Schroder BSC Social Impact Trust plc

Report and Accounts for the period ended 30 June 2021

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:

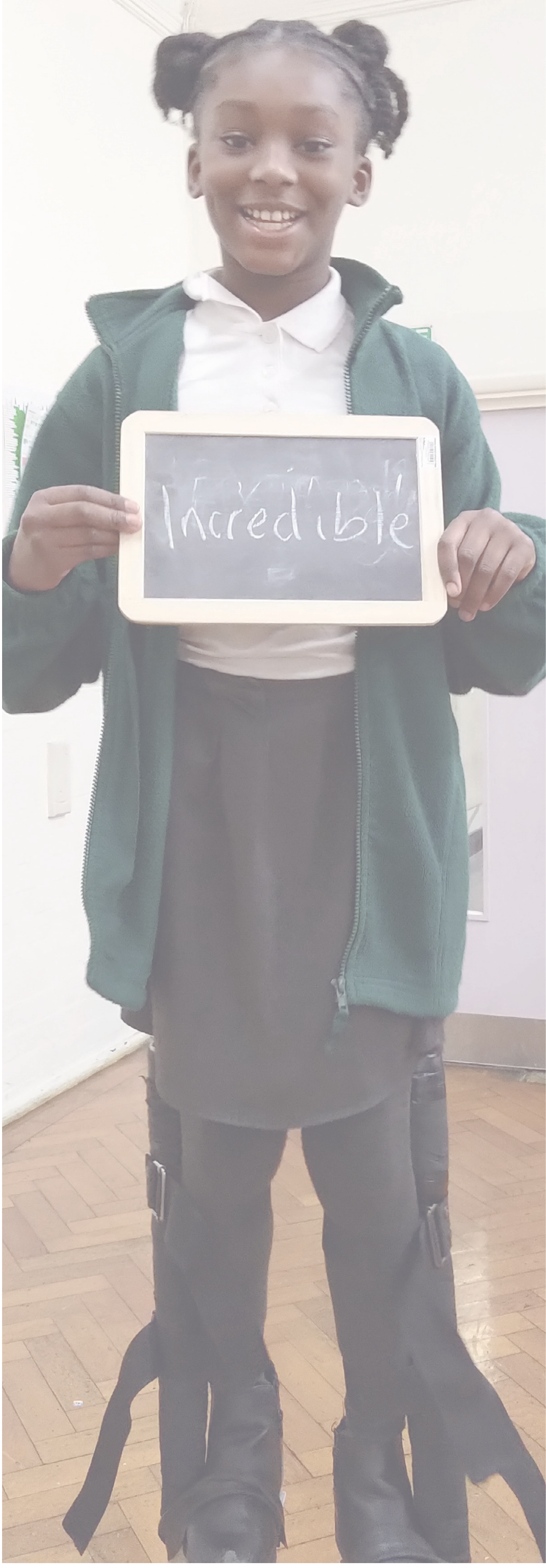
- **High Impact Housing** – Including property funds that either acquire or develop high quality affordable housing, from more specialist housing for vulnerable groups (for example, transition accommodation for people who were formerly homeless or fleeing domestic violence) to housing for low income 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.



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Key Performance Indicators

Some of the financial measures below are classified as Alternative Performance Measures, as defined by the European Securities and Markets Authority and are indicated with an asterisk (*). Definitions of these performance measures, and other terms used in this report, are given on page 76 together with supporting calculations where appropriate. The accounts 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") and its shares have been traded on the London Stock Exchange from that date.

Returns for the period from launch on 22 December 2020 to 30 June 2021

+6.09%

Net asset value ("NAV") per share

+3.50%

Share price

Financial Highlights

	30 June 2021	22 December 2020 (launch date)	% Change
Shareholders' funds (£'000)	78,227	73,733	+6.09
Shares in issue	75,000,000	75,000,000	–
NAV per share (pence)	104.30	98.31	+6.09
Share price (pence)	103.50	100.00[1]	+3.50
Share price discount/(premium) to NAV per share (%)*	0.8	(1.7)	
Gearing/(net cash) (%)*	(21.8)	0.0	

[1] Subscription price

	Period ended 30 June 2021
Net revenue return after taxation (£'000)	435
Revenue return per share (pence)	0.58
Dividend per share (pence)	0.57
Ongoing Charges (%)*	1.09

Chair's Statement

I am pleased to present the first annual report of Schroder BSC Social Impact Trust plc ("the Company"), covering the period from incorporation on 24 September 2020 to 30 June 2021.

Investment opportunity

Despite decades of economic growth, the UK still struggles with many deep-rooted social issues, including homelessness, uneven health outcomes, rising income inequality and unequal life opportunities. The global pandemic has highlighted the extent of many of these problems as well as creating a number of new societal challenges. The pandemic has also placed further pressure on Government finances at a time when funding in many areas of health and social care had already been drastically reduced over recent years. An increasing number of private and charitable impact-driven organisations are developing investable solutions to these challenges. However, they often lack access to capital to reach more people and improve and increase their impact.

The Company was created to help address this funding gap and builds on Big Society Capital's track record of delivering sustainable financial returns, while having a positive impact on the lives of vulnerable and disadvantaged people across the UK. Big Society Capital (the "Portfolio Manager") manages the Company's portfolio, and Schroders (the "Manager") serves as the AIFM (Alternative Investment Fund Manager, as defined by the Alternative Fund Management Directive), bringing extensive experience as the manager of a large stable of investment trusts, including those investing in private markets. It is a powerful partnership and the Board is confident it can deliver the unique combination of financial and social returns expected by our shareholders.

The Company targets investments in high-need areas aligned to the United Nations Sustainable Development Goals ("SDGs"), such as housing, health and social care. It is our strong belief that understanding and measuring impact can enhance accountability and facilitate more informed decisions about balancing financial and social goals, thus reducing risk and creating long-term value for investors.

