Schroders | BIG SOCIETY CAPITAL

Schroder BSC Social Impact Trust plc

Report and Accounts for the year ended 30 June 2022

A unique investment opportunity to address UK social challenges

Investment objective

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

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

Investment policy*

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

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

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

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

Impact Funds that invest in Debt for Social Enterprises assets may include some interests in both debt and equity interests. However, the Company will not normally have more than 10 per cent. of Net Assets, calculated at the time of commitment, exposed to equity interests via mixed debt and equity Impact Funds.

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

* Proposed amendments to the investment policy are set out on pages 86 to 88.

Contents

Financial Highlights[1]

Total returns[2]

	Year ended 30 June 2022	Since inception on 22 December 2020 to 30 June 2022
Net Asset Value ("NAV") total return per share	+1.6%	+7.8%
Share price total return*	+3.5%	+7.1%

Other financial information

	30 June 2022	30 June 2021[4]	% Change
Shareholders' funds (£'000)	89,916	78,227	14.9
Shares in issue	85,316,586	75,000,000	13.8
NAV per share (pence)	105.39	104.30	1.0
Share price (pence)	106.50	103.50	2.9
Share price premium/(discount) to NAV per share (%)*	1.1	(0.8)	
Gearing/(net cash) (%)*[3]	(1.5)	(21.8)	

	Year ended 30 June 2022	Period ended 30 June 2021[4]
Net revenue return after taxation (£'000)	1,119	435
Revenue return per share (pence)	1.37	0.58
Dividend per share (pence)	1.30	0.57
Ongoing Charges (%)*[5]	1.22	1.09

[1] Some of the financial measures above are classified as Alternative Performance Measures, as defined by the European Securities and Markets Authority and are indicated with an asterisk (*). Definitions of these performance measures, and other terms used in this report, are given on page 92 together with supporting calculations where appropriate.
[2] Total returns include the impact of dividends paid.
[3] Borrowings used for investment purposes, less cash, expressed as a percentage of net assets. The Company had no borrowing at the year end or prior period end, so this is shown as a negative net cash figure.
[4] The comparative figures cover the period from the date of incorporation on 24 September 2020, to 30 June 2021. The Company began investing on 22 December 2020 ("launch date").
[5] The comparative is based on annualised operating expenses where the financial period is less than a full year, in accordance with AIC guidance.

Impact Highlights

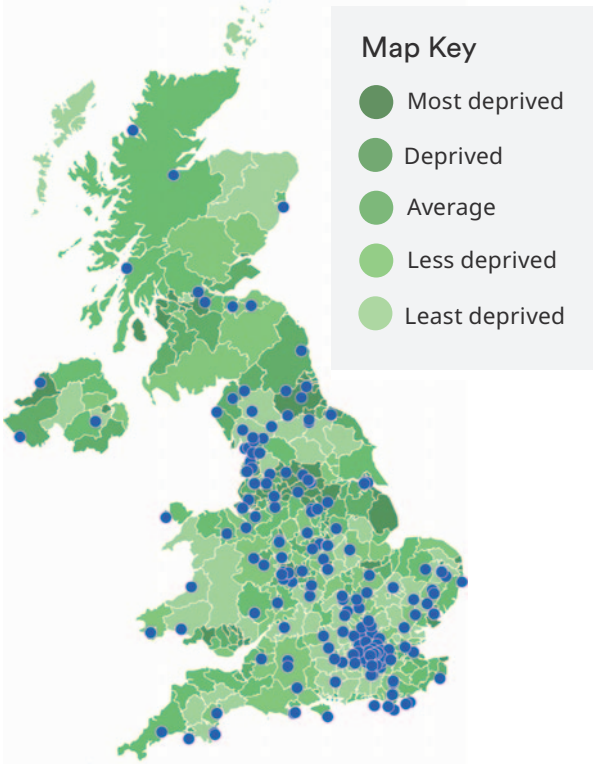
Portfolio headline results[6]

£85m committed

Financing
160 organisations

Benefitting more than
160,000 people

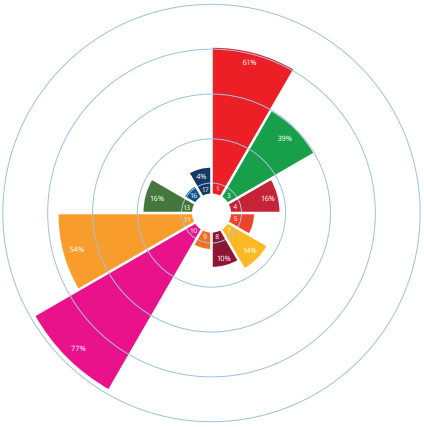
At least 90%
disadvantaged and vulnerable



Delivering 10,000
affordable homes

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

Individual investments align with multiple SDGs, on average frontline investments align with three SDGs



[6]This report presents impact data for portfolio companies and does not attribute a share of impact results to the Company's investment. Data is taken from the latest available fund manager impact reports submitted to the Company. The report also draws on annual impact reports from frontline investee organisations where available.
* 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.

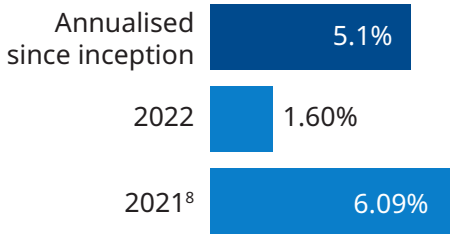
Key Performance Indicators

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

Financial

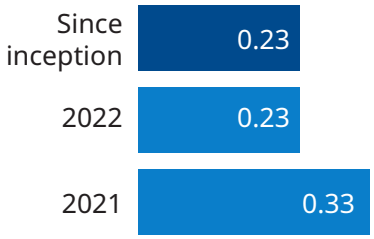
Net Asset Value ("NAV") total return per share[7]

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



Share Price correlation[9,10] **with FTSE All Share**

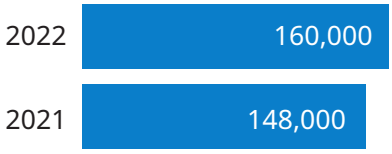
Share price correlation describes the relationship between the respective price movement of the Company's share price and equity markets.



Impact

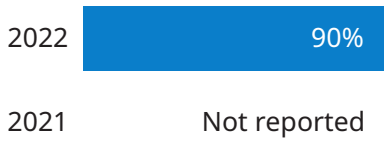
Number of people benefitted

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



Disadvantaged and vulnerable people served[11]

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



[7]The Company aims to provide a NAV total return of CPI plus 2 per cent per annum (once the portfolio is fully invested and averaged over a rolling three- to five-year period).
[8]The comparative figures for 2021 cover the period from the date of incorporation on 24 September 2020 to 30 June 2021. The Company began investing on 22 December 2020 ("launch date").
[9]Share Price correlation with FTSE All Share is classified as an alternative performance measure. Correlation is calculated by obtaining the daily closing prices in each time period for both the Company and FTSE All Share Index, sourced from Morningstar.
[10]Low correlation to traditional equity markets tends to reflect a useful diversifier. Correlation of less than 0.5 indicates a low correlation to the quoted markets.
[11]Definition of 'Disadvantaged and vulnerable' is given on page 93.

Our Approach and Impact Thesis

The Schroder BSC Social Impact Trust plc (the Company) was launched in 2020 to connect capital to organisations tackling some of the UK's most important social challenges.

These challenges have become even more severe as a result of the Covid-19 pandemic and current cost of living crisis	The investment required to address these problems is substantial
Since the start of the pandemic, more than 180,000 people have been tipped into homelessness[12], while more than a quarter of UK children live in poverty[13].	Just tackling the shortage of housing for homeless people in the UK would require an estimated £12.8bn[14] per year over the next decade.
1.5m older people do not receive the care and support they need for essential activities[15].	An extra £7.7bn is needed annually to meet the growing demand for care[16].
7m households predicted to be in fuel poverty in winter 2022[17].	£65bn of investment is needed to insulate UK homes by 2035 to reduce fuel poverty and align with the UK's net zero carbon targets[18].

Local social organisations are often best placed to tackle these challenges, by partnering with government and investors to develop innovative, cost-effective solutions that are tailored to disadvantaged groups. These models are at a point where they require significant capital to scale their impact.

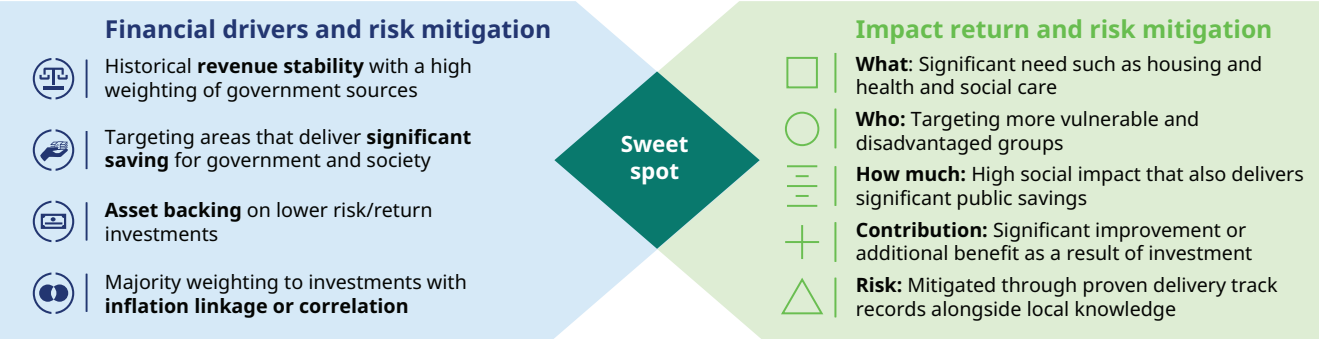
After years of social impact investing, Big Society Capital Limited, the delegated Portfolio Manager of the Company, has identified proven high-impact enterprise models that offer good risk-adjusted returns, alongside low correlation to traditional quoted markets. The Company provides investors access to a diversified portfolio of these opportunities via a listed investment structure, benefiting from the deep knowledge and networks developed by Big Society Capital Limited.

Impact as a driver of value

The investment selection process starts with the social issue, targeting sustainable models that can have a transformational impact on people's life chances.

Within each issue area, the Portfolio Manager looks 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 our financial performance is driven by achieving deep, scalable and sustained impact.

[12]Shelter
[13]Child Poverty Action Group, quoting DWP statistics
[14]National Housing Federation Submission: Budget 2020
[15]Age UK
[16]House of Commons: Health and Social Care Committee
[17]The End Fuel Poverty Coalition (a broad coalition of anti-poverty, environmental, health and housing campaigners, charities, local authorities, trade unions and consumer organisations.)
[18]Green Finance Institute

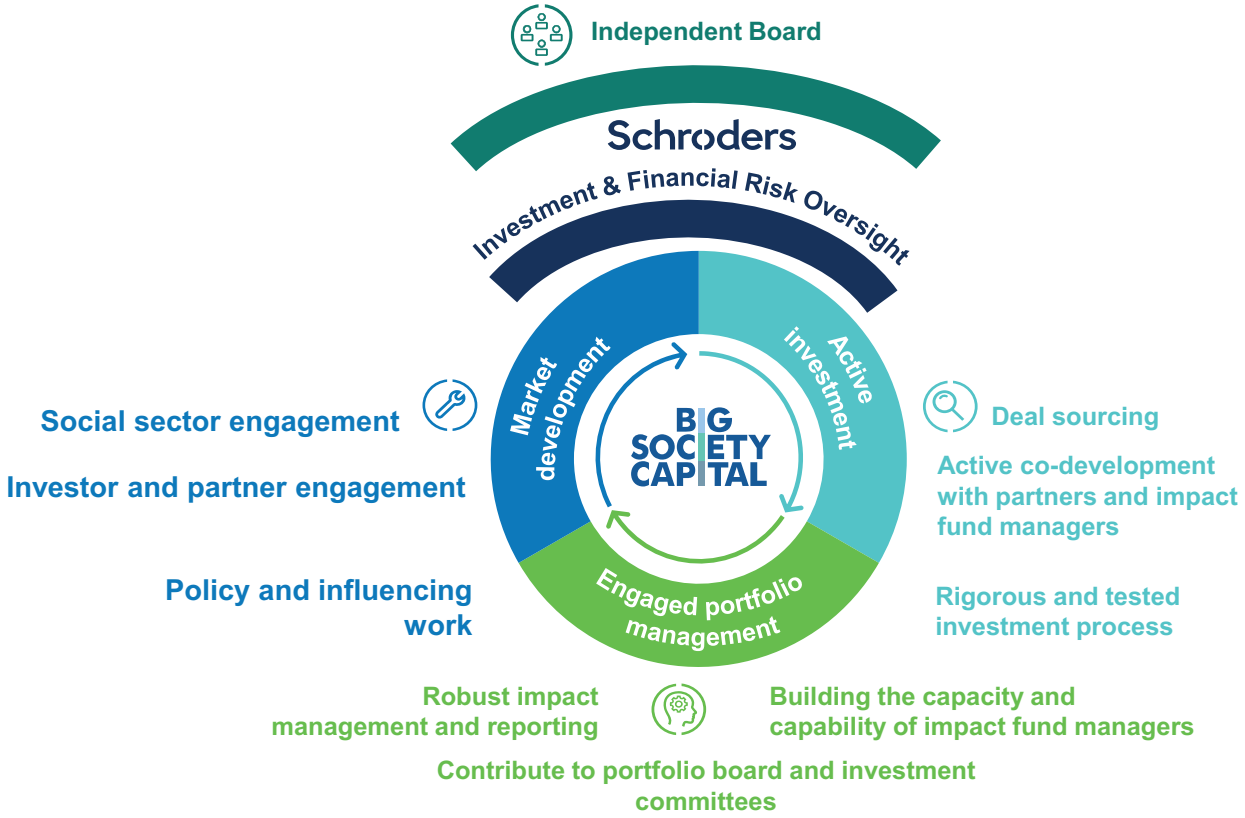
An experienced partnership with deep impact investment expertise

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

Big Society Capital was established in 2012 by Sir Ronald Cohen, founder and former chairman of global private-equity firm Apax Partners, and is the leading financial institution dedicated to social impact investment in the UK. Since inception Big Society Capital has made over 100 investments in funds, managers and social banks reaching 2,000+ social enterprises and charities. The Company's dedicated portfolio management team is backed by a team of 30+ social impact investment professionals at Big Society Capital, with current assets under management of £695m.

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

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



Chair's Statement

I am pleased to present the second annual report of Schroder BSC Social Impact Trust plc, for the year ended 30 June 2022.

As we publish this report, we are starting to see the impact of the multiple crises experienced since the launch of the Company in 2020. The Covid-19 pandemic caused significant disruption in global supply chains, and Russia's invasion of Ukraine earlier this year has and continues to inflict far-reaching damage not only to the people directly involved, but also across markets, with punishing spikes in energy and food prices. Some of the fiscal and monetary measures put in place to mitigate the short-term impact of the crises are now amplifying inflationary pressures, and we are currently experiencing the highest inflation in the UK in forty years.

This environment of elevated geopolitical tensions, security and climate change threats, inflation and rising interest rates has proven challenging for traditional public market portfolios since the start of the year. The Board believes the Company should offer investors a valuable source of diversification, through access to a unique mix of private market investments, with the dual objectives of providing long term capital growth and income and serving as a source of permanent funding for organisations dedicated to positive social impact.

Financial performance

The Company has delivered resilient shareholder returns since inception on 22 December 2020, in a highly volatile market. NAV total return for the year ended 30 June 2022 was 1.6% (2021: 6.09%)[19], during a period of sharp downturns for the wider market. NAV total return since inception was 7.8% (5.1% annualised). Overall, the Company's Net Asset Value per share rose from 104.30p to 105.39p, as a result of investment income and valuation gains and after fees and expenses and an interim dividend payment of 0.57p per share on 3 December 2021.

In November 2021, the Company raised £10.8m through the issuance of 10.3m new shares through a secondary offering to a mix of new and existing shareholders. The proceeds of the equity issuance were fully committed by February 2022, ahead of target, to one new and two follow-on investments.

A more detailed analysis of performance is included in the Portfolio Manager's Report.

Social impact performance

I am delighted to highlight that the Company published its inaugural Impact Report in June 2022, providing an in-depth review of the impact performance across the portfolio, and outlining the Company's priorities for continued enhancement of our impact management and reporting in future years.

As of the date of the report, the Company had committed £85m, financing 160 organisations and reaching 160,000 people, of whom at least 90% are from disadvantaged and vulnerable backgrounds. The Company's investments helped fund over 10,000 affordable homes through the high impact housing asset class and generated over £55m of near-term value as savings for government and households. The report received an independent verification from BlueMark, an industry-leading, third-party assurance provider.

More detail can be found in the Impact Report section on pages 25 to 27, and the full report is available for download on the Company's website. We would welcome your feedback on the report, to help guide our communications with shareholders about the frontline work of our investees and our impact management methodology.

Promotion and premium/discount management

During the year ended 30 June 2022, the Company traded at an average discount to NAV of 0.5%, ending the financial year at a 1.1% premium.

As at 20 October 2022, the Company is trading at a discount of 8.44%, following recent weakness in the Company's share price, coinciding with a turbulent period for UK equities.

The Company has shareholder authority to issue up to 10% of the issued share capital on a non-pre-emptive basis, and a proposal for authority to purchase up to 14.99% of the Company's issued share capital will be put forward at the Company's 2022 AGM.

Should the Company's shares reach a sufficient premium to NAV, the Board would seek to issue shares to new and existing investors, thereby raising additional capital to commit to impactful investments. The Company can play an important role by providing permanent capital to finance well-run, sustainable social enterprises and charitable organisations. It is our aspiration to expand the contribution we can make by growing, through attracting new investors and issuing shares above NAV to raise funds to take advantage of the pipeline of attractive investment opportunities seen by our Portfolio Manager, Big Society Capital.

Dividend

The Board has considered the amount available to distribute to investors and has declared that the Company will pay out substantially all of its income as a dividend, resulting in a dividend of 1.30p per share, payable on 6 December 2022 to shareholders on the Company's share register as at 4 November 2022. This is consistent with the target dividend

[19]The comparative figures for 2021 cover the period from the date of incorporation on 24 September 2020 to 30 June 2021. The Company began investing on 22 December 2020 ("launch date").

communicated to investors at IPO. All of this dividend payment should be treated by shareholders as an interest distribution.

Proposed changes to the investment policy

To optimise returns as the Company grows and in response to the current high inflationary environment, the Portfolio Manager has proposed the following amendments to the investment policy, with an aim to enhance the return generating potential of the portfolio and mitigate cash drag:

(1) Within the Debt for Social Enterprises asset class, the Company may have up to 10 per cent. of Net Assets (calculated at the time of commitment) invested in equity interests via mixed debt and equity impact funds. **The Board requests investor approval for increasing this limit to 30 per cent. of Net Assets, which could be invested in equity interests via funds**. Should this change be approved, the asset class will be re-named as Debt and Equity for Social Enterprises, and

(2) In order to allocate the Company's capital most efficiently whilst holding significant levels of cash to meet anticipated fund drawdowns, the Company may make short and medium term liquid investments. These will include social bond funds, closed-ended listed funds and other liquid environmental, social and governance ("ESG") investments, that the Portfolio Manager considers are consistent with the Company's liquidity requirements, investment policy, investment guidelines and risk profile. The Company may invest up to 20 per cent. of Net Assets in Liquid ESG Investments, measured at the time of investment. **The Board requests investor approval for increasing this limit to 30 per cent. of Net Assets. The Company intends to only utilise the full 30 per cent. allocation immediately after a fundraise and at most times no more than 20 per cent. of Net Assets shall be invested in Liquid ESG Investments**.

Both proposals have been duly considered and approved by the Board and the AIFM, and the Board recommends these for shareholder approval.

AGM

The AGM will be held on Friday, 2 December 2022 at 12.00 noon at the offices of Schroders at 1 London Wall Place, London, EC2Y 5AU. A presentation from the Portfolio Manager will be given at the AGM, and attendees will also be able to ask questions in person. The presentation will be made available on the Company's website following the meeting. Details of the formal business of the meeting are set out in the Notice of Meeting on pages 89 to 91 of this Annual Report.

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

If shareholders have any questions for the Board, please write to the Company's registered office address: Company Secretary, Schroder BSC Social Impact Trust plc, 1 London Wall Place, London, EC2Y 5AU, or email: amcompanysecretary@schroders.com. Any questions and answers will be published on the Company's website before the AGM.

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

Outlook

The environment remains challenging, and the UK government's fiscal proposal in September 2022 led to significant disruption in the markets, alongside concerns that the announced budget will lead to increasing pressure on public sector finances.

Rapid increases in food prices and expected substantial increases in energy bills over the winter (despite significant subsidy by Government) will continue to affect the lower income groups and most vulnerable members of society disproportionately. In this context, the focus on social needs and the positive impact strategies of the Company's investments are more vital than ever. Some of the investments in the portfolio, such as Agility Eco in the Bridges Evergreen portfolio, offer direct solutions to the most vulnerable people affected by rising energy costs. Investments in community renewable assets contribute to an equitable transition to a low-carbon future in the UK and align with the global de-carbonisation trends. Investments in High Impact Housing continue to contribute to increasing the availability of much-needed affordable homes, built and maintained with respect for the dignity of the people living in them.

We recognise that increasing costs and the volatile inflation environment also bring risks to the Company's investments, as the charities and social enterprises the Company invests in may experience changes to government funding or policies, pressures on margins and potential labour and supply chain disruptions. Big Society Capital, the Portfolio Manager, is actively working with the portfolio companies to understand and mitigate the risks specific to this environment. Big Society Capital performed a similar exercise with its portfolio companies in early 2020, at the start of the pandemic, and the close ongoing dialogue between the Portfolio Manager and portfolio companies allows for rapid responses and interventions. One example of such an intervention in response to the pandemic was the rapid mobilisation of capital for the Resilience and Recovery Loan Fund (RRLF), an emergency response fund offering loans alongside grants to social enterprises and charities experiencing disruption due to Covid-19. Big Society Capital invested £25m of its own capital in the fund, which

Chair's Statement

benefitted from Government guarantees under the Coronavirus Business Interruption Loan Scheme (CBILS), with the grants provided by other partners.

Whilst we recognise the heightened level of risk in the current environment, we are reassured by the long track record of the organisations the Company invests in, and their demonstrated ability to navigate challenging market conditions in the past. The Company's portfolio organisations offer solutions for areas of high social need which are a priority across the political spectrum, and their interventions lead to significant savings in government expenditure; both of these factors contributed to revenue resilience of the portfolio organisations through the cycle, including through past austerity periods. Furthermore, the Company targets charities and social enterprises with conservative balance sheets, providing further resilience in times of market instability.

The challenging fiscal environment means the Company expects to see inflation passing through to its investments with a lag or only partially (for example as a result of the current government consultation to cap social rent increases to 5%). The Portfolio Manager has been continuing to adjust the asset allocation for the current environment, including increasing the allocation to investments that stand to benefit from inflation over time.

The broader environment also provides opportunities for the Company's portfolio investments, such as the government's increased commitment to the Energy Company Obligation scheme by £1bn in response to increases in fuel poverty.

While we expect the volatile and uncertain environment to continue, the Company remains committed to its goals of delivering high quality returns to shareholders with low correlation to traditional quoted markets, alongside providing significant social impact for the most vulnerable and disadvantaged groups across the UK.

Susannah Nicklin
Chair

21 October 2022

Portfolio Manager's Report

Market developments

The outlook for the UK economy and financial markets is particularly uncertain, creating volatility and making it a very challenging investment environment across asset classes. As a result, we expect the Company to face a range of heightened risks, but also anticipate that our impact-driven and diversified strategy should offer resilience in a recessionary environment and continue to make a positive difference to communities across the UK.

