

Schroders

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# Schroder BSC Social Impact Trust

## Impact Report 2022

Executive Summary



# Executive Summary



The Schroder BSC Social Impact Trust (the Social Impact Trust) helps connect organisations working for social change with the capital they need to address some of the most important social challenges in the UK.

## Social Challenges in the UK

Social challenges have become even more severe in the last two years following the cost of living crisis and Covid-19.

More than **180,000 people have been tipped into homelessness**,<sup>1</sup> while more than a quarter of UK children live in poverty.

**1.5 million older people** do not receive the care and support they need for essential activities.<sup>2</sup>

Over **a third of UK households** are forecast to be in **fuel poverty** in 2022.<sup>4</sup>

## Investment needed

The investment required to address these problems is substantial.

Just tackling the shortage of housing for homeless people in the UK would require an estimated **£12.8bn**.

**£7.7bn** additional investment is needed annually to meet the growing demand for care.<sup>3</sup>

**£65bn** of investment is needed to insulate UK homes by 2035.<sup>5</sup>

## How the Social Impact Trust can help

Significant funding is required to meaningfully alleviate social challenges in the UK. Local social organisations are often best placed to tackle these challenges, and by partnering with both government and investors, are able to develop innovative solutions that are tailored to help disadvantaged groups.

The Social Impact Trust is uniquely placed to direct fresh capital into these new models, a number of

which are at a point where they require significant funding to scale their impact.

By investing in the Social Impact Trust, investors can access a diversified portfolio of social impact investments, offering good risk-adjusted returns, low correlation to traditional quoted markets and managed by one of the UK's preeminent impact investors.

<sup>1</sup> [https://england.shelter.org.uk/media/press\\_release/91\\_families\\_made\\_homeless\\_every\\_day\\_in\\_england](https://england.shelter.org.uk/media/press_release/91_families_made_homeless_every_day_in_england). <sup>2</sup> <https://www.ageuk.org.uk/our-impact/campaigning/care-in-crisis/> <sup>3</sup> <https://committees.parliament.uk/publications/3120/documents/29193/default/>. <sup>4</sup> <https://www.resolutionfoundation.org/press-releases/families-suffering-from-fuel-stress-set-to-treble-overnight-to-six-million-households-as-energy-bills-soar/>. <sup>5</sup> <https://www.greenfinanceinstitute.co.uk/wp-content/uploads/2020/06/Financing-energy-efficient-buildings-the-path-to-retrofit-at-scale.pdf>

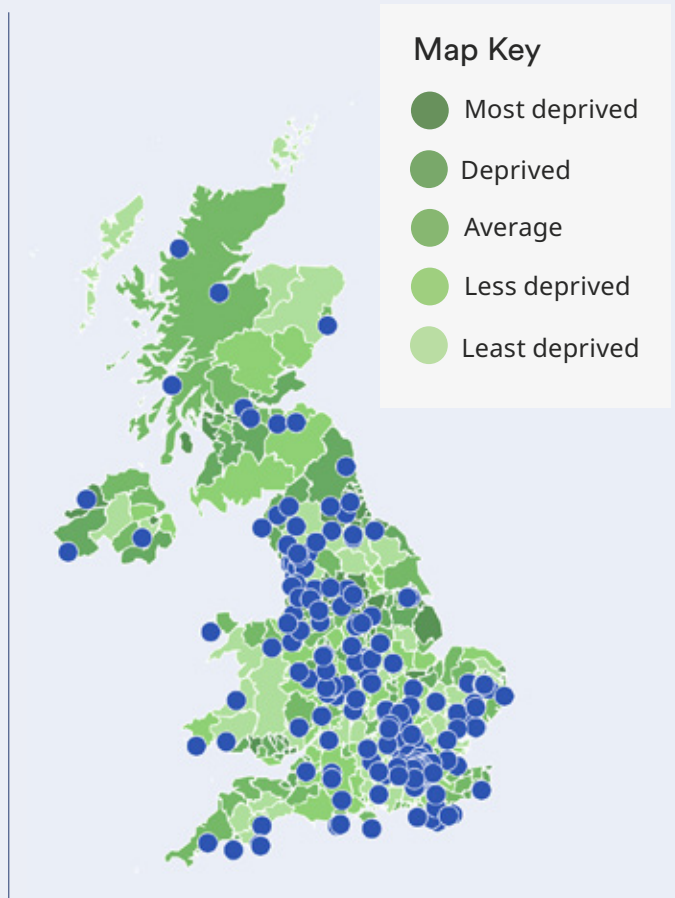
# Portfolio headline results<sup>6</sup>