Progress since IPO

At the time of the Company's initial public offering ("IPO") and listing on the premium segment of the London Stock Exchange on 22 December 2020, the Company raised £75 million. The Portfolio Manager has made strong progress since launch and committed all IPO proceeds ahead of the originally envisaged 12-month period into high quality assets. As at 30 June 2021 the Company had deployed 66% of its IPO proceeds into 23 investments, supporting over 100 front-line organisations across three broad sectors: High Impact Housing, Debt for Social Enterprises, and Social Outcomes Contracts. The remaining commitments are expected to be called over the coming months with Liquid ESG funds being used to avoid short-term cash drag to investors.

More details on these initial investments including a description of how they are defined can be found in the Portfolio Manager's Report.

Financial performance

The Company has delivered strong shareholder returns since launch. The Company's NAV produced a positive total return of 6.1% in the period, ahead of the performance target of CPI +2%, with returns primarily driven by capital growth. It is also pleasing that the Company's share price has risen since launch with a positive total return of 3.5% to 103.50p per share as at 30 June 2021, which we believe reflects the high level of investor interest in the Company's unique investment strategy.

A more detailed analysis of performance may be found in the Portfolio Manager's Report.

Social impact performance

One of our commitments at the time of the IPO was to provide an easily accessible and informative map to bring to life the "on-the-ground" work done by our investees in towns and cities across the UK. I would like to draw readers' attention to the Portfolio section of the Company's webpage where this map can be found[1]. The interactive map tracks the Company's underlying investments by region, outcome area, asset class and the SDG to which it contributes. Place-based impact investment is a growing trend and we are pleased that your Company's investments are facilitating beneficial change through engagement with local communities across the country.

To ensure that impact considerations are purposefully integrated throughout the investment life cycle, Big Society Capital follows the Operating Principles for Impact Management (the "Principles"). The intention of the Principles is to provide a framework that brings greater discipline and transparency around impact management practices to the impact investing market. Big Society Capital has been a signatory to the Principles since March 2020. Big Society Capital's alignment against the Principles is documented and independently verified in its disclosure and verification statement.

Many investors use the SDGs as a framework to guide their impact investing, and as stated above, the Company maps all investments to the SDGs. The SDGs are a "blueprint to achieve a better and more sustainable future for all." The UN describes them as a "call for action" to "promote prosperity while protecting the planet." They were adopted by all UN Member States in 2015 as part of the 2030 Agenda for Sustainable Development to address global challenges.

Additionally, Schroders and Big Society Capital also endorse and adopt the work of the Impact Management Project, an initiative supported by various standard setting organisations, such as the International Finance Corporation and United Nations Development Programme, which proposes frameworks for measuring and managing impact

1 https://www.schroders.com/en/uk/adviser/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/schroder-bsc-social-impact-trust/portfolio/

Chair's Statement

as well as aligning investments to impact objectives. Big Society Capital, as one of the UK's leading impact investors, has been an advisor to the Impact Management Project since inception, and was involved in the development of its approach. We think it is a great advantage that our Portfolio Manager is able to bring this extensive expertise to its sourcing of opportunities, support for investees and monitoring of impact across the Company's holdings.

More details on the positive social impact created by the Company since launch can be found in the Impact Report on pages 15 to 25.

Promotion and premium/discount management

The Company has shareholder authority to issue shares under the prospectus. That authority will expire at the Annual General Meeting ("AGM") to be held on 3 December 2021 and it is the Company's intention to issue new ordinary shares following the strong growth in NAV.

At the Company's AGM, resolutions to authorise the Board 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. Any shares so purchased may be cancelled or held in treasury for potential reissue.

Dividend

The Company will seek to use the investment trust interest streaming regime which enables an investment trust which receives "qualifying interest income" to treat the whole or part of a dividend distribution as an interst 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. For UK income taxpayers it will be taxed as interest received on the date the distributions were made. The potential benefit of splitting the dividend between a normal equity dividend and a streamed interest payment is for investors who are not liable to taxation.

The Board has considered the amount available to distribute to investors and has declared that the Company will pay out substantially all income as a dividend, resulting in a dividend of 0.57p per share, payable to shareholders on the Company's share register as at 29 October 2021. This is consistent with the target dividend communicated to investors at IPO. All of this dividend payment should be treated by shareholders as an interest distribution.

AGM

The AGM will be held on Friday, 3 December 2021 at 12.00 noon at the Company's registered office. Shareholders are encouraged to cast their votes by proxy.

The Portfolio Manager will be presenting at a webinar on 9 November 2021 at 11.30 a.m., to give shareholders the opportunity to hear from them, and to ask questions. Shareholders are encouraged to sign up using this link: https://registration.duuzra.com/form/SBSIAnnual

In addition, the Board would like shareholders to get in touch via the Company Secretary with any questions or comments, so that the Board can answer them in advance of the AGM. The Board will be providing answers to commonly asked questions on the Company's webpage, as well as the answers to questions received from shareholders before the AGM. To email, please use: amcompanysecretary@schroders.com or write to us at the Company's registered office address: Company Secretary, Schroder BSC Social Impact Trust plc, 1 London Wall Place, London, EC2Y 5AU.

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 webpage: https://www.schroders.com/en/uk/private-investor/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/never-miss-an-update/

Outlook

The Board is pleased with the initial progress made by the Company in deploying IPO proceeds and delivering against its investment objectives. The investments made have already started to impact lives positively and this impact should continue to grow over time as the Company deploys further capital.

Looking forward, the funding gap of capital required to address a broad range of societal challenges seems certain to grow, and at the same time, new sustainable and creative solutions and enterprises are developed. Therefore, we are confident that the pipeline of opportunities for the Company to invest in will remain robust. Our focus will continue to be on our core areas of social housing, debt for social enterprises and social outcomes contracts, but the Company will continue to utilise the Portfolio Manager's expertise and deep networks in identifying potentially new areas for investment.