The challenging environment is created by several factors coming together. Supply chain blockages, labour shortages and unusual levels of fiscal and monetary stimulus in most advanced economies were understandable responses to the Covid-19 pandemic but they have built significant inflationary pressures. These were then exacerbated by the Russian invasion of Ukraine causing a spike in energy and food prices. As a result, UK inflation in the year to July 2022 was at the highest level (10.2%) for forty years. Forward expectations for inflation are very uncertain, dependent to a significant degree on the nature and effectiveness of government and central bank responses, but it is likely that we will see much greater volatility in both inflation and interest rates than have been the norm for the last decade. Rising costs and price volatility are likely to suppress consumption and investment, especially for households and sectors particularly exposed to energy prices.

In response to the current environment Big Society Capital has been actively working with fund managers and across the social investment market to understand and mitigate risks. Big Society Capital continues to be actively involved in policy, including working with others to ensure full inclusion of social enterprises and charities in the government's energy market interventions and launching a report "Outcomes for All: 10 Years of Social Outcomes Contracts" in the Houses of Parliament. Through the year under review, Big Society Capital has continued to reposition the Company's liquid investments for an inflationary and rising interest rate environment – increasing exposure to renewable energy investment trusts and floating rate securities.

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

Looking at the opportunities for our investment strategy, the social impact created by our investments is needed more than ever. Some investments, such as AgilityEco in the Bridges Evergreen portfolio, are directly addressing the energy price crisis. More broadly, the changing price environment means that investments in energy efficiency and other measures to hasten a fair and equitable transition to a low-carbon future are now more economically attractive. We already have some investments in this category, such as community solar projects in the Community Investment Fund, and we are well positioned to explore more opportunities. On the financial side, we expect the Company will continue to provide a valuable source of diversification in a challenging investment environment. High and volatile inflation is strongly negative for traditional public market equity and bond portfolios. We have aimed for a unique mix of impact-focused private assets with diverse and resilient revenue streams that has thus far protected capital and should continue to do so in the event of further sharp market downturns.

More fundamentally, we do not see a slowing down of the wider move to invest for impact. Decarbonisation as a trend has gained new urgency, not only from increasing evidence of the consequences of global warming, but also since Russia's invasion of Ukraine highlighted the security risks of our dependence on oil and gas supplies. Meanwhile, the cost of living crisis emphasises the importance of delivering that transition with greater fairness and equity. More investors are recognising this underlying reality, as shown by our latest measurement of the UK social impact investment market. Our market sizing values the social investment market at £7.9bn as of the end of 2021, a 22% increase from 2020. This represents an almost 10-fold increase in the social investment market in the last 10 years, and we maintain our estimate of continued growth to £10-15bn by 2025.

The continued growth of the social investment market allowed us to fully commit the proceeds of our November 2021 fundraise within three months, into attractive assets that are difficult for most investors to access. We are confident that the Company remains well positioned to lead and benefit from further market growth, as we continue to see an expanding and maturing pipeline of investment opportunities.

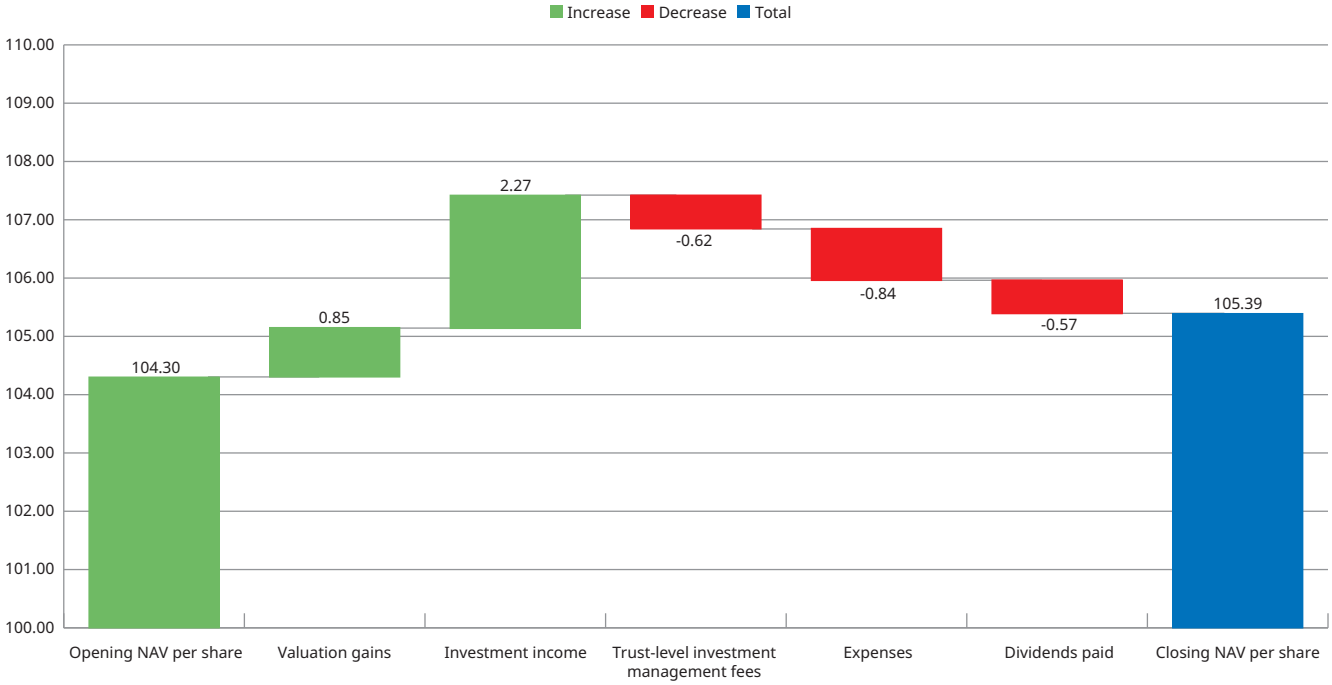
Portfolio Manager's Report

Performance update[20]

The Net Asset Value (NAV) total return for the twelve-month ended 30 June 2022 was 1.60%. Overall, the Company's NAV rose from £78.2m to £89.9m at the financial year end; the number of shares in issue increased from 75 million to 85 million shares, following the £10.8m fundraise in November 2021.

The Company's NAV per share rose from 104.30p to 105.39p following an interim dividend payment of 0.57p per share on 3 December 2021 based on the earnings of the Company in the year to 30 June 2022, as set out in the NAV bridge below.

NAV per share progression from 1 July 2021 to 30 June 2022



In the 12 months to 30 June 2022, the Company recorded a gross revenue return of £1.9m and net revenue after fees, costs and expenses of £1.1m, a net revenue return per share of 1.37 pence. The Company also recorded gains on the fair value of investments of £0.6m, resulting in a total gross return of £2.5m, and total net return of £1.4m, or 1.77 pence per share on a weighted average basis.

The Company will pay an interim dividend of 1.30p per share, or dividend yield of 1.2% for the twelve-months ended 30 June 2022. This is in line with the guidance in the IPO prospectus of an expected dividend yield in the region of 1-2% p.a., and represents an increase of 128% compared to the dividend per share paid in the last financial period[21].

As shown in the table on page 12, portfolio returns to date have been driven by the performance of more seasoned investments in their mature phase. Mature investments have contributed 3.50% to the NAV total return per share in the last twelve months and 10.42% since launch eighteen and a half months ago. Assets still in their investment phase are earlier in their life cycle and J-curves[22], and to date are producing returns in line with expectations.

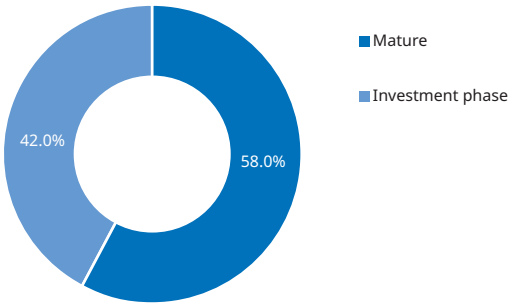
Some of the Company's higher impact investments involve the staged deployment of capital over multiple years; we aim to mitigate any cash drag on returns through our Liquid ESG allocation. This is invested in assets with similar financial risk and return characteristics as the core asset allocation, though lower direct social impact given the lower availability of social impact-focused assets in publicly listed markets. Liquid ESG investments have detracted from performance during the year under review, with a negative contribution of 0.71% in the year, mainly due to weakness in the credit markets in particular in the second half of our financial year.

[20]All return figures in this report are quoted on a per share basis, using the number of shares outstanding at the point returns were generated. Where returns have been generated in a period in which equity was issued, these returns have been pro-rated between the pre- and post-issuance period.
[21]The first financial year of the Company represented trading from the IPO on 22 December 2020 until 30 June 2021.
[22]The term J-curve is used to describe the typical trajectory of certain types of investments, where low or negative returns in the early years of the investments are followed by a steep rise in returns as investments mature. In the case of the Company's investments, the J-curve effect is due to investing in property purchases and developments, where the early years are characterised by cost outlays, followed by a rise in returns as properties are occupied, and rental yield and property valuation uplifts start to be reflected in returns.

Portfolio Manager's Report

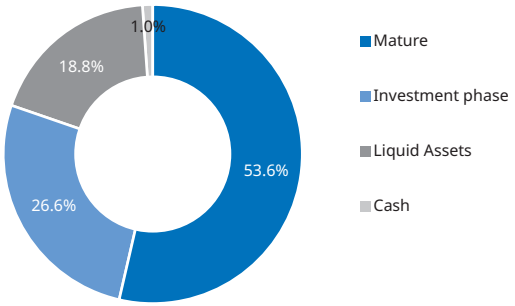
	NAV total return contribution 12m to 30 June 2022	NAV total return contribution since launch
Mature	3.50%	10.42%
Investment phase	0.22%	0.16%
Liquid Assets	-0.71%	-0.72%
Fees, expenses & other costs	-1.41%	-2.08%
	1.60%	**7.78%**

High Impact Exposure* as % of NAV 30 June 2022



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

Invested as % of NAV 30 June 2022



The top three drivers of financial performance in the twelve-months to 30 June 2022 were:

- The Charity Bond Portfolio contributed 1.19p to NAV per share growth predominantly from income and also the tender at a premium of the Charities Aid Foundation (CAF) bond.
- Our holding in the Community Investment Fund contributed 1.12p to NAV per share growth, following an uplift in value due to income and unrealised capital gains, after our negotiated purchase of the secondary stake.
- The Real Lettings Property Fund contributed 0.75p to NAV per share growth from rental income and valuation gains in underlying properties.

The social impact performance of the portfolio was reported in the Company's inaugural Impact report published in June 2022, highlighting that the Company's investments are supporting 160 organisations, benefiting more than 160,000 people of whom at least 90% are disadvantaged or vulnerable. The Impact Section of this report contains the key highlights from the report, as well as details about our evolving approach to impact management and reporting.

Portfolio cash flows and balance sheet

In November 2021, the Company raised £10.8m through the issuance of 10.3m new shares through a secondary offering to a mix of new and existing shareholders.

Overall, in the financial year £21.8m was deployed into existing and new investments in the High Impact Portfolio:

- The majority of the amount drawn (£12.8m) was deployed towards delivering new affordable homes in the **High Impact Housing** allocation. The Affordable Housing Fund drew down £5.8m during the year under review and is now fully drawn; Man Community Housing Fund drew down £4.9m and Social and Sustainable Housing drew down £2.2m over the financial year.
- In **Debt for Social Enterprises** £4.5m was drawn for the new secondary investment in the Community Investment Fund and there have been further investments into the secured co-investments with Charity Bank, mostly to Sue Ryder, delivering high social impact in Health and Social Care.
- Within **Social Outcomes Contracts** further investment was made into existing projects tackling children on the edge of care and homelessness, as well as a new investment aiming to address the challenges of refugee integration in UK communities.

During the financial year and post the November 2021 share issuance we have been targeting new Liquid ESG investments in areas with low interest rate duration and some inflation benefit, given our caution on fixed income duration in a rising inflation environment. Following the share issue, we made new investments into the renewable trusts Greencoat UK Wind Plc and Bluefield Solar Income Fund Ltd, with an additional investment into the TwentyFour Sustainable Enhanced Income (ABS) Fund. As outlined in the prospectus, the Company does not charge management fees on the Liquid ESG allocation.

Portfolio Manager's Report

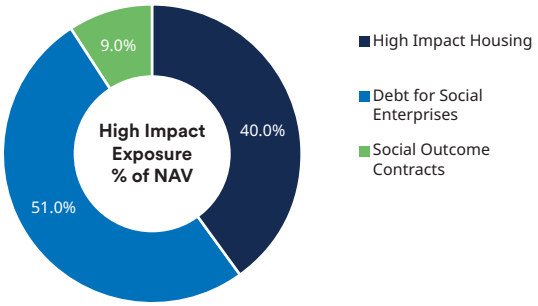
Portfolio Allocation

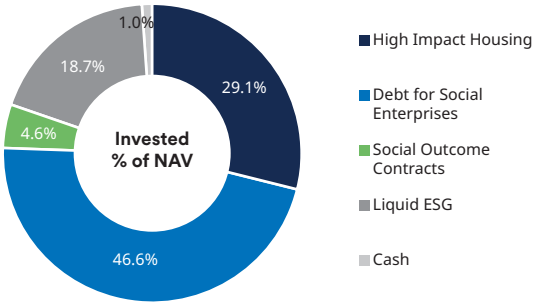
The Company's investment objective is defined as:

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

A diversified asset allocation delivering local UK social impact

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





See asset class description on p. 14

Exposure: NAV of High Impact Investments + undrawn commitments

Data as of 30 June 2022

Source: Big Society Capital

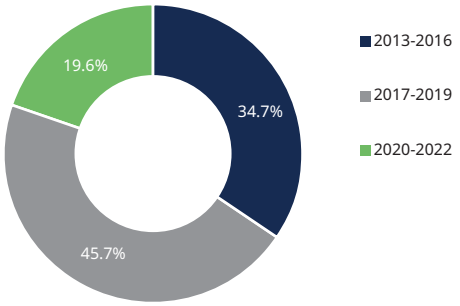
Providing access to a seasoned high impact portfolio

The Company has built a seasoned high impact portfolio that would be difficult for shareholders to access directly – through a combination of a seed portfolio and secondary investments from the Portfolio Manager's portfolio relationships. This provides a greater allocation to more mature assets that will help drive future financial and impact performance. The Portfolio Manager's broader portfolio relationships offer additional fee benefits to Company shareholders – with 33% of the Company's portfolio with no or discounted management fees – from co-investments or fee discounts that the Portfolio Manager has negotiated, often through their role as initial cornerstone investor in funds.

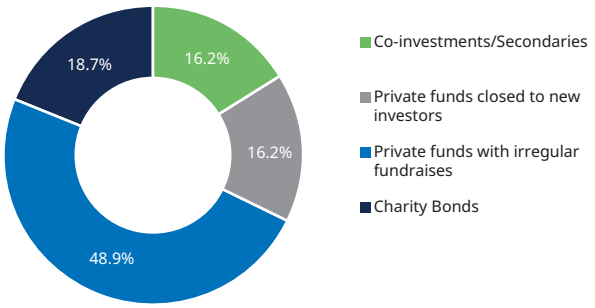
High Impact Exposure as a % of NAV 30 June 2022

Vintage

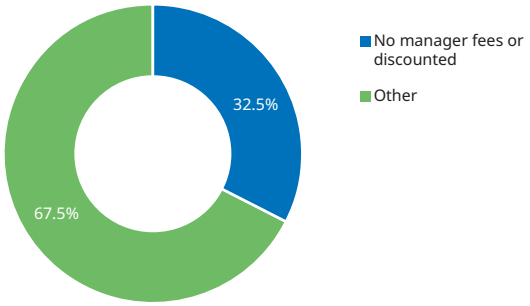
Vintage is defined as year of fund manager establishment



Access – Ease of access for other investors



Fees



Portfolio Manager's Report

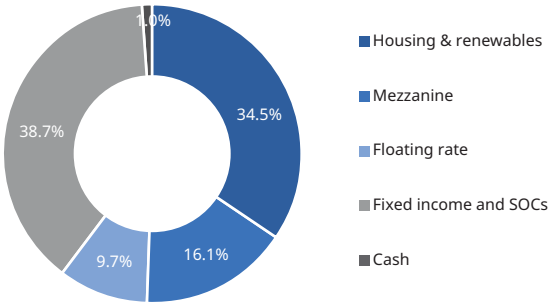
Targeting inflation resilient returns

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

- Property and renewables – with a mix of long dated inflation linked leases, shorter property leases where value is more driven by property prices, and smaller investments in renewables
- Mezzanine and equity investments – where the value is driven by government contracts that have historically moved with inflation
- Floating rate instruments which will benefit from increases in the base rate

As of 30 June 2022, the Company had committed 64% of its capital to these assets. The remaining 36% was allocated to fixed income securities such as charity bonds, social outcomes contracts or cash; the Company aims to minimise the duration of these fixed income assets, to allow reinvestment over time into a higher rate environment. The Company's invested amount in assets that will benefit from inflation is 60% of its capital, due to the commitments to newer housing funds that are still in their investment period.

Asset types



In the current double digit inflation environment driven by energy price shocks, the Company sees significant risks in the ability of this asset allocation to match short-term inflation movements. This is due to:

- Property and renewables: The presence of caps and collars in property index linked leases, caps in housing benefit increases and expected real falls in property prices
- Mezzanine and equity investments: Delays in the pass through of inflation to government contracts in the current environment
- Floating rate instruments: Expected path of floating rates to continue to lag inflation
- As well as the portion of the investment allocation (40% of invested capital) in fixed income securities and social outcome contracts where Company revenue will not benefit from inflation.

Targeting low correlation to mainstream markets

The Company's asset allocation aims to achieve low correlation to mainstream markets by backing business models that are underpinned by government expenditure and have been historically resilient through economic cycles. As at 30 June 2022, 83% of the committed portfolio (67% invested) is underpinned by government backed revenue streams. These revenue streams are themselves diversified across policy areas, such as housing, clean energy and fuel poverty, education, redressing inequalities/levelling up. This diversification reduces exposure to individual policy risk, such as the risk that government or budgetary changes would significantly reduce or withdraw payments. The Company targets areas with a track record of delivering impact for more disadvantaged groups and generating savings for the public purse which provides additional revenue resilience.

Outlook

Subsequent to 30 June 2022 the challenging investment environment has continued – with significant further moves in European power prices caused by the war in Ukraine, rising inflation and interest rates all contributing to ongoing weakness in financial markets. In the UK, the Chancellor's fiscal statement to Parliament on 23 September 2022 has contributed to significant increases in UK long dated interest rates – though some of these fiscal measures were later reversed in mid-October. It is anticipated that government spending will be cut in real terms, with resulting pressure on budgets across the public sector.

The revenue of the Company's portfolio companies has been historically resilient through cycles, including through the period of austerity government spending cuts in the last decade, as they support the most vulnerable, where savings to government of interventions are often many multiples of the cost. At the time of writing there are no indications that this revenue resilience will change, though the risks are heightened and considering policy risk remains crucial for the Company's portfolio. In addition to targeting areas of high government savings that are a priority across the political spectrum, the Company aims to mitigate this by a diversified allocation across policy areas, as well as investments that benefit from some element of asset backing. The Company targets investments in charities and social enterprises with long track records (28 years[23]) and higher quality balance sheets. The Company's High Impact Investments, including in the Housing allocation, use no fund leverage at the time of writing, which provides some additional resilience.

The challenging fiscal environment means the Company expects to see inflation passing through to its investments with a lag or only partially, for example the current government consultation to cap increases in social housing rent to 5%. In addition, the high increases in mortgage rates are likely to cause extended weakness in house prices in real terms. Alongside the Company's mixed asset allocation this

[23]Track record is the weighted average number of years in operation per investee.

Portfolio Manager's Report

means short term financial performance is projected to continue to deliver positive financial returns but not anticipated to keep up with current high inflation rates. The Portfolio Manager has been continuing to adjust the asset allocation for the current environment, including increasing the allocation to investments that stand to benefit from inflation over time.

The broader environment also provides opportunities for the Company's investments, with the significant impact being delivered by the portfolio for disadvantaged groups needed more than ever. The Resolution Foundation has estimated that the expected falls in real earnings will push an additional 2.3 million people into poverty including 700,000 children. Responding to this within a challenging fiscal environment will further increase the impetus to bring in private capital to support investments in social infrastructure and prevention. As a response to the increases in fuel poverty, in September 2022 the government announced an increased £1bn commitment to the Energy Company Obligation scheme, which is expected to benefit the Company's investments in that area.

The Company expects this volatile and uncertain environment to continue for an extended period. Through it the goals of the Company remain the same: to deliver for shareholders high quality returns with a low correlation to traditional quoted markets alongside significant social impact for more disadvantaged groups across the UK.

Jeremy Rogers, Hermina Popa
Big Society Capital

21 October 2022

Portfolio Manager's Report

Portfolio developments

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

Debt for Social Enterprises[24]

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

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

High Impact Housing

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

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

Social Outcome Contracts

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

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

[24]Debt for social enterprises may include some equity in funds that invest in both debt and equity.

Portfolio Manager's Report

YMCA Dulverton helps deliver community projects with the support of impact investment from Triodos Bank

Asset class: Debt for Social Enterprises

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

As of 30 June 2022, the Company had allocated £45.5m to investments in this asset class (51% of NAV); the current value of investments in this asset class is £41.9m (47% of NAV).

Bridges Evergreen Holdings, run by Bridges Fund Management is a patient capital vehicle that makes equity and quasi-equity investments into highly impactful businesses. The fund targets net returns of 12-14%, through a combination of compounded capital appreciation and a 5% yield on cost. As of 30 June 2022, the Company's investment was valued at £14.5m (16% NAV) and was 100% drawn, funding investments into AgilityEco, the Ethical Housing Company, New Reflexions and Skills Training UK. There have been no new investments during the financial year. The fund delivered a 0.24p contribution to the Company's NAV per share growth for the year under review. Impact performance for the year ended 30 June 2022 remained strong with 44,000 households benefiting from fuel poverty services, affordable housing provided to 378 tenants, high quality care to 88 vulnerable children and quality training provision to 5,400 learners including 30% with no professional qualifications.

The Charity Bond Portfolio managed by Rathbones supports larger UK charities seeking to raise capital via the public and private bond markets, providing an alternative source of funding to bank finance. As of 30 June 2022, the Company's investment was valued at £14.9m (17% NAV). The portfolio is invested in nine bonds (both listed and unlisted) issued by charities and social enterprises predominantly delivering care and housing services with government revenue. The portfolio delivered a 4% yield for the financial year and benefited from a bond tender at a premium to par delivering a 1.19p contribution to Company's NAV per share. All borrowers are expected to repay interest and capital in line with schedules. Impact performance of portfolio companies included over 9,500 tenants housed at affordable rents, and intensive support including care, education, training, employability and housing provision to more than 7,000 people with health conditions or special educational needs.

A new commitment in the financial year was the secondary purchase of a 40% holding in the **Community Investment Fund (CIF)** managed by Social and Sustainable Capital. CIF provides secured loans to charities and social enterprises focused on community renewable energy, social housing, and family support in the community with a high proportion of revenue coming from government mandated sources. As of 30 June 2022 the Company's investment was valued at £5.5m (6% NAV). The Company is targeting a 5% IRR on the portfolio with the benefit of a mature fully deployed fund immediately contributing to returns. During the financial year the fund contributed 1.12p to Company's NAV per share from yield and capital gains – supported by securing a competitive discount from the foundation seller benefiting the Company's investors, while enabling the foundation to recycle capital into new catalytic opportunities. Impact performance in the financial year included 2,326 people reached by 11 organisations providing essential services.

