of non-financial support provided to fund managers and frontline organisations. Given the wide range of variables, this report focuses on providing a clear picture of the impact achieved by organisations with contribution

from the Company, and offers the Company attributed figures as a proxy based indicative estimate to support investor requirements for aggregation and onward reporting.

## 3. Disadvantaged and Vulnerable Beneficiaries

The number of people served who are from disadvantaged or vulnerable backgrounds is a key performance indicator for the Company. We define this as people or groups who are at risk of harm or disadvantage, including:

- People living in poverty and/or financial exclusion
- People experiencing homelessness and people at risk of homelessness
- People with long-term health and disability conditions
- Vulnerable children and vulnerable young people
- People with learning disabilities and other neurodivergences
- People with mental health needs
- Victims of domestic violence/abuse
- Refugees, asylum seekers, undocumented and other migrants
- Ex-offenders
- Voluntary carers
- Vulnerable parents (e.g. single parents)
- Older people with acute conditions

## 4. Partner track record/age

The track record of frontline organisations is a high-level indicator used to assess impact risk across the Company's portfolio. The average track record for the portfolio is based on weighted average (by the Company's commitment) of the age of all frontline organisations financed through the Company's investments, taken from the date of the organisation's formal registration to the current reporting period.

## 5. UN Sustainable Development Goal (SDG) alignment

The frontline organisations in the Company's portfolio are generally aligned with multiple SDGs (on average, each frontline organisation is aligned with three SDGs). Alignment is assessed by fund managers and validated as part of the Portfolio Manager's annual review. Social organisations frequently take a multi-tiered holistic approach to impact, recognising multiple dimensions of exclusion or need for disadvantaged and vulnerable groups. This combined approach is a major driver for positive impact performance and reduced financial and impact risk.

Combining housing (SDG 11) services with education (SDG 4), care (SDG 3) and energy efficiency technology (SDGs 7 and 13) can drastically improve a tenant's financial and personal well-being, reducing risks of defaults and

# Methodological notes

enhancing prospects of sustained positive outcomes. The Company therefore recognises where frontline organisations are aligned to multiple SDGs.

The Company's approach to due diligence and monitoring also ensures that the risk of any of the portfolio companies having a negative impact on any of the SDGs is assessed and mitigated.

## 6. UN Sustainable Development Goal (SDG) contribution

SDG sub-indicators and/or national action plans can provide a benchmark for where we currently are, and an indicator of the potential value of investments as a contribution towards meeting targets. The Company's Impact Report provides assessment of the Company's portfolio against SDGs where relevant SDG sub-indicators have been identified and UK level targets recognised. SDG targets and sub indicators are sourced primarily from the UK Office for National Statistics and the Open SDG Platform, <https://sdgdata.gov.uk/>, and from the UK Government Corporate Report on Implementing the SDGs. <https://www.gov.uk/government/publications/implementing-the-sustainable-development-goals/implementing-the-sustainable-development-goals--2>

## 7. Savings and short term value to government

The Company invests in initiatives seeking to provide benefits to society in innovative and cost-effective ways. The Company's Impact Report includes quantification of value generated for 12% of the portfolio, where we have high-quality data on the global cost of provision, comparable data on existing alternative provision models as counterfactuals, and high-quality data on medium to long term outcomes for beneficiaries and government. This is primarily applicable in investments that operate at comparatively large scale, in well-established and data rich sectors, and with business models that require quantification of value generated for payment.

**Social Outcomes Contracts:** Short term value to government is calculated using one of three methodologies:

- a. Delivering against a public "rate card". For projects delivering against a public 'rate card', the value to government is the price of outcomes that Government was prepared to pay according to the rate card. Where this is higher than the amount actually paid, this signifies that the project offered a discount to the rate card prices, or achieved more outcomes above the contract cap, or both.
- b. Short term savings: For local projects targeting short term savings for a local authority, the value to government is the gross value of these savings during the tracking period (from investment to the latest available report).
- c. Valued at cost: Where there is no public outcomes rate card or a definitive short-term saving created at the level of the commissioning authority, no additional value has

been assigned to the outcomes over and above that which government has been willing to pay.

For more information on SOC's, please see <https://www.bridgesfundmanagement.com/outcomescontracts/>

**Debt and Equity for Social Enterprises, AgilityEco:** Calculated based on the average annual savings generated through reduction in energy bills as a result of energy efficiency improvements per household.

For more information, please see AgilityEco's annual impact report <https://www.agilityeco.co.uk/news/agilityeco-launches-its-impactreport-20212022>.

In addition, the total figure for this asset class includes community benefit funds generated by renewable energy assets. Investments also include small scale social organisations that have limited capacity for measurement, and organisations such as social housing providers where a lack of consistent measurement standards makes comparison of costs and benefits challenging. The Company's Portfolio Manager is currently exploring methods for assessing savings generated through housing services and other enterprise models, however there is not currently sufficiently reliable data to report on this.