It is the intention of the Company to continue to grow in time in order to increase the magnitude of its impact, increase liquidity in its shares, and bring down ongoing costs for shareholders. The Company will continue to consult with its shareholders on its growth plans and will update the market on future fundraising plans in due course.

Susannah Nicklin
Chair

25 October 2021

Portfolio Manager's Report

Market developments

The social issues we set out to address with the Company are as pressing as ever. Although the economic recovery from COVID-19 is under way, the pandemic has exacerbated the underlying structural challenges of UK society. Since the start of the pandemic, people in the lowest pay quintile are more than twice as likely as those in the highest to have lost their job, been furloughed or had hours and pay reduced. NHS waiting lists recently reached 4.7 million people, a 14-year high. At the end of 2020, over 95,000 UK households, including over 121,000 children, were living in temporary accommodation; double the number ten years ago.

Social impact investment, and the areas that we focus on specifically for the Company's portfolio, are one part of the solution to such growing challenges. While we are aware that social impact investment is not a universal solution for social challenges, we are encouraged to see an increasing number of organisations developing investable models that provide successful solutions. There is an expanding universe of opportunities for the Company to make successful investments with a deep impact.

The global impact investing market is made up of diverse investments across a range of asset classes, in both private and publicly listed markets. When the Company was launched, the Global Impact Investing Network had estimated the value of this market at US$715bn.

The Company is exclusively focused on the social impact investment segment in the UK. Over the last decade, this segment has grown significantly, with an annual growth rate of 25 per cent since 2011, the year before Big Society Capital was established. Big Society Capital estimates the total market size has grown from £5.1bn in 2019 to £6.4bn in 2020, an increase of 26% over the year. In late 2020, we estimated, based on underlying market demand and current growth rates, the investable high-impact segment of the UK market would be approximately £10 to £15bn by 2025. From what we have seen so far in 2021, we are confident that this forecast is on track. New funds have come to market and existing ones have raised further capital, because of the coming together of investor demand and an increasing opportunity set of investable high impact enterprises tackling issues such as housing, health & social care and education.

The positive market developments have enabled us to commit the Company's initial capital ahead of schedule to high quality holdings which meet our financial return and impact targets.

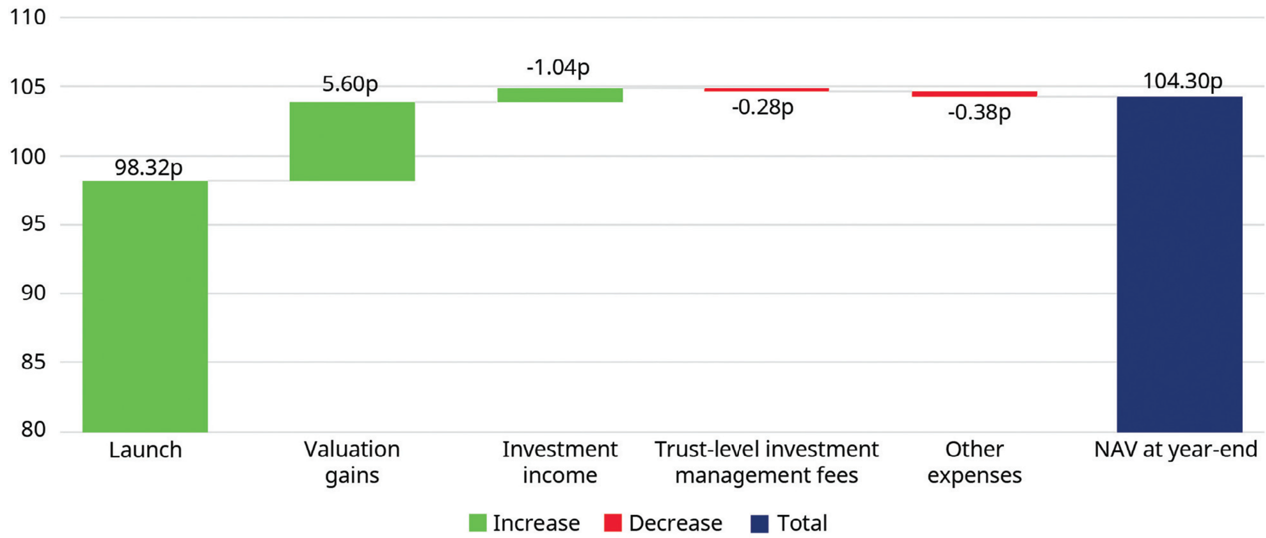
Performance update

We are pleased with the progress our portfolio has made since launching the Company in December 2020, with overall performance ahead of plan.

This section outlines the financial performance of the Company, taking into account the period of operation since IPO. In the next set of financial statements, with a full year of performance, we intend to publish a broader set of key performance indicators.

Total return to 30 June 2021 was ahead of expectations, with a total return since IPO of 6.1%. Gains on investments in the period were driven primarily by strong performance in Bridges Evergreen Holdings. This fund comprised part of the seed portfolio purchased from Big Society Capital and benefited from the strong performance of earlier investments, in particular AgilityEco, tackling fuel poverty and New Reflexions, providing children's services. Other assets in the portfolio performed in line with forecasts. Overall, the Company's Net Asset Value rose from **£73.7m** at IPO to **£78.2m** at the period end, or **104.3p** per share as set out in the NAV bridge below. This represents an increase in NAV of **6.1%** since IPO and **4.4%** since the last reported NAV as of 31 December 2020.