The **Charity Bank Co-investment Portfolio** comprises of four secured loans with a total drawn value as of 30 June 2022 of £4.6m (5% NAV). Working with Charity Bank, the portfolio invests in housing and care related low loan-to-value (average 57%) loans to Sue Ryder, Abbeyfield South Downs, Uxbridge and a new commitment in the year to Abbeyfield York. The portfolio delivered a 3.6% yield during the financial year and a 0.21p contribution to Company's NAV per share. Overall, the four facilities are performing in line with plan with future yields benefiting from expected further increases in the base rate. Impact performance includes development of a facility to care for 44 people recovering from serious injury and the development of 68 housing units for the elderly.

The Company's investment in a private bond issued by **Triodos Bank UK Ltd** was valued as of 30 June 2022 at £2.5m (3% NAV). Triodos Bank is a leading lender to sustainability and social impact focused organisations. This includes social housing, healthcare, education, renewable energy, arts and culture, and community projects. The bond issue enables Triodos Bank to continue to grow its loan book and contribute to the resilience and growth of charities and social enterprises. Triodos can leverage each pound invested by eight times, meaning that the bond allows the bank to provide at least £45.6m in loans, within a larger loan book. Triodos Bank UK is well capitalised (Tier 1 Common Equity Ratio of 21.0% and a Total Capital Ratio of 21.6% as of

Valley House used a loan from the Social and Sustainable Housing Fund to purchase 22 properties, providing accommodation for 28 individuals and families

30 June 2022[25]) and has a track record of continued profitability through cycles including the financial crisis. The bond has a ten-year duration, callable by Triodos Bank at year five. It pays a fixed 4% coupon, which will reset to base rate +3.9% in 2025, if not called. The bond delivered a 4% yield during the financial year and contributed 0.12p to the Company's NAV. Impact performance of Triodos's loan book included 45,000 individuals provided with education, training or childcare and 3,800 older people housed and supported in care homes and 13,200 tenants housed in social and community housing[26].

Asset class: High Impact Housing

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

In addressing these needs, we seek to deliver returns that are often supported by the government-backed housing benefit system. This has led to a lower historical correlation to mainstream markets and insulation from the sharper price movements in the private housing market. Historically housing benefit has moved in line with inflation though it is not expected rents will fully rise in step with the current surge in inflation levels driven by energy price spikes. As of 31 August 2022 a government consultation was launched to introduce a proposed cap on social housing rent increases in the coming financial year, in response to elevated inflation; the options being considered for the cap are 3%, 5% and 7%[27]. While the consultation has not yet been completed the Company's expectation is that rent increases for this year will be capped at 5%. Many of the index linked leases in the Company's funds have existing caps in the mid-single digits.

As of 30 June 2022, the Company had allocated £36m to investments in this asset class (40% of NAV), of which £26.1m has been invested (29% of NAV).

The UK Affordable Housing Fund managed by CBRE Investment Management aims to increase the supply of sustainable and affordable homes for people unable to purchase or rent in the open market. The fund achieves this by providing equity financing for Registered Providers, where the assets are owned by the fund and managed for the long term by the Registered Provider through leases of 10 to 25 years. The fund targets a total return greater than 6% net of all costs over the long term. During the financial year the fund drew down £5.7m from the Company for new investments and as of 30 June 2022 the Company's investment was fully deployed and valued at £9.9m (11% NAV). The fund detracted 0.02p from the Company's per share performance in the year under review – with positive performance from existing assets offset by transaction costs of new acquisitions. Looking forward the now fully invested fund will shift to being categorised as a mature asset for the Company and is seeking to deliver returns in line with target. On impact performance, the fund has so far committed or invested capital to deliver 1,209 homes with the potential to house 3,311 people on completion.

The Real Lettings Property Fund, managed by Resonance Impact Investment Limited, is operated in partnership with leading homelessness charity St Mungo's. It provides homes for people in temporary accommodation or at risk of homelessness by purchasing ordinary homes and leasing them to St Mungo's. The fund has an overall target return (IRR) of 6%. As of 30 June 2022 the Company's investment was fully invested and valued at £6.3m (7% of NAV). During the year under review the fund outperformed against plan contributing 0.75p to the Company's NAV per share from rental yield and capital gains. On impact performance, the fund has so far provided accommodation for over 1,000 people, including 531 children, at risk of homelessness alongside broader targeted social outcomes, such as building long term resilience to homelessness as evidenced by 78.3% of tenants – across all Resonance funds in partnership with St Mungo's – benefiting from improvement in support networks and relationships.

[25]Tier 1 common equity ratio is a measurement of a bank's core equity capital compared with its total risk-weighted assets, that signifies a bank's financial strength.
[26]Triodos Bank reports to the Company on social impact for its entire loan book, however the Company calculation for total beneficiaries reached by the Bank Bond is based only on the share of loans made possible by the Bond.
[27]https://www.gov.uk/government/news/rent-cap-on-social-housing-to-protect-millions-of-tenants-from-rising-cost-of-living.

Portfolio Manager's Report

Kirklees Council commissioned the Kirklees Better Outcomes Partnership to support adults at risk of homelessness by delivering tailored services in housing, health and wellbeing, education and employment with the help of funding from Bridges Social Outcomes Fund II LP

The **Man GPM RI Community Housing Fund** aims to help address the UK's housing crisis through the provision of new affordable rental and shared ownership homes. The fund level target is to provide 70% affordable housing in mixed-tenure communities, predominantly leased to UK councils and housing associations. The fund seeks to achieve high single-digit returns driven by long-term inflation-linked income streams with a strong yield which will be generated from the portfolio once assets are stabilised. During the year under review the Company made a follow-on commitment of £5m taking its overall commitment to £10m. The fund drew down £4.9m during the financial year and as of 30 June 2022 the Company's investment was valued at £5.2m (6% NAV). The fund detracted 0.14p from the Company's NAV per share performance in the financial year, mostly from costs of new developments. The fund is still early in its investment period and J-curve of expected returns. Reporting on impact performance is at an early stage, given the early stage in the fund's life and small number of homes reaching practical completion. However, in alignment with the fund's strong commitment to impact, the fund commissioned an Impact Audit of its progress in the first year, conducted by the Centre for Regional Economic and Social Research at the Sheffield Hallam University. The report concludes that the fund has created a strong pipeline of investments that can deliver a high percentage of affordable homes: 89% of the 705 homes in-contract were for affordable tenures vs. a target of 70%, and average rents as a percentage of local gross median income was 26% vs. a baseline of 35%, so early evidence indicates that projects are largely on track to exceed the baseline impact targeted by the fund.

The **Social and Sustainable Housing LP (SASH)** managed by Social and Sustainable Capital provides investment to high-performing social sector organisations with local knowledge and networks, and a strong track record of managing transitional supported housing for vulnerable individuals. They may include survivors of domestic violence, children leaving the care system, ex-offenders, asylum seekers, people with complex mental health issues and people with addiction issues. SASH makes flexible secured loans which participate in changes in property prices and rental incomes – generated from government-backed rental payments with a target net IRR of 6%. During the year under review the Company made a follow-on commitment of £5m taking its overall commitment to £10m. The fund drew down £2.2m during the financial year and as of 30 June 2022 the Company's investment was valued at £4.8m (5% NAV). The fund contributed 0.08p during the financial year with the fund still in its investment period and deployments currently running behind plan, due to a slowdown in the property market in the second half of 2021, in light of additional pandemic waves and lockdowns. The Portfolio Manager has been working closely with the fund manager to monitor the situation; encouragingly, market conditions improved towards spring and summer 2022, and the fund manager has reported an increase in the number of properties coming to market, reflected in accelerated deployment in recent months. On impact performance, since its launch, the fund has supported 17 social sector organisations to take ownership of the housing stock in which they deliver support, enabling over 400 adults and children to be supported in safe, stable, and appropriate accommodation[28].

Asset class: Social Outcomes Contracts

Social outcomes contracts (SOCs) aim to help the government achieve better life outcomes for vulnerable people and better value for public funds. They are public sector contracts designed to overcome challenges in the way that public services have traditionally been managed. The providers of these services are being paid for achieving specified outcomes rather than prescribed inputs, using investment to cover the upfront costs incurred to deliver the service, which ultimately produces the desired social outcomes. We look to invest in a pool of outcomes contracts that is diversified across central and local government commissioners and different policy areas.

As significant future growth in the social outcomes contract market will be determined by central and local government spending decisions, Big Society Capital continues to pursue active and positive engagement with key stakeholders. This includes the release of the "Outcomes for All: 10 Years of Social Outcomes Contracts"[29] report in the House of Commons on 21 June 2022, to commemorate 10 years of designing and investing in SOCs. The report contains analysis carried out on the SOCs market by Big Society Capital from its own data (as the largest institutional investor into the UK SOCs market) and data collected from many key stakeholders (including Big Issue Invest, Bridges Fund Management and Social Finance). The report also draws on an independent analysis undertaken by ATQ Consultants,

[28]SASC 2021 Impact Report.
[29]News release: https://bigsocietycapital.com/latest/outcomes-for-all-a-look-back-at-a-decade-of-social-outcomes-contracts/.

which to our knowledge, is the most comprehensive published study of the public value achieved by SOCs in the UK to date.

The report outlines their success as a proven way of shifting focus to prevention and away from crisis response, helping generate £1.4bn of public value to date. It concludes that for every £1 that Government has spent through a SOC, a further £10 has been created in social, economic and fiscal value, including £3 in direct savings to, or costs avoided by, Government.

As of 30 June 2022, the Company had allocated £8.3m to investments in this asset class (9% of NAV) of which £4.1m has been invested (5% of NAV).

The **Social Outcomes Fund II**, managed by Bridges Fund Management, invests in SOCs, receiving payments when outcomes are delivered and thereby ensuring that payment is completely aligned with measurable improvements in the lives of participants. The fund has a target return of 6%. During the financial year the fund drew down a further £0.8m taking the total value of the investment to £4.1m (5% of NAV), including for a new investment into the Refugee Better Outcomes Partnership (RBOP). The Partnership, commissioned by the Home Office and the Department for Digital, Culture, Media & Sport, is supporting refugees to secure suitable accommodation, develop their skills and find employment. The fund contributed 0.31p per share to Company performance during the year under review with overall outcomes payments running in line with plan. So far, the fund has supported 11,364 people across homelessness, education, employment and family care and generated £34.6m of public value.

Asset class: Liquid ESG Investments

The Company includes an allocation of up to 20% of net assets into Liquid ESG investments to mitigate cash drag during the investment period of private funds. Liquid ESG investments sit within a broader set of tools to manage Company cash and commitment levels, with the central objective of contributing to the Company's target returns and impact goals by minimising the amount of unproductive cash held prior to deployment. In the current environment of heightened inflation, we believe this allocation is particularly important to reduce cash drag impact on the performance of the Company. This allocation can be invested in bond funds, real estate investment trusts, infrastructure trusts and other liquid investments that align with the Company's liquidity requirements, meet high ESG requirements and are compliant with the Company's investment policy. As of 30 June 2022, the Company had invested a total of £17.6m in seven funds, which have a total value of £16.9m, detailed in the table below.

Our Liquid ESG (LESG) portfolio, which represented 19% of NAV as of 30 June 2022, detracted 0.74p per share from the Company's performance in the financial year. This was due to weaknesses in short term corporate bond markets outweighing gains on renewable energy trusts.

Following the November 2021 fundraise we increased our allocation to renewable trusts and floating rate assets by £6.5m (7% of NAV), with a further increase of £1.9m (2% of NAV) into Bluefield Solar in June 2022. Since the fundraise we have also focused on rebalancing the LESG investments to reduce exposure to rising interest rates and inflation. During the year under review we have exited £1.9m of fixed rate bond funds, crystalising losses of £161k. At 30 June 2022, 52% of our LESG portfolio is invested in instruments with returns that are floating rate and/or benefit from rising inflation.

Liquid ESG Investments	Value at 30 June 2022 (£)	Value as % of NAV	Target return/benchmark	Contribution to Company total return (last 12 months) (pence)	Interest rate duration	Yield: fixed or floating
TwentyFour Sustainable Enhanced Income ABS	3,838,890	4.3%	Providing income over 3 month SONIA over 3-5 years	(0.18)	0.1	Floating
Vontobel Fund TwentyFour Sustainalbe Short Term Bond Fund	3,419,616	3.8%	SONIA + 250bps over ~3yrs	(0.21)	1.5	Fixed
Bluefield Solar Income Fund Ltd	2,569,615	2.9%	Target dividend: 8.16pps p.a.	0.11	N/A	
Greencoat UK Wind Plc	2,302,500	2.6%	Targeting 7+p per share increasing in line with RPI	0.42	N/A	
Rathbone Ethical Bond Fund	1,793,001	2.0%	Outperform IA Sterling Corporate Bond over a 5 year period	(0.37)	5.9	Fixed
Eden Tree Responsible and Sustainable Bond Fund	1,704,450	1.9%	Outperform IA Sterling Corporate Bond	(0.25)	5.6	Fixed
Threadneedle UK Social Bond Fund	1,220,145	1.4%	ICE BofA 1-10 Year Sterling Non-Gilt index	(0.26)	4.6	Fixed
Total Liquid ESG Investments	**16,848,217**			**(0.74)**		

Portfolio Manager's Report

High Impact Portfolio Investments (in order of portfolio value)

As at 30 June 2022

1

16.5% of NAV

Mature

Charity Bond Portfolio

Portfolio size (£m): 17

Asset Class: Debt for social enterprises

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

Charity Bond Portfolio	30/06/2022
Company Total commitment (£m)	16.43
Value (£m)	14.86
Distributions to date (£m)	3.73
Drawn Commitment (£m)	14.83
Premium paid at purchase (£m)	0.00
Total paid into Investment (£m)	17.37
% drawn	90.3%
Total Value to Paid in	1.07

2

16.1% of NAV

Mature

BRIDGES Fund Management

Evergreen Holdings

Fund size (£m): 66

Asset Class: Debt for social enterprises

Provide long-term, large (£10m+) investment (typically structured as equity) and support to ambitious, highly impactful organisations.

Bridges Evergreen Holdings	30/06/2022
Company Total commitment (£m)	10.00
Value (£m)	14.45
Distributions to date (£m)	0.61
Drawn Commitment (£m)	10.00
Premium paid at purchase (£m)	0.43
Total paid into Investment (£m)	10.43
% drawn	100.0%
Total Value to Paid in	1.44

3

11.0% of NAV

Investment Phase

CBRE

UK Affordable Housing Fund

Fund size (£m): 536

Asset Class: High Impact housing

Delivering affordable and sustainable homes for those unable to purchase or rent in the open market.

UK Affordable Housing Fund	30/06/2022
Company Total commitment (£m)	10.00
Value (£m)	9.85
Distributions to date (£m)	0.11
Drawn Commitment (£m)	10.00
Discount received at purchase (£m)	0.10
Total paid into Investment (£m)	9.91
% drawn	100.0%
Total Value to Paid in	1.01

Portfolio Manager's Report

Investments (in order of portfolio value)

As at 30 June 2022

4

7.0% of NAV

Mature

Real Lettings Property Fund

Fund size (£m): 57
Asset Class: High Impact housing

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

Resonance Real Lettings Property Fund	30/06/2022
Company Total commitment (£m)	5.00
Value (£m)	6.31
Distributions to date (£m)	0.24
Drawn Commitment (£m)	5.00
Premium paid at purchase (£m)	0.82
Total paid into Investment (£m)	5.82
% drawn	100.0%
Total Value to Paid in	1.13

5

6.1% of NAV

Mature

Community Investment Fund

Fund size (£m): 18
Asset Class: Debt for social enterprises

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

Community Investment Fund	30/06/2022
Company Total commitment (£m)	7.17
Value (£m)	5.46
Distributions to date (£m)	0.00
Drawn Commitment (£m)	7.17
Discount received at purchase (£m)	2.67
Total paid into Investment (£m)	4.50
% drawn	100.0%
Total Value to Paid in	1.21

6

5.8% of NAV

Investment Phase

Community Housing Fund

Fund size (£m): 220
Asset Class: High Impact housing

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

Man Group Community Housing Fund	30/06/2022
Company Total commitment (£m)	10.00
Value (£m)	5.20
Distributions to date (£m)	0.04
Drawn Commitment (£m)	5.40
Premium paid at purchase (£m)	0.00
Total paid into Investment (£m)	5.45
% drawn	54.0%
Total Value to Paid in	0.96

Portfolio Manager's Report

Investments (in order of portfolio value)

As at 30 June 2022

7

5.3% of NAV

Investment Phase

Social and Sustainable Housing

Fund size (£m): 68

Asset Class: High Impact housing

Secured lending to leading charities supporting vulnerable people through housing.

SASH (Social and Sustainable Housing LP)	30/06/2022
Company Total commitment (£m)	10.00
Value (£m)	4.79
Distributions to date (£m)	0.03
Drawn Commitment (£m)	4.97
Discount received at purchase (£m)	0.14
Total paid into Investment (£m)	4.83
% drawn	49.7%
Total Value to Paid in	1.00

8

5.1% of NAV

Mature

Co-Investment Portfolio

Portfolio size (£m): 7

Asset Class: Debt for social enterprises

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

Charity Bank Co-investment Portfolio	30/06/2022
Company Total commitment (£m)	6.98
Value (£m)	4.63
Distributions to date (£m)	0.56
Drawn Commitment (£m)	4.98
Premium paid at purchase (£m)	0.00
Total paid into Investment (£m)	4.98
% drawn	71.3%
Total Value to Paid in	1.04

9

4.6% of NAV

Investment Phase

Social Outcomes Fund II

Fund size (£m): 35

Asset Class: Social outcome contracts

Working capital for social outcomes contracts which enable personalised family, health, social care, education and transitional housing services leading to sustained positive outcomes for citizens and value for the society.

Bridges Social Outcomes Fund II	30/06/2022
Company Total commitment (£m)	8.30
Value (£m)	4.10
Distributions to date (£m)	0.00
Drawn Commitment (£m)	4.14
Discount received at purchase (£m)	0.33
Total paid into Investment (£m)	3.80
% drawn	49.8%
Total Value to Paid in	1.08

Portfolio Manager's Report

Investments (in order of portfolio value)

As at 30 June 2022

10

2.8% of NAV

Mature

Triodos Bank

Bond size (£m): 6

Asset Class: Debt for social enterprises

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

Triodos Bond UK Bond Issue	30/06/2022
Company Total commitment (£m)	2.50
Value (£m)	2.52
Distributions to date (£m)	0.14
Drawn Commitment (£m)	2.50
Premium paid at purchase (£m)	0.00
Total paid into Investment (£m)	2.50
% drawn	100.0%
Total Value to Paid in	1.06

Definitions	
Company Commitment (£m)	Total commitment to the investment
Value (£m)	Current value of the drawn portion of the investment
Distributions to date (£m)	Capital and income distributions since investment
Drawn Commitment (£m)	Drawn portion of the commitment
Premium paid/Discount received at purchase (£m)	Premium paid/(discount received) by the Company at purchase, either from BSC as part of the original seed portfolio, or in a secondary market purchase. The amount reflects value differences between original cost of the investment and value at the time of purchase
Total paid into Investment (£m)	Total cost of the investment to the Company, including any premium/(discount) at purchase for the seed portfolio and secondary market purchases
% drawn	% of the Company Total Commitment drawn by investee
Total Value to Paid In	(Value + Distributions) divided by (Total paid into investment) Calculated over the period from investment by the Company to 30 June 2022

Impact Report

The Company published its first Impact Report in June 2022. The report provides in-depth assessment of impact performance across the Company portfolio and sets out the Company's priorities for enhancing impact management in the year ahead.

Since the publication the Company received an independent verification of our Impact Report from BlueMark, an industry leading third party assurance provider. BlueMark's assessment found that our report was 'a thorough reflection of the Company's impact strategy and accurately portrays Big Society Capital's robust application of tools and processes used for ESG and impact management throughout the investment lifecycle'. We have published the full verification statement on our website. https://www.schroders.com/en-gb/uk/individual/sbsi-bluemark/.

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

High Impact Housing	Debt for Social Enterprises	Social Outcomes Contracts
Addressing social need, including:		
More than **320,000** homeless in the UK.[30] **64%** of women and children are turned away from refuges.[31]	**850,000** people with dementia in the UK, rising to **1m in 2025**.[32] **One in ten** households in England live in fuel poverty.[33]	Children in care are five times more likely to be convicted or have a youth caution.[34] **15m** people suffer from long term conditions.[35]
Investable solutions, including:		
Transitional accommodation. Social and affordable housing. Refuges for survivors of domestic abuse.	Social enterprises delivering: - Community care services. - Government-backed fuel poverty schemes.	Therapy for children on the edge of care to remain with families. Rehabilitation services. Education and training.
Achieving better outcomes for society, including:		
Support for **20** organisations providing homes for **3,915** people.	Essential services for more than **150,000** people.	Care, education and employment support for **11,364** people. Creating **£34.6m** in public savings and benefits.

[30]ShelterEngland. [31]Women's Aid. [32]NHS England. Alzheimer's Society. [33]Fuel Poverty Factsheet England. [34]Prison Reform Trust. [35]NHS England.

Impact Report

Progress Report Card

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

What we look for	Annual Progress Summary
What Important positive outcomes, meaningful to those experiencing the issue and addressing at least one SDG.	**On track** 100% of capital deployed in line with thesis and aligned with at least one UN SDG.
Who Beneficiaries, who are disadvantaged and/or vulnerable.	**On track** 90% of beneficiaries from disadvantaged or vulnerable groups.
How much Significant depth of impact, in making meaningful improvements for people, and/or high scale of impact, through reaching a large number of people.	Scale: The Company can measure the scale of impact (primarily the number of people reached) for the full portfolio. Depth: The Company has outcome level data for 82% of investments. **Area for improvement** Extend outcome measurement in segments with limited data on depth of impact.
Contribution Significant improvement or additional benefit as a result of investment and activities.	**On track** £55.6m savings generated through improved and more accessible services. 10,000 homes provided. Consistent assessment of costs and quality in Social Outcomes Contracts. **Area for improvement** Assessment of outcomes and savings in Housing.
Risk Fund managers must assess and mitigate the risks that may prevent the intended outcomes occurring.	**On track** Mitigated by focus on social organisations with strong track records. Average social organisation track record of 28[36] years. Impact risks assessed and managed for all Investments. **Area for improvement** Assessment and deeper engagement with investees on ESG Risk Management.

[36]Track record is the weighted average number of years in operation per investee.

Impact Report

Impact reporting priorities for the future

Enhanced sustainability measurement for the transition to net zero. Alignment with the evolving standards for enhanced disclosure of environmental, social and governance factors is an important factor for the Company in 2023. The Company's work on alignment currently focuses on larger investees and built environment investments, as the areas with the greatest capacity for enhanced assessment, and the highest potential for positive or negative environmental or social impacts. Greenhouse gas emissions, waste management, health and safety, and diversity and inclusion measurement are integrated into our current work on establishing impact standards in social housing.

Equality, diversity and inclusion embedded at every level within the Company, reporting on progress and lessons. Over 2020-22 the Company'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 equity, diversity and inclusion in 2021. The initiatives of this plan will flow through to the management of the Company.

Deeper **assessment of outcomes and savings** generated by investments. In depth understanding of the benefits generated for society and for disadvantaged and vulnerable groups is central to the Company's investment strategy of pursuing impact as a source of value. In 2022 we had outcome level data for 82% of the Company portfolio and mapped the portfolio's contribution towards the UK's specific targets for the 2030 sustainable development goals. We are working to enhance this measurement through engagement with our fund managers and sector wide initiatives to establish common reporting standards.

