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Schroder BSC Social Impact Trust plc

Impact Report 2023



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Chair's Introduction

The Schroders BSC Social Impact Trust plc (SBSI) exists to connect public market investors to a diversified, resilient portfolio of social impact investments addressing entrenched social issues in the UK.

It is a privilege to share this second annual impact report with you and I feel humbled by the work showcased throughout. I invite you to dip or dive into the report, to explore how SBSI has catalysed, supported and measured impact this year.

Through the purchase of a single, freely tradable share, SBSI offers exposure to hard-to-access high-impact assets and managers, with ongoing portfolio management, engagement and governance disciplines.

Our intention is to create a successful example of how impact investing can both address social needs and create resilient financial returns, earning a place in many kinds of portfolios.

SBSI's investments support partnerships between UK fund managers, social organisations, and the communities they serve. In addition to delivering this high frontline impact and resilient financial returns, the SBSI team is committed to working with new investors developing their impact strategies. By attracting a wider base of shareholders, we aspire to grow the Company, to expand the pool of capital dedicated to social impact investment and to help democratise access to this market.

Against a backdrop of a national cost of living crisis and global market volatility the Company's investment strategy has created a portfolio with two crucial impact attributes.

First, the ability to deliver vital services for people who need it the most. More than 90% of the people reached by frontline organisations are from disadvantaged, underserved or vulnerable backgrounds.

Second, proven resilience to difficult economic conditions. SBSI's portfolio delivers essential government-mandated services and derives a substantial proportion of revenues from government-



backed sources, which have been historically stable through economic cycles. This is reflected in the Company's Net Asset Value, which has grown 8.2% from inception in December 2020 to March 2023. SBSI's strategy is to invest in and partner with organisations with strong track records of creating impact, and with fund managers that can demonstrate effective use of capital to support social organisations' resilience and growth.

SBSI is currently fully committed, and has worked closely with fund managers and external partners to ensure that we manage and report impact in line with industry best practice. We were pleased to work on a verification exercise for our first Impact Report, led by Bluemark. The review found that SBSI's report reflected a robust approach to impact strategy and management, and identified areas for development that this year's report addresses in detail across expanded assessment of sustainability, diversity and inclusion, and learning and engagement in SBSI's key asset classes.

We also welcomed the FCA's Sustainable Disclosure Requirement consultation, which signals the regulator's commitment to supporting the integrity and growth of the impact and wider sustainability investment markets in the UK. Transparent labelling and disclosure of impact products are essential for the impact investment market to grow healthily. The proposals offer a good foundation and we have been in dialogue with the FCA and other stakeholders to consider how these labels can be further developed. We were particularly encouraged by the Sustainable Impact label's proposed focus on ensuring investments have a clear theory of change for achieving impact, and robust measurement and management processes to follow through. These elements have been fundamental to our investment strategy, which this report covers in detail.

As ever, we see SBSI's Impact Reports as part of a conversation with our shareholders and other partners that supports the Company's success and also helps to grow the market for social investment. We'd welcome your feedback, and look forward to working with you in the coming year.

Susannah Nicklin
Chair

Introduction

The Schroder BSC Social Impact Trust plc (SBSI, '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.



£7.7bn needed annually to meet the growing demand for care¹



£16.9bn needed annually to tackle the housing crisis²



£65bn needed to insulate UK homes by 2035³

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 are often a poor fit, or very small private markets that are inaccessible or costly to manage for most investors.

Social impact investment is highly focused on these issues, growing tenfold over the last decade to an estimated market size of £7.9bn in 2021⁴. Many investors though lack access to the private markets that finance many of the highest impact social organisations⁵.

¹ Social Care: Funding and Workforce (parliament.uk)
² https://bigcapital.com/media/documents/BSC_Mapping_the_Market_-_D13_-_Amends_made_2.pdf
³ REPORT (greenfinanceinstitute.co.uk)
⁴ Market data | Big Society Capital
⁵ <https://www.impactinvest.org.uk/wp-content/uploads/2023/04/Estimating-and-describing-the-UK-impact-investing-market.pdf>

SBSI opens up access for public investors, 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.

Every investor in the Company contributes to this, by

Providing new capital through each fundraise



Participating in secondary trades to enhance liquidity and open up social investment to new investors

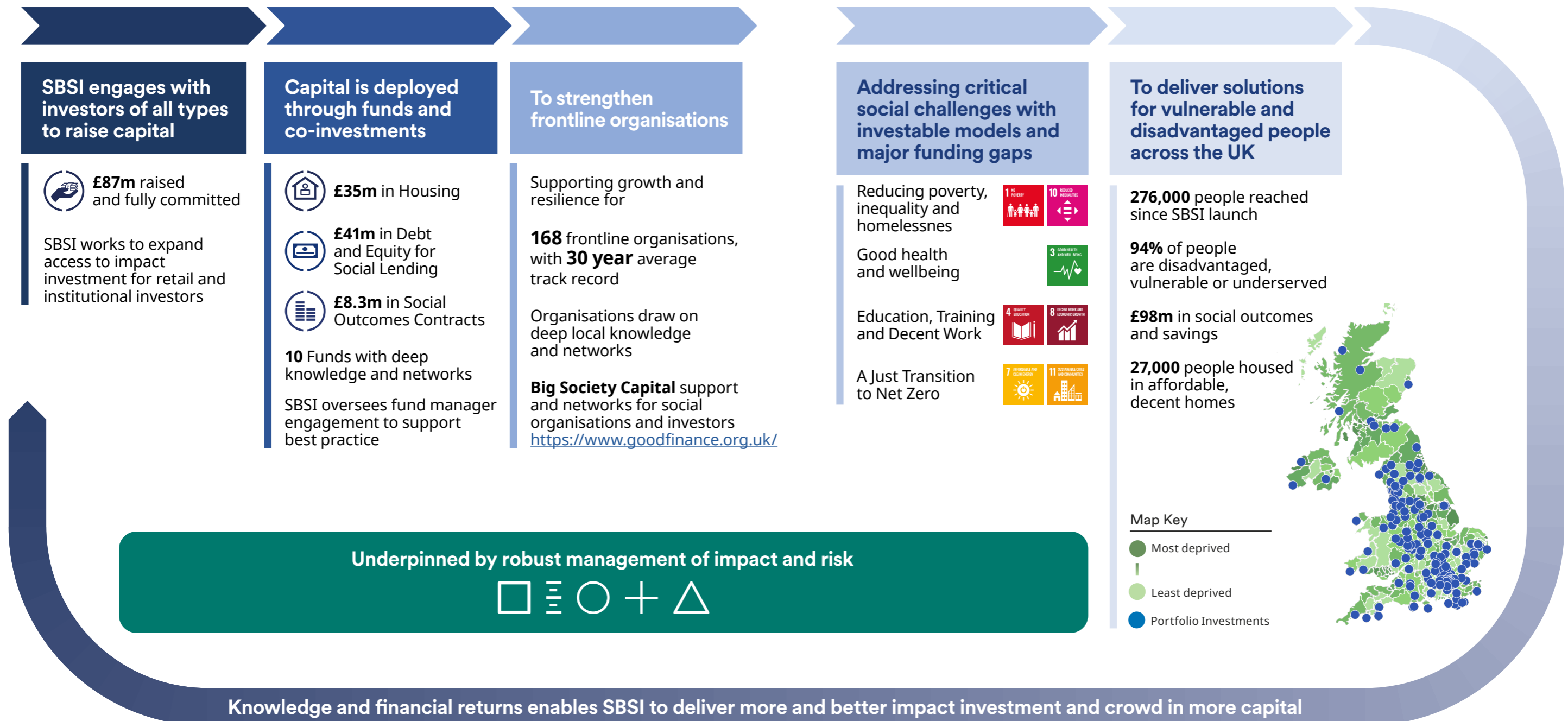


Amplifying the signal effect of the Company to catalyse wider change in the UK's financial system



How SBSI supports positive social impact

Impact investments must have a clear, measurable rationale for how investment is intended to contribute towards positive social change. In the social investment market this is often referred to as a “Theory of Change”, which forms the basis of the UK’s emerging criteria for Sustainable Impact Investments. SBSI’s Theory of Change sets out how capital is deployed through funds and co-investments, in partnership with fund managers, to frontline organisations with strong track records of working on critical social challenges, enabling them to grow and become more resilient, to deliver solutions for vulnerable, disadvantaged and underserved people across the UK.



Progress Report Card

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



Investing and managing for impact

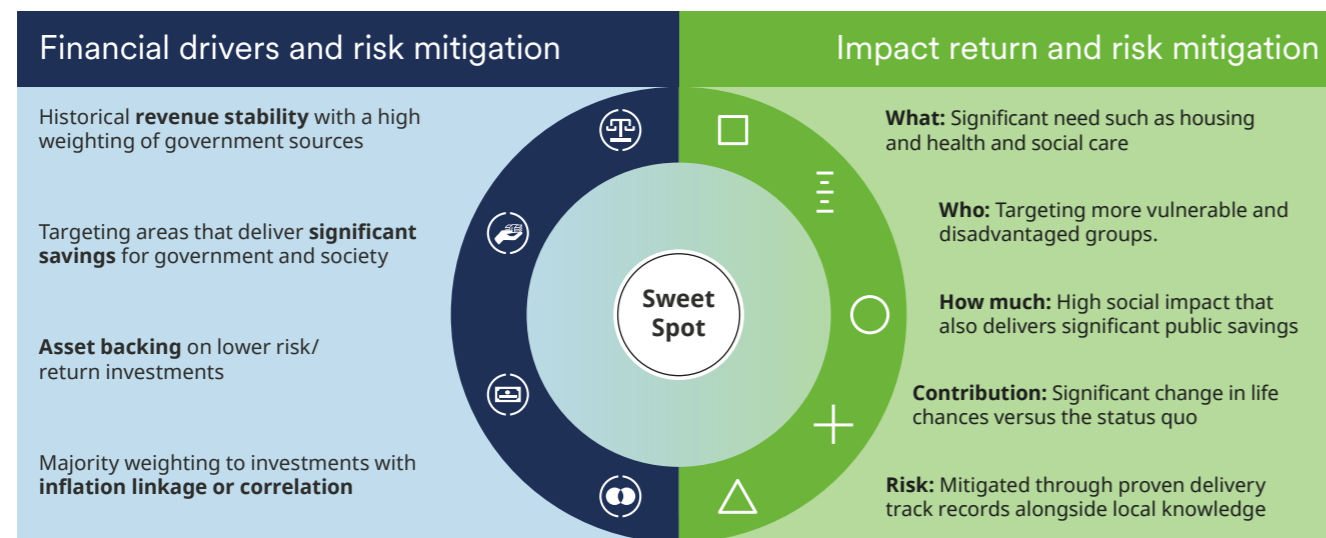
SBSI starts with the social issue, then identifies investment and enterprise models that can provide sustainable solutions. We then find and support fund managers who can channel investment to those enterprises. We help these fund managers balance the needs of investors with those of social enterprises,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

Within each issue area, we look for:

- Fund managers that demonstrate good impact practice and an ability to structure investments to align financial and social value
- Enterprise models that can reach disadvantaged or vulnerable people, generating revenue by delivering significant positive impacts for people and savings for society and government

This strategy means SBSI's financial performance is dependent on achieving deep, scalable and sustained impact.

Impact as a source of value



The Impact Management Project (IMP) Framework for assessing impact

SBSI uses the IMP Framework for assessing impact at fund and frontline company level. This Impact Report summarises impact against five core dimensions throughout.

IMP dimension	SBSI focus
What What outcomes do business activities drive, how important are these outcomes for people or planet?	Important positive outcomes, meaningful to those experiencing the issue and addressing at least one SDG.
Who Who experiences the outcomes?	Beneficiaries, who are disadvantaged, underserved and/or vulnerable
How much How much of the outcome occurs in terms of scale depth and duration?	Significant depth of impact, in making meaningful improvements for people, and/or high scale of impact, through reaching a large number of people
Contribution What is the enterprise's contribution to what would likely happen anyway?	Significant improvement or additional benefit as a result of investment and activities
Impact Risk What is the risk to people and planet that impact does not occur as expected?	Fund managers must assess and mitigate the risks that may prevent the intended outcomes occurring

This report highlights what we are learning about good practice in impact management, focusing on key elements to strong performance.



User Voice

Involving the people for whom an organisation exists to serve in the planning, delivery, and assessment of products and services. Throughout the portfolio this is crucial to ensuring that services are designed with people's needs well understood, and are accountable to end-users and the public



Partnerships

SBSI's impact is dependent on providing suitable financing to organisations that are in the right position to address important social issues. We look for fund managers that engage with social organisations to develop financial solutions that are fit for purpose, and social organisations with market leading track records of working locally with disadvantaged and vulnerable communities



Holistic Assessment

Financial and Impact performance is highly dependent on fund managers' ability to assess and monitor the full spectrum of potential impacts, and impact related risks of investments



Sustainability

Environmental sustainability is interlinked with social impact. Our Portfolio Manager has engaged with key initiatives, including the Impact Investing Institute's Just Transition to Net Zero consultation, and uses these insights to support our investees to take appropriate steps to reduce and measure emissions



Equality, Diversity and Inclusion

Tackling inequality is central to SBSI's theory of change. This is dependent on SBSI and its partners being able to understand social issues in depth, and draw on diverse knowledge, experience and networks. Advancing good practice on equality, diversity and inclusion at every level within the Company, including within Schroders, Big Society Capital, and underlying fund managers, is crucial to this



IMPACT THEMES

Reducing Poverty and Inequality



266,000 ▲ **+7% yoy⁷** | *SBSI attributed share 22,000*
disadvantaged people provided with essential services⁶

SBSI NAV aligned to theme



Lower-income people in the UK face multiple barriers to accessing essential products and services, including housing, energy, food and finance, and often have to pay more than higher income households. This 'poverty premium' costs the UK more than £2.8 billion a year⁸. Inflation has placed further pressure on lower income households.

SBSI'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.