**£87m committed**



Financing **160 organisations**



Benefitting more than **160,000 people**



At least 90% **disadvantaged and vulnerable**



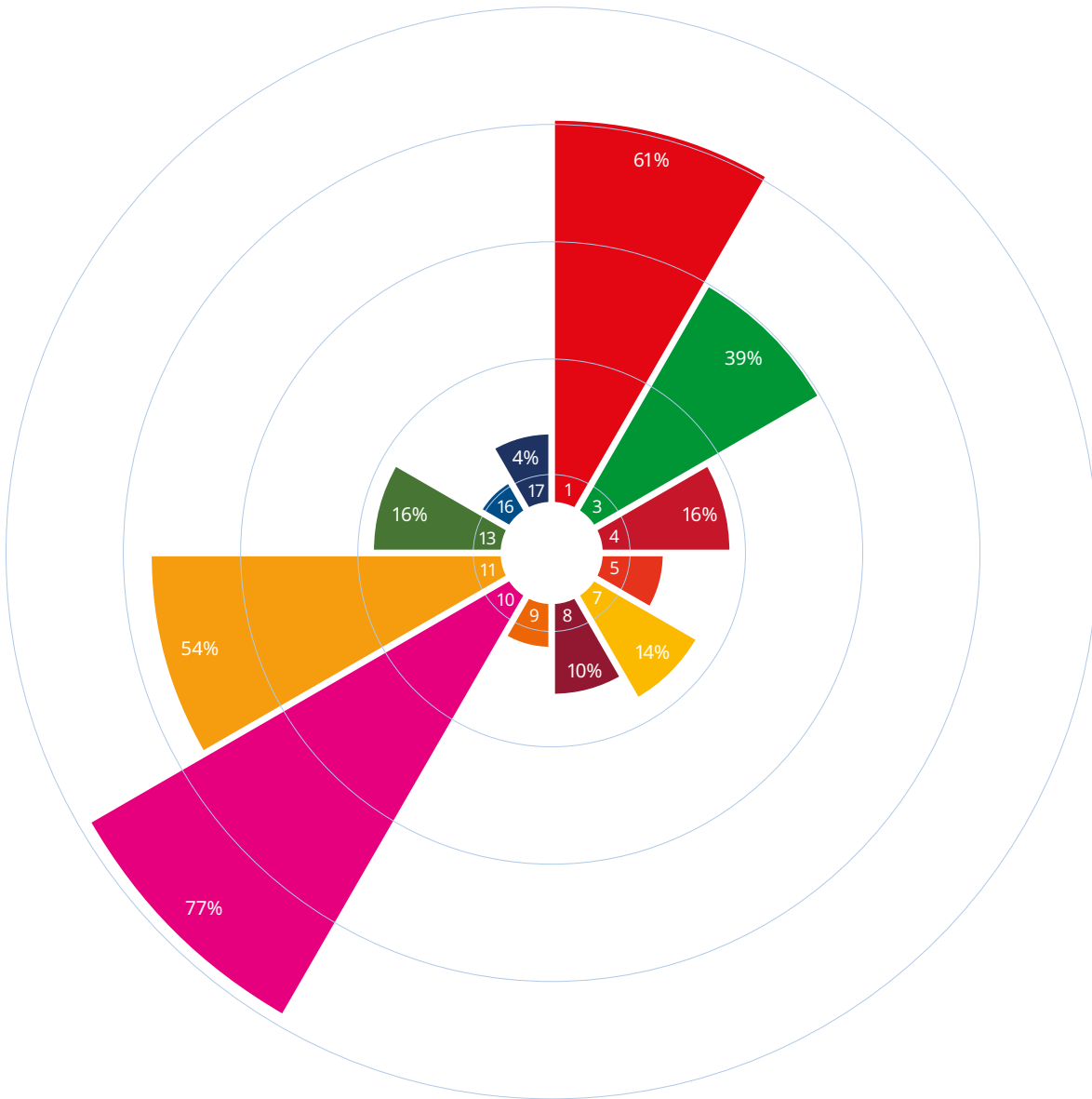
Delivering **10,000 affordable homes**



**£55.6m in near term value** as savings\* and benefits for households and government




<sup>6</sup> This report presents impact data for portfolio companies and does not attribute a share of impact results to SBSI investment. Data is taken from the latest available fund manager impact reports submitted to the Social Impact Trust. The report also draws on annual impact reports from frontline investee organisations where available.  
 \* Near term savings include total savings generated and reported through Social Outcomes Contracts since inception, plus total annual savings on energy bills achieved by AgilityEco energy efficiency services. See Appendix: Methodological Notes, for further information.