Joe Shamash
Big Society Capital

21 October 2022

Impact in practice – Case studies

Debt for Social Enterprise Case Study:

Bridges Evergreen Holdings and New Reflexions

Bridges Fund Management (Bridges) is a specialist private markets investor who have been investing in solutions that support the transition to a more inclusive and sustainable economy for over twenty years. In 2016, Bridges launched Bridges Evergreen Holdings (BEH), a permanent capital vehicle designed to be a long-term partner for ambitious mission-led organisations.

In 2017, BEH made a patient capital investment into New Reflexions, a specialist children's home operator based in Shropshire.

New Reflexions provides integrated care, therapy and education for young people with complex needs, including emotional behavioral difficulties caused by previous trauma. It operates 25 children's care homes, 4 response homes and 4 specialist schools.

New Reflexions focuses on quality care provision, with a policy of never working with agency staff. Homes are selected and furnished to focus on providing a warm and nurturing environment where children can flourish, while the support for each individual is tailored to their circumstances and needs. The aim is to provide stability, working at a pace which suits the young person, and New Reflexions is proud to have never terminated a placement for a child in its care.

This approach is helping to change the lives of some of the most vulnerable young people in the country. It has also made New Reflexions a market leader; over half of the regulated sites it operates are rated 'Outstanding' by Ofsted, compared to about one in six of all regulated sites in England as a whole.

Bridges Evergreen Holdings (Target return: 9-10%)

Company Investment: £14.5m*

NEWREFLEXIONS

18,500+ days of care delivered to young people in 2022

Working with 54 people on average in 2022

Financial drivers and risk mitigation

- There are over 80,000 looked after children in England[37], with numbers continuing to increase.
- For those with the highest level of need, high quality residential care is often the most appropriate solution.
- Payments are from local authorities who have a statutory obligation to support vulnerable children – but face a shortage of providers.
- New Reflexions has been operating since 2007 as one of the leading organisations for providing services for children with emotional and behavioural difficulties. Evergreen's investment is helping them expand their provision.

Impact return and risk mitigation

What: High quality, integrated residential care service, therapy and education provision.

Who: Vulnerable children with complex emotional and behavioural difficulties.

How Much: 18,500 days of care delivered in 2021, working with an average of 52 young people. 100% of leavers went on to appropriate setting[38].

Contribution: Improved outcomes for young people with the highest need.

Risk: Mitigated by seasoned mission driven management team and processes.

[37]Children looked after in England including adoptions, Department for Education, December 2021.
[38]New Reflexions, Bridges Fund Management.
*Total Company investment in Bridges Evergreen Holdings, not referring to investment in New Reflexions.

Impact in practice – Case studies

Debt for Social Enterprises Case Study:

Charity Bank and Abbeyfield South Downs

There is a nationwide problem of finding appropriate housing for the ageing population which offers independent living but with support and company where needed at affordable rates. Abbeyfield South Downs is an independent charity and member of the Abbeyfield Society, a national charity which provides homes for older people across the UK. Its six supported living houses across East Sussex and Kent help older residents remain independent while offering security, support and companionship. The Company's co-investment alongside Charity Bank provided a £5m loan to Abbeyfield South Downs to finance the redevelopment of an existing site in Heathfield for its 'extra care' scheme and to allow for extra support from staff for residents along with larger private accommodation. All of the new units are offered at affordable rent.

The larger, modernised housing site with extra care will extend people's lifetime of choice and independence. Offering one or two-bedroom flats with full kitchens and living areas, the aim is to attract younger residents and give them the option to stay for as long as possible with fewer needing to move into nursing or specialist care homes. Tenants will now have the use of additional facilities such as hairdressers and a café/movie room, as well as a wellbeing room which will also be offered to local like-minded charities.

Charity Bank co-investment (Target: base rate +250bps)

£5m (Company: £332k) Secured Loan (2020)

Abbeyfield South Downs
Making time for older people

Housing 35 tenants as of June 2022 with ambitions to house 60 by the end of the year

Helps mitigate growing levels of loneliness among the elderly in the UK

Financial drivers and risk mitigation

- Covid-19 has exacerbated loneliness amongst the elderly, with an estimated 2 million persistently lonely older people in the UK by 2026[39].
- Provides independent living for elderly people, while combatting loneliness – supported by benefit payments.
- Secured loan with low loan to value supported by existing assets.

Impact return and risk mitigation

What: Safe, supported living accommodation offered at affordable rent.

Who: Elderly people in East Sussex and Kent at risk of loneliness and isolation.

How Much: Larger, more modern site offering 48 apartments with in-site care and social facilities.

Contribution: Additional provision of support services to negate loneliness.

Risk: Mitigated by long track record with the beneficialry group.

[39]Loneliness and Covid-19, Age UK, December 2021.

Impact in practice – Case studies

Housing Case Study:

CBRE UK Affordable Housing Fund and Lewisham Exchange

The CBRE UK Affordable Housing fund responds to the challenge of chronic shortage of affordable homes in the UK by delivering sustainable and affordable housing in areas of need.

The fund purchases existing properties and develops new affordable homes, leasing them on a long term basis to Registered Providers.[40] The fund's investments include the Lewisham Exchange development completed in 2021.

Lewisham is one of the least affordable boroughs in the country, with house prices rising by more than a third in the last five years and nearly 10,000 lower income households on the local authority waiting list for social housing.

CBRE UK Affordable Housing Fund (Target net return: 6%)

c£15m (Company: <£1m)

CBRE

40 social rent flats

Rents below 40% of open market rate

Financial drivers and risk mitigation

- **CBRE UKAHF:** Affordable homes mostly leased to Registered Providers for local housing needs.
- **Lewisham Exchange:** Development of new social housing and shared ownership housing in area with chronic shortage.
- Social housing less than 40% of open market rent and below Local Housing Authority benefit rates.
- Shared ownership affordable to between 24% and 51% of local people.
- Rental income inflation linked.
- Shared ownership income higher returning, facilitating provision of social housing.

Impact return and risk mitigation

What: Affordable and inclusive new housing addressing local housing crisis.

Who: Median income and below, including people on social housing waiting lists.

How Much: 40 social rent homes, 27 shared ownership homes for 90 people.

Contribution: Increased supply of affordable housing.

Risk: Alignment risk that houses are not affordable: Mitigated through Social units prescribed in planning application.

[40]As defined by the Housing and Regeneration Act of 2008, such as Housing Associations and Local Authorities.

Impact in practice – Case studies

Social Outcomes Contracts Case Study:

Refugee Better Outcomes Partnership

The UK offers protection to over 13,000 refugees each year. Refugees face multiple barriers to self-sufficiency, including high levels of unemployment, lack of access to stable housing, mental health issues, low levels of English language and limited social connections.

Prior to the pandemic, refugee employment levels were 20% lower than for the wider UK population and 30% lower for refugee women than UK-born women. 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 Partnerships (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.

Bridges Social Outcomes Fund

£4.7 million Social Outcomes Contract

BRIDGES OUTCOMES PARTNERSHIPS

Supporting up to 800 refugees

Targeting long-term integration and employment

Financial drivers and risk mitigation

- Flexible delivery, finance and adaptive management of personalised programmes to improve outcomes for refugees.
- Home Office funded payments, contracted based on delivery of agreed milestones focused on improving lives of refugees.
- Active management of delivery around social outcomes helps create better outcomes and better value while reducing implementation risk.

Impact return and risk mitigation

What: Long term integration and employment.

Who: Refugees who have come through the asylum process.

How much: The programme will support 800 refugees, with 350 enrolled so far. The programme aims to support at least 290 into sustained employment.

Contribution: Existing support for this group is fragmented. Without a targeted service that pro-actively engages them, many will not receive any support.

Risk: There is a co-ordination risk given the number of different agencies involved in providing support for this group.

Investment Portfolio at 30 June 2022

Holding	Nature of Interest	Listed/ unlisted	Country of incorporation	Industry Sector	Carrying value[1] £'000	Total Invest-ments %
UK Affordable Housing Fund	Equity Shares	Unlisted	United Kingdom	Investor in Affordable and Social Housing	9,848	11.0
Resonance Real Lettings Property Fund LP	Limited Partnership Interest	Unlisted	United Kingdom	Investor in Affordable and Social Housing	6,309	7.0
Man GPM RI Community Housing 1 LP	Limited Partnership Interest	Unlisted	United Kingdom	Investor in Affordable and Social Housing	5,202	5.8
Social and Sustainable Housing LP	Limited Partnership Interest	Unlisted	United Kingdom	Investor in Affordable and Social Housing	4,790	5.3
High Impact Property					**26,149**	**29.1**
Bridges Evergreen Capital LP	Limited Partnership Interest	Unlisted	United Kingdom	Investor in Profit-With-Purpose Organisations	14,451	16.1
Community Investment Fund	Limited Partnership Interest	Unlisted	United Kingdom	Investor in Communities Supporting Social Inclusion and Change	5,457	6.1
Charity Bank Co Invest Portfolio: Sue Ryder FRN 04/12/2043	Secured Floating Rate Loan	Unlisted	United Kingdom	Charity (Medical)	2,508	2.8
Triodos Bank UK Limited 2020 Bond 4% 23/12/2030	Fixed Income Security	Unlisted	United Kingdom	Ethical Banking	2,500	2.8
Rathbones Bond Portfolio: Hightown Housing Association 4% 31/10/2029	Fixed Income Security	Listed	United Kingdom	Charity (Affordable and Social Housing)	2,483	2.8
Rathbones Bond Portfolio: Dolphin Square Charitable Foundation 4.25% 06/07/2028	Fixed Income Security	Listed	United Kingdom	Charity (Affordable and Social Housing)	2,450	2.7
Rathbones Bond Portfolio: Greensleeves Homes Trust 4.25%30/03/2026	Fixed Income Security	Listed	United Kingdom	Charity (Care Services)	2,357	2.6
Rathbones Bond Portfolio: RCB Bonds PLC 3.5% 08/12/2033	Fixed Income Security	Listed	United Kingdom	Ethical Banking	2,223	2.5
Charity Bank Co-Invest Portfolio: Uxbridge United Welfare Trust 2.85% 20/12/2033	Secured Floating Rate Loan	Unlisted	United Kingdom	Charity (Community and Social Housing)	1,853	2.0
Rathbones Bond Portfolio: Thera Trust 5.5% 31/03/2024	Fixed Income Security	Unlisted	United Kingdom	Charity (Care Services)	1,650	1.8
Rathbones Bond Portfolio: Alnwick Garden Trust 5% 27/03/2030	Fixed Income Security	Listed	United Kingdom	Charity (Public Gardens)	1,500	1.7
Rathbones Bond Portfolio: Golden Lane Housing 3.9% 23/11/2029	Fixed Income Security	Listed	United Kingdom	Charity (Affordable and Social Housing)	952	1.0
Rathbones Bond Portfolio: B4RN (Broadband for Rural North Limited) 4.5% 30/04/2026	Fixed Income Security	Unlisted	United Kingdom	Communications for Rural Communities	865	1.0
Charity Bank Co-Invest Portfolio: Abbeyfield Southdowns 3.35% 26/7/2044	Secured Floating Rate Loan	Unlisted	United Kingdom	Charity (Care Services)	258	0.3
Rathbones Bond Portfolio: Coigach Community CIC 5.248% 31/03/2030	Fixed Income Security	Unlisted	United Kingdom	Renewable Energy	233	0.2
Debt for Social Enterprises					**41,740**	**46.4**
Bridges Social Outcomes Fund II LP	Limited Partnership Interest	Unlisted	United Kingdom	Social Outcomes Contracts	4,096	4.6
Social Outcomes Contracts					**4,096**	**4.6**
TwentyFour Sustainable Enhanced Income ABS Fund	Equity Shares	Unlisted	Luxembourg	Diversified	3,838	4.3
Vontobel Fund TwentyFour Sustainable Short Term Bond Fund	Equity Shares	Unlisted	Luxembourg	Diversified	3,420	3.8
Bluefield Solar Income Fund	Equity Shares	Listed	Guernsey	Diversified	2,570	2.9
Greencoat UK Wind Plc Fund	Equity Shares	Listed	United Kingdom	Diversified	2,302	2.6
Rathbone Ethical Bond Fund	Equity Shares	Unlisted	United Kingdom	Diversified	1,793	2.0
EdenTree Responsible and Sustainable Bond Fund	Equity Shares	Unlisted	United Kingdom	Diversified	1,704	1.9
Threadneedle UK Social Bond Fund	Equity Shares	Unlisted	United Kingdom	Diversified	1,220	1.4
Liquid ESG Investments					**16,847**	**18.7**
Total investments[2]					**88,832**	**98.8**
Cash at bank and in hand					1,310	1.5
Other net liabilities					(226)	
(0.3)						
Total shareholders' funds					**89,916**	**100.0**

[1]Fixed income securities amounting to £21,832,000 are included at amortised cost. These include investments amounting to £11,965,000 which are listed, but traded in inactive markets.

[2]Total investments comprise:

	£'000	%
Unquoted	71,995	81.0
Listed in the UK	14,267	16.1
Listed on a recognised stock exchange overseas	2,570	2.9
Total	**88,832**	**100.0**

Investment Portfolio at 30 June 2022

Material Unquoted Holdings (comprising more than 5% of the portfolio and/or included in the top 10)

Holding	Description of the business	Cost £'000	Fair value £'000	Income receivable in the year £'000
Bridges Evergreen Capital LP	Provides long term, large (£5m+) investment (mix of debt and equity) and support to established mission-led organisations.	10,434	14,451	425
UK Affordable Housing Fund	Delivering affordable and sustainable homes for those unable to purchase or rent in the open market.	9,906	9,848	7
Resonance Real Lettings Property Fund LP	Homes for families and individuals at risk of homelessness leased to large charities delivering support services.	5,821	6,309	169
Community Investment Fund	An evergreen fund that makes majority secured loans to charities and social enterprises across the UK.	4,500	5,457	–
Man GPM RI Community Housing 1 LP	Mixed tenure affordable homes benefiting more disadvantaged groups leased to local authorities and housing associations.	5,451	5,202	(13)
Social and Sustainable Housing LP	Secured lending to leading charities supporting vulnerable people through housing.	4,831	4,790	25
Bridges Social Outcomes Fund II LP	Investments in social outcomes contracts across the areas of homelessness, children's services, education and training and health.	3,802	4,096	–
TwentyFour Sustainable Enhanced Income ABS Fund	Actively managed fund investing in a portfolio of debt and debt related securities, including asset backed securities and collateralised loan obligations, with integrated ESG screening and management.	4,000	3,838	–
Vontobel TwentyFour Sustainable Short Term Bond Income Fund	Actively managed short term bond fund that aims to deliver steady returns in any market environment while keeping volatility to a minimum, integrating both positive and negative ESG screening.	3,550	3,420	22
Bluefield Solar Income Fund	Investments in renewable energy generation assets in the UK.	2,504	2,570	20

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

Environmental, Social and Governance Risk Management

The Company seeks to maximise positive impact outcomes and minimise negative effects across Environment, Social and Governance factors.

A proportionate, credible and useful ESG risk management approach is integral to achieving the Company's mission. It ensures the Company identifies and manages material risks that may affect impact or financial performance, as well as fulfilling the Company's responsibility to its stakeholders including end beneficiaries, employees, clients, shareholders and partners. These responsibilities are enshrined in Big Society Capital's Responsible Business Principles, which act as the basis for the Company's ESG management approach:

General

1. **Avoid Harm** – To minimise adverse and negative impacts on target beneficiaries and communities, the environment, employees, and all stakeholders.
2. **Business Integrity** – To exhibit honesty, integrity, fairness, diligence and respect in all business dealings and with all stakeholders and communities, including respecting commercial and personal confidentiality.
3. **Proportionate Implementation** – To identify key ESG risks and, as applicable, be proportionately compliant based on the materiality of the ESG risks, in line with the Responsible Business Principles and best practice within the target industry.

Environment

4. **Protect the Environment** – To promote and practice the efficient use of natural resources and protect the environment wherever possible.
5. **Combat Climate Change** – To promote and practice activities that minimise or seek to reverse climate change.

Social

6. **Targeted Social Impact** – To intentionally create a positive and measurable social impact for target beneficiaries and communities.
7. **People Centred Approach** – To promote and provide high-quality working practices, conditions and labour rights, and respect the dignity and well-being of all employees, contractors and stakeholders.
8. **Inclusive Practices** – To promote Equality, Diversity and Inclusion practices through governance and decision-making, employment, organisational culture and values, and operational delivery.

Governance

9. **Good Governance** – To strive for international best practice in corporate governance.

The Company recognises that the ESG landscape is rapidly evolving. We will continue to iterate our processes to take account of best practice. The current approach builds on Big Society Capital's established investment process to determine the appropriateness of fund managers' processes, policies and performance together with its assessment of the material ESG issues in the business models the fund managers are investing in. This process identifies material ESG risks and, where applicable, mitigating actions are agreed as part of the investment recommendation and monitored as part of portfolio management.

Environmental, Social and Governance Risk Management

Key Company processes for ensuring ESG alignment and performance		Portfolio status 2021/22
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.	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 the Company's 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.	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	The Company 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.
Learning and market engagement	Engage with peer organisations and wider sectoral bodies to share insights and support the development of standards and best practices.	Annual impact conversations include open discussion of experience in implementing ESG management processes, alignment with net zero and Sustainable Finance Disclosures Regulation (SFDR) agendas, and Equality, Diversity and Inclusion best practice. Sectoral engagement currently focused on supporting consistent standards in social housing as the most material area for progress in 2022-23.

Environmental, Social and Governance Risk Management Summary

	Environmental
Summary 2021-22	**No residual risks or issues identified in the reporting period.** Where applicable, risks appropriately mitigated by fund managers and enterprises in line with the Company's ESG approach and Big Society Capital's Responsible Business Principles.
High Impact Housing	**Materiality: Medium to High** Potential material issue areas: 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. Mitigations: – Fund targets to ensure minimum efficiency levels on new housing, and transition to minimum efficiency levels for existing housing stock in line with UK net zero targets. – Alignment with UK environmental standards and regulations. – Environmental Management Plans at project level. – Equity Impact Project development of impact standards incorporating energy efficiency measures.
Social Outcomes Contracts	**Materiality: Low** Potential material issue areas: Outcome 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.
Debt for Social Enterprises	**Materiality: Medium** Potential material issue areas: Investments are predominantly service based with limited environmental impact including education and training and financial inclusion. Other business models that involve the built environment and housing have some environmental risks but are mitigated in similar ways to High Impact Housing. Some positive environmental impact business models including renewable energy generation.

Environmental, Social and Governance Risk Management Summary

	Social
Summary 2021-22	**No residual risks or issues identified in the reporting period.** Where applicable, risks appropriately mitigated by fund managers and enterprises in line with the Company's ESG approach and Big Society Capital's Responsible Business Principles.
High Impact Housing **Social Outcomes Contracts** **Debt for Social Enterprises**	**Materiality: Medium to High** Potentially material issue areas: 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. Supply chain: Construction and renewable energy generation sector global supply chains result in a risk of exposure to human rights issues. Mitigations: - Fund managers consider key risks when assessing and managing investee companies. - 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. - The Company is collecting equality, diversity and inclusion data with portfolio fund managers. - The Company reviews on an ongoing basis, portfolio policies, performance standards and compliance with regulatory and industry standards. - Investments in new renewable energy assets must demonstrate suitable policies to ensure protection of human rights in supply chains.

	Governance
Summary 2021-22	**No residual risks or issues identified in the reporting period.** Where applicable, risks appropriately mitigated by fund managers and enterprises in line with the Company's ESG approach and Big Society Capital's Responsible Business Principles.
High Impact Housing **Social Outcomes Contracts** **Debt for Social Enterprises**	**Materiality: Low** Potentially material issue areas: None identified. 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.

Environmental, Social and Governance Risk Management Summary

Engagement

The Company engages with fund managers it invests in during the due diligence, investment and portfolio management stages of the investment process. This 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 act as the foundation of our engagement approach with fund managers and other stakeholders that contribute to the achievement of the Company's investment objectives, which are outlined in Big Society Capital's Engagement Policy.

Big Society Capital defines engagements as those interactions with fund managers that have a clear objective for change, an action by the Company's team and a resultant outcome.

The Company has established trusted relationships with its fund managers and is influencing their practices. In the coming year, we will increasingly begin to document and learn from the outcomes of our targeted engagement objectives.

Alignment with evolving Environmental, Social and Governance disclosure requirements

Alignment with the evolving standards for enhanced disclosure of environmental, social and governance factors is a key priority for the Company in 2022-23. The Company's work on alignment currently focuses on larger investees and built environment investments, as the areas with the greatest capacity for enhanced assessment, and the highest potential for positive or negative environmental or social impacts. Greenhouse gas emissions, waste management, health and safety, and diversity and inclusion measurement are integrated into our current work on establishing impact standards in social housing. BSC is also undertaking a wider review of its strategy for transitioning to net zero within High Impact Housing. On behalf of the Company, BSC is rolling out data collection aligned with EU Sustainable Finance Disclosure Regulation from 2022 onwards. BSC are in dialogue with our wider social lending portfolio, which includes a diverse range of small and medium sized enterprises and charities that currently have limited capacity for ESG reporting, where we are targeting enhanced ESG approaches and risk management over time.

Equality, Diversity and Inclusion (EDI)

Tackling inequality is at the heart of the Company's mission. Over 2020-21 the Company'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 EDI 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 EDI in 2021. The initiatives of this plan will flow through to the management of the Company.

Equality is about ensuring everybody has an equal opportunity and is not discriminated against because of their characteristics.

Diversity is about taking account of the differences between people and groups of people, and we place a positive value on those differences and the importance it adds to how we do things. We take an intersectional approach to how we view diversity including and going beyond what is protected within the Equality Act 2010.

Inclusion is about the behaviours and social norms that ensure people feel welcome. Not only is inclusivity crucial for diversity efforts to succeed, but creating an inclusive culture will prove beneficial for employee engagement and productivity. This means we commit to reviewing structures and systems that may be barriers to promoting inclusivity.

The Company's ESG spotlight: Triodos Bank

Triodos Bank

Smaller scale social organisations are capacity constrained, which can make it difficult to engage on ESG standards and advanced reporting on the transition to net-zero emissions. Despite the challenges, one of our investees, Triodos Bank, is leading the way with the development of a carbon accounting framework that can be applied across large and diverse portfolios. Triodos is also engaging directly with small and medium sized social organisations on ways to reduce carbon intensity on a case-by-case basis.

In addition to the direct impact that Triodos Bank has through its lending to mission-led organisations, Triodos is also helping to catalyse the financial industry's transition to more sustainable investment, through its leadership in the development of impact measurement and reporting standards.

Triodos co-founded the **Partnership for Carbon Accounting Financials (PCAF)**, which has developed a harmonised approach for financial institutions to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments. Triodos uses this framework to publish the carbon footprint of its entire portfolio in its group accounts and has set a target to be net zero by 2035. With this target, Triodos's portfolio of loans and fund investments will be aligned with a maximum global temperature rise of 1.5°.

The Company's approach to ESG measurement is based on learning from Triodos and other leaders on the development of improved measurement and seeking to support the adoption of good practice over time.