SBSI portfolio contribution: High Impact Housing

Provision of affordable, decent homes for 26,698 disadvantaged, vulnerable and lower income people at risk of insecure tenure and/or sub-standard housing (increased from 19,000 in prior year)

Growth driven by new developments and acquisitions by funds in the year

UK SDG national targets

SDG 1 No Poverty Target 1.4: Secure housing tenure for all by 2030

Current UK level: 13% of the national population do not have secure tenure, predominantly people from lower income and disadvantaged backgrounds

An estimated 271,000 people were homeless in England at the start of 2023, including 123,000 children⁹, while the number of people living in temporary accommodation has grown by 74% in the last decade

SDG 11 Sustainable Communities Target 11.1: Safe, affordable housing and basic services for all by 2030

Current UK level: 15% of housing below decent homes standard, with lower income people most at risk, reduced from 18% in prior year¹⁰ (sdgdata.gov.uk)

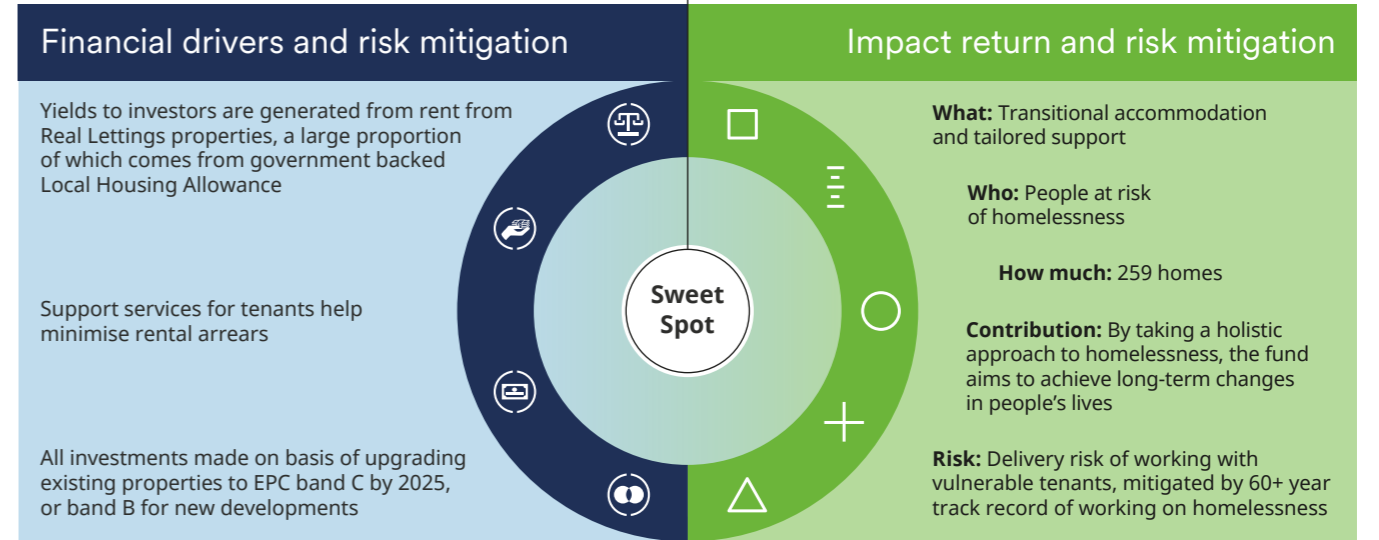
Unsafe housing costs the UK an estimated £760m annually¹¹

CASE STUDY:

Real Lettings Property Fund

More than a quarter of a million people, half of them children, are homeless and living in temporary accommodation. Local authorities have a statutory obligation to provide this accommodation, but the standards can vary significantly. One in six homeless households are placed in emergency B&Bs and hostels which can both be high cost and lead to poor outcomes. The Real Lettings Property Fund was developed by Resonance and homelessness charity, St Mungo's to provide homes and personalised support for people in temporary accommodation or at risk of homelessness, helping them become more independent.

In 2023, the fund entered into 15-year leases with the experienced housing association Notting Hill Genesis for over 50% of its property portfolio. Another smaller and innovative partner Capital Letters are also taking on leases from 2023. St. Mungo's continues to manage the remainder of the portfolio, with the intention to transfer the remainder over the course of this year. The transition has been well-managed over the course of 2022 and was driven by St. Mungo's organizational focus shifting toward high needs homeless individuals requiring alternate models of investment and support.



User Voice

Resonance has embedded user voice in its homelessness funds by working closely with St Mungo's and regularly surveying tenants. As a result of engagement with St. Mungo's, Housing Partners across its fund and tenants, Resonance developed a Resource Hub

to enable support Housing Partners to share best practice advice, support and helpful tips on how they can support tenants. They have also launched a tenants forum, which plans to meet on a frequent basis.

See Resonance's full impact report [here](#).

Paul's story of Homelessness

⁶ Cumulative figure since SBSI launch
⁷ YoY change compares results in year for 2022 (159,000) with in year results for 2021 (148,466)
⁸ https://fairbydesign.com/wp-content/uploads/2022/11/NOV_22_Local-poverty-premium-summary-report_v02.pdf
⁹ https://england.shelter.org.uk/media/press_release/at_least_271000_people_are_homeless_in_england_today#:~:text=Posted%2011%20Jan%202023&text=New%20research%20from%20Shelter%20shows,England%20are%20without%20a%20home
¹⁰ <https://sdgdata.gov.uk/>
¹¹ Building Research Establishment, 87741 Cost of Poor Housing Briefing Paper.indd (bre.co.uk)

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IMPACT THEMES

Good Health and Well-being



10,243 ▲ +51% yoy | *SBSI attributed share 1,186*

people provided with health and care services

SBSI NAV aligned to theme



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 annually¹².

SBSI 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. Crucially, SBSI's portfolio tackles health inequalities in the UK, through a focus on local social organisations that tailor support for underserved and vulnerable people.

UK SDG national targets

SDG 3 Good Health and Well-being UK National Target - No one left behind.

Support the most disadvantaged young people through high-quality local services¹³

SBSI portfolio contribution: Social Outcomes Contracts

Portfolio organisations averted 109,931 days of care through early intervention to date, and saved £15.5m in health and care costs to government

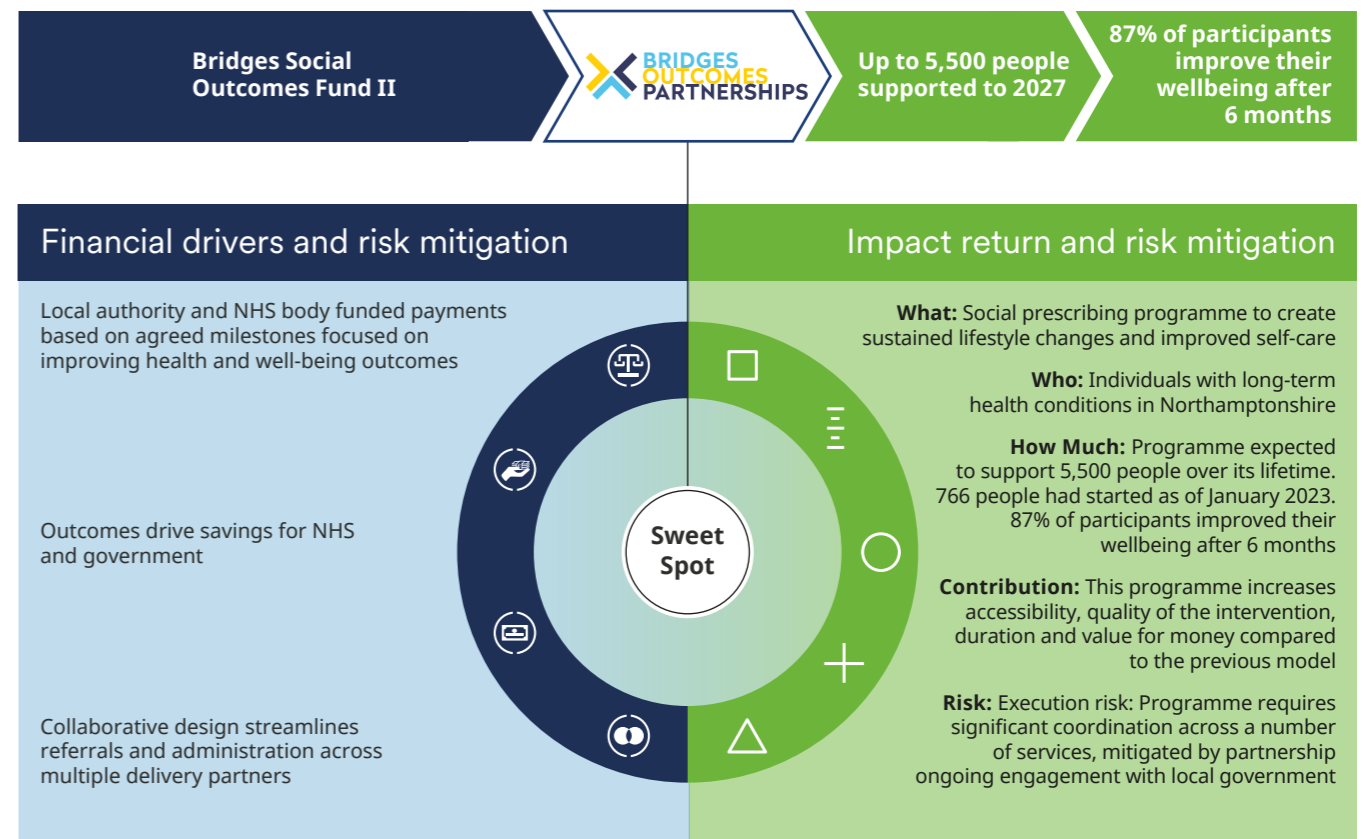


CASE STUDY:

Bridges Social Outcomes Fund, SPRING

Over 15 million people in the UK live with long-term health conditions, accounting for 70% of national NHS spending¹⁴. Services targeted at improving health and well-being for people with long-term health conditions have the potential to reduce both health inequalities, and the strain on public health and care services. Bridges Social Outcomes Partnership supported local authorities

and NHS bodies in Northamptonshire to pioneer a new social prescribing programme called SPRING, which works to create sustained lifestyle changes and improved self-care for people living with long-term health conditions. The service is now underway and social prescribing workers from four experienced delivery partners are supporting people to access specialist services.



¹⁴ <https://www.england.nhs.uk/blog/making-the-case-for-the-personalised-approach/>

User Voice

The partnership gathers feedback from frontline staff so that they can track progress with participants and identify additional areas of support needed to address health concerns. Early on this process found that a high proportion of participants had acute mental health needs. In response the partnership put together a programme of "first aid mental health training" for staff.

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IMPACT THEMES

Education, training and decent work



10,344 ▲ **+17%** yoy | SBSI attributed share 3,038

people provided with education, training and employment support

SBSI NAV aligned to theme



SBSI investments support social organisations empowering disadvantaged and underserved people to improve educational outcomes and access better training and employment opportunities.

UK SDG national targets¹⁷

SDG 4 Quality Education Target 4.1: Quality education outcomes for all children by 2030

Current UK level: 30% of 16-year-olds leaving school without basic qualifications¹⁵

SDG8 UK target: Decent work for All

SBSI portfolio contribution:

Bridges Social Outcomes Fund, West London Zone: 1,505 at risk young people provided targeted support, up from 702 people last year. West London Zone services to date indicate deep positive impact. 36% improved to get back on track with national standards targets for English. 25% improved up to national standards for maths.

Bridges Evergreen, Skills Training: 6,570 learners in apprenticeships and other jobs and learning programmes, up from 5,400 in prior year. Bridges Social Outcomes Fund, Refugee Better Outcomes Partnership: 366 refugees in programme in first year, 12 have entered into employment. Rathbones Charity Bond, Thera Trust: targeted support for 3,800 people with learning disabilities

¹⁵ <https://sdgdata.gov.uk/>

CASE STUDY:

Rathbones Charity Bond, Thera Trust

Social organisations reaching vulnerable and underserved people frequently integrate employment, education and training services into a wider programme of support tailored to specific needs. This multi-dimensional approach can help organisations to diversify income streams, ensure services are joined up and more efficient, and improve outcomes for people.

Thera Trust is a national leader in supporting people with learning disabilities. SBSI made a £1.7m investment in a charity bond raised by the Thera Trust to provide a range of support services. Thera operates through 31 companies across the United Kingdom, providing access to housing, financial advocacy, employment and training, care and support.

Just having someone who has that lived experience of a learning disability is really important and that's what the people we support see when they look at me. I've been in their position and accessed the same support as they have.

Jordan Allen, Service Quality Director, Thera



Financial drivers and risk mitigation

Diverse income streams, including long term local authority contracts for care support provision

Financial confidence assessed annually by Investing for Good and given highest rating, based on 10 years of revenue surplus

Strong track record in raising and servicing four charity bonds since 2015, with 2020 bond being oversubscribed

Impact return and risk mitigation

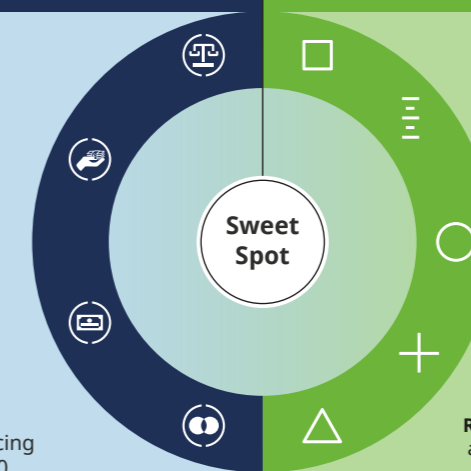
What: Improved access to housing, employment, financial wellbeing and community networks

Who: Individuals with a learning disability and their families or carers (indirect beneficiaries)

How Much: 3,260 people with learning disabilities supported in 2022

Contribution: Targeted approach to underserved beneficiaries who would otherwise be marginalised, often providing long term, in-depth support

Risk: Drop-off/Evidence risk that positive outcomes are overstated or not sustained, mitigated through internal monitoring and external assurance from Investing for Good



User Voice

Thera prioritises 'lived experience' to ensure it delivers on its mission. The Quality Company (a specialist company that is part of Thera Group) employs people with lived experience of learning disability to assess the services

provided by Thera support companies. This is also reflected in company leadership, with 38% of executive director level roles held by people with lived experience of learning disability.

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IMPACT THEMES

Just Transition to Net Zero

£67m **+254% YOY** | **SBSI attributed share** £5.35m
 Savings and incomes generated for underserved communities and people at risk of fuel poverty¹⁶

57,535 | **SBSI attributed share** 5,788
metric tonnes per annum CO₂ avoided

Trust NAV aligned to theme



Moving the UK to net zero emissions by 2050 will require an estimated £6 trillion in investment over the next 30 years¹⁷. This unprecedented level of financial mobilisation also offers huge opportunities for positive social impact, by creating more and better jobs, reducing inequality and revitalising communities. 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.