Net Asset Value Bridge: progression since launch



Source: Big Society Capital, October 2021

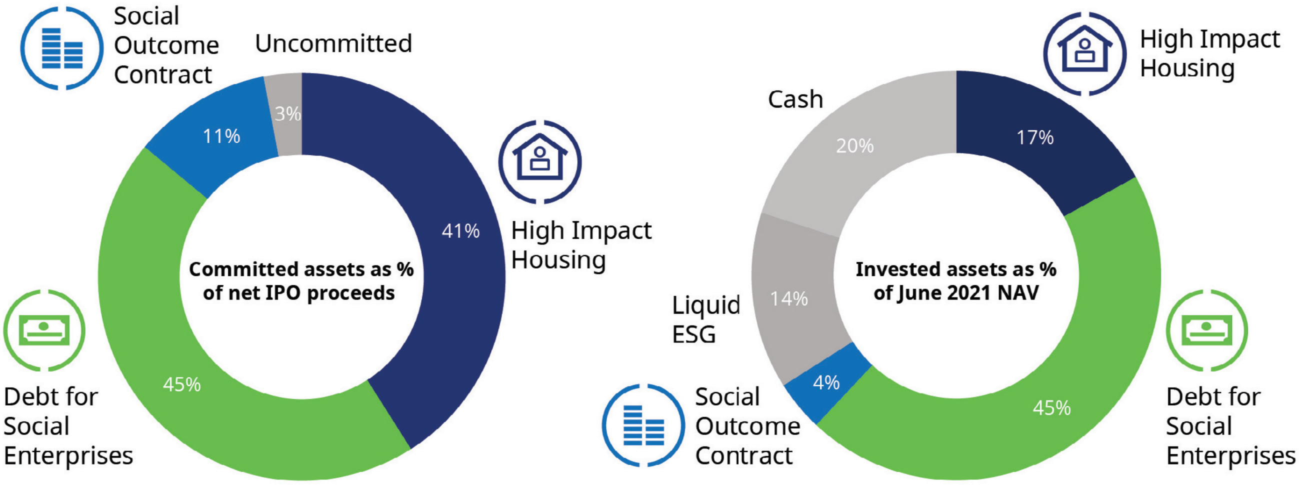
Portfolio Manager's Report

The portfolio proved resilient during the period, with income from investments stable and increasing in some cases with additional demand for services, despite significant uncertainty created by the ongoing pandemic. The investments targeted by the Company have remained resilient throughout the last 18 months, demonstrating the value of its diversification and revenue streams, with low correlation to economic cycles and mainstream markets. We established the Company with a substantial seed portfolio to help drive initial performance, and it is the seed portfolio assets later in their investment cycle that have driven positive performance in the period.

Importantly, we were able to source and deploy capital into highly attractive investment opportunities that meet our high bar of impact and our target returns more quickly than expected. We committed substantially all the initial capital raised by the end of June 2021, faster than the original 12-month commitment timetable. Two thirds of the net proceeds of the initial public offering had been invested by the end of the reporting period.

At the time of publication of the Annual Report, the net IPO proceeds are fully committed, following the signing of a £2m secured loan to Abbeyfield York Society, a charity for older people providing housing that enhances quality of life. The loan is a co-investment with Charity Bank and is part of the Debt for Social Enterprises asset class.

Portfolio allocation



*see asset class descriptions on page 7
Source: Big Society Capital, October 2021

In the period from IPO to 30 June 2021, the Company recorded gross revenue return of £0.8m and net revenue after fees, costs and expenses of £0.44m, a net revenue return per share of 0.58 pence. The Company also recorded gains on the fair value of investments of £4.2m, resulting in a total gross return of £5.0m, and total net return of £4.5m, or 5.98 pence per share.

The Company will pay out a **dividend of 0.57p per share**, or dividend yield of 0.55% for the period from IPO to 30 June 2021/1.05% annualised. This is in line with the guidance in the IPO prospectus of an expected dividend yield in the region of 1-2% p.a.

One of our key aims is for the Company to provide investors with a diversified mix of high-impact assets, that have a low correlation to traditional quoted financial markets. We achieve this in part by backing business models that are underpinned by government expenditure that does not fluctuate in line with economic cycles. **At the end of the period, 79% of the committed portfolio is underpinned by government backed revenue streams.** These revenue streams are themselves diversified across policy areas, such as housing, clean energy and energy 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 (e.g. housing or other benefits). We target areas with a track record of delivering impact for more disadvantaged groups and generating savings for the public purse which provide additional revenue resilience.

Our target is to provide a Net Asset Value total return of CPI plus 2% per annum, once the portfolio is fully invested and averaged over a rolling three- to five-year period, net of fees. We target a significant degree of inflation linkage (such as leases indexed to CPI) and correlation (such as government payments that have historically moved with inflation) in the revenues that underpin returns.

We have also made good progress with our approach to measuring and managing social impact. This is an essential part of how we manage the portfolio, and we are committed to continuous development of this process and to bringing the impact of our investments to life for our shareholders. Please see the dedicated impact section on pages 15 to 25 for further detail.

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 period.

Debt for Social Enterprises[1]

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

Target net return: 3-5% with some inflation linkage

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

Target net return: 5-7% with some inflation linkage

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

Target net return: 4-6%

[1] Debt for social enterprises may include some equity in funds that invest in both debt and equity, but with a target of no more than 10% of the portfolio overall.

Portfolio Manager's Report

Skills Training UK, training and skills provider to young people and adult learners, primarily from disadvantaged communities, helping them achieve sustainable employment. Part of the Bridges Evergreen Holdings portfolio.

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 products, 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 2021, the Company had committed £33m to investments in this asset class (45% of net IPO proceeds); the current value of investments in this asset class is £36m (45% of NAV).

Initial Seed Portfolio Review

The existing social enterprise debt investments have contributed well to the Company's overall performance in the period.

Evergreen Holdings, run by **Bridges Fund Management** is a £50m+ long-term capital vehicle that makes subordinated debt, mezzanine and equity investments into mission-led businesses. The fund targets a 5% yield alongside capital growth. Total return in the period was particularly strong driven to a large degree by strong earnings growth at AgilityEco, a leading provider of fuel poverty, energy efficiency and low carbon services across the UK. New Reflexions, a leading provider of residential care to children with complex needs, also had strong trading performance and contributed to the overall valuation uplift. The Evergreen team made one new investment, into learning and skills provider Skills Training UK. It works with funding partners in central and local Government to offer a diversified range of apprenticeships, traineeships, adult skills and employability courses that support 16-24 year-olds and adult learners, many of whom are from disadvantaged communities.