Environmental, Social and Governance Risk Management Summary

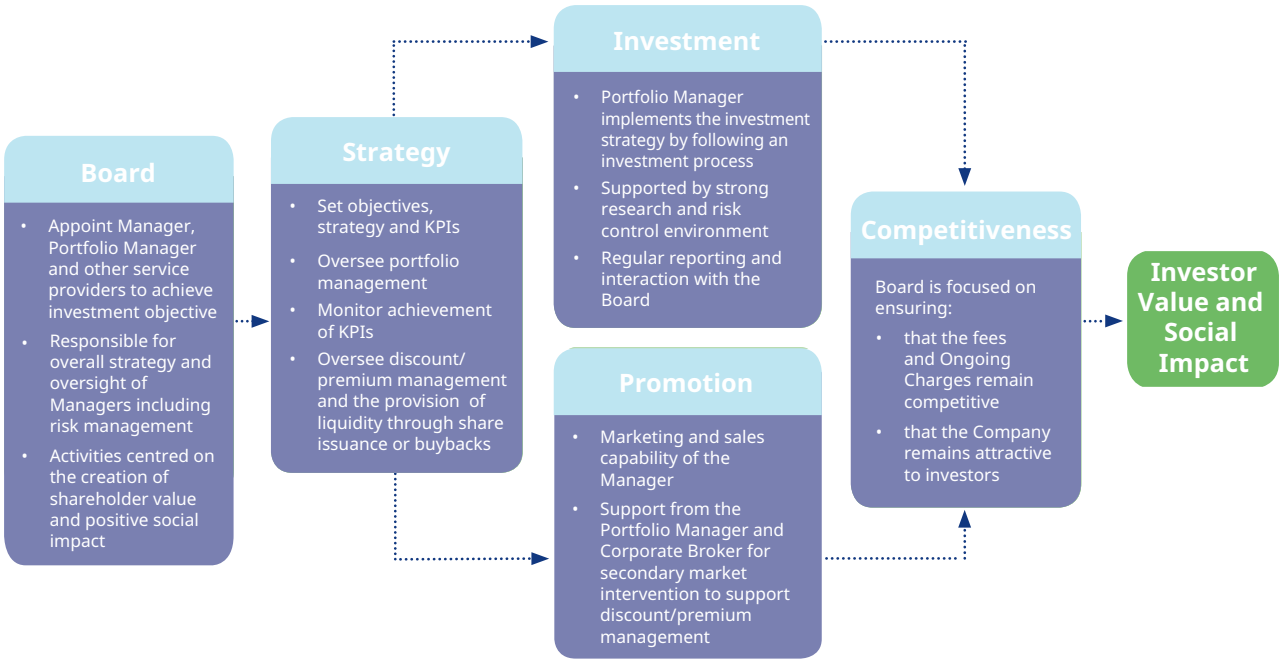
BSC's EDI framework sets priorities for the Company at organisation and portfolio level.

Priority areas	Goals and progress to date
People and culture: Embedding EDI 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. We are committed to being a diverse organisation that represents the communities we serve, and where every individual is included and has equal opportunity to contribute to our mission and have their voice heard. Getting our own 'house in order' underpins our further integration of EDI into all other strands of our work.	**2021 (goals met):** BSC publishes on ethnicity and gender pay gaps. Participated in "2027 Programme" and "1000 Black Interns" to create more diverse pipeline of talent and bring in lived experience. EDI training for all employees. **2022:** Signatory to the Diversity Forum manifesto.[46] Targeting reductions in gender and ethnicity pay gaps. Ongoing engagement with market leading EDI programmes.
Investment and portfolio: There is no such thing as an equality "neutral" investor or investment. In our investment strategy we want to embed EDI considerations intentionally, reflecting these in how we articulate our impact approach where it is meaningful. We want these considerations to be reflected in our strategies, investment tools, processes and decision-making. We will collect meaningful data across our portfolio where we can and be open about how this will inform decision-making by the Company and the wider sector. We will share data publicly wherever possible.	**2021 (goals met):** Embedded EDI considerations (goals, risks, KPIs) into BSC focus area and product area strategies. **2023:** Collect and publish annual gender pay gap and diversity data on make-up of Boards, Investment Committees and Executive teams. Embed diversity and inclusion KPI measurement at frontline investee level.

[41]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

Strategic Report

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



Business model

The Board has appointed the Manager, Schroder Unit Trusts Limited, to act as the Company's alternative investment fund manager for the purposes of the AIFM Rules. The Board believes that Schroders' institutional risk management capabilities and infrastructure provide the stable and robust platform needed for the efficient management of the Company. The AIFM is responsible for providing administrative, company secretarial and marketing services to the Company. These will include general fund administration services (including calculation of the NAV based on the data provided by the Portfolio Manager), bookkeeping, and accounts preparation.

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

Investment objective

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

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

Investment policy

During the year, the Board reviewed the Investment Policy and Restrictions and is submitting an amended Investment Policy for approval by shareholders at the 2022 AGM. The Board would like to recommend that:

In response to the current high inflationary environment, the Board has proposed the following amendments to the investment policy, with an aim to enhance the return generating potential of the portfolio and mitigate cash drag:

(1) Within the Debt for Social Enterprises asset class, the Company may have up to 10 per cent. of Net Assets (calculated at the time of commitment) invested in equity interests via mixed debt and equity impact funds. **The Board requests investor approval for increasing this limit to 30 per cent. of Net Assets, which could be invested in equity interests via funds.** Should this change be approved, the asset class will be re-named as **Debt and Equity for Social Enterprises**, and

(2) In order to allocate the Company's capital most efficiently whilst holding significant levels of cash to meet anticipated fund drawdowns, the Company may make short and medium term liquid investments. These will include social bond funds, closed-ended listed funds and other liquid environmental, social and governance ("ESG") investments, that the Portfolio Manager considers are consistent with the Company's liquidity requirements, investment policy, investment guidelines and risk profile. The Company may invest up to 20 per cent. of Net Assets in Liquid ESG Investments, measured at the time of investment. **The Board requests investor approval for increasing this limit to 30 per cent. of Net Assets. The Company intends to only utilise the full 30 per cent. allocation immediately after a fundraise and at most times no more than 20 per cent. of Net Assets shall be invested in Liquid ESG Investments.**

A blackline version of the investment policy, showing the proposed changes is set out in the Notice of AGM on pages 86 to 88. The current policy is as follows:

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

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

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

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

Impact Funds that invest in Debt for Social Enterprises assets may include some interests in both debt and equity interests. However, the Company will not normally have more than 10 per cent. of Net Assets, calculated at the time of commitment, exposed to equity interests via mixed debt and equity Impact Funds.

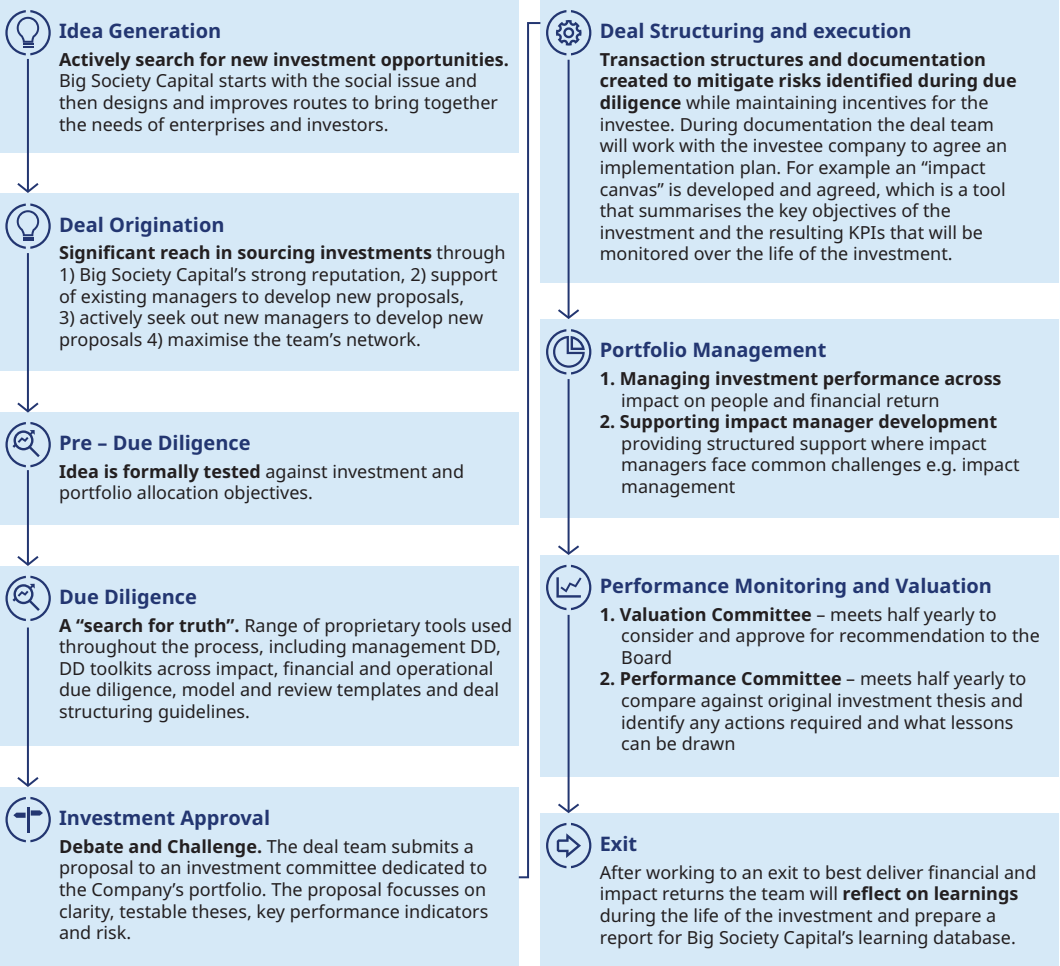
The portfolio composition at any one time will reflect the opportunities available to the Portfolio Manager, based on the performance, social impact and maturity of the Impact Funds, Co-Investments and Direct Investments.

Investment process

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

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

In selecting investments, Big Society Capital analyses the revenue streams of the underlying investments. Government funding may be available to address significant social issues in the UK, but the innovation or delivery to best tackle the issues lies in the charity and social enterprise sector. From a financial perspective these businesses have demand, risk and return characteristics that are distinct from mainstream financial markets given the government revenue streams. When building the Company's portfolio, Big Society Capital aims to use the team's financial and impact understanding to produce an optimal, diversified portfolio to deliver the target financial and impact outcomes and to manage risk. It is anticipated the Company will invest in the more proven investment models and managers that have been developed within the existing Big Society Capital portfolio.



Investment restrictions

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

- 60 per cent. of Net Assets in High Impact Housing;
- 60 per cent. of Net Assets in Debt for Social Enterprises;
- 40 per cent. of Net Assets in Social Outcomes Contracts;
- 30 per cent. of Net Assets in Social Impact Investments other than High Impact Housing, Debt for Social Enterprises and Social Outcomes Contracts;
- 10 per cent. of Net Assets to a single Investment, held directly or indirectly on a look-through basis;
- 20 per cent. of Net Assets to any one Impact Fund;
- 25 per cent. of Net Assets to Impact Funds managed or advised by the same investment management and advisory group; and
- 15 per cent. of Net Assets to non-UK Investments.

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

The Company will not be required to dispose of any investment or to rebalance the portfolio as a result of a change in the respective valuations of its assets.

However, the Portfolio Manager will regularly monitor the portfolio and may make adjustments from time to time consistent with the objective of spreading risk.

Where the calculation of an investment restriction requires an analysis of underlying Investments held by an Impact Fund in which the Company is invested, such calculation will be based on the information reasonably available to the Portfolio Manager at the relevant time.

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

The Investment Portfolio on pages 32 and 33 demonstrates that, as at 30 June 2022, the Company held 27 investments spread over a range of industry sectors. The largest investment, Bridges Evergreen Capital LP, represented 16.1% of total investments. The Board therefore believes that the objective of spreading investment risk has been achieved.

Gearing

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

Promotion

The Company promotes its shares to a broad range of investors including discretionary wealth managers, private investors, financial advisers and institutions which have the potential to be long-term supporters of the investment strategy. The Company seeks to achieve this through its Manager, Portfolio Manager and corporate broker, which promote the shares of the Company through regular contact with both current and potential shareholders, as well as their advisers.

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

Shareholders are encouraged to sign up to the Manager's Investment Trusts update, to receive information on the Company directly https://www.schroders.com/en/uk/private-investor/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/never-miss-an-update/

Key performance indicator – the investment objective

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

Ongoing Charges

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

Purpose and culture

The Company's purpose is to fulfill its investment objective.

The Board seeks to achieve this purpose by promoting a culture of openness and constructive debate to ensure the effective contribution of all Directors. The Directors seek to facilitate a co-operative environment between the Manager, Portfolio Manager and the Directors, and critically examine management information to constructively challenge the service providers where appropriate. The Board also promotes the effective management or mitigation of the risks faced by the Company and, to the extent it does not conflict with the investment objective, aims to structure the Company's operations with regard to all its stakeholders and take account of the impact of the Company's operations on the environment and community.

Corporate and Social Responsibility

Diversity

As at 30 June 2022, the Board comprised two men and two women. The Board has adopted a diversity and inclusion policy. With respect to recruitment of non-executive Directors, the Board recognises that its debates and decision-making are greatly enriched by a wider range of perspectives and thinking, fostered by diversity of experience and knowledge, social and ethnic backgrounds, gender, and cognitive and personal strengths. It will encourage any recruitment agencies it engages to find a diverse range of candidates that meet the objective criteria agreed for each appointment. Appointments will always be based on merit alone. Candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board taking into account the criteria for the role being offered.

Financial crime policy

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

Modern Slavery Act 2015

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

Greenhouse gas emissions and energy usage

As the Company outsources its operations to third parties, it consumed less than 40,000 kWh during the year and so has no greenhouse gas emissions, energy consumption or energy efficiency action to report.

Under listing rule 15.4.29(R), the Company, as a closed ended investment fund, is exempt from complying with the Task Force on Climate related Financial Disclosures. The Company is aware that the UK's Climate Change Act places obligations on the UK Government to decarbonise the economy by 2050 and to manage the impacts of climate change. Sustainability is a key focus for the Company and further details are provided in the ESG Report on pages 34 to 39.

Relations with shareholders

Shareholder relations are given high priority by the Board, Manager and Portfolio Manager. The Company communicates with shareholders through the information provided on its website, including the investor updates and

Schroders' investment trust newsletter. The Company also hosts webinars and aims to provide shareholders with a clear understanding of the Company's activities and results through the annual and half year reports.

All Directors attend the AGM and are available to respond to queries and concerns from shareholders.

Responsible investment

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

The Portfolio Manager is a signatory to the International Finance Corporation's Operating Principles for Impact Management. In March 2021, the Portfolio Manager published its first Disclosure Statement and Independent Verification Report provided by BlueMark. In June 2022, the Company published its inaugural Impact Report and engaged Bluemark to undertake an independent verification of the report.

The Board's commitment to stakeholders – section 172 Companies Act 2006 statement

The Board has identified its key stakeholders as the Company's shareholders, Manager, Portfolio Manager, service providers, investee companies and by extension the underlying beneficiaries of the investments the Company makes. The Board notes the Company has no employees and the impact of its own operations on the environment and local community is through the impact its investee companies and service providers have.

Engagement with key stakeholders assists the Board in meeting the obligation for Directors to act in a way that promotes the success of the Company, taking into account their interests. This statement outlines this engagement and its impact on decision making where appropriate, and cross-refers to the decisions made by the Board during the year, detailed elsewhere in this report.

As detailed in "Promotion" on page 43 and "Relations with shareholders", the Company engages with its shareholders. The Board considered feedback by shareholders when making decisions relating to share issuance, the level of dividend declared as well as applying interest streaming to the dividend payment.

As detailed in "Purpose and Culture" on page 43, the Board engages with service providers, and receives regular reporting, either directly, or through the Manager, Portfolio Manager or Company Secretary, on performance and other matters. The effect of such engagement, if relevant, is detailed in the Chair's Statement, Portfolio Manager's Review and Management Engagement Committee Report.

As outlined in the Chair's Statement, one of the key decisions made by the Board during the year is the proposal to change the Company's investment policy and restrictions. A resolution to approve this is being put to shareholders at the 2022 AGM.

Other key decisions made by the Board during the year ended 30 June 2022 have included the amount to distribute to investors as a dividend and to undertake a placing in November 2021 following which an additional 10,316,586 shares in the Company were admitted to the premium segment of the Official List and to the London Stock Exchange. Further details on these matters are set out in the Chair's Statement. Details of the recommendations made by the Company's committees, all of which were subsequently approved by the Board are also set out on pages 54 to 58.

The Board's engagement with its investee companies is described in the Impact Report.

Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit and Risk Committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal and emerging risks and the monitoring system are also subject to regular, robust review. The last review was completed in October 2022.

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

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

Risk	Mitigation and management
Strategic risks The Company's investment objectives may become out of line with the requirements of investors, or the Company's investment strategy might not lead to the Company achieving its investment objective resulting in the Company being subscale and shares trading at a discount.	The appropriateness of the Company's investment remit is regularly reviewed and the success of the Company in meeting its stated objectives is monitored. The share price relative to NAV per share is monitored and the Board has undertaken to facilitate a buy-back programme should this be appropriate.
If in the two-year period ending on 31 December 2023, and in any two-year period following such date, the Ordinary Shares have traded, on average, at a discount in excess of 10 per cent. to Net Asset Value per Share, the Directors will propose an ordinary resolution at the Company's next annual general meeting that the Company continues its business as presently constituted (the "Continuation Resolution"). It could take several years until all of the Company's private equity investments are disposed of and any final distribution of proceeds made to shareholders.	The Portfolio Manager has extensive experience and a track record in accurately timing the exits of private equity investments. The Board will regularly monitor the position to ensure that any alternative proposals to be made to shareholders are put forward at an appropriate time. If the Continuation Resolution is not passed, the Directors will put forward proposals for the reconstruction or reorganisation of the Company, bearing in mind the liquidity of the Company's Investments, as soon as reasonably practicable following the date on which the Continuation Resolution is not passed. These proposals may or may not involve winding up the Company and, accordingly, failure to pass the Continuation Resolution will not necessarily result in the winding up of the Company.
Investment management risks Risks relating to the social impact of investee companies	The Portfolio Manager has extensive experience in selecting private social impact investments and has a robust investment process to ensure that the anticipated positive impact of investee companies is realistic and achievable.
Liquidity risk Liquidity risks include those risks resulting from holding private equity investments as well as not being able to participate in follow-on fundraises through lack of available capital which could result in dilution of an investment. Risks relating to investment commitments and capital calls.	Concentration limits are imposed on single investments to minimise the size of positions. The Portfolio Manager can sell Liquid ESG Investments to meet investment commitments and capital calls. The Portfolio Manager will monitor and manage cash flows and expected capital calls. The Portfolio Manager will seek to manage cashflow such that the Company will be able to participate in follow on fundraisings where appropriate.

Risk	Mitigation and management
Valuation risk Private equity investments are generally less liquid and more difficult to value than publicly traded companies. A lack of open market data and reliance on investee company projections may also make it more difficult to estimate fair value on a timely basis.	Contracts with investee companies are drafted to include obligations to provide information to the Portfolio Manager in a timely manner, where possible. The Portfolio Manager and AIFM have extensive track records of valuing privately held investments. A valuation policy has been agreed by the AIFM and Portfolio Manager and includes a robust process for the valuation of assets, including consideration of the valuations provided by investee companies and the methodologies they have used. Any changes to this policy must be approved by the Audit and Risk Committee. The Audit and Risk committee reviews all valuations of unlisted investments and challenges the methodologies used by the Portfolio Manager and AIFM. The Audit and Risk Committee may also appoint an independent party to complete a valuation of the Company's assets.
Cyber security risks Each of the Company's service providers is at risk of cyber attack, data theft or disruption to their infrastructure which could have an effect on the services they provide to the Company. These risks could lead to reputational damage or the risk or loss control of sensitive information leading to a potential breach of data protection law.	Experienced third party service providers are employed by the Company under appropriate terms and conditions and with agreed service level specifications in relation to cyber security and related procedures. The Board receives regular reports from its service providers and the Management Engagement Committee will review the performance of key service providers at least annually. The Audit and Risk Committee reviews reports on the external audits of the internal controls operated by certain of the key service providers.

Emerging risks and uncertainties

In October 2022, the Board also discussed and monitored a number of emerging risks and uncertainties that could potentially impact the Company's ability to meet its strategic objectives. These were political risk, climate change risk, COVID-19-related risks, inflation risk and UK political risks. The Board has determined they are not currently material for the Company. The Board receives updates from the Manager, Portfolio Manager, Company Secretary and other service providers on other potential risks that could affect the Company.

Risk assessment and internal controls review by the Board

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

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

A full analysis of the financial risks facing the Company is set out in note 20 to the accounts on pages 82 to 85.

Viability statement

The Directors have assessed the viability of the Company over a five year period, taking into account the Company's position at 30 June 2022 and the potential impact of the principal and emerging risks and uncertainties it faces for the review period. The Directors have assessed the Company's operational resilience and they are satisfied that the Company's outsourced service providers will continue to operate effectively, following the implementation of their business continuity plans as required by COVID-19.

The Board believes that a period of five years reflects a suitable time horizon for strategic planning, taking into account the investment policy, liquidity of investments, potential impact of economic cycles, nature of operating costs, dividends and availability of funding. In its assessment of the viability of the Company, the Directors have considered each of the Company's principal and emerging risks and uncertainties detailed on pages 45 and 46 and in particular the impact of a significant fall in regional equity and property markets on the value of the Company's investment portfolio.

The Directors have also considered the Company's liquid investments, the Company's cash balances and the forecast income and expenditure flows as well as commitments to provide further funding to the Company's private equity investee companies; the Company currently has no borrowings. A substantial proportion of the Company's expenditure varies with the value of the investment portfolio. In the event that there is insufficient cash to meet the Company's liabilities, the liquid investments in the portfolio may be realised. The Company has additionally performed stress tests which confirm that a 50% fall in the market prices of the portfolio would not affect the Board's conclusions in respect of going concern. The Directors have also considered the continuation vote which the Company is required to put to shareholders if, in the two-year period ending on 31 December 2023, and in any two-year period following such date, the ordinary shares have traded, on average, at a discount in excess of 10 per cent. to net asset value per share. The Company has not traded at a discount of this level since launch in December 2020 and the Directors therefore currently do not believe this affects the viability of the Company over a five year horizon. Based on the Company's processes for monitoring operating costs, the Board's view that both the Manager and Portfolio Manager have the appropriate depth and quality of resource to achieve superior returns in the longer term, the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

Going concern

The Directors have assessed the principal risks, the impact of the emerging risks and uncertainties and the matters referred to in the viability statement. Based on the work the Directors have performed, they have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period assessed by the Directors, being the period to 21 October 2023 which is at least twelve months from the date the financial statements were authorised for issue.

By order of the Board

Schroder Investment Management Limited
Company Secretary

21 October 2022

Board of Directors

Susannah Nicklin

Status: Independent non-executive Chair

Length of service: appointed a Director and Chair in November 2020.
Experience: Susannah Nicklin, CFA, is an investment and financial services professional with 25 years of experience in executive roles at Goldman Sachs and Alliance Bernstein in the US, Australia and the UK. She has also previously been involved in the social impact private equity sector with Bridges Ventures, the Global Impact Investing Network and Impact Ventures UK. She was previously a non-executive director of Pantheon International plc and retired as a non-executive director of Amati AIM VCT plc in September this year. She is currently non-executive director of The North American Income Trust plc, Baronsmead Venture Trust plc, Ecofin Global Utilities and Infrastructure Trust plc, and Frog Capital Limited. Susannah is also serving on the newly created AIC ESG Forum.
Committee membership: Audit and Risk, Management Engagement and Nomination. With effect from 13 October 2022, Susannah stepped down as Chair of the Nomination and Management Engagement Committees, remaining as a member of both committees.
Current remuneration: £40,000 per annum
Number of shares held: 19,512*

Mike Balfour

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

Length of service: appointed a Director in November 2020
Experience: Mike Balfour is Chair of Fidelity China Special Situations plc and a non-executive director and Chair of the audit committee of abrdn Property Income Trust plc. He also chairs the investment committee of TPT Retirement Solutions and sits on the trust's management oversight board. He has over 30 years' experience in financial services. He was chief executive of Thomas Miller Investment Ltd until 2016 and prior senior appointments included chief executive at Glasgow Investment Managers and chief investment officer at Edinburgh Fund Managers Limited. He is a member of the Institute of Chartered Accountants of Scotland.
Committee membership: Audit and Risk (Chairman), Management Engagement and Nomination
Current remuneration: £35,000 per annum
Number of shares held: 10,000*

Board of Directors

James B. Broderick

Status: Independent non-executive Director

Length of service: appointed a Director in November 2020
Experience: James B. Broderick is deputy chair of the Impact Investing Institute, with primary responsibility for leading the engagement with UK pension funds. He also worked in 2016-2019 with the Institute's predecessor bodies, the Implementation Taskforce on Growing a Culture of Social Impact Investing, and the Advisory Group, both sponsored by the Cabinet Office. He is currently a trustee of Philanthropy Impact, which works with advisors, philanthropists and charities to promote philanthropy and social impact investing. He was also a commissioner in the Commission on Social Investment, chaired by Lord Victor Adebowale CBE.