SBSI invests in organisations leading the drive towards a more sustainable, fair economy, and creating new opportunities to reduce emissions and social inequality at the same time.

At present SBSI has categorised energy efficiency and energy generation focused investments that work with lower income communities as 'Just Transition' investments. We intend to review the portfolio in 2023 using the Impact Investing Institute's Just Transition Finance Challenge Criteria, alongside further engagement with SBSI's underlying fund managers to enhance environmental and sustainability management across the portfolio.



UK SDG national targets

SDG 7: Affordable and clean energy for all by 2030	Current UK level: Fuel poverty at 14.4%, up from 13% in prior year. Average fuel poverty gap £443 per household, up 31% year on year ¹⁸
SDG 13 Pathway to net zero emissions by 2050 requires all UK housing at minimum energy efficiency level (EPC rating C) by 2028	Current UK level: 59% of UK homes do not meet minimum energy efficiency level ¹⁹

Trust portfolio contribution: Debt and Equity for Social Enterprises, High Impact Housing

Energy efficiency services provided to 45,557 households at risk of fuel poverty in 2021-22, and over 90,000 cumulatively since SBSI investment

All new housing developed within portfolio meets minimum standard

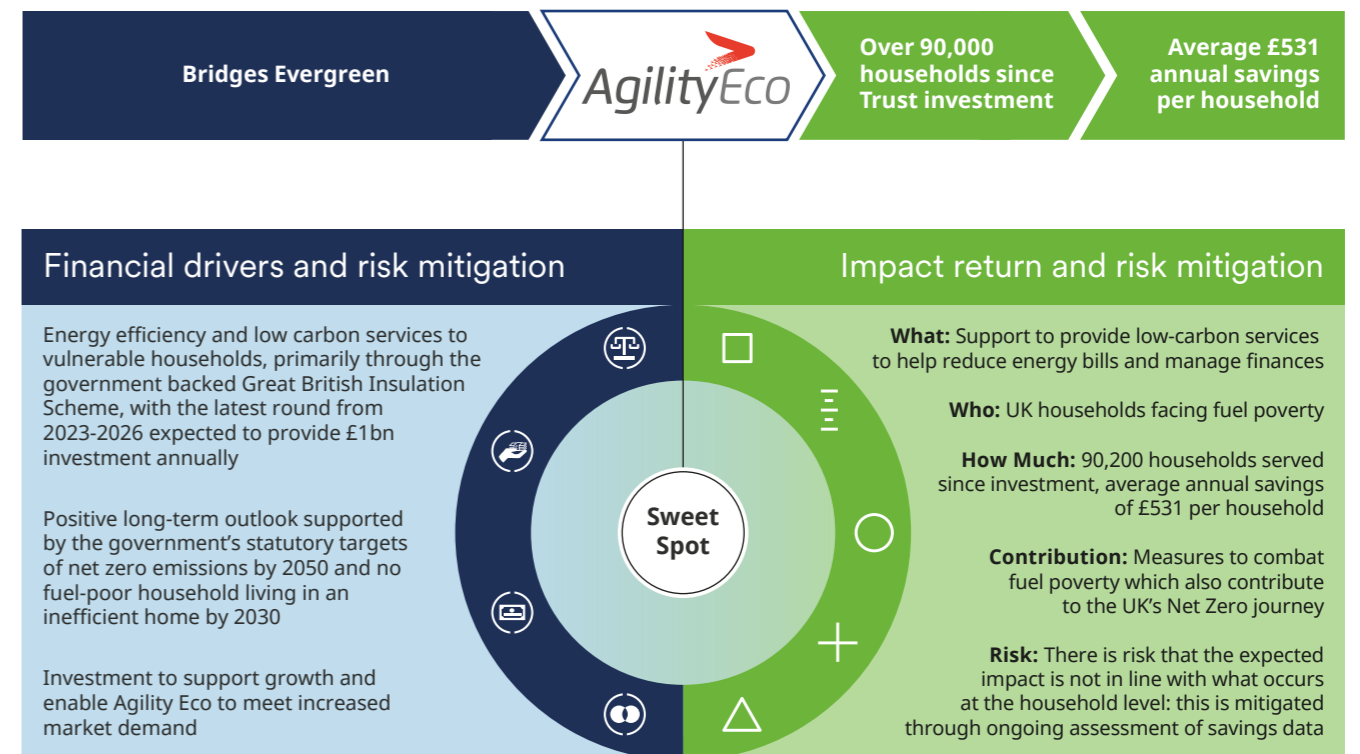
CASE STUDY:

Bridges Evergreen, AgilityEco

SBSI's investment in Bridges Evergreen has helped the Fund provide long term growth capital and expertise to impactful businesses. This includes AgilityEco, which has become a leader in energy efficiency and fuel poverty services. AgilityEco works closely with local authorities, housing providers and charities, providing energy efficiency upgrades and local energy advice for people at risk of fuel poverty, a need which has soared in the last two years. In addition to responding to urgent needs now, Agility Eco has also focused on positioning to help address the long-term challenge of the transition to net zero. Heat pumps are expected to play a critical role in the move away from gas heating, and in 2022 AgilityEco acquired a stake in the heat pump specialist Alto Energy to boost its presence in the market.

User Voice

Bridges and AgilityEco monitors customer satisfaction, which is central to delivering a high-quality service and maintaining high referral levels from clients including local authorities. Customer satisfaction has averaged 9.2 out of 10 since investment. AgilityEco also operate an advice service, LEAP, which includes telephone advice and in-home consultations, and offers a gateway to other services provided by AgilityEco and its partners.



¹⁶ Figure calculated includes total community benefit funds generated by renewable energy assets, and estimated energy bill savings per household for AgilityEco clients receiving energy efficiency services and advice, including 44,643 households served in 2021 receiving two years of savings to date, and households served in 2022 receiving one year of savings.

¹⁷ <https://www.lse.ac.uk/granthaminstitute/financing-a-just-transition/>

¹⁸ <https://www.gov.uk/government/statistics/annual-fuel-poverty-statistics-report-2023>

¹⁹ <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/articles/>

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CASE STUDY:

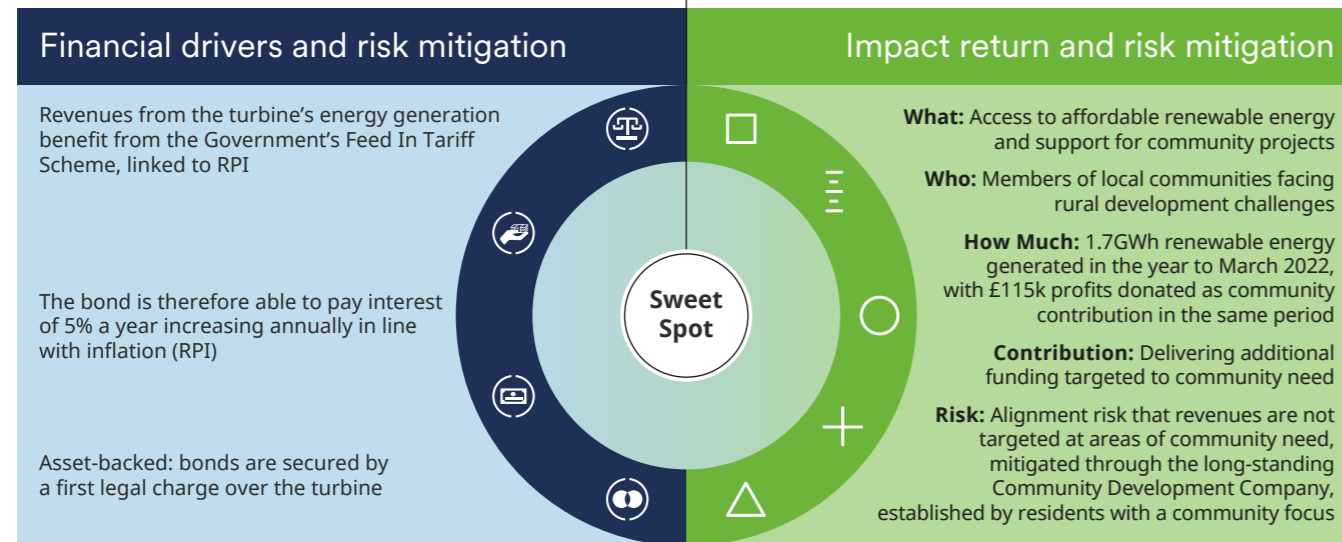
Rathbones Charity Bond, Coigach

SBSI's investments in Rathbone Charity Bonds support the market for charities raising capital from public bond markets. This includes Coigach Community CIC, a community interest company which owns and operates a 500-kw wind turbine on a remote peninsula in the north-west Highlands of Scotland. Coigach's charity bond refinanced higher cost loans used to install the turbine.

The community of Coigach faces many challenges common to remote locations including: a lack of affordable housing, decreasing levels of health provision and a fragile economy reliant on the traditional industries of fishing and crofting.

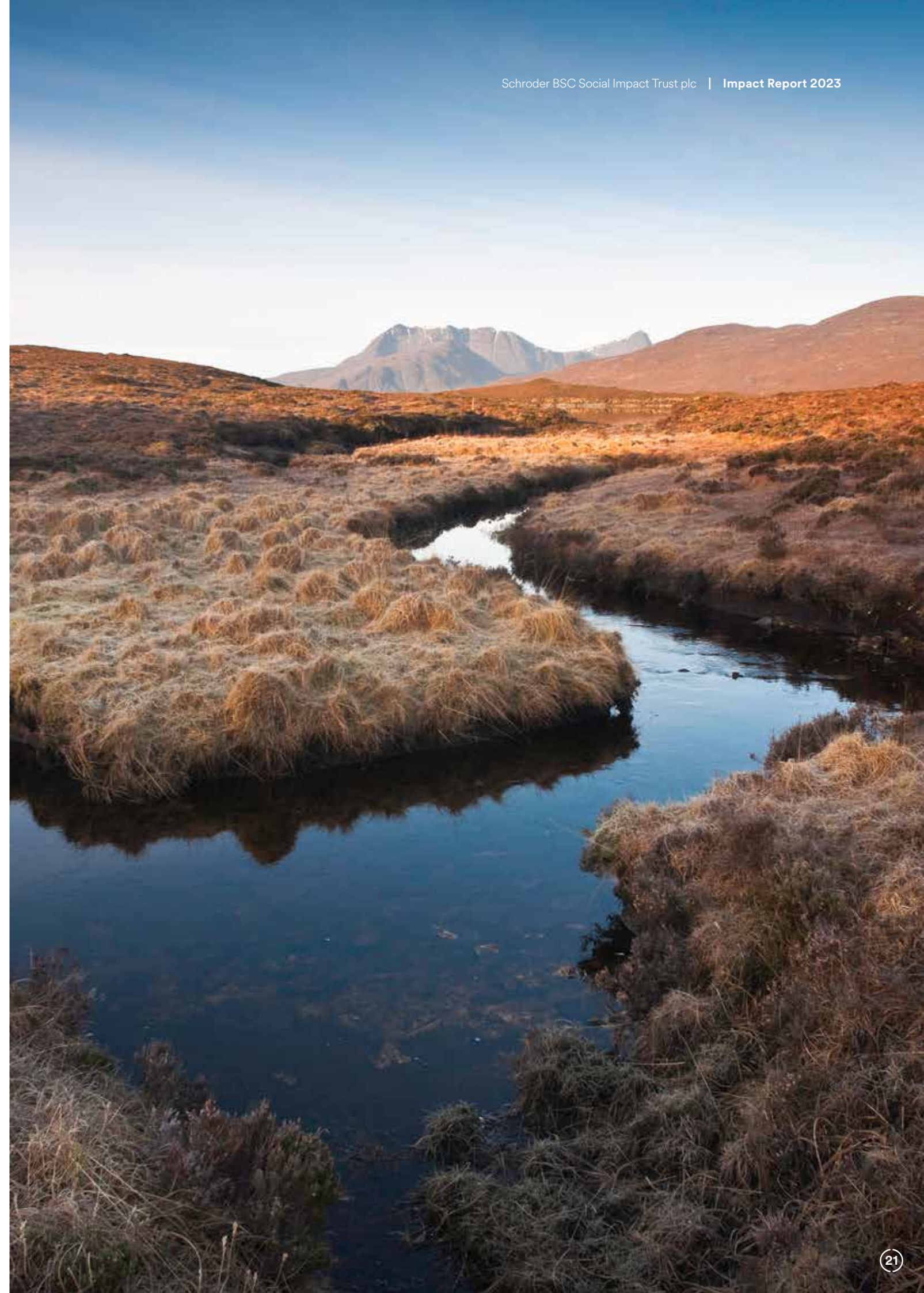
In response, the Coigach Community Development Company – a local charity established by residents in 2010 – led the development of the wind turbine, which started generating electricity in March 2017.

Coigach Community CIC donates 100% of retained profit to Coigach Community Development Company, funding a variety of community projects including grants for residents for education, training, wellbeing and support with energy costs. On a longer-term basis, there are also projects to develop affordable housing and transport links and increase employment.



User Voice

Coigach's board of directors are elected by the local community. Full membership is open to all local residents, while 12-15 year olds are also encouraged to join as junior members to represent the views of local young people and children.