# 100% of investments aligned with UN Sustainable Development Goals<sup>7</sup>



<sup>7</sup> Individual investments align with multiple SDGs. On average, frontline investments align with 3 SDGs.

The Social Impact Trust focuses on three core asset classes that have proven, investable models for positive social impact and a critical need for funding.






 <p><b>High Impact Housing</b></p>	 <p><b>Debt for Social Enterprises</b></p>	 <p><b>Social Outcomes Contracts</b></p>
<b>Addressing social need, including:</b>		
<p>More than <b>320,000</b> homeless in the UK.<sup>8</sup></p> <p><b>64%</b> of women and children are turned away from refuges.<sup>9</sup></p>	<p><b>850,000</b> people with dementia in the UK, rising to <b>1m in 2025</b>.<sup>10</sup></p> <p><b>One in ten</b> households in England live in fuel poverty.<sup>11</sup></p>	<p>Children in care are five times more likely to be convicted or have a youth caution.<sup>12</sup></p> <p><b>15m</b> people suffer from long term conditions.<sup>13</sup></p>
<b>Investable solutions, including:</b>		
<p>Transitional accommodation.</p> <p>Social and affordable housing.</p> <p>Refuges for survivors of domestic abuse.</p>	<p>Social enterprises delivering:</p> <ul style="list-style-type: none"> <li>- community care services.</li> <li>- Government-backed fuel poverty schemes.</li> </ul>	<p>Therapy for children on the edge of care to remain with families.</p> <p>Rehabilitation services.</p> <p>Education and training.</p>
<b>Achieving better outcomes for society, including:</b>		
<p>Support for <b>20</b> organisations providing homes for <b>3,915</b> people.</p>	<p>Essential services for more than <b>150,000</b> people.</p>	<p>Care, education and employment support for <b>11,364</b> people.</p> <p>Creating <b>£34.6m</b> in public savings and benefits.</p>

<sup>8</sup> ShelterEngland. <sup>9</sup> Women's Aid. <sup>10</sup> NHS England. Alzheimer's Society. <sup>11</sup> Fuel Poverty Factsheet England. <sup>12</sup> Prison Reform Trust. <sup>13</sup> NHS England.



# Progress Report Card

The Social Impact Trust 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 Trust as a whole, towards this mission.

What we look for	Progress summary 2021
 <p><b>What</b> Important positive outcomes, meaningful to those experiencing the issue and addressing at least one SDG.</p>	<p><b>On track</b> 100% of capital deployed in line with thesis and aligned with at least one UN SDG.</p>
 <p><b>Who</b> Beneficiaries, who are disadvantaged and/or vulnerable.</p>	<p><b>On track</b> 90% of beneficiaries from disadvantaged or vulnerable groups.</p>
 <p><b>How much</b> Significant depth of impact, in making meaningful improvements for people, and/or high scale of impact, through reaching a large number of people.</p>	<p>Scale: The Trust can measure the scale of impact (primarily the number of people reached) for the full portfolio. Depth: The Trust has outcome level data for 82% of investments.</p> <p><b>Area for improvement</b> Extend outcome measurement in segments with limited data on depth of impact.</p>
 <p><b>Contribution</b> Significant improvement or additional benefit as a result of investment and activities.</p>	<p><b>On track</b> £55.6m savings generated through improved and more accessible services. 10,000 homes provided. Consistent assessment of costs and quality in Social Outcomes Contracts.</p> <p><b>Area for improvement</b> Assessment of outcomes and savings in Housing.</p>
 <p><b>Risk</b> Fund managers must assess and mitigate the risks that may prevent the intended outcomes occurring.</p>	<p><b>On track</b> Mitigated by focus on social organisations with strong track records. Average social organisation track record of 28<sup>14</sup> years. Impact risks assessed and managed for all Investments.</p> <p><b>Area for improvement</b> Assessment and deeper engagement with investees on ESG Risk Management.</p>

For more detail on portfolio performance please see [Asset class deep dive sections 4-6](#).

<sup>14</sup>Track record is the weighted average number of years in operation per investee.



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.

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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/>

## About the Schroder BSC Social Impact Trust

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 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.
- Investment team of 30+ with diverse experience across investment, government and social enterprise.
- Impact and ESG team.
- £1.8bn deployed with other investors (including BSC deployments plus co-investors in to BSC supported 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.
- £731.6 billion of assets under management (as at 31 December 2021) and rated A+ for 6 consecutive years for Strategy and Governance by the United Nations PRI.
- UN Global Compact Signatory.
- 13,000 companies covered by sustainability reporting tools.



# 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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