James was head of UBS Wealth Management in the UK & Jersey for five years before retiring in 2018, in which position he also served as chair of UBS Optimus Foundation (UK). Before that, he worked for 19 years at JPMorgan Asset Management, latterly as head of its EMEA business. In that position, he was CEO and/or director of the firm's principal asset management and insurance subsidiaries in the UK, and a director of the principal affiliated mutual fund investment and management companies in continental Europe.
Committee membership: Audit and Risk, Management Engagement and Nomination. With effect from 13 October 2022, James was appointed as Chair of the Management Engagement Committee.
Current remuneration: £30,000 per annum
Number of shares held: 500,000*

Alice Chapple

Status: Independent non-executive Director

Length of service: appointed a Director in November 2020
Experience: Alice Chapple is an economist and a specialist in impact investment and impact assessment. She established Impact Value, a consultancy advising on impact investment, in October 2012. Before establishing Impact Value, Alice worked as director of sustainable financial markets at Forum for the Future.

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

Alice's current roles include chair of the Tracker Group (which seeks to align capital markets with a sustainable future through Carbon Tracker and Planet Tracker), Trustee of the Shell Foundation, Director of i(x) Net Zero plc and member of the Advisory Boards of Acre Impact Fund, WHEB Asset Management, Frontier Finance Solutions and Connected Asset Management. Alice has also developed the University of Cambridge Institute of Sustainability Leadership's course on sustainable finance.
Committee membership: Audit and Risk, Management Engagement and Nomination. With effect from 13 October 2022, Alice was appointed as Chair of the Nomination Committee.
Current remuneration: £30,000 per annum
Number of shares held: 10,000*

*Shareholdings are as at 21 October 2022, full details of Directors' shareholdings are set out in the Remuneration Report on page 60.

Directors' Report

The Directors submit their report and the audited financial statements of the Company for the year ended 30 June 2022.

Directors and officers

The Directors as at 30 June 2022 and their biographies are set out on pages 48 and 49.

Chair

The Chair is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chair's other significant commitments are detailed on page 48. She has no conflicting relationships.

Company Secretary

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

Role and operation of the Board

The Board (of four Directors, listed on pages 48 and 49) is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long-term success. The Board is responsible for appointing and subsequently monitoring the activities of the Manager, Portfolio Manager and other service providers to ensure that the investment objective of the Company continues to be met. The Board also ensures that the Portfolio Manager adheres to the investment restrictions set by the Board and acts within the parameters set by it in respect of any gearing. This is also monitored by the Manager as part of its responsibilities as AIFM. The Strategic Report on pages 40 to 47 sets out further detail of how the Board reviews the Company's strategy, risk management and internal controls and also includes other information required for the Directors' Report, and is incorporated by reference.

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

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

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

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

Key service providers

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

Manager

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

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

The Schroders Group manages £773.4bn (as at 30 June 2022) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

Portfolio Manager

Big Society Capital is the delegated Portfolio Manager. It uses its social impact expertise to source deals, perform robust due diligence and manage the portfolio. Big Society Capital are also the Company's largest shareholder, with a 26.3% stake, and sold the "seed portfolio" to the Company, which formed the Company's initial investments.

Management fee

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

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

For the purpose of calculating "chargeable assets" only, "**Liquid ESG Investments**" means:

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

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

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

Depositary

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

- safekeeping of the assets of the Company which are entrusted to it;
- cash monitoring and verifying the Company's cash flows; and
- oversight of the Company and the Manager.

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

Compliance with the AIC Code of Corporate Governance

The Board of the Company has considered the principles and provisions of the AIC Code of Corporate Governance (the "AIC Code"). The AIC Code addresses the Principles and Provisions set out in the Financial Reporting Council's UK Corporate Governance Code (the "UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to the Company. The Board considers that reporting against the Principles and Provisions of the AIC Code, provides more relevant information to shareholders. The AIC Code is available on the AIC website https://www.theaic.co.uk/aic-code-of-corporate-governance. It includes an explanation of how the AIC Code adopts the Principles and Provisions set out in the UK Code to make them relevant for investment companies. The UK Code is available from the Financial Reporting Council's website at www.frc.org.uk. The Financial Conduct Authority requires all UK listed companies to disclose how they have complied with the provisions of the UK Code. This statement, together with the Statement of Directors' Responsibilities, viability statement and going concern statement set out on page 47, indicates how the Company has complied with the principles of good governance of the AIC Code. The Strategic Report and Directors' Report provide further details on the Company's internal controls (including risk management), governance and diversity policy. The Corporate Governance Statement forms part of this Directors' Report.

The Board is satisfied that the Company's current governance framework is compliant with the AIC Code with the exception of forming a remuneration committee. Given the size of the Board and the infrequent nature at which it is expected that Directors' fees will need to be changed, the Board believe a separate committee responsible for reviewing and determining fees is not necessary but will be considered in future.

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

Revenue and interim dividend

The net revenue return for the year under review, after finance costs and taxation, was £1,119,000, equivalent to a revenue return per ordinary share of 1.37 pence. As stated in the Company's prospectus, the Company will use the investment trust interest streaming regime. This enables an investment trust which receives "qualifying interest income" to treat the whole or part of a dividend distribution as an interest distribution. The effect of streaming is to move the point of taxation in respect of the Company's qualifying interest income, from the Company to its investors and the Company may treat the streamed payment as a loan relationship deduction in its tax computation.

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

The Board has recommended the payment of an interim dividend of 1.30 pence per share payable on 6 December 2022 to shareholders on the register on 4 November 2022. The ex dividend date will be 3 November 2022. All of this dividend payment should be treated by shareholders as an interest distribution.

The Board's policy is to pay out substantially all the Company's normal revenue. The Company may be required to pay a second dividend distribution in respect of the year ended 30 June 2022, in order to comply with the investment trust qualifying rules in s1158 of the Corporation Tax Act 2010. The income retention test in s1158 is based on income receivable in the corporation tax computation, and income

receivable from the Company's holdings in limited partnerships will be taxed on a "look through" basis, sourced from accounting information which may not be available until after the year end.

Committees

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

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

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

Status

The Company has been incorporated with an unlimited life. The Company carries on business as an investment trust. Its shares are listed and admitted to trading on the premium segment of the main market of the London Stock Exchange. It has been approved by HM Revenue & Customs as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010, by way of a one-off application and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status. The Company is not a "close" company for taxation purposes. The Company is domiciled in the UK and is an investment company within the meaning of section 833 of the Companies Act 2006.

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

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

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

Information included in Strategic Report

The Company's disclosures on future developments and carbon emissions are included in the Strategic Report on pages 46 and 43 respectively.

Financial risk management

Details of the Company's financial risk management objectives and exposure to risk can be found in note 20 on pages 82 to 85.

Share capital and substantial share interests

As at 21 October 2022, the Company had 85,316,586 ordinary shares of 1p in issue. No Shares were held in treasury. Accordingly, the total number of voting rights in the Company at 21 October 2022 is 85,316,586.

The Company issued 10,316,586 New Ordinary Shares of 1 pence each on 18 November 2021. The shares were issued for cash at a price of 105 pence per New Ordinary Share and raised a total of £10.8 million. Details of the Company's share capital are given in note 12 on page 79.

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

	As at 30 June 2022	
	Number of shares	% of total voting rights
Big Society Capital Limited	22,425,000	26.28
Schroders plc	20,094,837	23.55[2]
East Riding of Yorkshire Council	7,500,000	10.00[3]
EQ Investors Limited	3,595,000	4.79[3]
Pentwater Capital Management LP[1]	3,550,000	4.73[3]
Stichting Juridisch Eigendom Privium Sustainable Impact Fund	4,000,000	4.69

[1]Contract for difference

[2]16.95% of the holding is held by clients of Cazenove Capital Management

[3]Notification based on an issued share capital of 75,000,000 shares and received prior to the increase in share capital in November 2021

Following the year end and at the date of this report, the Company was notified of the below shareholdings:

	Number of shares	% of total voting rights
Newton Investment Management Limited	4,287,414	5.03

Provision of information to the auditor

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

Directors' Report

Directors' attendance at meetings

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

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

In addition to the above meetings, the Board met several times on an ad-hoc basis during the year to discuss the supplementary prospectus and share allotment and to hold a strategy meeting.

Directors' and officers' liability insurance and indemnities

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

By order of the Board

Schroder Investment Management Limited
Company Secretary

21 October 2022

Audit and Risk Committee Report

The responsibilities and work carried out by the Audit and Risk Committee during the year under review are set out in the following report. The duties and responsibilities of the Committee, which include monitoring the integrity of the Company's financial reporting and internal controls, are set out in further detail, and may be found in the terms of reference which are set out on the Company's website, www.schroders.com/sbsi. All Directors are members of the Committee. Mike Balfour is the chair of the Committee. The Chair of the Board is a member of the Committee, and was independent on appointment. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience and that the committee as a whole has competence relevant to the sector in which the Company operates. The Committee's effectiveness was assessed, and judged to be satisfactory, as part of the Directors' annual review of the Board and its committees.

The Committee met twice during the year ended 30 June 2022. The Committee discharged its responsibilities by:

- considering its terms of reference;
- reviewing the operational controls maintained by the Manager, depositary and registrar;
- considering the Company's valuation policies;
- reviewing the Report and Accounts;
- reviewing the audit plan and engagement letter for the year ended 30 June 2022;
- reviewing the independence of the auditor;
- evaluating the auditor's performance;
- reviewing the principal risks faced by the Company and the system of internal control; and
- reviewing the impact of and risks related to the COVID-19 pandemic and its impact on going concern and longer-term viability.

Report and Accounts

During its review of the Company's financial statements for the year ended 30 June 2022, the Audit and Risk Committee, having deliberated on the Company's principal risk and uncertainties, considered the following significant issues, and issues communicated by the auditor during its reporting:

Issue considered	How the issue was addressed
– Valuation and existence of holdings	– Review of portfolio holdings and assurance reports on controls from the Manager and depositary.
– Recognition of investment income	– Consideration of dividends received against forecast, the allocation of special dividends to income or capital and the implementation of the income streaming regime.
– Calculation of the investment management fee and performance fee	– Consideration of methodology used to calculate the fees, matched against the criteria set out in the AIFM and Portfolio Management agreements.
– Overall accuracy of the annual report and accounts	– Consideration of the draft annual report and accounts and the letters from the Manager and Portfolio Manager in support of the letter of representation to the auditor.
– Internal controls and risk management	– Consideration of several key aspects of internal control and risk management operating within the Manager, depositary and registrar, including assurance reports on these controls.
– Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010	– Consideration of the Manager's report confirming compliance.
– The effect of COVID-19 on the going concern and longer-term viability of the Company	– Consideration of the effect of COVID-19 which would affect the ability of the Company to continue as a going concern and its viability for the five-year period chosen by the Board.

Audit and Risk Committee Report

Internal Control

The Committee is responsible for ensuring that suitable controls are in place to prevent and detect fraud, error and misstatement of financial information. As the Company outsources all of its functions to third parties, it requires these service providers to report on their internal controls. There were no significant matters of concern identified in the Committee's review of the internal controls of its third party suppliers. It is considered that the Company does not require an internal audit function, principally because the Company delegates its day-to-day operations to third parties, which are monitored by the Committee and provide control reports on their operations annually.

Effectiveness of the independent audit process

The Committee evaluated the effectiveness of the independent audit firm and process prior to making a recommendation on its re-appointment at the forthcoming AGM. This evaluation involved an assessment of the effectiveness of the Auditor's performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence. As part of the evaluation, the Committee considered feedback from the Manager and Portfolio Manager on the audit process and the year end report from the Auditor, which details compliance with regulatory requirements, on safeguards that have been established, and on their own internal quality control procedures. The Committee also met the Auditor's engagement team without representatives of the Manager and Portfolio Manager present.

Representatives of the Auditor's engagement team attend the Committee meeting at which the draft Report and Accounts is considered. Having reviewed the performance of the Auditor as described above, the Committee considered it appropriate to recommend the firm's re-appointment.

Auditor

BDO LLP has provided audit services to the Company since it was appointed on 16 October 2020.

Statutory auditors are required to rotate the senior statutory auditor every five years. This is the second year that the senior statutory auditor, Vanessa-Jayne Bradley, has conducted the audit of the Company's financial statements.

There are no contractual obligations restricting the choice of external auditors.

BDO LLP have indicated their willingness to continue to act as Auditor. Accordingly, resolutions to re-appoint BDO LLP as Auditor to the Company, and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Provision of non-audit services

The Committee has reviewed the FRC's Guidance on Audit Committees and has formulated a policy on the provision of non-audit services by the Company's Auditor. The Committee has determined that the Company's Auditor will not be considered for the provision of certain non-audit services, such as accounting and preparation of the financial statements, internal audit and custody. The auditor may, if required, provide other non-audit services which will be judged on a case-by-case basis.

No non-audit services were provided to the Company by BDO LLP in the year under review (2021: nil).

Mike Balfour
Chairman of Audit and Risk Committee

21 October 2022

Recommendations made to, and approved by, the Board:

- That BDO LLP be recommended for re-appointment as Auditor at the AGM and the Directors be authorised to determine their remuneration.
- The Committee recommended that the Board approve the 31 December 2021 and 30 June 2022 net asset values and Report and Accounts for the year ended 30 June 2022.
- The Committee recommended that the going concern presumption be adopted in the Report and Accounts and the explanations set out in the viability statement.
- As a result of the work performed, the Committee has concluded that the Report and Accounts for the year ended 30 June 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 61.

Management Engagement Committee Report

The Management Engagement Committee is responsible for (1) the monitoring and oversight of the Manager's and Portfolio Manager's performance and fees, and confirming their ongoing suitability, and (2) reviewing and assessing the Company's other service providers, including reviewing their fees. All Directors are members of the Committee. Susannah Nicklin was succeeded as the Committee's chair, with effect from 13 October 2022, by James B. Broderick and remains as a member of the Committee. Its terms of reference are available on the Company's website, www.schroders.com/sbsi.

Approach

Oversight of the Manager

The Committee:

- reviews the Portfolio Manager's performance, over the short and long term, against the Company's target investment return, peer group and the market and considers the social impact performance of investments made on behalf of the Company.
- considers the reporting it has received from the Manager and Portfolio Manager throughout the year, and the reporting from the Manager and Portfolio Manager to shareholders.
- assesses management fees on an absolute and relative basis, receiving input from the Company's broker, including peer group and industry figures, as well as the structure of the fees.
- reviews the appropriateness of the Manager's and Portfolio Manager's contracts, including terms such as notice period.
- assesses whether the Company receives appropriate administrative, accounting, company secretarial and marketing support from the Manager.

Oversight of other service providers

The Committee reviews the performance and competitiveness of the following service providers on at least an annual basis:

- Depositary and custodian
- Corporate broker
- Registrar

The Committee also receives a report from the Company Secretary on ancillary service providers, and considers any recommendations.

The Committee notes the Audit and Risk Committee's review of the Auditor.

Application

The Committee undertook a detailed review of the Portfolio Manager's performance and agreed that it has the appropriate depth and quality of resource to deliver superior returns over the longer term.

The Committee also reviewed the terms of the AIFM and portfolio management agreements, including fee structures, and agreed they remained fit for purpose.

The Committee reviewed the other services provided by the Manager and agreed they were satisfactory.

The annual review of each of the service providers was satisfactory.

Recommendations made to, and approved by, the Board:

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

Nomination Committee Report

The Nomination Committee is responsible for (1) the recruitment, selection and induction of Directors, (2) their assessment during their tenure and their fees, and (3) the Board's succession. Susannah Nicklin is chair of the Committee and all Directors are members. Subsequent to the financial year end, with effect from 13 October 2022, Alice Chapple succeeded Susannah Nicklin, who remains as a member of the Committee, as the Committee's Chair. Its terms of reference are available on the Company's website, www.schroders.com/sbsi.

Oversight of Directors

Approach

Selection and induction

- Committee prepares a job specification for each role, and an independent recruitment firm is appointed. For the Chair and the chairs of committees, the committee considers current Board members too.
- Job specification outlines the knowledge, professional skills, personal qualities and experience requirements.
- Potential candidates assessed against the Company's diversity policy.
- Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the Board.
- Committee reviews the induction and training of new Directors.

Board evaluation and Directors' fees

- Committee assesses each Director annually, and considers if an external evaluation is appropriate.
- Evaluation focuses on whether each Director continues to demonstrate commitment to their role and provides a valuable contribution to the Board during the year, taking into account time commitment, independence, conflicts and training needs.
- Following the evaluation, the Committee provides a recommendation to shareholders with respect to the annual re-election of Directors at the AGM.
- All Directors retire at the AGM and their election or re-election is subject to shareholder approval.
- Committee reviews Directors' fees, taking into account comparative data and reports to shareholders.
- Any proposed changes to the remuneration policy for Directors discussed and reported to shareholders.

Succession

- The Board's succession policy is that Directors' tenure will be for no longer than nine years, except in exceptional circumstances, and that each Director will be subject to annual re-election at the AGM. The policy reflects FRC guidance that the Chair should not remain in post beyond nine years from the date of their first appointment to the Board, and that serving on the Board for more than nine years from the date of first appointment is likely to impair, or could appear to impair the independence of Directors.
- Committee reviews the Board's current and future needs at least annually. Should any need be identified the Committee will initiate the selection process.
- Committee oversees the handover process for retiring Directors.

For application see page 58

Nomination Committee Report

Application		
Selection and induction	**Board evaluation and Directors' fees**	**Succession**
• The Board was appointed prior to IPO, was briefed extensively by the Company's advisors during the initial public offer process and also received an induction from the Company Secretary.	• The Board, Chair and committee evaluation process was undertaken in October 2022. The evaluation included the completion of questionnaires, culminating in written reports being provided to the Committee. The evaluation of the Board and its committees was led by the Chair of the Board. The evaluation of the Chair was led by the Chairman of the Audit and Risk Committee. • The Committee reviewed each Director's time commitment and independence by reviewing a complete list of appointments, including pro bono not for profit roles, to ensure that each Director remained free from conflict and had sufficient time available to discharge each of their duties effectively. All Directors were considered to be independent in character and judgement. • The Committee considered each Director's contributions, and noted that in addition to extensive experience as professionals and non-executive Directors, each Director had valuable skills and experience, as detailed in their biographies on pages 48 and 49. • Based on its assessment, the Committee provided individual recommendations for each Director's re-election. • The Committee drafted the Remuneration Policy for recommendation to the Board and shareholders, taking into account the provisions of the Company's articles of association and the prevailing remuneration environment for newly listed investment companies. • The Committee reviewed Directors' fees, using external benchmarking, and recommended that Directors' fees, remain unchanged as detailed in the remuneration report.	• The Committee reviewed the succession policy and agreed it was still fit for purpose.

Recommendations made to, and approved by, the Board:

- That all Directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the Board and remain free from conflicts with the Company and its Directors, so should all be recommended for re-election by shareholders at the AGM. Biographies of each Director can be found on pages 48 and 49.
- That Alice Chapple be appointed as Chair of the Committee with effect from 13 October 2022.

Directors' Remuneration Report

Introduction

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

At the AGM held on 3 December 2021, 100.00% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Directors' Remuneration Policy were in favour with 0% against. 3,000 votes were withheld.

At the AGM held on 3 December 2021, 99.99% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Directors' Remuneration Report for the period from incorporation on 24 September 2020 to 30 June 2021 were in favour while 0.01% were against. 0 votes were withheld.

Directors' remuneration policy

The determination of the Directors' fees is a matter dealt with by the Board and the Nomination Committee.

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

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

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

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

Implementation of policy

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

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

Directors' fees are reviewed annually and take into account research from third parties on the fee levels of Directors of peer group companies, as well as industry norms, inflation and factors affecting the time commitment expected of the Directors. Following review, it was determined that Directors' fees would not be changed and for the year ending 30 June 2023 will be £30,000 per annum for each Director plus an additional annual fee of £5,000 per annum for the Chairman of the Audit and Risk Committee. The Chair's fee will be £40,000 per annum. Directors' fees (before expenses) for the year ending 30 June 2023 are therefore expected to total £135,000 in aggregate. New Directors are subject to the provisions set out in this remuneration policy.

Directors' annual report on remuneration

This report sets out how the remuneration policy was implemented during the year ended 30 June 2022.

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the Nomination Committee and the Board in October 2022 and it was determined not to make any changes. The members of the Board at the time that remuneration levels were considered were as set out on pages 48 and 49. Although no external advice was sought in considering the levels of Directors' fees, information on fees paid to Directors of other investment companies managed by Schroders and peer group companies provided by the Manager was taken into consideration as was independent third party research.

Directors' Remuneration Report

Fees paid to Directors

The following amounts were paid by the Company to Directors for their services in respect of the year ended 30 June 2022. Directors' remuneration is all fixed; they do not receive any variable remuneration. The performance of the Company over the year ended 30 June 2022 is presented on page 2, under the heading "Financial highlights".

Directors	Fees[1] 2022 £	Fees[1] 2021 £	Taxable benefits[2] 2022 £	Taxable benefits[2] 2021 £	Total 2022 £	Total 2021 £	Change in annual fee over year ended 30 June 2022 %	Change in annual fee over period ended 30 June 2021 %
Susannah Nicklin (Chairman)	40,046	21,050	–	–	40,046	21,050	0.0	0.0
Mike Balfour	35,040	18,419	1,563	254	36,603	18,673	0.0	0.0
James Broderick	30,034	15,788	–	–	30,034	15,788	0.0	0.0
Alice Chapple	30,034	15,788	–	–	30,034	15,788	0.0	0.0
	135,154	71,045	1,563	254	136,717	71,299		

[1]The Directors were appointed on 4 November 2020. Directors' fees were payable from 22 December 2020. The fees payable shown above are in respect of the year ended 30 June 2022. The comparative figures are in respect of the period from 22 December 2020 to 30 June 2021.
[2]Comprise amounts reimbursed for expenses incurred in carrying out business for the Company, and which have been grossed up to include PAYE and NI contributions.

The information in the above table has been audited.

Expenditure by the Company on remuneration and distributions to shareholders

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

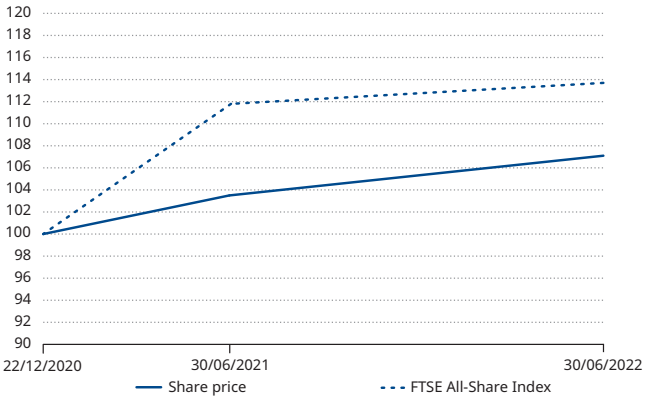
	Year ended 30 June 2022 £'000	Period ended 30 June 2021 £'000	% Change[1]
Remuneration payable to directors	137	71	93.0
Distributions paid to shareholders	428[2]	–	–

[1]The Directors were appointed on 4 November 2020. Directors' fees were payable from 22 December 2020. The percentage change reflects fees having been paid for the full year to 30 June 2022 compared to the period from 22 December 2020 to 30 June 2021.
[2]Dividend paid in respect of the period ended 30 June 2021 and paid on 3 December 2021.