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Asset Class Deep Dive: Debt and Equity for Social Enterprises

Funds committed
£40.7m

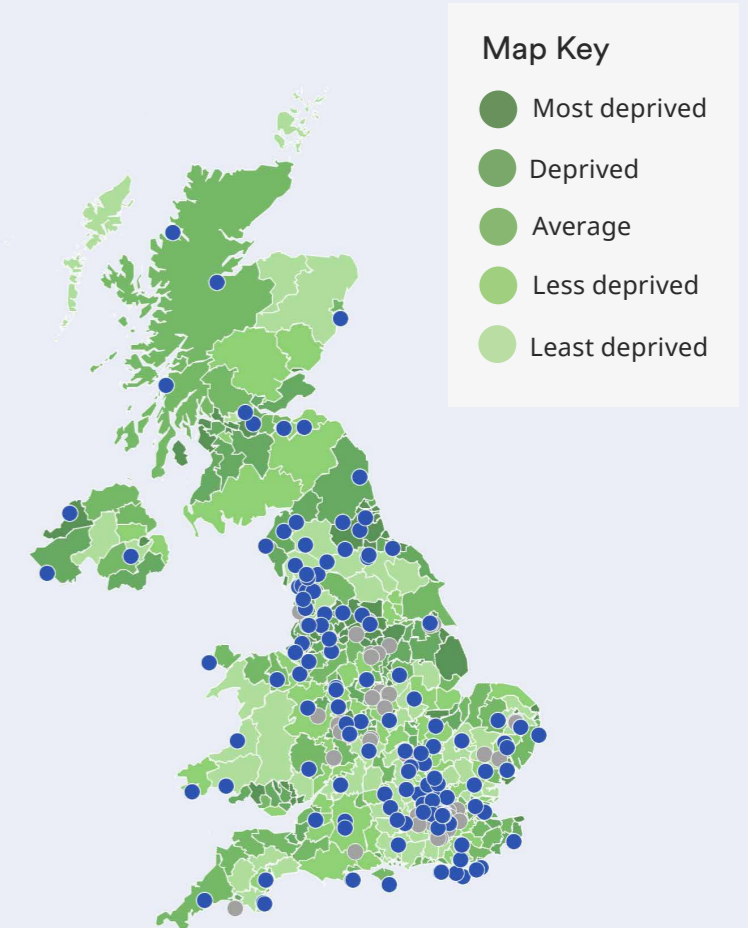
Organisations supported
61

Serving more than
260,000
people

Average track record
32 years



SBSI Share 22,226
YOY 13% ▲




SBSI invests in funds and co-investments that provide capital to charities and social enterprises targeting high social impact interventions for more disadvantaged groups, primarily funded by government backed revenues.



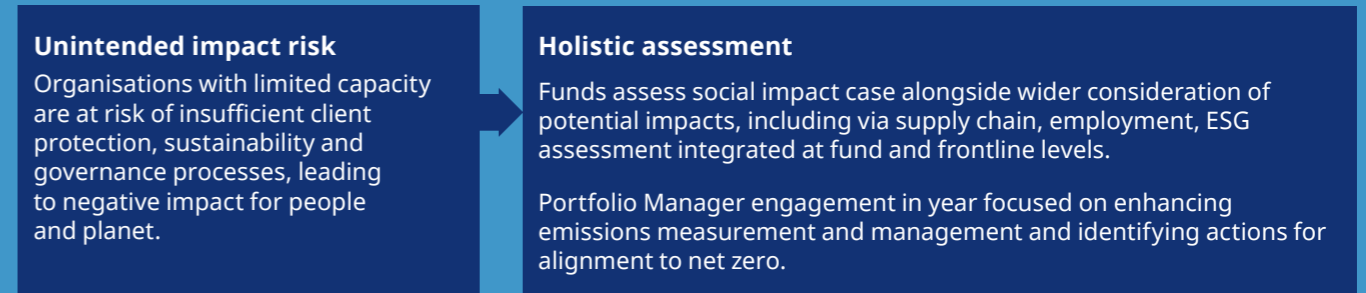
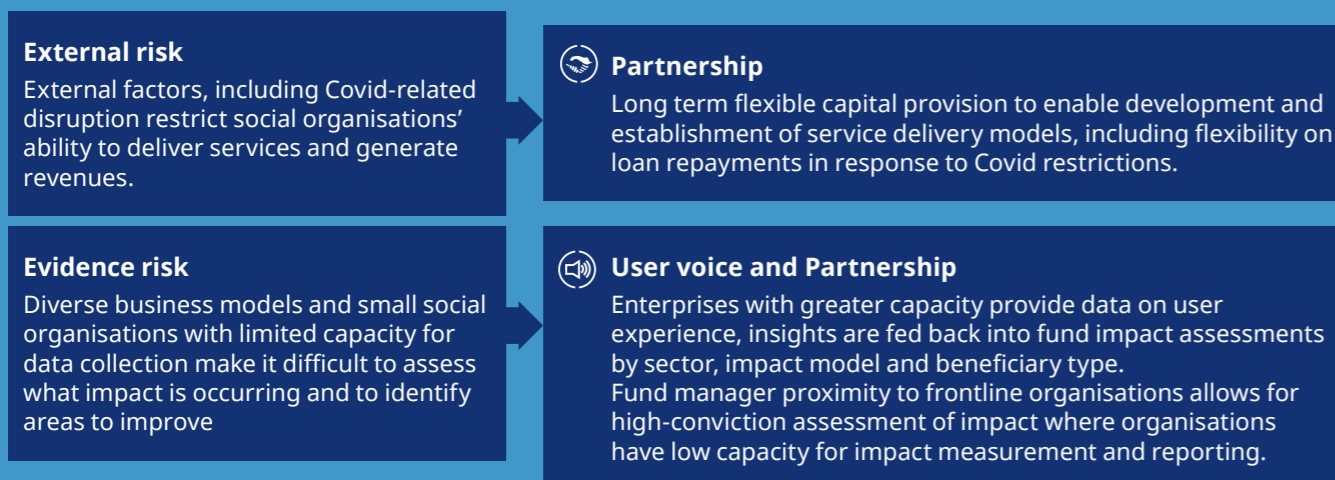
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Debt and Equity for Social Enterprises Portfolio

		
Fund	Bridges Evergreen £14.9m SBSI investment	Charity Bank £5.1m SBSI investment in co-investments
What	Four impact themes: Sustainable Planet, Healthier Lives, Future Skills, and Stronger Communities	Health and care services; affordable housing for elderly people
Who	Vulnerable or disadvantaged beneficiary groups and/or the planet	People with long term health conditions and lower income elderly people
How Much	Energy efficiency services for 45k households per year at risk of fuel poverty, leading to average annual savings of £531 per household Quality training provision to 6,570 learners, including 30% with no prior qualifications 181 affordable homes provided to moving from poor-quality accommodation or insecure tenancy agreements 18,969 days of quality care, education and therapy per year for young people with significantly improved outcomes	Development of a facility to care for 44 people rehabilitating from stroke or recovering from serious injury Development of 48 housing units for the elderly, of which 33 to be let at affordable rent Construction of a 20 unit alms-house to provide affordable accommodation for the elderly
Contribution	Patient, flexible capital alongside hands-on strategic and value creation support, including expert impact measurement, management and reporting	The loans in the portfolio have enabled charities to purchase or develop properties that will provide high-quality, suitable, long-term accommodation and services for their local communities

		
Triodos £2.5m SBSI investment of £5.7m bank capital bond supporting Triodos loan growth	Rathbones Charity Bond SBSI investment of £14.9m in charity bonds	SASC Community Investment Fund £5.5m SBSI investment of £13.4m Fund
Loans to a wide range of social organisations across the UK in healthcare, housing, education and communities	Broad impact including supported housing, renewable energy generation and broadband connectivity for rural communities	Investments in social organisations providing care, housing, renewable energy
Underserved and vulnerable people in the UK	Vulnerable, disadvantaged or underserved people	Disadvantaged, vulnerable and underserved communities
Loans have supported 1,900 children provided with education or childcare 161 older people housed and supported in care homes 558 tenants housed in social and community housing	Over 16,000 tenants housed at affordable rents Intensive support including care, education and training, employability and housing provision to more than 7,000 people with health conditions or special educational needs 7,000 rural properties connected with broadband	1,234 people reached by 11 social organisations providing essential services including housing, care and training. 19.5 GWh of renewable energy generated annually, enough to power 5,200 homes
Flexible, long-term capital and technical support to mission-led organisations across the UK	Fund provides additional capital to enable Charity Bonds to reach their target size. The Fund also engages with investees on impact management	Flexible, long dated capital provided to small and medium social organisations, supporting growth and resilience

Key Impact Risks and Mitigants



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CASE STUDY:

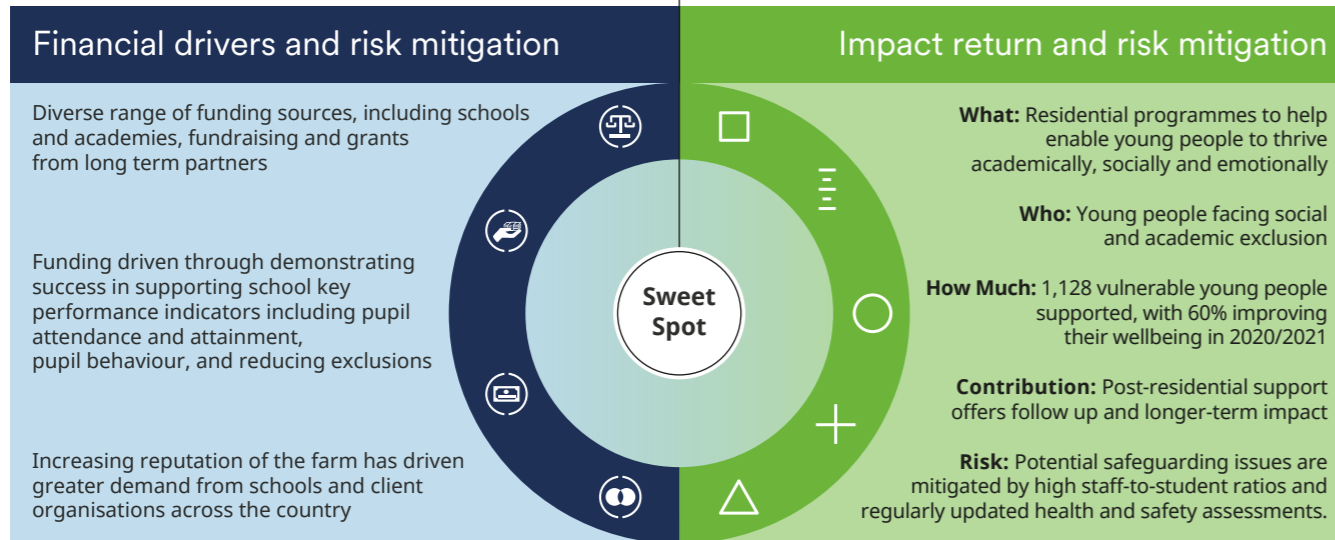
Triodos Bank UK bond, Jamie's Farm

Jamie's Farm runs residential programmes to help young people facing social and academic exclusion. Users are practically involved in the elements of running the farm and receive therapeutic support in one-to-one and group settings, with a legacy programme working with schools to ensure lasting change.

with special educational needs. Exclusions have long-term and short-term consequences affecting academic achievement, mental wellbeing and future prospects.

Academic exclusion disproportionately effects young people from lower income backgrounds, and learners

The Triodos loan has helped Jamie's Farm expand and provide valuable experience and long-term support for over 11,000 people, including opening a new site near London's Waterloo Station to provide impact right in the heart of the city.



Olivia's stay at Jamie's Farm had an overwhelmingly positive impact on her life. She came back glowing with pride and joy and newfound faith in herself and her abilities. We felt incredibly proud when she was chosen as a Jamie's Farm Ambassador. The staff at Jamie's Farm are attentive, non-judgmental and truly understanding of the needs of our young people. I salute and thank them for changing the future, one child at a time.

Olivia's mum

User Voice

Jamie's Farm systematically gathers feedback from young people and teachers, including surveying during visits, and six weeks and six months later to assess outcomes and inform

service design. Dialogue with local schools was particularly important over Covid restrictions, leading to an adapted day visit programme.

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LEARNING AND ENGAGEMENT IN THE YEAR: Enterprise resilience and growth

The impact of investment on enterprises is critical to SBSI's theory of change. Over the last two years the portfolio manager Big Society Capital (BSC) has developed a framework to assess the effect of investment on enterprise resilience and growth, which enables social enterprises and charities to better serve the people they work with.

Impact growth – an increase in impact generating activities

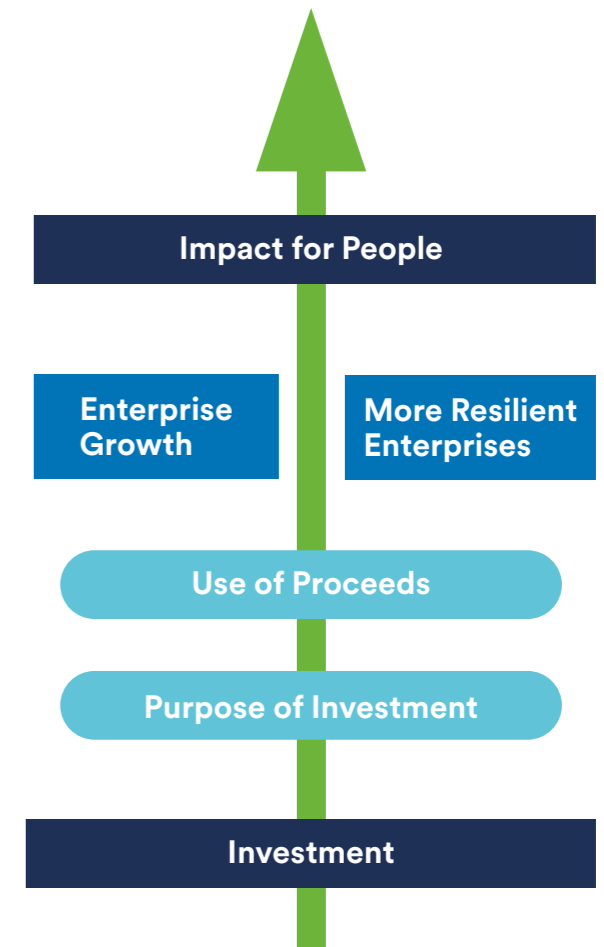
Enterprise resilience – being financially more self-reliant and with it have the ability to better plan for the future, withstand short-term shocks and seize on long-term trends as opportunities.

The enterprise-level impact framework consists of standardised categories of purpose of investments and use of proceeds, as well as a set of financial and self-reported metrics to measure changes in resilience and growth of enterprises following social investment.

The framework is built upon a collaborative pilot project, in partnership with several of our fund managers, in which we tested the different framework components with a subset of enterprises.

On average enterprises reported strong resilience and impact growth and attributed these changes to the investment received. We are working to tie indicators of this change in to portfolio level overviews of key financial metrics and trends (total assets, net assets, revenue and net income). This measurement process is currently based on self reported data and financial proxies, and is currently a work in progress that requires ongoing testing and development, which we are planning to report on in the coming year.