The **Charity Bond Portfolio** managed by **Rathbones** supports larger UK charities seeking to raise significant amounts of capital via the public and private bond markets, providing an alternative source of funding to bank finance. The portfolio is invested in nine bonds (both listed and unlisted) issued by charities and social enterprises. The total portfolio value is £15m, which has been fully committed and drawn, delivering an annualised yield of 4.5%. Bond issuers have repaid capital and interest in line with schedule and no defaults have been reported.

The Company holds three secured loans within the **Charity Bank Co-investment Portfolio**, totalling £5.1m. The portfolio is fully committed and 75% drawn. Working with Charity Bank, the portfolio supports housing and care related investments in Sue Ryder, Abbeyfield South Downs and Uxbridge. Overall, the three facilities are performing well, with no material change in credit quality, provisioning, security or repayment profile. The facilities are secured with low loans to value and floating interest rates with a current annualised yield of 2.4%.

New investments since IPO

Shortly after the IPO, in December 2020, the Company made a £2.5m investment in the inaugural **private bond issue** by **Triodos Bank UK Ltd**, 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. 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% at year five, if not called.

Portfolio Manager's Report

Lisa Hilder, Treasurer, Hull Women's Network, which offers specialist domestic abuse support, nursery provision, and access to safe and affordable housing across Hull. One of Social and Sustainable Capital's Social and Sustainable Housing fund's investments.

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 and inflation-linked 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.

As of 30 June 2021, the Company had committed £30m to investments in this asset class (41% of net IPO proceeds), of which £13m has been invested (17% of NAV).

Initial Seed Portfolio Review

The high-impact housing investments in the portfolio have continued to deliver in line with our strategy.

The **UK Affordable Housing Fund** raised £244m at launch in 2018. Its objective is to deliver a positive social impact by contributing to 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 has invested or committed £210m (86% of its initial capital commitments) and raised a further £137m in the first half of 2021, bringing total client commitments to £381m. This reflects the strong performance so far and the robust pipeline of opportunities that the manager has identified. The fund aims to produce a total return greater than 6% (with an annual target income distribution yield of 4% from income producing assets) net of all costs over the long term

The **Real Lettings Property Fund**, managed by **Resonance**, is a £57m fund 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. In doing so, the fund helps people to be more independent. The fund is fully invested and at the end of the reporting period had housed 971 tenants (including 515 children) to date, in 259 properties. Quarterly profit grew during the period, largely due to an increase in Local Housing Authority rates from 1 April. The fund continues to generate a cash yield of 3% and a life to date net internal rate of return ("IRR") of 5%, in line with its financial projections.

New investments since IPO

We committed £5m to the **Man GPM RI Community Housing Fund**, which is addressing the UK's housing crisis through the provision of new affordable housing. The fund aims to deliver 3,500 new homes in mixed-tenure communities, predominantly leased to UK councils and housing associations, and seeks to achieve returns driven by long-term, inflation-linked income streams. The fund is targeting 8-10% net IRR with a stabilised yield of 6% from income producing assets.

We also made a follow-on commitment of £5m to the **Social and Sustainable Housing LP** (SASH), following the first £5m commitment acquired through the initial portfolio in December 2020. SASH 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%.

Portfolio Manager's Report

West London Zone works with young people across four London Boroughs to help them fulfil their potential and flourish into adulthood. One of a partnership of organisations working together, supported by the Bridges Social Outcomes Fund.

In addition to these investments, a key development in the period was our publication of two reports from the initiative we are leading with social advisory firm The Good Economy Partnership. The initiative aims to establish new consistent and transparent impact management norms in UK affordable housing investment and build greater ability to assess and compare impact performance and understand impact risk.

Asset Class: Social Outcomes Contracts

Social outcomes contracts 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 of 30 June 2021, the Company had committed £8m to investments in this asset class (11% of net IPO proceeds), of which £3m has been invested (4% of NAV).

Initial Seed Portfolio Review

There is one fund holding in the portfolio and there were no new fund investments in the period. Significant future growth in the social outcomes contract market will be determined by central government spending decisions that we expect to be made in late 2021. We will assess the potential for further investments once that position is clear.

The £35m **Social Outcomes Fund II** managed by **Bridges Fund Management** invests in social outcomes contracts, receiving payments when outcomes are delivered and thereby ensuring that payment is completely aligned with measurable improvements in the lives of participants.

The fund is 50% committed, with three out of nine of the underlying contracts being written up in value in the period. These contracts have already supported over 6,000 individuals with complex needs. The fund has a good pipeline of social outcome contract investments, is currently ahead of plan on the delivery of social outcomes and on track to deliver its target IRR of 6%, net of all costs.

Asset Class: Liquid ESG Investments

The Company includes a Liquid ESG allocation of up to 20% of net assets, which 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 at 30 June 2021, we had invested a total £11.0m in four funds, detailed in the table below.

Liquid ESG Investments	**Invested £'000**
Edentree Responsible and Sustainable Sterling Bond Fund	1,993
Rathbone Ethical Bond Fund	2,099
Threadneedle UK Social Bond Fund	3,186
Twenty Four Sustainable Short Term Bond Income (Vontobel Fund)	3,625
Total Liquid ESG Investments	**10,903**

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.

The initial priority for Liquid ESG investments over 2020-22 is to mitigate cash drag during the Company's ramp up phase, by reaching a full 20% allocation to high-quality investments. Following this we expect the Liquid ESG allocation will be dependent on the Company's liquidity needs and commitment levels. The Company does not charge management fees on allocations to Liquid ESG investments or cash.