The information in the above table has been audited.

Performance graph since 22 December 2020 (launch date)

Share price total return versus the FTSE All-Share Index, for the period from launch date on 22 December 2020, to 30 June 2022[1]



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

Definitions of terms and performance measures are provided on page 92.

Directors' share interests

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

Director	As at 30 June 2022[1]	As at 30 June 2021[1]
Susannah Nicklin	19,512	10,000
Mike Balfour	10,000	–
James Broderick	500,000	500,000
Alice Chapple	10,000	10,000

[1]Ordinary shares of 1p each

The information in the above table has been audited. There have been no changes in the Directors' interests in the shares of the Company between 30 June 2022 and the date of this Annual Report.

On behalf of the Board

Susannah Nicklin
Chair

21 October 2022

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions in FRS 102 used in the preparation of the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Manager is responsible for the maintenance and integrity of the website dedicated to the Company. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on pages 48 and 49, confirm that to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the Strategic Report contained in the report and accounts includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

Susannah Nicklin
Chair

21 October 2022

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2022 and of its net return after taxation for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Schroder BSC Social Impact Trust plc (the 'Company') for the year ended 30 June 2022 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement and notes to the Accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 16 October 2020 to audit the financial statements for the year ending 30 June 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ending 30 June 2021 to 30 June 2022. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

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

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

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

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

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

Overview

			2022	2021
Key audit matters	–	Valuation and Ownership of Investments	✔	✔
Materiality	–	*Company financial statements as a whole* £1,700,000 (2021: 1,200,000) based on 2% (2021: 2%) of Total investments		

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

An overview of the scope of our audit

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

Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation and ownership of investments ***(Note 1 and Note 9)***	We consider the valuation of investments to be the most significant audit area. There is an inherent risk of management override arising from the unquoted investment valuations being prepared by the Manager, and the Portfolio Manager who is remunerated on the net asset value of the Company. There is a high level of estimation uncertainty involved in determining the unquoted investment valuations. Given the materiality of the investment balance it is necessary to gain comfort over existence and ownership. Investments is the most significant balance in the financial statements and where we will utilise most of our audit resources and therefore a key audit matter.	**Audit approach** For 100% of the investment population, we challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and FRS 102 and performed the following procedures: **Investment held at fair value through profit or loss – Investments in Liquid ESG Funds** We confirmed that the period end bid prices were used by agreeing to externally quoted prices and for all investments, assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value. We obtained direct confirmation from the custodian regarding the existence of investments in Liquid ESG Funds held at the balance sheet date. **Investment held at fair value through profit or loss other than Investments in Liquid ESG Funds** We attended all the Valuation Committee meetings in the year to observe the Portfolio Manager discussing and challenging the estimation uncertainty in the valuations and movements in valuations in the year. We obtained the unaudited June 2022 quarterly reports prepared by the Fund General Partners from the Portfolio Manager, which form the starting point of the Portfolio Manager and the Manager's period end valuation and used this to recalculate the value of the investments at the year-end. We obtained direct confirmation from the Funds of the NAV held at the balance sheet date. We recalculated the Company's share of NAV based on the direct confirmation received and the NAV reported within the June 2022 Investor Report. We reviewed the associated audited financial statements and audit reports of the Funds to check for each Fund that the audit report was unmodified and that the respective audit firms have the requisite skills and knowledge to audit the Funds. Additionally, we checked that the Fund investments are carried at fair value in accordance with the IPEV Guidelines and FRS102 which is the same basis as the Company.

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

Key audit matter	How the scope of our audit addressed the key audit matter
	We analysed movements in the valuations of the Funds and reviewed the movements in the valuation of underlying investments held in the Funds, between the date of the audited financial statements and the June 2022 Investor Reports. Wo obtained explanations for any material movements from the Portfolio Manager and the Manager and looked for corroborating information in the Investor Reports provided by the General Partners to support any material valuation movements. **Investment held at amortised cost** We obtained direct confirmation from the holders of the loan notes of the capital amount outstanding at the balance sheet date. For all the investments held in loan portfolios, we agreed all the inputs used in the amortisation calculation to the underlying loan agreements. We also agreed capital and interest repayments to the underlying loan agreement and to bank statements if amounts had been paid in the period. We recalculated the amortised cost of each of the loans. We considered whether there were any impairment indicators present within the loan, such as interest payments not being made or capital repayments missed. We did this by tracing all payments through bank statements to confirm these were al made in line with the agreement. If not, this would indicate that amortised cost is no longer an appropriate measurement basis. **Key observations:** Based on the procedures performed we consider the investment valuations and ownership to be appropriate.

Our application of materiality

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

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

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

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

	Company financial statements 2022 £'000	 2021 £'000
Materiality	1,700	1,200
Basis for determining materiality	2% of total investments	
Rationale for the benchmark applied	As an Investment Trust, the value of Investments is considered to be the key measure of performance for users of the financial statements. In addition the Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth.	
Performance materiality	1,300	840
Basis for determining performance materiality	75% of materiality based on our knowledge and experience of the client, history of errors identified and low level of expected misstatements.	70% of materiality based on our risk assessment and the fact that it was our first year on the audit.

Lower testing threshold

We have set a lower testing threshold for those items impacting revenue return of £104,000 which is based on 10% of total expenditure (2021: £34,000 which is based on 7% of total expenditure).

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £88,000 (2021: £25,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

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

Corporate governance statement

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

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

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and • The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.
Other Code provisions	• Directors' statement on fair, balanced and understandable; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and • The section describing the work of the audit committee.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. We considered the significant laws and regulations to be the Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, United Kingdom Generally Accepted Accounting Practice, and qualification as an Investment Trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- review of minutes of board meetings throughout the period to identify any instance of non-compliance with laws and regulations;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations; and
- reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain its Investment Trust Status.

We assessed the susceptibility of the financial statement to material misstatement including fraud and considered the fraud risk areas to be the valuation of investments and management override of controls.

- The procedures set out in the Key Audit Matters section above;
- Recalculated investment management fees in total;
- Obtained independent confirmation of the bank balance; and
- Testing journals which met a defined risk criteria by agreeing to supporting documentation and evaluating whether there was evidence of bias by the Portfolio Manager, the Manager and Directors that represented a risk of material misstatement due to fraud.

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

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

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

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

Use of our report

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

Vanessa-Jayne Bradley (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

21 October 2022

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

Income Statement

For the year ended 30 June 2022

	Note	Year ended 30 June 2022 Revenue £'000	Capital £'000	Total £'000	Period ended 30 June 2021[1] Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	2	–	632	632	–	4,200	4,200
Income from investments	3	1,817	–	1,817	775	–	775
Other interest receivable and similar income	3	40	–	40	5	–	5
Gross return		1,857	632	2,489	780	4,200	4,980
Investment management fees	4	(286)	(286)	(572)	(121)	(121)	(242)
Administrative expenses	5	(452)	–	(452)	(224)	–	(224)
Transaction costs		–	(22)	(22)	–	(30)	(30)
Net return before taxation		1,119	324	1,443	435	4,049	4,484
Taxation	6	–	–	–	–	–	–
Net return after taxation		1,119	324	1,443	435	4,049	4,484
Return per share	7	1.37p	0.40p	1.77p	0.58p	5.40p	5.98p

[1]The comparative figures cover the period from the date of incorporation on 24 September 2020, to 30 June 2021. The Company began investing on 22 December 2020 (launch date).

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

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

The notes on pages 73 to 85 form an integral part of these accounts.

Statement of Changes in Equity

For the year ended 30 June 2022

Year ended 30 June 2022

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

Period ended 30 June 2021[1]

	Called-up share capital £'000	Share premium £'000	Special distributable reserves £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Issue of Management Shares	50	–	–	–	–	50
Redemption of Management Shares	(50)	–	–	–	–	(50)
Issue of Ordinary Shares	750	74,250	–	–	–	75,000
Share issue costs	–	(1,229)	(28)	–	–	(1,257)
Cancellation of share premium	–	(73,021)	73,021	–	–	–
Net return after taxation	–	–	–	4,049	435	4,484
At 30 June 2021	750	–	72,993	4,049	435	78,227

[1]The comparative figures cover the period from the date of incorporation on 24 September 2020, to 30 June 2021. The Company began investing on 22 December 2020 (launch date).

The notes on pages 73 to 85 form an integral part of these accounts.

Statement of Financial Position at 30 June 2022

	Note	As at 30 June 2022 £'000	As at 30 June 2021 £'000
Fixed assets			
Investments held at fair value	9	**67,000**	41,369
Investments held at amortised cost	9	**21,832**	21,142
		88,832	62,511
Current assets			
Debtors	10	**206**	221
Cash at bank and in hand		**1,310**	17,086
		1,516	17,307
Current liabilities			
Creditors: amounts falling due within one year	11	**(432)**	(1,591)
Net current assets		**1,084**	15,716
Total assets less current liabilities		**89,916**	78,227
Net assets		**89,916**	78,227
Capital and reserves			
Called-up share capital	12	**853**	750
Share premium	13	**10,571**	–
Special reserve	13	**72,993**	72,993
Capital reserves	13	**4,373**	4,049
Revenue reserve	13	**1,126**	435
Total equity shareholders' funds		**89,916**	78,227
Net asset value per share	14	**105.39p**	104.30p

These accounts were approved and authorised for issue by the Board of Directors on 21 October 2022 and signed on its behalf by:

Susannah Nicklin
Chairman

The notes on pages 73 to 85 form an integral part of these accounts.

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

Company registration number: 12902443

Cash Flow Statement

For the year ended 30 June 2022

	Note	Year ended 30 June 2022 £'000	Period ended 30 June 2021[1] £'000
Net cash inflow from operating activities	15	**873**	397
Investing activities			
Purchases of investments		**(31,411)**	(57,245)
Sales of investments		**4,516**	191
Net cash outflow from investing activities		**(26,895)**	(57,054)
Net cash outflow before financing		**(26,022)**	(56,657)
Financing activities			
Dividend paid		**(428)**	–
Issue of Management Shares		**–**	13
Redemption of Management Shares		**–**	(13)
Issue of Ordinary Shares		**10,832**	74,843
Share issue costs		**(158)**	(1,100)
Net cash inflow from financing activities		**10,246**	73,743
Net cash (outflow)/inflow in the period		**(15,776)**	17,086
Cash at bank and in hand at the beginning of the year		**17,086**	–
Net cash (outflow)/inflow in the year		**(15,776)**	17,086
Cash at bank and in hand at the end of the year		**1,310**	17,086

[1]The comparative figures cover the period from the date of incorporation on 24 September 2020, to 30 June 2021. The Company began investing on 22 December 2020 (launch date).

Included in net cash inflow from operating activities are dividends received amounting to £723,000 (period ended 30 June 2021: £285,000), income from debt securities amounting to £1,039,000 (period ended 30 June 2021: £283,000) and other interest receivable and similar income amounting to £40,000 (period ended 30 June 2021: £5,000).

Purchases and sale of investments are shown net of non-cash movements relating to accumulation dividends, securities purchased and sold awaiting settlement and investment exchange transactions.

The notes on pages 73 to 85 form an integral part of these accounts.

Notes to the Accounts

1. Accounting Policies

(a) Basis of accounting

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

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The accounts are prepared in accordance with Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in July 2022, except for certain financial information required by paragraph 82(c) regarding unquoted holdings with a value greater than 5% of the portfolio included in the top 10. This information has not been disclosed because it is not publicly available. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value. The Directors believe that the Company has adequate resources to continue operating until 31 October 2023, which is at least 12 months from the date of approval of these accounts. In forming this opinion, the Directors have taken into consideration: the controls and monitoring processes in place; the Company's level of debt and other payables; the low level of operating expenses, comprising largely variable costs which would reduce pro rata in the event of a market downturn; the Company's cash flow forecasts and the liquidity of the Company's investments. In forming this opinion, the Directors have also considered any potential impact of the COVID-19 pandemic, climate change, and risk/impact of elevated and sustained inflation and interest rates on the viability of the Company. The Company has additionally performed stress tests which confirm that a 50% fall in the market prices of the portfolio would not affect the Board's conclusions in respect of going concern. Further details of Directors' considerations regarding this are given in the Chairman's Statement, Portfolio Managers' Review, Going Concern Statement, Viability Statement and under the Emerging Risks and uncertainties heading on page 46.

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

The accounting policies applied to these accounts are consistent with those applied in the accounts for the period ended 30 June 2021.

Certain judgements, estimates and assumptions have been required in valuing the Company's investments and these are detailed in note 19 on page 81.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. Investments with a fixed coupon and redemption amount are recognised initially at fair value, net of directly attributable transaction costs. Subsequently they are measured at amortised cost. On sale or redemption any difference between proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the investments using the effective interest method. Other financial assets are valued on a fair value basis, in accordance with FRS 102 and International Private Equity and Venture Capital Guidelines ("the IPEV Guidelines") updated in December 2018. Upon initial recognition these investments are designated by the Company as "held at fair value through profit or loss, included initially at fair value, net of directly attributable transaction costs and subsequently at fair value using the methodology below. This valuation process is consistent with the IPEV Guidelines issued in December 2018, which are intended to set out current best practice on the valuation of Private Capital investments.

(i) Quoted bid prices for investments traded in active markets.

(ii) The price of a recent investment, where there is considered to have been no material change in fair value.

(iii) Where it is felt that a milestone has been reached or a target achieved, the Company may use the price of a recent investment adjusted to reflect that change.

(iv) Investments in funds may be valued using the NAV per unit with an appropriate discount or premium applied to arrive at a unit price.

(v) Price earning multiples, based on comparable businesses.

(vi) Industry benchmarks, where available.

(vii) Discounted Cash Flow techniques, where reliable estimates of cash flows are available.

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

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

Notes to the Accounts

(c) Accounting for reserves

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

(d) Income

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

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

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

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

(e) Expenses

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

- The management fee is allocated 50% to revenue and 50% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio.
- Expenses incidental to the purchase of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 9(c) on page 78.

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

(f) Finance costs

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

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

(g) Financial instruments

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

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

Bank loans and overdrafts are initially measured at fair value and subsequently measured at amortised cost. They are recorded at the proceeds received net of direct issue costs. The Company has no bank loans or overdrafts at 30 June 2022 and 30 June 2021.

(h) Taxation

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

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

As the Company continues to meet the conditions required to retain its status as an Investment Trust, any capital gains or losses arising on the revaluation or disposal of investments are exempt. The Company has no deferred tax asset, recognised or unrecognised at 30 June 2022 and 30 June 2021.

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of the related irrecoverable VAT.

Notes to the Accounts

(j) Dividends payable

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

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

	Year ended 30 June 2022 £'000	Period ended 30 June 2021 £'000
Gains on sales of investments based on historic cost	99	–
Amounts recognised in investment holding gains and losses in the previous period in respect of investments sold in the period	12	–
Gains on sales of investments based on the carrying value at the previous balance sheet date	111	–
Net movement in investment holding gains and losses	521	4,200
Gains on investments held at fair value through profit and loss	632	4,200

3. Income from investments

	Year ended 30 June 2022 £'000	Period ended 30 June 2021 £'000
Income from investments:		
Distribution and dividend income	752	285
Overseas dividends	20	–
Interest income from debt securities and other financial assets	1,045	490
	1,817	775
Other interest receivable and similar income:		
Deposit interest	2	1
Other income	38	4
	40	5
Total income	1,857	780

4. Investment management fees

	Year ended 30 June 2022			Period ended 30 June 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fees	286	286	572	121	121	242

The bases for calculating the investment management fees are set out in the Report of the Directors on pages 50 and 51 and details of all amounts payable to the managers are given in note 17 on page 80.

Financial

Notes to the Accounts

5. Administrative expenses

	Year ended 30 June 2022 £'000	Period ended 30 June 2021 £'000
Other administrative expenses	263	106
Directors' fees and expenses[1]	137	71
Auditor's remuneration for the audit of the Company's annual accounts[2]	52	47
	452	224

[1]Full details are given in the remuneration report on pages 59 and 60.
[2]Includes VAT amounting to £9,000 (period ended 30 June 2021: £8,000).

6. Taxation

(a) Analysis of tax charge for the period

	Year ended 30 June 2022			Period ended 30 June 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Taxation for the year	–	–	–	–	–	–

The Company has no corporation tax liability for the year ended 30 June 2022 (period ended 30 June 2021: nil).

(b) Factors affecting tax charge for the period

	Year ended 30 June 2022			Period ended 30 June 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return before taxation	1,119	324	1,443	435	4,049	4,484
Net return before taxation multiplied by the Company's applicable rate of corporation tax for the period of 19.0%	213	62	275	83	769	852
Effects of:						
Capital gains on investments	–	(120)	(120)	–	(798)	(798)
Tax deductible interest distribution	(213)	54	(159)	(83)	23	(60)
Expenses not deductible for corporation tax purposes	–	4	4	–	6	6
Taxation on ordinary activities	–	–	–	–	–	–

7. Return per share

	Year ended 30 June 2022 £'000	Period ended 30 June 2021 £'000
Revenue return	1,119	435
Capital return	324	4,049
Total return	1,443	4,484
Weighted average number of shares in issue during the year	81,387,804	75,000,000
Revenue return per share	1.37p	0.58p
Capital return per share	0.40p	5.40p
Total return per share	1.77p	5.98p

Notes to the Accounts

8. Dividends

	Year ended 30 June 2022 £'000	Period ended 30 June 2021 £'000
2021 dividend of 0.57p paid out of revenue profits as an interest distribution	428	–

	Year ended 30 June 2022 £'000	Period ended 30 June 2021 £'000
2022 dividend proposed of 1.30p (period ended 30 June 2021: 0.57p), to be paid out of revenue profits as an interest distribution	1,109	428

The proposed interim dividend amounting to £1,109,000 (period ended 30 June 2021: £428,000) is the amount used for the basis of determining whether the Company has satisfied the distribution requirements of Section 1158 of the Corporation Tax Act 2010. The revenue available for distribution by way of dividend for the year is £1,119,000 (period ended 30 June 2021: £435,000).

9. Fixed assets

(a) Movement in investments

	Year ended 30 June 2022			Period ended 30 June 2021		
	Investments held at fair value through profit or loss £'000	Investments held at amortised cost £'000	Total £'000	Investments held at fair value through profit or loss £'000	Investments held at amortised cost £'000	Total £'000
Opening book cost	37,169	21,142	58,311	–	–	–
Opening investment holding gains	4,200	–	4,200	–	–	–
Opening fair value	41,369	21,142	62,511	–	–	–
Purchases at cost	31,411	3,195	34,606	37,169	21,333	58,502
Sales proceeds	(6,101)	(2,816)	(8,917)	–	(191)	(191)
Gains on investments held at fair value	321	311	632	4,200	–	4,200
Closing fair value	67,000	21,832	88,832	41,369	21,142	62,511
Closing book cost	62,267	21,832	84,099	37,169	21,142	58,311
Closing investment holding gains	4,733	–	4,733	4,200	–	4,200
Closing fair value	67,000	21,832	88,832	41,369	21,142	62,511

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

Material revaluations of unquoted investments during the year

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

Financial

Material revaluations of unquoted investments during the period ended 30 June 2021

Investment	Book cost £'000	Valuation adjustment £'000	Closing valuation at 30 June 2021 £'000
Bridges Evergreen Holdings	10,080	4,280	14,360

There were no material disposals of unquoted investments during the year, or prior year.

(c) Transaction costs

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

	Year ended 30 June 2022 £'000	Period ended 30 June 2021 £'000
On acquisitions	12	30
On disposals	–	–
	12	30

10. Debtors

	Year ended 30 June 2022 £'000	Period ended 30 June 2021 £'000
Dividends and interest receivable	193	207
Other debtors	13	14
	206	221

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

11. Current liabilities

Creditors: amounts falling due within one year

	Year ended 2022 £'000	Period ended 2021 £'000
Securities purchased awaiting settlement	–	1,257
Other creditors and accruals	432	334
	432	1,591

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

Notes to the Accounts

12. Called-up share capital

	Year ended 30 June 2022 £'000	Period ended 30 June 2021 £'000
Ordinary Shares of 1p each, allotted, called up and fully paid:		
Opening balance of 75,000,000 (2021: nil) shares	750	–
Issue of 75,000,000 shares following a placing and offer for subscription	–	750
Placing of 10,316,586 shares	103	–
Closing balance of 85,316,586 (2021: 75,000,000) shares	853	750

During the year 10,316,586 shares, nominal value £103,166 were issued by way of a placing, at a price of 105p per share, for a total consideration of £10,832,000.

The shares were issued on a on a non-pre-emptive basis pursuant to the Company's placing programme set out in the Company prospectus dated 23 November 2020.

13. Reserves

Year ended 30 June 2022

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

Period ended 30 June 2021

			Capital reserves		
	Share premium[1] £'000	Special reserve[2] £'000	Gains and losses on sales of investments[3] £'000	Investment holding gains and losses[4] £'000	Revenue reserve[5] £'000
Proceeds of share issue	74,250	–	–	–	–
Share issue expenses	(1,229)	(28)	–	–	–
Cancellation of share premium	(73,021)	73,021	–	–	–
Net movement in investment holding gains/losses	–	–	–	4,200	–
Management fees allocated to capital	–	–	(121)	–	–
Transaction costs	–	–	(30)	–	–
Retained revenue for the period	–	–	–	–	435
Closing balance	–	72,993	(151)	4,200	435

The Company's articles of association permit dividend distributions out of realised capital profits.

[1] Share premium is a non distributable reserve and represents the amount by which the fair value of the consideration received from shares issued exceeds the nominal value of shares issued. The balance of share premium following the initial placing and offer for subscription was cancelled during the period ended 30 June 2021, following an application to the court, and transferred to a distributable capital reserve.

Notes to the Accounts

[2]This is a distributable capital reserve arising from the cancellation of the share premium, and may be distributed as dividends or used to repurchase the Company's own shares.
[3]This is a realised (distributable) capital reserve and may be distributed as dividends or used to repurchase the Company's own shares.
[4]This reserve may include some holding gains on liquid investments (which may be deemed to be realised) and other amounts which are unrealised. An analysis has not been made between those amounts that are realised (and may be distributed as dividends or used to repurchase the Company's own shares) and those that are unrealised.
[5]The revenue reserve may be distributed as dividends or used to repurchase the Company's own shares.

14. Net asset value per share

	2022	2021
Net assets attributable to shareholders (£'000)	89,916	78,227
Shares in issue at the period end	85,316,586	75,000,000
Net asset value per share	105.39p	104.30p

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

	Year ended 30 June 2022 £'000	Period ended 30 June 2021 £'000
Total return before taxation	1,443	4,484
Less capital return before taxation	(324)	(4,049)
Less accumulation dividends	(51)	–
Decrease/(increase) in prepayments and accrued income	14	(207)
Decrease/(increase) in other debtors	1	(14)
Increase in other creditors	98	334
Management fee and transaction costs allocated to capital	(308)	(151)
Net cash inflow from operating activities	873	397

16. Uncalled capital commitments

At 30 June 2022, the Company had uncalled capital commitments amounting to £17,392,000 (30 June 2021: £23,854,000) in respect of follow-on investments, which may be drawn down or called by investee entities, subject to standard notice periods.

17. Transactions with the Manager

Under the terms of the Alternative Investment Fund Manager Agreement, the Manager is entitled to receive a management fee. Details of the basis of the calculation are given in the Directors' Report on pages 50 and 51.