See full report, published November 2022: [Understanding enterprise-level impact: Resilience and impact growth | Big Society Capital](#)



Asset Class Deep Dive: High Impact Housing

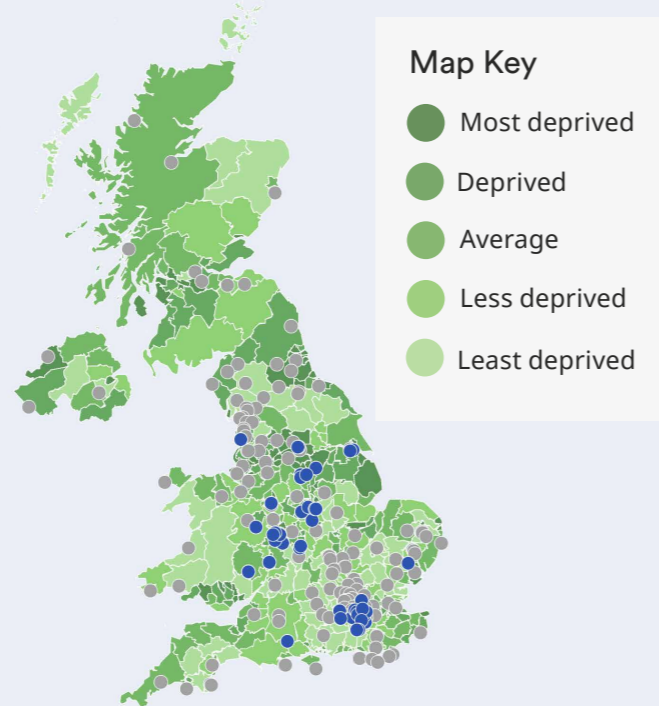
Funds committed
£35m

Organisations supported
30

Number of homes provided
2,390
SBSI Share 102
YOY 67% ▲

Number of people served
3,436
SBSI Share 207
YOY NA²⁰

SBSI invests in funds and organisations that have a track record of developing and managing quality, affordable homes. SBSI invests in three types of housing, each addressing the specific needs of different lower income groups, supported by different government funding streams.



Supported housing
Bespoke/adapted new builds for people with specific needs.
700,000 people with high level long term care and support needs.

Transitional housing
Existing housing stock (refurbished) for people with vulnerability or in crisis
250,000 people

General needs social & affordable Housing (GNA)
New builds to address chronic undersupply of affordable homes.
3.8million people in need of social rented housing and significantly more looking for other types of affordable long-term housing solutions²¹.



²⁰ SBSI moved in methodology to account only for current tenants. 2021 report included Fund and Frontline estimates of total tenants in housing under development.




²¹ National Housing Federation - People in housing need 2021

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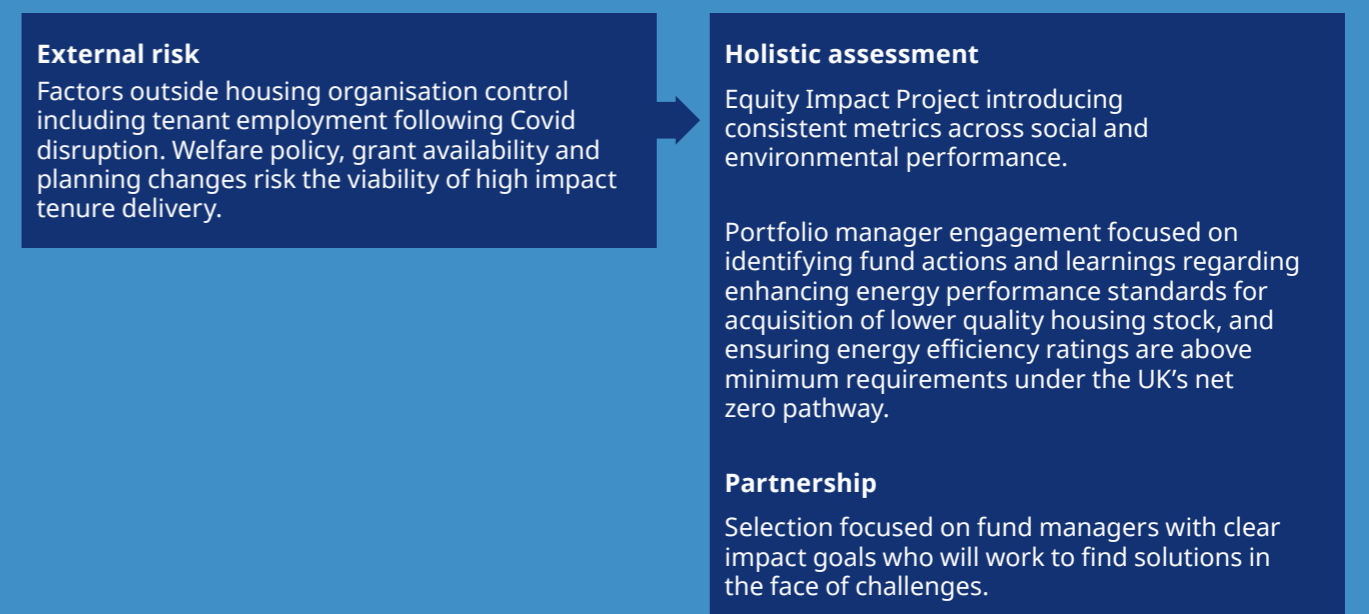
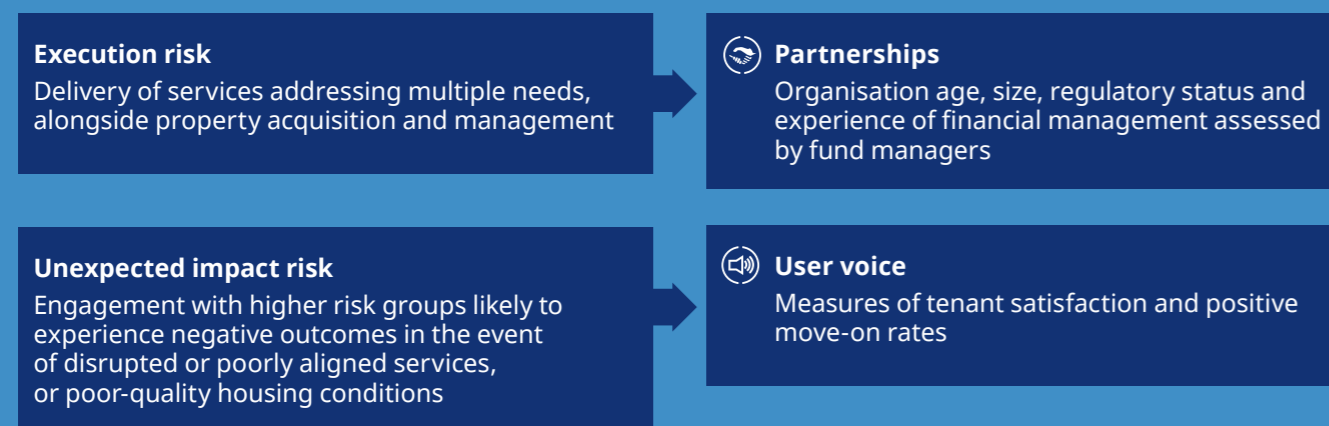


High Impact Housing Portfolio

	 <p>Resonance Real Lettings Property Fund £6.5m SBSI investment of £56.8m Fund</p>	 <p>Social and Sustainable Housing (SASH) £10m SBSI investment of £64m Fund</p>
What	Transitional housing and support for employment, training, financial inclusion and health & wellbeing	Transitional supported housing
Who	People at risk of homelessness	A range of vulnerable groups, including people with mental health needs, survivors of domestic violence, ex-offenders, vulnerable young people and people at risk of homelessness
How Much	595 tenants housed	502 people housed and supported
Contribution	An alternative social landlord preventing homelessness and rough sleeping by working with expert housing partners to understand and respond to tenants' needs	More consistent and higher-quality service provision to tenants, through increased organisational resilience of service providers

  <p>Man Community Housing Fund £10.2m SBSI investment of £200m+ Fund</p>	 <p>CBRE UK Affordable Housing Fund £9.8m SBSI investment of £232m net capital committed</p>
Affordable rents, including focused rents for key-worker groups and shared ownership	Social and affordable rent, shared ownership, and other affordable mixed tenures
Those on median and lower incomes, or those struggling to get on the housing ladder	Lower-income households unable to rent or buy on the open market
81 people housed in first year	2,258 people housed in 1,800 homes
Net increase in supply of affordable housing and better quality housing (through early-stage partnerships with councils and housing associations)	Net increase in supply of affordable housing; mainstream managers' adoption of high-quality impact practice; improved well-being and disposable income for residents

Key Impact Risks and Mitigants



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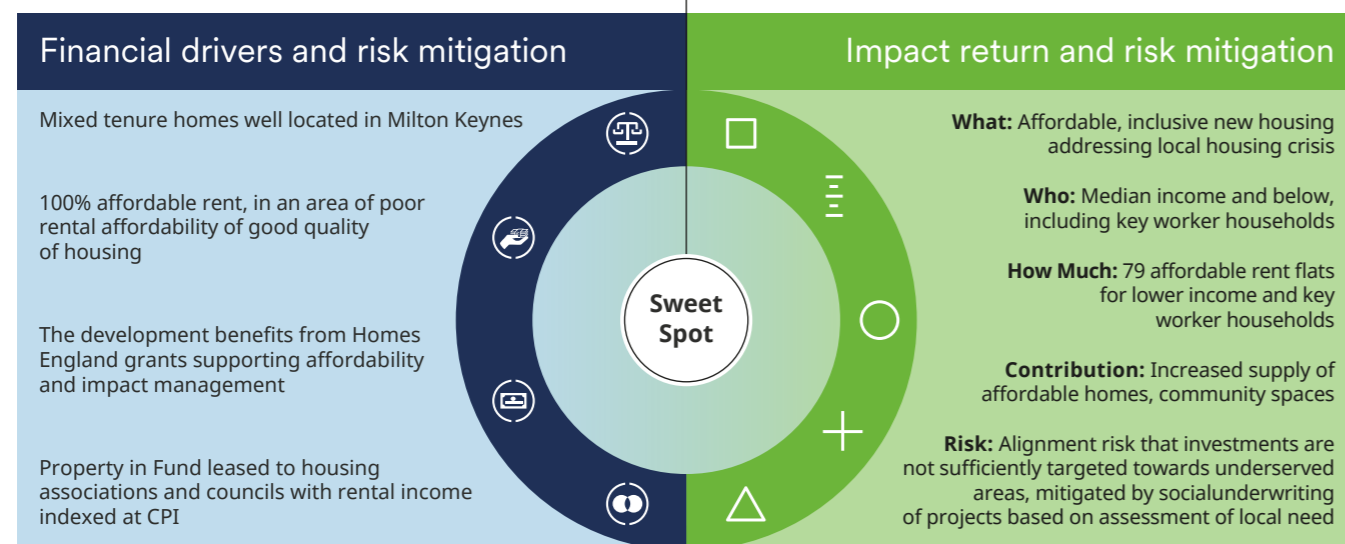
CASE STUDY: Man GPM Community Housing Fund, Campbell Wharf

Campbell Wharf is an affordable housing development in Milton Keynes, financed by SBSI investee Man GPM Community Housing Fund. The development provides key worker housing at 80% of the market rate as part of Man Group's focus on affordable housing.

There is a significant shortage of housing in the UK, with the Centre for Cities estimating a backlog of 4.3 million homes missing from the housing market. This shortage is pronounced in the lack of social housing, with the amount of social housing sold or demolished outnumbering the

number of social homes built. Key workers are at further risk, with an estimated 1 million children of key workers in the UK living in poverty²².

The Fund's investment in new housing stock addresses these concerns directly, with the benefit of a stable housing market strengthening the financial case for the investment. The Fund has also partnered with Homes England, the Government's housing body, who provide grant funding to contribute to ensuring affordable maintenance of properties, and to implement an extensive, independent impact audit of the Fund annually.



²²1 in 5 key worker households have children living in poverty | TUC

User Voice

The Community Housing Fund is subject to an Annual Impact Audit currently conducted by Sheffield Hallam University. The audit assesses Fund performance in delivering new affordable homes in underserved areas and monitors tenant satisfaction. Key metrics include number of complaints raised by tenants, percentage of households satisfied with the quality of their accommodation, and how secure households feel in their tenancy



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LEARNING AND ENGAGEMENT IN High Impact Housing

Partnering with strong counterparties, ensuring transparency in a growing market

The affordable and social housing sector in the UK is rapidly growing but remains characterised by structural undersupply.

Housing impact market valued at £3.8bn in 2021

While good quality social property fund managers offer a strong investment and impact profile, the wider sector faces multiple challenges, including the need to upgrade poor-quality housing, and improve financing capacity and tenant management. Market volatility over the last year has also been exacerbated by some issues within social property REIT exposure to models that have not ensured adequate standards for tenants or investors.

The Portfolio Manager's focus on quality and its rigorous diligence processes has helped build a portfolio that has maintained full rent collection and no negative regulatory judgements to date. The resilience of housing provider counterparties and market transparency have proved particularly important to managing risk and delivering positive social impact.

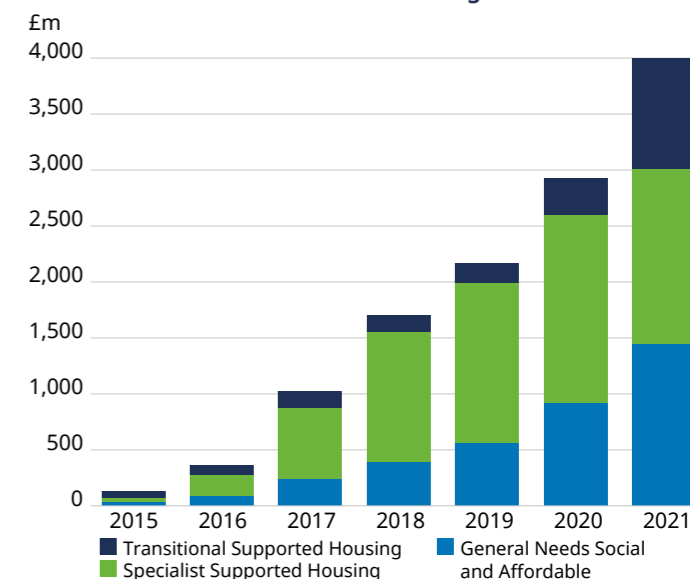
Ensuring transparency and accountability

The portfolio manager uses a property impact dashboard to ensure it has sufficient information on all investments, enabling BSC to look through to frontline organisations and see individual properties.