Portfolio Manager's Report

Covid-19's impact on portfolio

The Company's portfolio has shown its structural resilience during the pandemic, with revenue stable and increasing in some areas with increased demand. The Company's investments are helping to tackle significant social issues across the UK, with a substantial proportion of revenues (79%) coming from government sources. The pandemic has exacerbated many social issues and providing solutions has become a political priority. An example was the Everyone In initiative in the early stages of the pandemic, which was designed to help protect rough sleepers from Covid and was supported by emergency government funding. More generally, we have seen revenues increase in response to greater social needs, such as addressing homelessness and domestic violence.

The portfolio's underlying fund managers have actively supported their portfolio companies and worked with regulators and industry bodies to support their resilience in extraordinary times. In particular in the social outcomes contract segment, BSC worked with Bridges and commissioners to convert outcomes contracts to payment on the basis of fee for service, during a period when certain face-to-face services could not be delivered or were being transitioned to remote delivery. This ensured that services for vulnerable beneficiaries could continue at a time when they were most needed, while the organisations delivering those services continued to be paid for their delivery and for adapting their model to a remote setting.

In high-impact housing, revenues for the majority of our portfolio companies are government backed and demand for high-impact housing has remained elevated during the pandemic with stable rents. This contrasts to private rental and commercial real estate, which have experienced high volumes of voids, arrears and rent defaults. The Company's high-impact housing investments are diversified across affordable and social housing for key workers, social rent and homes for vulnerable people, such as asylum seekers, homeless people and women experiencing domestic violence.

Outlook

Looking ahead to 2022, we see continued strong potential. The social impact of the COVID-19 pandemic will take much longer to address than the immediate economic impact of the lockdown measures. The UK government faces a tight fiscal situation, with the Institute for Fiscal Studies saying in July that "the Chancellor is likely to have very little room for manoeuvre in his forthcoming Spending Review". We believe that this fiscal position will make social impact investments a continued important part of the solution, allowing the government to leverage outside capital and deliver services that can create government savings alongside significant social impact.

In addition, wider markets have been affected this year by the increased uncertainty over the future path of inflation. We expect this will make the inflation-linked or inflation-correlated aspect of our approach an even more valuable part of investor portfolios in the coming period.

Within this overall picture of a dynamic and growing market, the Company will remain focused on three specific areas, discussed in detail in this report. These are debt for social enterprises, high-impact housing and social outcomes contracts.

These three asset classes were selected to give a diversified set of opportunities that have low correlation, both with one another and with mainstream financial markets. BSC has been investing across these three asset classes since we launched in 2012. There are established models and managers with a track record of delivering high social impact alongside a financial return, whilst also being areas with significant opportunity for future investment. They are also investment areas which are generally inaccessible or present liquidity challenges for most investors. We have an ambition to raise further capital in order to put it to work in these areas, allowing the Company to expand the resources available to organisations dedicated to improving people's lives in our society and also to serve as a partner in facilitating further growth of the impact investment ecosystem.

Portfolio Manager's Report

Investments (in order of portfolio value)

As at 30 June 2021

1

19.2% of NAV

Charity Bond Portfolio

Portfolio size (£m): 15

Asset Class: Debt for social enterprises

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

Charity Bond Portfolio	30/06/2021
Commitment (£m)	14.83
Value (£m)	14.98
Distributions to date (£m)	0.42
Drawn Commitment (£m)	15.05
Premium/discount paid at purchase (£m)	0.00
Cost of Investment (£m)	15.05
% drawn	100.0%
Total Value to Paid in	1.02

Value includes accrued interest of £0.17m. Drawn commitments include £0.23m of accrued interest purchased, which have subsequently been distributed.

2

18.4% of NAV

Evergreen Holdings

Fund size (£m): 54

Asset Class: Debt for social enterprises

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

Bridges Evergreen Holdings	30/06/2021
Commitment (£m)	10.00
Value (£m)	14.36
Distributions to date (£m)	0.18
Drawn Commitment (£m)	9.65
Premium/discount paid at purchase (£m)	0.43
Cost of Investment (£m)	10.08
% drawn	96.5%
Total Value to Paid in	1.44

3

7.5% of NAV

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	30/06/2021
Commitment (£m)	5.00
Value (£m)	5.86
Distributions to date (£m)	0.08
Drawn Commitment (£m)	5.00
Premium/discount paid at purchase (£m)	0.82
Cost of Investment (£m)	5.82
% drawn	100.0%
Total Value to Paid in	1.02

Portfolio Manager's Report

Investments (in order of portfolio value)

As at 30 June 2021

4

5.4% of NAV

UK Affordable Housing

Fund size (£m): 381

Asset Class: High Impact housing

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

UK Affordable Housing Fund	30/06/2021
Commitment (£m)	10.00
Value (£m)	4.21
Distributions to date (£m)	0.02
Drawn Commitment (£m)	4.25
Premium/discount paid at purchase (£m)	-0.10
Cost of Investment (£m)	4.15
% drawn	42.5%
Total Value to Paid in	1.02

5

4.9% of NAV

Charity bank Co-Investment Portfolio

Portfolio size (£m): 5

Asset Class: Debt for social enterprises

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

Charity Bank Co-investment Portfolio	30/06/2021
Commitment (£m)	5.11
Value (£m)	3.83
Distributions to date (£m)	0.22
Drawn Commitment (£m)	4.01
Premium/discount paid at purchase (£m)	0.00
Cost of Investment (£m)	4.01
% drawn	78.4%
Total Value to Paid in	1.01

6

3.8% of NAV

BRIDGES Fund Management Social Outcomes Fund II

Fund size (£m): 35

Asset Class: Social outcome contracts

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

Bridges Social Outcomes Fund II	30/06/2021
Commitment (£m)	8.30
Value (£m)	3.01
Distributions to date (£m)	0.00
Drawn Commitment (£m)	3.31
Premium/discount paid at purchase (£m)	-0.33
Cost of Investment (£m)	2.98
% drawn	39.9%
Total Value to Paid in	1.01

Portfolio Manager's Report

Investments (in order of portfolio value)

As at 30 June 2021

7

3.2% of NAV

Social and Sustainable Housing

Fund size (£m): 73

Asset Class: High impact housing

Secured lending to leading charities supporting vulnerable people through housing.