The fee payable to the Manager in respect of the year ended 30 June 2022 amounted to £512,000 (period ended 30 June 2021: £209,000), of which £171,000 (2021: £209,000) was outstanding at the year end. Any investments in funds managed or advised by the Manager or any of its associated companies, are excluded from the assets used for the purpose of the calculation and therefore incur no fee.

Under the terms of the Investment Management Agreement, the Manager may reclaim from the Company certain expenses paid by the Manager on behalf of the Company to HSBC in connection with accounting and administrative services provided to the Company. These charges amounted to £96,000 for the year ended 30 June 2022 (period ended 30 June 2021: nil), and the whole of this amount was outstanding at the year end.

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

In accordance with the terms of a discretionary mandate, Rathbone Investment Management Limited is entitled to receive a management fee for portfolio management services relating to certain of the Company's investments. Details of the basis of the calculation are given in the Directors' Report on pages 50 and 51. The fee payable to Rathbone in respect of the year ended 30 June 2022 amounted to £61,000, (period ended 30 June 2021: £33,000) of which £14,000 (30 June 2021: £16,000) was outstanding at the year end.

Notes to the Accounts

18. Related party transactions

Details of the remuneration payable to Directors are given in the Directors' Remuneration Report on pages 59 and 60 and details of Directors' shareholdings are given in the Directors' Remuneration Report on page 60. Details of transactions with the Managers are given in note 17 above. There have been no other transactions with related parties during the year or prior period.

19. Disclosures regarding financial instruments measured at fair value

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

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

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

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

Level 3 – valued using inputs that are unobservable.

Details of the Company's policy for valuing investments are given in note 1(b) on page 73. Level 3 investments have been valued in accordance with note 1(b)(iv).

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

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

	2022 £'000	2021 £'000
Level 1	**16,847**	10,903
Level 3	**50,153**	30,466
Total	**67,000**	41,369

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

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

	Year ended 30 June 2022 £'000	Period ended 30 June 2021 £'000
Opening book cost	**26,222**	–
Opening investment holding gains	**4,244**	–
Opening fair value of Level 3 investments	**30,466**	–
Purchases at cost	**18,471**	26,222
Net gains on investments	**1,216**	–
Closing fair value of Level 3 investments	**50,153**	26,222
Closing book cost	**44,693**	26,222
Closing investment holding gains	**5,460**	4,244
Closing fair value of Level 3 investments	**50,153**	30,466

Financial

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

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

These financial risks include market risk (comprising interest rate risk and other price risk), liquidity risk and credit risk. The directors' policy for managing these risks is set out below. The Board coordinates the Company's risk management policy. The Company has no significant exposure to foreign exchange risk on monetary items.

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

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

(a) Market risk

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

(i) Interest rate risk

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

Management of interest rate risk

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Company may borrow from time to time, but gearing will not exceed 20 per cent of net asset value at the time of drawing. Gearing is defined as borrowings less cash, expressed as a percentage of net assets.

Interest rate exposure

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

	2022 £'000	2021 £'000
Exposure to floating interest rates:		
Investments carrying a floating interest rate coupon	4,852	6,577
Cash at bank and in hand	1,310	17,086
	6,162	23,663

Sterling cash balances at call earn interest at floating rates based on the Sterling Overnight Interest Average rates ("SONIA"), (period ended 30 June 2021: LIBOR).

The above period end amounts are broadly representative of the exposure to interest rates during the year and comparative period.

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.75% (2021: 0.25%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the accounting date with all other variables held constant.

	Year ended 30 June 2022		Period ended 30 June 2021	
	0.75% increase in rate £'000	0.75% decrease in rate £'000	0.25% increase in rate £'000	0.25% decrease in rate £'000
Income statement – return after taxation				
Revenue return	46	(46)	59	(59)
Capital return	–	–	–	–
Total return after taxation	46	(46)	59	(59)
Net asset	46	(46)	59	(59)

(ii) Other price risk

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

Management of other price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk/reward profile. The Board may authorise the Manager to enter derivative transactions for the purpose of currency hedging, although non-sterling exposures are expected to be limited.

Market price risk exposure

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

	2022 £'000	2021 £'000
Investments held at fair value through profit or loss	67,000	41,369

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

Concentration of exposure to market price risk

An analysis of the Company's investments is given on page 32. This shows a concentration of exposure to the social housing sector in the United Kingdom.

Market price risk sensitivity

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

	Year ended 30 June 2022		Period ended 30 June 2021	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	(27)	27	(17)	17
Capital return	6,673	(6,673)	4,120	(4,120)
Total return after taxation and net assets	6,646	(6,646)	4,103	(4,103)
Percentage change in net asset value	7.4%	(7.4%)	5.2%	(5.2%)

(b) Liquidity risk

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

The Directors consider the carrying amount of cash and cash equivalent to represent its fair value.

Management of the risk.

The Portfolio Manager monitors the cash position to ensure sufficient is available to meet the Company's financial obligations. For this purpose, the Portfolio Manager may retain up to 20% of net assets in Liquid ESG Investments, other liquid investments and a reserve of cash.

Liquidity risk exposure

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

	2022		2021	
	Three months or less £'000	Total £'000	Three months or less £'000	Total £'000
Creditors: amounts falling due within one year				
Other creditors and accruals	(432)	(432)	(1,591)	(1,591)
	(432)	(432)	(1,591)	(1,591)

(c) Credit risk

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

Credit risk exposure

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

Portfolio dealing

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

Exposure to the Custodian

The custodian of the Company's assets is HSBC Bank plc which has long-term Credit Ratings of A+ with Fitch and A3 with Moody's.

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

Exposure to debt securities

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

Credit risk exposure

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

	2022 Balance sheet £'000	2022 Maximum exposure £'000	2021 Balance sheet £'000	2021 Maximum exposure £'000
Fixed assets				
Investments held at fair value through profit	67,000	–	41,369	–
Investments held at amortised cost (debt securities)	21,832	21,832	21,142	21,142
Current assets				
Dividends and interest receivable	206	206	221	221
Cash at bank and in hand	1,310	1,310	17,086	17,086
	90,348	23,348	79,818	38,449

(d) Fair values of financial assets and financial liabilities

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

21. Capital management policies and procedures

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

The Company's capital structure comprises the following:

	2022 £'000	2021 £'000
Equity		
Called-up share capital	853	750
Reserves	89,063	77,477
Total equity	89,916	78,227

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

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

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

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

Annual General Meeting – Recommendations

The Annual General Meeting ("AGM") of the Company will be held on Friday, 2 December 2022 at 12.00 p.m. The formal Notice of Meeting is set out on page 89.

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

Ordinary business

Resolutions 1 to 9 are all ordinary resolutions. Resolution 1 is a required resolution. Resolution 2 concerns the Company's payment of interim dividends. Resolution 3 concerns the Directors' Remuneration Report, on pages 59 to 60. Resolutions 4 to 7 invite shareholders to re-elect each of the Directors for another financial reporting period, following the recommendations of the Nomination Committee, set out on pages 57 and 58 (their biographies are set out on pages 48 and 49). Resolutions 8 and 9 concern the re-appointment and remuneration of the Company's Auditor, discussed in the Audit and Risk Committee Report on pages 54 and 55.

Special business

Resolution 10: change of investment policy

Resolution 10 set out in the Notice of AGM is an ordinary resolution. In response to the current high inflationary environment, the Portfolio Manager has proposed the following amendments to the investment policy, with an aim to enhance the return generating potential of the portfolio and mitigate cash drag:

(1) Within the Debt for Social Enterprises asset class, the Company may have up to 10 per cent. of Net Assets (calculated at the time of commitment) invested in equity interests via mixed debt and equity impact funds. **The Board requests investor approval for increasing this limit to 30 per cent. of Net Assets, which could be invested in equity interests via funds.** ~~should~~ Should this change be approved, the asset class will be re-named as **Debt and Equity for Social Enterprises**, and

(2) In order to allocate the Company's capital most efficiently whilst holding significant levels of cash to meet anticipated fund drawdowns, the Company may make short and medium term liquid investments. These will include social bond funds, closed-ended listed funds and other liquid environmental, social and governance ("ESG") investments, that the Portfolio Manager considers are consistent with the Company's liquidity requirements, investment policy, investment guidelines and risk profile. The Company may invest up to 20 per cent. of Net Assets in Liquid ESG Investments, measured at the time of investment. **The Board requests investor approval for increasing this limit to 30 per cent. of Net Assets. The Company intends to only utilise the full 30 per cent. allocation immediately after a fundraise and at most times no more than 20 per cent. of Net Assets shall be invested in Liquid ESG Investments.**

Both proposals have been duly considered and approved by the Board and the AIFM, and the Board recommends these for shareholder approval.

The revised investment policy, with the proposed changes highlighted, is set out below.

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

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

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

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

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

~~Impact Funds that invest in Debt for Social Enterprises assets~~

~~may include some interests in both debt and equity interests. However, the Company will not normally have more than 10 per cent. of Net Assets, calculated at the time of commitment, exposed to equity interests via mixed debt and equity Impact Funds.~~

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

Investment restrictions

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

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

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

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

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

Hedging and derivatives

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

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

Borrowing policy

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

Cash and liquidity management

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

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

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

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

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

There may be times when it is appropriate for the Company to have a significant cash or cash equivalent position instead of being fully or near fully invested, including for the purpose of seeking to satisfy expected capital calls on commitments

to Impact Funds and to manage the working capital requirements of the Company.

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

Changes to the investment policy

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

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

Resolution 11 – Directors' authority to allot shares (ordinary resolution) and resolution 12 – power to disapply pre-emption rights (special resolution)

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

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £85,316 (being 10% of the issued share capital (excluding any shares held in treasury) as at 21 October 2022).

A special resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £85,316 (being 10% of the issued share capital as at 21 October 2022) on a non pre-emptive basis. This authority includes shares that the Company sells or transfers that have been held in treasury. The Directors do not intend to allot ordinary shares or sell treasury shares, on a non preemptive basis, pursuant to this authority other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company as a whole. Shares issued or treasury shares reissued, under this authority, will be at a price that is equal to or greater than the Company's NAV per share, plus any applicable costs, as at the latest practicable date before the allotment of such shares.

If approved, both of these authorities will expire at the conclusion of the AGM in 2023 unless renewed, varied or revoked earlier.

Resolution 13: authority to make market purchases of the Company's own shares (special resolution)

On 3 December 2021, a special resolution was passed to give the Company authority to make market purchases of up to 14.99% of the ordinary shares. No shares have been bought back under this authority to date. This authority will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to NAV. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at 21 October 2022 (excluding treasury shares). The Directors will exercise this authority to buy back shares only when the share price is at a discount to the Company's NAV and only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential reissue.

If renewed, this authority will lapse at the conclusion of the AGM in 2023 unless renewed, varied or revoked earlier.

Resolution 14: notice period for general meetings (special resolution)

Resolution 14 set out in the Notice of AGM is a special resolution and will, if passed, allow the Company to hold general meetings (other than annual general meetings) on a minimum notice period of 14 clear days, rather than 21 clear days as required by the Companies Act 2006. The approval will be effective until the Company's next AGM to be held in 2023. The Directors will only call general meetings on 14 clear days' notice when they consider it to be in the best interests of the Company's shareholders and will only do so if the Company offers facilities for all shareholders to vote by electronic means and when the matter needs to be dealt with expediently.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Schroder BSC Social Impact Trust plc will be held on Friday, 2 December 2022 at 12.00 p.m. at 1 London Wall Place, London EC2Y 5AU to consider the following resolutions, of which resolutions 1 to 11 will be proposed as ordinary resolutions, and resolutions 12 to 14 will be proposed as special resolutions:

ORDINARY BUSINESS

1. To receive the Annual Report and Accounts for the year ended 30 June 2022.
2. To authorise the Directors of the Company to declare and pay all dividends of the Company as interim dividends and for the last dividend referable to a financial year not to be categorised as a final dividend that is subject to shareholder approval.
3. To approve the Directors' Remuneration Report for the year ended 30 June 2022.
4. To approve the re-election of Susannah Nicklin as a Director of the Company.
5. To approve the re-election of Mike Balfour as a Director of the Company.
6. To approve the re-election of James B. Broderick as a Director of the Company.
7. To approve the re-election of Alice Chapple as a Director of the Company.
8. To re-appoint BDO LLP as auditor to the Company.
9. To authorise the Directors to determine the remuneration of BDO LLP as auditor to the Company.

SPECIAL BUSINESS

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

    "THAT the amended investment policy, as set out on pages 86 to 88 of the Company's Annual Report and Accounts for the year ended 30 June 2022 and produced to the meeting, be and is hereby approved in substitution for the Company's existing investment policy."

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

    "THAT in substitution for all existing authorities the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £85,316 (being 10% of the issued ordinary share capital at 21 October 2022) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company in 2023, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement."

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

    "THAT, subject to the passing of Resolution 11 set out above, the Directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said Resolution 11 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £85,316 (representing 10% of the aggregate nominal amount of the share capital in issue at 21 October 2022); and where equity securities are issued pursuant to this power they will only be issued at a price which is equal or greater than the Company's NAV per share as at the latest practicable date before the allotment; and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."

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

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

    (a) the maximum number of Shares which may be purchased is 12,788,956, representing 14.99% of the Company's issued ordinary share capital as at 21 October 2022 (excluding treasury shares);

    (b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of;

        i) 105% of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and

        ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;

    (c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 1p, being the nominal value per Share;

    (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2023 (unless previously renewed, varied or revoked by the Company prior to such date);

    (e) the Company may make a contract to purchase Shares under the authority hereby conferred which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract; and

    (f) any Shares so purchased will be cancelled or held in treasury."

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

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

By order of the Board

Schroder Investment Management Limited
Company Secretary

21 October 2022

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

Registered Number: 12892325

Explanatory Notes to the Notice of Meeting

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

   A proxy form is attached. Shareholders are encouraged to appoint the Chair as proxy. If you wish to appoint a person other than the Chair as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0800 032 0641 or +44 (0)121 415 0207 for overseas callers, or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

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

   The "Vote Withheld" option on the proxy form is provided to enable you to abstain on any particular resolution. However it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution. A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID, Task ID and Shareholder Reference Number set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk using their user ID and password. Once logged in simply click "View" on the "My Investments" page, click on the link to vote then follow the on-screen instructions. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 12 noon on 30 November 2022. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 (or +44 (0)121 415 0207 for overseas callers).

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

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

2. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

   The statement of the rights of ordinary shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.30 p.m. on 30 November 2022, or 6.30 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.30 p.m. on 30 November 2022 shall be disregarded in determining the right of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.

5. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of their family interests in the shares of the Company,

Explanatory Notes to the Notice of Meeting

will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.

6. The biographies of the Directors offering themselves for re-election are set out on pages 48 and 49 of the Company's Annual Report and Accounts for the year ended 30 June 2022.

7. As at 21 October 2022, 85,316,586 ordinary shares of 1 pence each were in issue (no shares were held in treasury). Therefore the total number of voting rights of the Company as at 21 October 2022 was 85,316,586.

8. A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the Company's website, www.schroders.co.uk/sbsi.

9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

10. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to:

    (a) the audit of the Company's Accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting; or

    (b) any circumstance connected with an auditor of the Company ceasing to hold office since the last AGM, that the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

11. The Company's privacy policy is available on its website. Shareholders can contact Equiniti for details of how Equiniti processes their personal information as part of the AGM.

Definitions of Terms and Performance Measures

The terms and performance measures below are those commonly used by investment companies to assess values, investment performance and operating costs. Some of the financial measures below are classified as Alternative Performance Measures as defined by the European Securities and Markets Authority, and some numerical calculations are given for those.

Net asset value ("NAV") per share

The NAV per share of 105.39p (2021: 104.30p) represents the net assets attributable to equity shareholders of £89,916,000 (2021: £78,227,000) divided by the 85,316,586 (2021: 75,000,000) shares in issue at the year end.

Total return

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

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

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

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

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

No dividends were paid in the period ended 30 June 2021. Therefore the NAV total return was 6.1%, being the increase in the NAV per share over that period.

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

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

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

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

No dividends were paid in the period ended 30 June 2021. Therefore the share price total return was 3.5%, being the increase in the share price over that period.

Discount/premium

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. The discount or premium is expressed as a percentage of the NAV per share. The premium at the year end amounted to 1.1% (2021: 0.8% discount), as the closing share price at 106.50p (2021: 103.50p) was 1.1% higher (2021: 0.8% lower) than the closing NAV of 105.39p (2021: 104.30p).

Gearing/(net cash)

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

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

	2022 £'000	2021 £'000
Borrowings used for investment purposes, less cash	(1,310)	(17,086)
Net assets	89,916	78,227
Net cash	(1.5)%	(21.8)%

Ongoing Charges

Ongoing Charges (OGC) is calculated in accordance with the AIC's recommended methodology and represents total annualised operating expenses payable including any management fee, but excluding any finance costs and transaction costs, expressed as a percentage of the average daily net asset values during the year. The operating expenses calculated as above amounted to £1,024,000, for the year, (period ended 30 June 2021: £466,000 giving an annualised figure of £832,000). This amount, expressed as a percentage of the average net asset values during the year of £84.1 million (period ended 30 June 2021: £76.0 million), gives an OGC figure of 1.21% (period ended 30 June 2021: 1.09%).

Leverage

For the purpose of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as the ratio of the Company's exposure to its net asset value and is required to be calculated both on a "Gross" and a "Commitment" method. Under the Gross method, exposure represents the sum of the absolute values of all positions, so as to give an indication of overall exposure. Under the Commitment method, exposure is calculated in a similar way, but after netting off hedges which satisfy certain strict criteria. The leverage ratios and limits are presented on page 95 under Shareholder Information.

Impact Notes

Methodological notes

1. Number of beneficiaries

The Company reports on the total number of beneficiaries reached directly by frontline organisations within the portfolio, rather than attribution of a proportion to the Company.

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

- Housing – total number of people provided with homes by housing initiatives financed by Company-supported funds.
- Debt for Social Enterprises – total number of people provided with services or products by organisations and projects financed by Company-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, the total number of beneficiaries reached by the project.
- Where the finance is targeted towards an organisation's resilience and/or growth, the total number served by an organisation since investment.

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

2. Disadvantaged and vulnerable beneficiaries

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

- People living in poverty and/or financial exclusion.
- People experiencing homelessness and people at risk of homelessness.
- People with long-term health 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 (eg single parents).
- Older people with acute conditions.

3. UN Sustainable Development Goal (SDG) alignment

The frontline organisations in the Company's portfolio are generally aligned with multiple SDGs (on average, each frontline organisation is aligned with three SDGs). Alignment is assessed by fund managers and validated as part of the Company'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. The Company therefore recognises where frontline organisations are aligned to multiple SDGs.

The Company's approach to due diligence and monitoring also ensures that the risk of any of the portfolio companies having a negative impact on any of the SDGs is assessed and mitigated.

4. Savings and short term value to government

The Company 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 (9.1% of Company commitments): Short term value to government is calculated using one of three methodologies

a. Delivering against a public "rate card". For projects delivering against a public 'rate card', the value to government is the price of outcomes that Government was prepared to pay according to the rate card. Where this is higher than the amount actually paid, this signifies that the project offered a discount to the rate card prices, or achieved more outcomes above the contract cap, or both.

b. Short term savings: For local projects targeting short term savings for a local authority, the value to government is the gross value of these savings during the tracking period (from investment to the latest available report)

c. Valued at cost: Where there is no public outcomes rate card or a definitive short-term saving created at the level

Impact Notes

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 for Social Enterprises, AgilityEco (2.6% of Company commitments): 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-20202021.

Investments also include small scale social organisations that have limited capacity for measurement, and organisations such as social housing providers where a lack of consistent measurement standards makes comparison of costs and benefits challenging. The Company 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 from 2023 onwards.

5. Data quality

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

6. Reporting on contribution to impact

Investment and non-financial support provided by the Company and portfolio fund managers provides 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 and/or 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 summary of the impact achieved by organisations with contribution from the Company but does not seek to attribute a share of impact directly to the Company.

Shareholder Information

Website and share price information

The Company has dedicated website, which may be found at www.schroders.com/sbsi. The website have been designed to be used as the Company's primary method of electronic communication with shareholders. They contain details of the Company's share price and copies of annual report and other documents published by the Company as well as information on the Directors, terms of reference of committees and other governance arrangements. In addition, the website contain links to announcements made by the Company to the market, Equiniti's shareview service and Schroders' website. There is also a section entitled "How to Invest".

The Company releases its NAV per share on both a cum and ex-income basis, diluted where applicable, to the market on a daily basis.

Share price information may also be found in the Financial Times and at the Company's website.

Association of Investment Companies

The Company is a member of the Association of Investment Companies. Further information on the Association can be found on its website, www.theaic.co.uk.

ISA status

The Company's shares are eligible for stocks and shares ISAs.

Non-Mainstream Pooled Investments Status

The Company currently conducts its affairs so that its shares can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Financial calendar

Annual results announced	October
Annual General Meeting	December
Half year results announced	March
Financial year end	June

Alternative Investment Fund Managers Directive ("AIFMD") disclosures

The AIFMD, as transposed into the FCA Handbook in the UK, requires that certain pre-investment information be made available to investors in Alternative Investment Funds (such as the Company) and also that certain regular and periodic disclosures are made. This information and these disclosures may be found either below, elsewhere in this annual report, or in the Company's AIFMD information disclosure document published on the Company's website.

Leverage

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFMD are published on the Company's website. The Company is also required to periodically publish its actual leverage exposures. As at 30 June 2022 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	150.0%	98.5%
Commitment method	150.0%	98.5%

Illiquid assets

As at the date of this report, none of the Company's assets are subject to special arrangements arising from their illiquid nature.

Remuneration disclosures

Quantitative remuneration disclosures to be made in this annual report in accordance with FCA Handbook rule FUND3.3.5 may also be found in the Company's AIFMD information disclosure document published on the Company's website.

Publication of Key Information Document ("KID") by the AIFM

Pursuant to the Packaged Retail and Insurance-based Products ("PRIIPs") Regulation, the Manager, as the Company's AIFM, is required to publish a short KID on the Company. KIDs are designed to provide certain prescribed information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID is available on its website.

Complaints

The Company has adopted a policy on complaints and other shareholder communications which ensures that shareholder complaints and communications addressed to the Company Secretary, the Chair or the Board are, in each case, considered by the Chair and the Board.

www.schroders.com/sbsi

Directors

Susannah Nicklin (Chair)
Mike Balfour
James B. Broderick
Alice Chapple

Advisers

Alternative Investment Fund Manager (the "Manager")

Schroder Unit Trusts Limited
1 London Wall Place
London EC2Y 5AU

Portfolio Manager

Big Society Capital Limited
New Fetter Place
8-10 New Fetter Lane
London EC4A 1AZ
United Kingdom

Company Secretary

Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU
Telephone: 020 7658 3847

Registered Office

1 London Wall Place
London EC2Y 5AU

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Corporate Broker

Winterflood Securities Limited
The Atrium Building
Cannon Bridge House
25 Dowgate Hill
London EC4R 2GA
United Kingdom

Independent Auditors

BDO LLP
55 Baker Street
London W1U 7EU
United Kingdom

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder helpline: 0800 032 0641* & +44 (0)121 415 0207
Website: www.shareview.co.uk

*Calls to this number are free of charge from UK landlines.

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at the above address and telephone number above.

Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the Company's Registered Office.

Dealing Codes

ISIN:	GB00BF781319
SEDOL:	BF78131
Ticker:	SBSI

Global Intermediary Identification Number (GIIN)

PXF89P.99999.SL.826

Legal Entity Identifier (LEI)

549300PG5MF2NY4ZRM86

The Company's privacy notice is available on its website.

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