At market level, supporting growth of high-quality social housing investment is central to BSC's mandate. We want to help others make informed investment decisions, that include a robust assessment of managers' impact practices, as social and affordable housing becomes an increasing part of investor portfolios. In 2022 Big Society Capital published an extensive market mapping report to help institutional investors navigate this rapidly growing market.

[Mapping the Market: UK social and affordable housing funds](#)

Growth in social and affordable housing fund investments



SBSI	
Number of Counterparties	30
Counterparty indicators on a portfolio weighted average basis for funds/entities	
Age (proxy for experience)	27 years
Number of staff (proxy for ability to provide sufficient support)	887
Net assets (proxy for financial resilience)	£49.8m
Net assets as a % of overall fund valuation (proxy for liability coverage)	>200%

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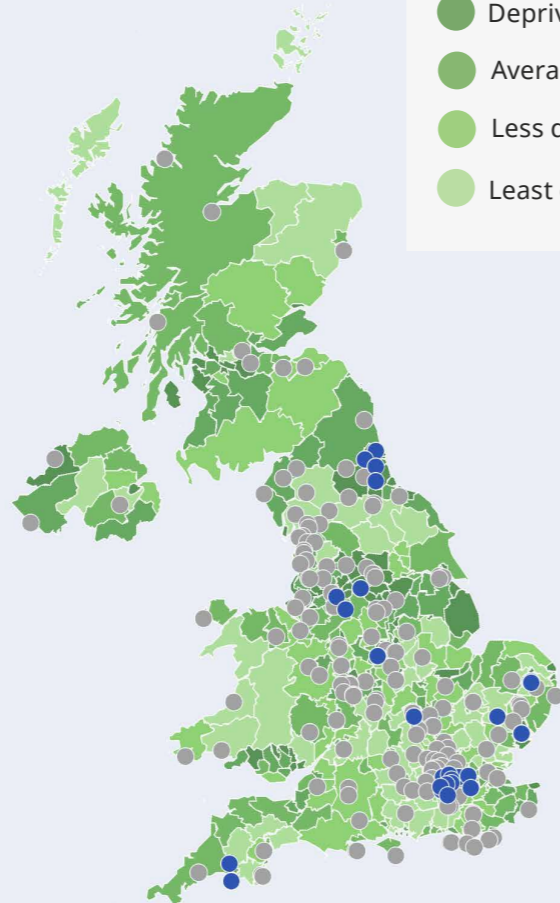
Asset Class Deep Dive: Social Outcomes Contracts

Funds committed £8.3m	Organisations supported 68	Short-term public value generated £39.7m²³ SBSI Share £9.4m YOY 14% ▲	Number of people supported 12,532 SBSI Share 2,971 YOY 10% ▲
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SBSI invests in funds or direct opportunities that provide capital for expert charities and social enterprises to deliver outcomes-based government contracts. This funding enables social organisations to achieve greater impact for vulnerable people and provide better value for money for the public. Projects are paid for the social outcomes they achieve, with the value to government and society from savings (e.g. through early action to reduce the need for high cost care services) significantly exceeding the level of payments.

Map Key

- Most deprived
- Deprived
- Average
- Less deprived
- Least deprived



²² See Appendix: Methodology notes for full explanation on how this is calculated.

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Social Outcomes Contract (SOC) portfolio

Fund	Bridges Social Outcomes Fund £8.3m SBSI investment of £35m Fund.
What	Personalised family, health, social care, education and transitional housing services leading to sustained positive outcomes for citizens and value for taxpayers.
Who	Lower income and vulnerable groups
How Much	Short-term public value of £39.7m generated through early intervention ²⁴ 12,523 people supported across homelessness, education and employment, family care.
Contribution	Provision of capital enables social organisations to participate in outcomes based contracts. Bridges engages with local authorities on programme design, and social organisations to construct and manage partnerships for service delivery

Key Impact Risks and Mitigants

Execution risk Potential delays in recruitment of staff. Potential structural barriers limiting the ability to innovate and evolve services based on learning.	Partnership Collaborative design models with local steering groups and stakeholder engagement.
External risk Risk that referral levels deviate substantially from expectations due to public service disruption and/or surge in need.	User voice Client feedback used to adapt services in response to disruption and emerging challenges for clients. Engagement with clients reduces risk of drop-off.

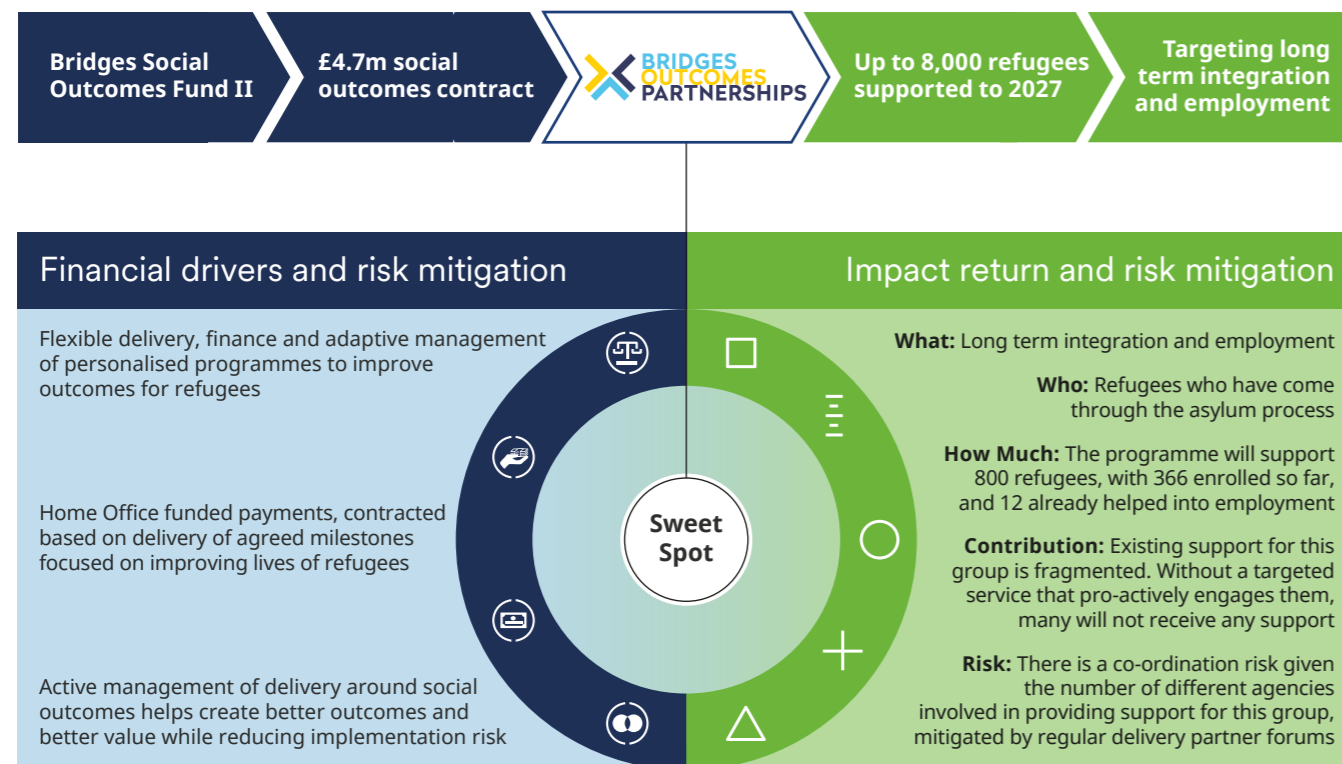
²⁴ Social Outcomes Contracts assess cost effectiveness in achieving positive outcomes, referenced against existing costs or rates set to achieve outcomes through conventional public service provision. See Appendix: Methodological Notes for further information on how this KPI is measured.

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SOC CASE STUDY: Refugee Better Outcomes Partnership (RBOP)

The UK offers protection to over 13,000 refugees each year. Refugees face severe challenges including a lack of access to stable housing, barriers to employment, mental health issues, low levels of English language and limited social connections. Over 80% of refugees are people who come through the asylum system. Many of these people will have waited years to receive their refugee decision, living in asylum accommodation during this time with limited access to any support. The Refugee Better Outcomes Partnership (delivering programmes

in Plymouth and in the Northeast of England) provides one-to-one support to refugees with the transition out of asylum accommodation and into the community. The programme completed its first full year in 2022, and is scheduled to run to 2024. While the programme operates at small scale and is highly localised, we believe this has significant potential as a catalyst for systems change, which is urgently needed to address the ongoing refugee crisis.



User Voice

RBOP has set up forums between delivery partners and other external agencies interacting with refugee clients, including job centres, colleges and local authority housing teams. Any of the frontline support workers and managers are former refugees themselves, and through these forums have been feeding back and inputting into service design.

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LEARNING AND ENGAGEMENT IN THE YEAR: Assessing public value

The UK has been the pioneer of social outcomes contracts since the model was first developed a decade ago, developing 90 projects, more than any other country. To date this approach has been used by over 180 commissioners, predominantly across local and central government, involving over 220 social sector delivery partners, and ultimately benefitting over 55,000 people. In 2022 Big Society Capital published the most comprehensive independent review of value of the UK SOC market to date. This analysis found that outcomes contracts have generated over £1.4bn of value, against a total cost to commissioners of £139m, meaning for every £1 spent SOCs have returned £10 in value for the public purse.

Partnership between government, socially motivated investors and local delivery organisations is crucial to unlocking this value. Focus groups conducted by Public First show that when it comes to public service delivery which is tackling complex issues, such as homelessness or children on the edge of care, being local matters most to people – that the service was delivered locally by local organisations who knew the area and were contributing to the local economy. This was more important to people than whether this was done via the public, social or private sector. BSC has also produced an insight series setting out how high-quality local services can be supported through social outcomes partnerships, drawing on insights from SBSI's portfolio and focusing on Education, Employment and Health.



Impact Management

Impact management and measurement is central to SBSI's investment thesis and is integrated at every stage of the Company's investment process. Understanding the impact that is being achieved is a **competitive advantage for the funds and enterprises we invest in, reducing risk and creating long term value for investors.**

SBSI considers impact at two levels: firstly, the **impact on people**, created by the organisations receiving investment through the fund managers that the Company invests in. And secondly, the **Investor contribution** of the Company, which is the potential for SBSI to help enhance the impact of fund managers and investees through investment and engagement.

Independent review of process and Impact Reporting

SBSI's portfolio manager works closely with portfolio fund managers to ensure high quality impact reporting, and has also worked over the last year to ensure SBSI reports also stand up to independent scrutiny. In 2022, SBSI participated in a pilot project for independent verification of impact reports, led by BlueMark, the third party assurance provider for impact investors.

BlueMark's recommendations also aligned with the priority areas identified by SBSI for enhanced impact management and measurement. These include more detailed reporting on ESG risks and metrics, which we have included in this report, and assessment of performance against impact targets and historical results where applicable, which SBSI intends to build up over time as we develop a historical record for comparison.

The verification statement from BlueMark summarises their findings. We were pleased to have them confirm that SBSI's first annual impact report 'is a thorough reflection SBSI's impact strategy and accurately portrays BSC's robust application of tools and processes used for ESG and impact management throughout the investment lifecycle'.

Summary independent verification conclusions, 2022





- BlueMark's verification findings indicated the Schroder BCS Social Impact Trust first Impact Report (2022) is a thorough reflection of SBSI's impact strategy and accurately portrays BSC's robust application of tools and processes used for ESG and impact management throughout the investment lifecycle
- Impact performance is reported consistently using the IMP's Five Dimensions for all investments within SBSI's portfolio. BlueMark's assessment suggests that data presented in the report is consistent with internal management processes and underlying reporting documents
- In future reports, where feasible and meaningful, the Company should consider both targets and historical results for impact KPIs. The Company should also enhance its reporting on ESG and consider opportunities to provide report consumers with a broader assessment of portfolio-level learnings. Over time, the Company should seek to report on the results of investor contribution activities cited within the report
- See the full disclosure statement here

How SBSI assesses and manages impact

SBSI's impact management processes draw on Big Society Capital (BSC) insights into the enablers of strong impact performance, based on extensive work with more than 100 Funds. As an early signatory to the Operating Principles for Impact Management (OPIM), BSC's impact systems and processes are designed to ensure full alignment with the industry

standard for best practice in impact management. Big Society Capital's alignment with the OPIM standard is documented and independently verified in its annual publicly available disclosure and verification statement²⁵.