SASH (Social and Sustainable Housing LP)	30/06/2021
Commitment (£m)	10.00
Value (£m)	2.53
Distributions to date (£m)	0.00
Drawn Commitment (£m)	2.75
Premium/discount paid at purchase (£m)	-0.14
Cost of Investment (£m)	2.61
% drawn	27.5%
Total Value to Paid in	0.97

8

3.2% of NAV

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	30/06/2021
Commitment (£m)	2.50
Value (£m)	2.52
Distributions to date (£m)	0.04
Drawn Commitment (£m)	2.50
Premium/discount paid at purchase (£m)	0.00
Cost of Investment (£m)	2.50
% drawn	100.0%
Total Value to Paid in	1.02

9

0.6% of NAV

GPM RI Community Housing Fund

Fund size (£m): 135

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	30/06/2021
Commitment (£m)	5.00
Value (£m)	0.51
Distributions to date (£m)	0.00
Drawn Commitment (£m)	0.59
Premium/discount paid at purchase (£m)	0.00
Cost of Investment (£m)	0.59
% drawn	11.8%
Total Value to Paid in	0.86

Definitions	
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/discount paid at purchase (£m)	Applicable to seed portfolio only, premium or discount paid at purchase from BSC; reflects the difference between drawn commitment and value at the time of purchase
Cost of Investment (£m)	Cost of the investment, including any premium/discount at purchase for the seed portfolio
% drawn	% of commitment drawn by investee
Total Value to Paid in	(Value + Distributions to date) divided by (Cost of Investment) Calculated over the period from investment to 30 June 2021

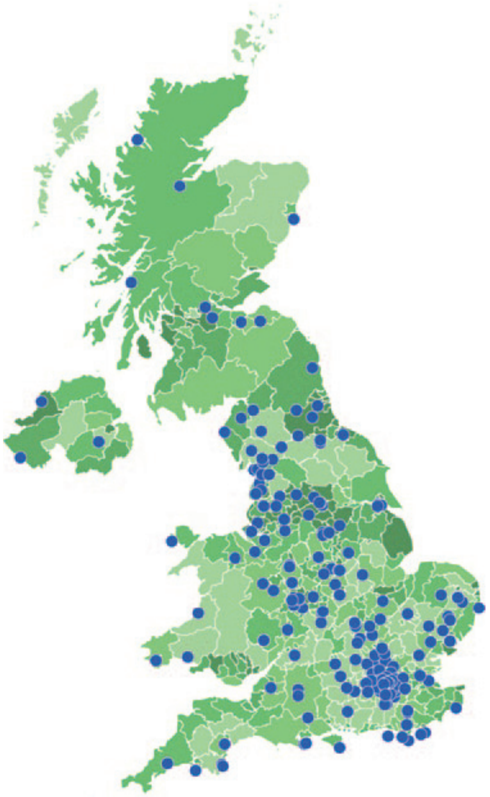
Impact Report

Introduction

The Company invests in impact-driven organisations benefiting vulnerable and disadvantaged people in areas of high need. All our investments must demonstrate significant and measurable positive outcomes, aligned with the United Nations Sustainable Development Goals ("SDGs").

This section summarises the Company's impact progress to date, ahead of our first in-depth annual impact report, to be published in 2022. We also publish regular case studies and showcase a live interactive map of investments on our website.

Portfolio in 2021



Most Deprived · Deprived · Average Deprivation · Less Deprived · Least Deprived

£50m
deployed to support over 100 social organisations

Reaching more than
148,000
people[1]

28 years
average track record of social organisations and delivery partners

[1] Based on latest available data from Fund Managers and underlying investees – incorporated in the number for debt for social enterprises is an initial estimate for secured loans supported by an investment with Triodos in H1 2021.

Proportion of Company assets addressing SDGs*

*Underlying investments address multiple SDGs.

Impact Report

Rationale and impact thesis of the Company

The UK faces major social challenges. In 2021, a long-term housing crisis has left more than 95,000 families in temporary accommodation[2]. 1.5 million older people do not receive the care and support they need for essential activities[3]. 4.3 million children live in poverty[4]. The investment required to address these problems is substantial.

Local impact-driven organisations are often best-placed to tackle these challenges, by partnering with government and social funders to develop innovative, cost-effective solutions that are tailored to disadvantaged groups.

These solutions need greater investment to scale. Just tackling the shortage of housing for homeless people in the UK, would require an estimated £12.8bn per year over the next decade[5]. To date, however, social impact organisations have not had sufficient access to capital, with complex investment structures and a lack of visibility acting as barriers.

The Company addresses these barriers and provides access for investors, by drawing on deep knowledge and networks, and an aggregated listed investment structure. After years of social impact investing, Big Society Capital have identified proven high-impact models that offer good risk-adjusted returns, alongside low correlation to mainstream markets. These models are at a point where they require significant capital to scale.

Impact as a driver of value

We start with the social issue, targeting sustainable models that can have a transformational impact on people's life chances.

Within each issue area, we look for:

- enterprise models that serve high-need disadvantaged groups, generate significant impact, have historically stable revenue and generate savings for government and society; and
- fund managers that demonstrate good impact practice and an ability to structure investments to align financial and social value.