## 8. Data quality

The impact data presented in this report is taken from the latest available fund manager impact reports submitted to the Company. The report also draws on annual impact reports from frontline investee organisations where available.

## 9. Reporting on contribution to impact

Investment and non-financial support provided through the Company and portfolio fund managers makes a significant contribution towards positive impact: however we recognise this as one set of inputs among many that are instrumental in portfolio organisations achieving positive outcomes for people. The contribution of an investment towards the outcomes achieved by investee organisations is highly variable and may depend on the size and purpose of the investment, the effect this has on a fund, frontline organisation's ability to raise capital from other sources, and the nature of non-financial support provided to fund managers and frontline organisations. Given the wide range of variables, this report focuses on providing a clear picture of the impact achieved by organisations with contribution from the Company but does not seek to attribute a share of impact directly to the Company.

# Notes

# Notes



# Shareholder Information

## Website and share price information

The Company has a dedicated website, which may be found at [www.schroders.com/sbsi](http://www.schroders.com/sbsi). The website has been designed to be used as the Company's primary method of electronic communication with shareholders. They contain details of the Company's share price and copies of annual report and other documents published by the Company as well as information on the Directors, terms of reference of committees and other governance arrangements. In addition, the website contain links to announcements made by the Company to the market, Equiniti's shareview service and Schroders' website. There is also a section entitled "How to Invest".

The Company releases its NAV per share on both a cum and ex-income basis, diluted where applicable, to the market on a daily basis.

Share price information may also be found in the Financial Times and at the Company's website.

## Association of Investment Companies

The Company is a member of the Association of Investment Companies. Further information on the Association can be found on its website, [www.theaic.co.uk](http://www.theaic.co.uk).

## ISA status

The Company's shares are eligible for stocks and shares ISAs.

## Non-Mainstream Pooled Investments Status

The Company currently conducts its affairs so that its shares can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

## Financial calendar

Annual results announced	October
Annual General Meeting	December
Half year results announced	March
Financial year end	June

## Alternative Investment Fund Managers Directive ("AIFMD") disclosures

The AIFMD, as transposed into the FCA Handbook in the UK, requires that certain pre-investment information be made available to investors in Alternative Investment Funds (such as the Company) and also that certain regular and periodic disclosures are made. This information and these disclosures may be found either below, elsewhere in this annual report, or in the Company's AIFMD information disclosure document published on the Company's website.

### Leverage

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFMD are published on the Company's webpages and within this report. The Company is also required to periodically publish its actual leverage exposures. As at 30 June 2023 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	150.0%	97.7%
Commitment method	150.0%	97.7%

### Illiquid assets

As at the date of this report, none of the Company's assets are subject to special arrangements arising from their illiquid nature.

### Remuneration disclosures

Quantitative remuneration disclosures to be made in this annual report in accordance with FCA Handbook rule FUND3.3.5 may also be found in the Company's AIFMD information disclosure document published on the Company's website.

## Publication of Key Information Document ("KID") by the AIFM

Pursuant to the Packaged Retail and Insurance-based Products ("PRIIPs") Regulation, the Manager, as the Company's AIFM, is required to publish a short KID on the Company. KIDs are designed to provide certain prescribed information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID is available on its website.

## Complaints

The Company has adopted a policy on complaints and other shareholder communications which ensures that shareholder complaints and communications addressed to the Company Secretary, the Chair or the Board are, in each case, considered by the Chair and the Board.

[www.schroders.com/sbsi](http://www.schroders.com/sbsi)

## Directors

Susannah Nicklin (Chair)  
Mike Balfour  
James B. Broderick  
Alice Chapple

## Advisers

### Alternative Investment Fund Manager (the "Manager")

Schroder Unit Trusts Limited  
1 London Wall Place  
London EC2Y 5AU

### Portfolio Manager

Big Society Capital Limited  
New Fetter Place  
8-10 New Fetter Lane  
London EC4A 1AZ  
United Kingdom

### Company Secretary

Schroder Investment Management Limited  
1 London Wall Place  
London EC2Y 5AU  
Telephone: 020 7658 3847

### Registered Office

1 London Wall Place  
London EC2Y 5AU

### Depositary and Custodian

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

### Corporate Broker

Winterflood Securities Limited  
The Atrium Building  
Cannon Bridge House  
25 Dowgate Hill  
London EC4R 2GA  
United Kingdom

## Independent Auditors

BDO LLP  
55 Baker Street  
London W1U 7EU  
United Kingdom

## Registrars

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Shareholder helpline: 0800 032 0641\*  
Website: [www.shareview.co.uk](http://www.shareview.co.uk)

\*Calls to this number are free of charge from UK landlines.

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at the above address and telephone number above.

## Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the Company's Registered Office.

## Dealing Codes

ISIN: GB00BF781319  
SEDOL: BF78131  
Ticker: SBSI

## Global Intermediary Identification Number (GIIN)

PXF89P.99999.SL.826

## Legal Entity Identifier (LEI)

549300PG5MF2NY4ZRM86

The Company's privacy notice is  
available on its website.



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