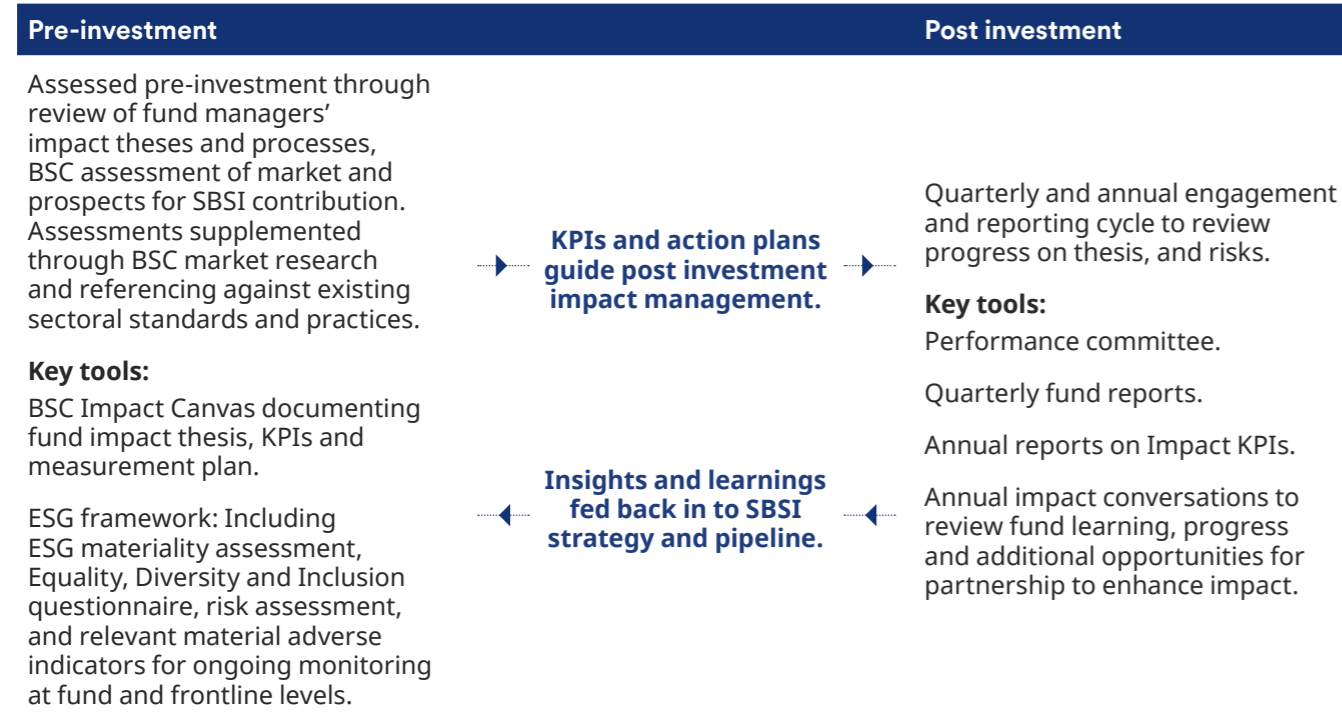
Impact practice throughout the investment process

What	Impact intent is consistent with investment strategy	Impact aligned approach to origination and structuring	Impact management embedded into portfolio management	A clear approach to sustained impact on exit
Good practice	 Holistic assessment of the social and investment solution	 Partnerships with experienced social organisations	 User voice used to improve decision making	 Holistic assessment, drawing on social organisation partnerships and user voice
Why	↓ Mitigates conflict risk Social impact outcomes and financial return targets are intrinsically linked	↓ Mitigates reputational risk Finance is sustainable, meeting genuine sector demand and proven outcomes based solution	↓ Mitigates financial and impact risk Finance is sustainable, meeting genuine sector demand and proven outcomes based solution	↓ Perserves impact integrity Exit of investment is mutually beneficial to all stakeholders and focussed on maintaining long-term impact



²⁵ https://bigsocietycapital.fra1.cdn.digitaloceanspaces.com/media/documents/Disclosure_statement_2022_final.pdf

Impact assessment and reporting pre and post investment



Impact Risk assessment

SBSI's Impact framework ensures that investments align with our social impact mission and that impact risks are assessed and managed. We believe this rigorous approach to impact risk is key to the Company's success. SBSI focuses on the nine types of impact risk codified by the Impact Management Project.

Enterprises and investors face nine types of impact risks

Impact Risk	Definition
Evidence risk	➔ The probability that insufficient high-quality data exists to know what impact is coming.
External risk	➔ The probability that external factors disrupt our ability to deliver the impact.
Stakeholder participation risk	➔ The probability that the expectations and/or experience of stakeholders are misunderstood or not taken into account.
Drop-off risk	➔ The probability that positive impact does not endure and/or that negative impact is no longer mitigated.
Efficiency risk	➔ The probability that the impact could have been achieved with fewer resources at a lower cost.
Execution risk	➔ The probability that the activities are not delivered as planned and do not result in the desired outcomes.
Alignment risk	➔ The probability that impact is not locked into the enterprise model.
Endurance risk	➔ The probability that the required activities are not delivered for a long enough period.
Unexpected impact risk	➔ The probability that significant unexpected positive and/or negative impact is experienced by people and the planet.

Key aspects of good impact practice

Holistic assessment of the social issue and investment solution

Why?

Social impact investment models typically interact with a wide range of stakeholders, and target outcomes that are dependent on multiple variables. In-depth assessment of these variables can identify potential limitations, opportunities to improve, and risks of unintended and negative impacts.

How?

Investments include evidence-based impact theses with detailed consideration of key stakeholders, variables and externalities. Fund managers have clear processes for monitoring and managing impact risks.

Partnerships with experienced social organisations

Why?

Enhancing the scale and capacity of social organisations is central to delivering better impact for society. Social impact interventions require organisations with deep knowledge of target groups, and the ability to provide reliable, high-quality services. Organisational failure is both a financial risk for investors, and a social impact risk for clients; for example, people in supported housing, or students receiving additional learning support. Ensuring organisations are robust and able to maintain operations throughout economic cycles is therefore crucial.

How?

Fund managers demonstrate an ability to identify and engage with suitable social organisations as recipients of funding, delivery partners, counterparties and/or external actors to ensure quality and social mission alignment.

Investees and delivery partners demonstrate strong track records, an ability to take on investment and maintain and/or expand operations. Evidence includes SBSI and fund manager assessment of frontline organisation years of operation, size and financial health.

Fund manager financial and non-financial support is tailored to optimise organisational resilience and growth.

Integrating user voice into service design and delivery

Why?

Impact and financial returns are dependent on provision of services that are accessible and relevant to the needs of underserved and disadvantaged people. Without knowing what people want, efforts to achieve positive social impact may fail or create harm. Continuous dialogue is crucial to ensure services are fit for purpose, and to build a sense of community, reciprocity and agency between those who use services and those who provide them. This, in turn, enhances the prospects of delivering social change and building long term, scalable service delivery models.

How?

Frontline investee organisations integrate user experience in to product and service design and delivery. Mechanisms are in place to ensure user feedback is captured and acted upon at frontline and/or fund manager level. Interventions are accountable to users.

Assessed at investment through review of fund manager impact measurement systems, portfolio manager research and a look-through assessment of frontline organisation engagement with end users.







Environmental, Social and Governance Risk Management

A proportionate, credible and useful ESG risk management approach is integral to achieving SBSI's objectives. This helps the portfolio manager identify and manage material risks that may affect impact or financial performance, as well as fulfilling SBSI's responsibility to its stakeholders including end beneficiaries, employees, clients, shareholders and partners. These responsibilities are set out in Big Society Capital's [Responsible Business Principles](#), which act as the basis for SBSI's ESG management approach.




Key SBSI 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 SBSI 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	SBSI maintains an ongoing dialogue about ESG with fund managers and, where appropriate, monitors any ESG-related action plans that respond to material ESG risks.	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. Annual impact conversations include open discussions of experience in implementing ESG management and alignment to evolving ESG regulatory frameworks.
Learning and market engagement	Engage with peer organisations and wider sectoral bodies to share insights and support the development of standards and best practices.	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. Continued sectoral engagement with the Equity Impact Project in social housing.




Environmental, Social, and Governance Risk Management Summary

	Environmental
Summary 2022-23	<p>No residual risks or issues identified in the reporting period</p> <p>Where applicable, risks appropriately mitigated by fund managers and enterprises in line with the SBSI's ESG approach and Big Society Capital's Responsible Business Principles.</p>
High Impact Housing 	<p>Materiality: Medium</p> <p>Investment in built environment construction and management results in exposure to comparatively high emissions sectors. In addition, the UK's existing affordable housing stock is typically low energy efficiency.</p> <p>Potential material issues:</p> <ul style="list-style-type: none"> - Extreme weather event and temperature damaging infrastructure of portfolio assets - Construction standards tightening to meet sustainable regulation resulting in unanticipated increased costs for property investments - Unexpected costs to retrofit existing building stock due to increased regulation on energy efficiency <p>Mitigants:</p> <ul style="list-style-type: none"> - Fund manager's ESG approaches - Alignment with UK environmental standards and regulations - Ongoing monitoring of regulatory requirements - Application of ESG tools specific for Social Property to better enable the identification of gaps and mitigants for social property investments - Assessment of Fund strategies and progress towards improved energy efficiency in line with regulatory requirements and the UK's net-zero pathway - Well-established infrastructure and geographical spread in the UK which limits severity of impact of irregular extreme location-specific weather events
Debt and Equity for Social Lending 	<p>Materiality: Low</p> <p>Investments are predominantly service based with limited environmental impact. Limited business models involve the built environment and housing with higher environmental risks (mitigated in similar ways to High Impact Housing).</p> <p>Potential material issues:</p> <ul style="list-style-type: none"> - Unexpected costs to retrofit due to increased regulation on energy efficiency impacting asset-based business models - Unexpected costs due to carbon taxing and fuel duties <p>Mitigants:</p> <ul style="list-style-type: none"> - Standard loans for community assets less likely to be affected given lead-in times for new regulation and short loan tenors. More likely to result in lending opportunities. - Mortgages for community assets may be affected by additional costs, however, lending to more established organisations and loans is secured.

	Environmental
Social Outcomes Contracts 	<p>Materiality: Low</p> <p>Social Outcomes Contract investments focus on provision of services in low environmental impact sectors including care, education and health and well-being. Investments include ancillary use of vehicles for the delivery of services, but these are not deemed to be material</p> <p>Potential material issues:</p> <ul style="list-style-type: none"> - None identified
Liquidity assets	<p>Materiality: Medium</p> <p>Potential material issues:</p> <ul style="list-style-type: none"> - Ecological impacts of project development: Renewable energy generation involves land acquisition, permitting, and engagement with local stakeholders to address concerns about potential environmental and community impacts <p>Mitigants:</p> <ul style="list-style-type: none"> - Investments in liquidity assets must demonstrate at minimum negative ESG screening, alignment with TCFD requirements, and suitable policies to ensure engagement with regulatory requirements for community consultation (e.g. Section 106 requirements in the UK) and conservation



Social	
<p>High Impact Housing</p> 	<p>Materiality: Medium to High</p> <p>Potential material issues:</p> <ul style="list-style-type: none"> - Safeguarding clients: Most investments interact with potentially vulnerable clients and therefore safeguarding is a key social risk area for management across the portfolio - Decent working conditions: The construction, health, social care and voluntary and charitable sectors have a high prevalence of lower paid jobs. Ensuring employment practices align with expected standards of being safe, inclusive and equitable is therefore a key risk area for investments - Community impact of new developments: Inadequate integration of new communities into pre-existing communities can pose a risk on the value of a property <p>Mitigants:</p> <ul style="list-style-type: none"> - Fund managers' ESG approach - Investment strategy focuses on partnership with social sector organisations that have deep expertise and good track records in working with vulnerable clients - Integration of user voice and direct engagement with key stakeholders including employees, clients and partners, where practically applicable by investee companies
<p>Debt and Equity for Social Lending</p> 	<p>Materiality: Medium</p> <p>Potential material issues:</p> <ul style="list-style-type: none"> - Safeguarding clients: Most investments interact with potentially vulnerable clients and therefore safeguarding is a key social risk area for management across the portfolio - Decent working condition and inclusive practices: Health, social care, voluntary and charitable sectors have a high prevalence of lower paid jobs. Ensuring employment practices align with expected standards of being safe, inclusive and equitable is therefore a key risk area for investments - Customer privacy and data security: Ensuring the privacy and security of customer data is a key risk <p>Mitigants:</p> <ul style="list-style-type: none"> - Fund managers and borrowers' ESG processes and policies - Fund managers and borrowers' EDI processes and policies - HR policies - Data protection policies
<p>Social Outcomes Contracts</p> 	<p>Materiality: Medium</p> <p>Potential material issues:</p> <ul style="list-style-type: none"> - Safeguarding clients: Social outcomes contracts engage with highly vulnerable people <p>Mitigants:</p> <ul style="list-style-type: none"> - Contracts are required to meet stringent ESG requirements set and assessed by commissioners

Social	
<p>Liquidity assets</p>	<p>Materiality: Medium</p> <p>Potential material issues:</p> <ul style="list-style-type: none"> - Supply chain: Construction and renewable energy generation sector global supply chains result in a risk of exposure to human rights violations <p>Mitigants:</p> <ul style="list-style-type: none"> - Investments in new renewable energy assets must demonstrate suitable policies to ensure protection of human rights in supply chains
Governance	
<p>High Impact Housing</p> 	<p>Materiality: Low</p> <p>Investments are focused in UK sectors with clear and robust regulatory frameworks and standards. Investment selection draws on Big Society Capital's rigorous organisation and management due diligence and ongoing monitoring of portfolio fund managers</p> <p>Potential material issues:</p> <ul style="list-style-type: none"> - None identified
<p>Debt and Equity for Social Lending</p> 	
<p>Social Outcomes Contracts</p> 	
<p>Liquidity assets</p>	

*Materiality is assessed in line with Big Society Capital's Responsible Investment Policy, [available online here](#)

Engagement

SBSI’s portfolio manager actively engages with underlying fund managers throughout due diligence, investment and portfolio management stages of the investment process. Our 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 SBSI’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.

100% coverage: SBSI’s portfolio manager held annual impact conversations with all portfolio fund managers in 2022. Conversations focused on fund specific insights, learnings and challenges in the year and portfolio and market wide agendas, with a particular focus on evolving sustainability and ESG standards, and identifying actions for fund alignment to net zero emissions.

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

SBSI 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.

SBSI total Scope 1-2 emissions per £1m invested: 9.5 metric tonnes
Benchmark: MSCI Global equities, 59 metric tonnes

(SBSI estimate based on reporting for 52% of the portfolio, Benchmark MSCI All Countries World ACWI)

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.

SBSI currently reports greenhouse gas emissions data for 52% of the portfolio. We believe this represent a relatively high level of coverage for the profile of frontline investments in the portfolio, the majority of which are small and medium sized social organisations, rather than larger listed companies that are the current focus of emissions disclosure requirements. We are currently working to extend coverage across the remainder of the portfolio over the coming year given its priority ahead of the mandatory TCFD disclosure and as a key metric identified under the EU’s Sustainable Finance Disclosure Regulation (SFDR). The 2022 TCFD disclosure for Schroders can be found here.

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 SBSI’s mission. Over 2020-21 the Trust’s portfolio has delivered substantial progress in reaching diverse communities, with more than 90% 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 SBSI’s investment process

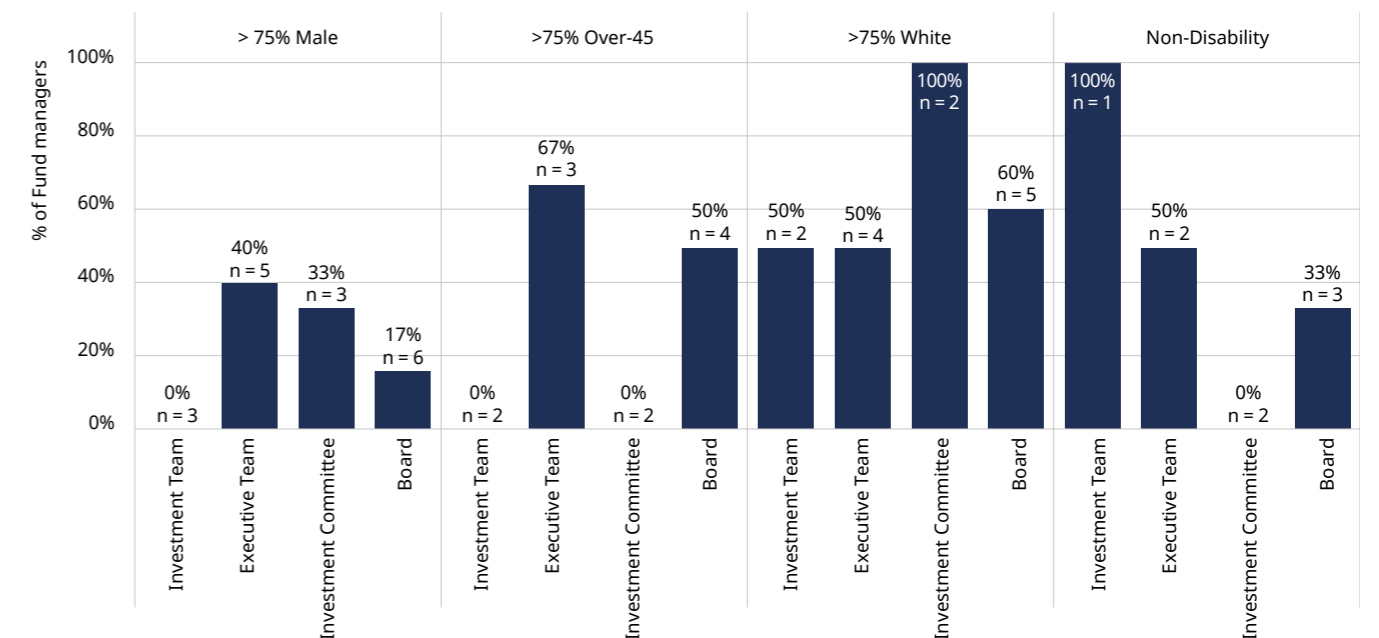
Our hypothesis is that more diverse fund managers will lead to more diverse-led frontline organisations, who will in turn generate greater outcomes for underrepresented groups. There is a proven business case for this: organisations that are more diverse and have inclusive cultures often have better 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, we are 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 lives those policies in practice. We want to understand the equalities impact of proposed investment strategies, and how EDI is embedded in in Fund investment processes.
3. Track progress against these goals by engaging with our managers on EDI in portfolio monitoring and data collection.

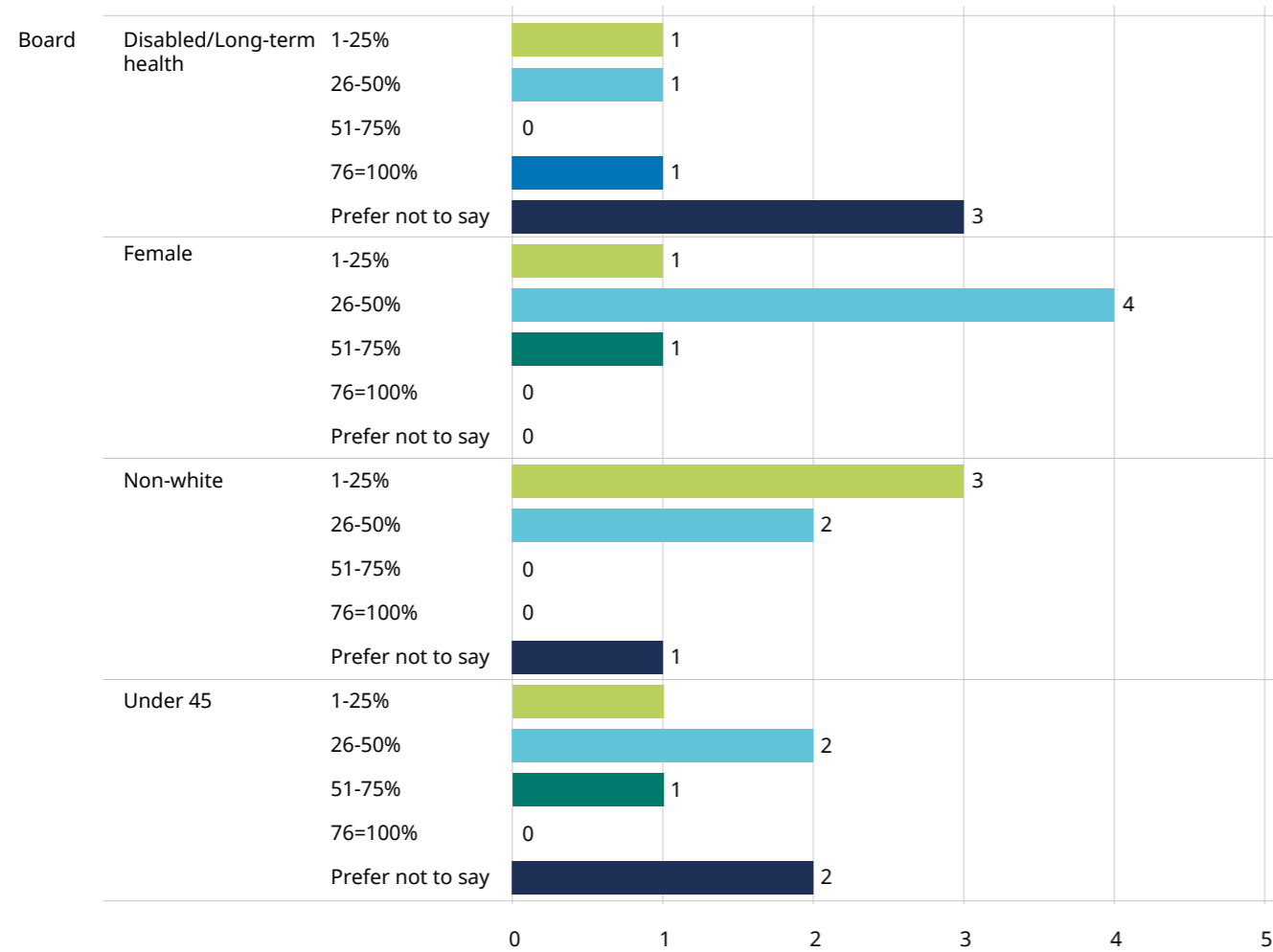
In 2022, Big Society Capital asked some of the largest fund managers in the portfolio to share data on diversity within their organisations and, for the first time, also on their portfolio companies. The findings below include the responses from 60% of the SBSI’s portfolio.

Summary of EDI fund manager survey findings²⁶



²⁶ 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.

Diversity of Fund Managers' Boards



Progress update on EDI action plan

Priority areas	Goals and progress to date
<p>People and culture: 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</p>	<p>2022:</p> <ul style="list-style-type: none"> - Signatory to the Diversity Forum manifesto²⁷ - 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
<p>Investment and portfolio: 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.</p>	<p>2022:</p> <ul style="list-style-type: none"> - 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
<p>Engagement and market building: 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.</p>	<p>2022:</p> <ul style="list-style-type: none"> - Hosted Addressing Imbalance programme - Launched Investment Committees of the Future - Developing user voice training

²⁷ The Diversity Forum Manifesto includes seven clear commitments to building more inclusive organisations and systems. Signatories must set specific goals aligned these commitments, report on these annually, and work collaboratively with Forum peers. <https://www.diversityforum.org.uk/manifesto>

Appendix

Methodological notes

1. Number of beneficiaries

SBSI 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 SBSI's investment.

Total beneficiaries:

This is an aggregation of the beneficiaries reached across the three asset classes that SBSI invests in:

- Housing – total number of people provided with homes by housing initiatives financed by SBSI-supported Funds.
- Debt and Equity for Social Enterprises – total number of people provided with services or products by organisations and projects financed by SBSI-supported Funds.
- Social Outcomes Contracts - total number of people provided with services by partnerships financed by 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 SBSI'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 SBSI on social impact for its entire loanbook, however SBSI's calculation for total beneficiaries reached by the Bank Bond is based only on the share of loans made possible by the Bond.

SBSI attributed share of beneficiaries

This report includes the SBSI 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 SBSI 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, 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 SBSI, and offers SBSI 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 SBSI. 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 SBSI

commitment) of the age of all frontline organisations financed through SBSI investments, taken from the date of organisation 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 SBSI's annual review for this report. 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 enhancing prospects of sustained positive outcomes. SBSI therefore recognises where frontline organisations are aligned to multiple SDGs. See asset class sections 4-6 for further discussion on models, including sustainable supported housing, services for vulnerable young people combining education and care, and energy efficiency services tackling fuel poverty and supporting the transition to net zero emissions.

SBSI'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. This report provides assessment of the Company's portfolio against SDGs where we have identified relevant SDG sub-indicators and recognised UK level targets. 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

SBSI invests in initiatives seeking to provide benefits to society in innovative and cost-effective ways. This 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

- 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.
- 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)
- 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 SOCs, please see <https://www.bridgesfundmanagement.com/outcomes-contracts/>

Debt and Equity for Social Enterprises, AgilityEco: Calculated based on 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-impact-report-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. SBSI is currently exploring methods for assessing savings generated through housing services and other enterprise models, however we do not currently have sufficiently reliable data to report on this. We intend to publish further discussion on this topic in future reports.

8. Data quality

The impact data presented in this report is taken from the latest available fund manager impact reports submitted to SBSI. The report also draws on annual impact reports from frontline investee organisations where available.

This Impact Report was produced by the Schroder BSC Social Impact Trust Impact Team, with special thanks for contributions from portfolio fund managers, colleagues at Schroders and Big Society Capital, and the Social Impact Trust Board and Investment Committee.

9. Reporting on contribution to impact

Investment and non-financial support provided through SBSI 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 SBSI but does not seek to attribute a share of impact directly to SBSI.

About the Schroder BSC Social Impact Trust plc

There is a growing private impact investment market in the UK, providing solutions that aim to help alleviate some of the country's most pressing social challenges, while targeting a sustainable financial return. Many of the investment opportunities which deliver the highest level of social impact are found in private markets which, although they have increasing institutional investor backing, are not easily accessible to other investors without specialist expertise and deep networks.

To bring these opportunities to a wider audience, the Schroder BSC Social Impact Trust plc was listed in December 2020 to provide investors with unique access to a diversified portfolio of high-impact private market investments within a liquid investment vehicle. The portfolio is managed by Big Society Capital (BSC), one of the UK's leading impact investors, and the Alternative Investment Fund Manager is Schroders, who is one of the leading managers of investment trusts in the UK and is committed to sustainability and positive impact.

Delegated Portfolio Manager

- Responsible for day-to-day investment origination, investment selection and portfolio management.
- Dedicated social impact investor with £625m of investment from Barclays, HSBC, Lloyds, NatWest and dormant bank accounts
- Team of 30+ with diverse experience across investment, government and social enterprise
- Impact and ESG team
- £1.8bn deployed with other investors (including BSC investment alongside investment mobilised from co-investors in Funds).
- More than 2,000 social enterprise investments



Alternative Investment Fund Manager

- Representation on the Company's Investment Committee and responsible for oversight of risk management
- £746.3 billion of assets under management (as at 31 March 2023) and an MSCI ESG rating of AAA with a consistent score for more than five years
- UN Global Compact Signatory
- Awarded "ESG engagement initiative of the year" by Environmental Finance in 2022



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Please refer to the Schroder BSC Social Impact Trust website for further information and to contact the team.

<https://www.schroders.com/en/uk/private-investor/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/schroder-bsc-social-impact-trust/>

Key risks that are specific to the company

- There can be no guarantee that the Company will achieve its investment objective or that investors will get back the amount of their original investment.
- The Company has a limited operating history and investors have a limited basis on which to evaluate the Company's ability to achieve its investment objective.
- The Company has no employees and is reliant on the performance of third party service providers. Failure by the AIFM, the Portfolio Manager or any other third party service provider to perform in accordance with the terms of its appointment could have a material detrimental impact on the operation of the Company.
- The financial performance of the Company will depend upon the financial performance of the underlying portfolio. The Company's portfolio will include Social Impact Investments over which the Company and Portfolio Manager have no control. In particular, investments in Impact Funds and certain Co-Investments will be managed by third party managers. The Company's performance and returns to Shareholders will depend on the performance of those Social Impact Investments and their managers.
- The Company's objective is to deliver measurable positive social impact as well as long term capital growth and income and these dual aims will generally be given equal weighting. Social impact is the improvement of the life outcomes of beneficiaries in a specific target group or groups. There is no universally accepted definition of 'impact', an assessment of which requires value judgments to be made. The Company's impact focus may mean that the financial returns to Shareholders are lower than those which might be achieved by other investment products.
- The Company depends on the diligence, skill, judgement and business contacts of the Portfolio Manager's investment professionals and the information and deal flow they generate, especially given the specialist nature of social impact investing. The departure of some or all of the Portfolio Manager's investment professionals could prevent the Company from achieving its investment objective.
- The Company will make investments where the Company's commitment is called over time. Due to the nature of such investments, in the normal course of its activities the Company expects to have outstanding commitments in respect of Social Impact Investments that may be substantial relative to the Company's assets. The Company's ability to meet these commitments, when called, is dependent upon the Company having sufficient cash or liquid assets at the time, the receipt of cash distributions in respect of Investments (the timing and amount of which can be unpredictable) and the availability of the Company's borrowing facilities, if any.
- The Company's investments may be illiquid and a sale may require the consent of other interested parties. Such investments may therefore be difficult to realise and to value. Such realisations may involve significant time and cost and/or result in realisations at levels below the value of such investments estimated by the Company.
- Any change in the Company's tax status or in taxation legislation or practice generally could adversely affect the value of the investments held by the Company, or the Company's ability to provide returns to Shareholders, or alter the post-tax returns to Shareholders.

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