Financial drivers and risk mitigation

- Historical **revenue stability** with a high weighting of government sources
- Targeting areas that deliver **significant saving** for government and society
- **Asset backing** on lower risk/return investments
- Majority weighting to investments with **inflation linkage or correlation**

Sweet spot

Impact return and risk mitigation

- **What**: Significant need such as housing and health and social care
- **Who:** Targeting more vulnerable and disadvantaged groups
- **How much:** High social impact that also delivers significant public savings
- **Contribution:** Significant improvement or additional benefit as a result of investment
- **Risk:** Mitigated through proven delivery track records alongside local knowledge

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

[2] House of Commons Research Brief, Households in temporary accommodation (England), 2021

[3] Age UK

[4] Child Poverty Action Group, 2020

[5] National Housing Federation Submission: Budget 2020

Impact Report

Targeting proven models for impact where investor contributions can be transformational. We focus 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 Contacts
Social Need			
	– More than **320k homeless** in the UK[6] – **64% of women** and children are turned away from refuges[7]	– **850k people with dementia** in the UK, rising to 1m by 2025[8] – **1 in 10 households** in England live in fuel poverty[9]	– Children in care **5X more likely** to be convicted or have youth caution[10] – **15m** people suffer from long term conditions[11]
Investable Solutions			
	– Transitional accommodation – Refuges for survivors of domestic abuse – Social and affordable housing	– Social enterprise community care services – Social enterprises delivering government backed fuel poverty schemes	– Therapy for children on edge of care to remain with families – Social prescribing
Impact as a source of value			
	– Delivery of housing and support through experienced partners can generate savings against existing high costs to government – Access to statutory funding sources with cross-party political support	– Delivery of outcomes builds revenue resilience from public sector customers – Research and engagement with underserved people improves service delivery and growth	– Contracted revenues dependent on achieving positive outcomes for people and public savings – Partnerships with social organisations and focus on user voice ensures services are efficient and relevant

[6] Shelter England

[7] Women's Aid

[8] NHS England. Alzheimer's Society

[9] Fuel Poverty Factsheet England, 2017

[10] Prison Reform Trust 2015

[11] Kings Fund

Impact Report

Impact Approach

Transparent and rigorous impact management is essential

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

The Company's impact framework considers impact at two levels:

1. **investor contribution**, which is the impact of the Company itself; and
2. the **impact on people**, created by the organisations receiving investment through the fund managers that the Company invests in.

The Company uses the Impact Management Project framework to assess this impact:

WHAT	WHO	HOW MUCH	CONTRIBUTION	RISK
What outcome(s) do business activities drive? How important are these to the people (or planet) experiencing them?	Who experiences the outcome? How underserved are the stakeholders in relation to the outcome?	How much of the outcome occurs in terms of scale, depth, and duration?	What is the enterprise's contribution to what would likey happen anyway?	What is the risk to people and planet that impact does not occur as expected?

Investor contribution

We assess all investments based on two essential routes for the Company to contribute to impact:

What we look for	***What this means in practice***
Engage and signal: The Company's ability to help improve fund managers' and enterprises' impact practices and impact performance through direct engagement, and through showcasing good impact practice.	We assess fund manager values, mindset, performance and impact practices. BSC works with fund managers to map out routes to impact and risks, and to establish monitoring and quality management, for example ensuring user voice is incorporated into decision making and service delivery.
Grow new or undersupplied markets: the Company's impact through providing capital to underserved markets and organisations, with the potential to deliver deep impact; this is a core element of the Company's impact thesis.	We assess the potential contribution of the Company's capital to a fund in terms of a) The Company's ability to provide additional capital to underserved businesses and markets b) The fund's ability to raise sufficient capital to close and operate at scale c) The potential to provide a signal effect, to replicate successful models and attract more capital into the market

Impact Report

Impact on People

The Company aims to achieve high impact, as defined below.

What we look for	*What this means in practice*
What: Important positive outcomes, meaningful to those experiencing the issue and addressing at least one SDG.	Provision of essential services, including affordable housing, education and training, health, care and rehabilitation
Who: Beneficiaries, who are underserved in relation to the respective outcome and/or vulnerable individuals.	Focusing on more economically deprived areas and marginalised 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	Depth – Provision of intensive and/or sustained long-term services, such as affordable housing Scale – Providing energy efficiency and fuel poverty services to thousands of lower income households
Contribution: Significant improvement or additional benefit as a result of investment and activities	Interventions that have a clearly defined capital need, which will enable delivery of high-impact solutions at improved scale, quality and cost
Risks: Fund managers must assess and mitigate the risks that may prevent the intended outcomes occurring	Fund managers and enterprises with strong track records and networks, and robust impact management processes.

Enabled by

- Holistic research and impact assessment
- Partnerships with experienced social organisations
- User voice used to improve decision making

Operating Principles for Impact Management

Big Society Capital has been a signatory to the Operating Principles for Impact Management since March 2020. The nine Principles provide a framework that brings greater discipline and transparency around impact management practices to the impact investing market.

Big Society Capital's alignment with the Principles is documented and independently verified in its disclosure and verification statement[12].

Strategic Intent	Origination and Structuring	Portfolio Management	Impact at Exit
1. Define strategic impact objective(s), consistent with the investment strategy 2. Manage strategic impact on a portfolio basis	3. Establish the Manager's contribution to the achievement of impact 4. Assess the expected impact of each investment based on a systematic approach 5. Assess, address, monitor, and manage potential negative impacts of each investment	6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	7. Conduct exits considering the effect on sustained impact 8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned

Independent Verification

9. Publicity disclose alignment with the Principles and provide regular independent verification of the alignment

[12] https://bigsocietycapital.com/latest/aligning-our-impact-management-approach-impact-principles/

Impact Report

Asset Class: High Impact Housing

The social issue:

There is a chronic shortage of affordable and social housing in the UK. This crisis disproportionately affects those who are most disadvantaged in our society and those with additional care or support needs. For example, 64% of people referred to refuges were turned away in 2018/19.

Solution:

Responsible private investment can play an important role. Registered housing providers, local authorities and charities provide over five million homes for people who cannot afford to rent or buy in the open market. The Company invests in well established, financially resilient organisations with strong track records of developing quality, affordable homes. The ability to understand and evidence impact to regulators and commissioners is a key aspect of managing risk. Crucially, funds must be able to build partnerships to reach more disadvantaged and marginalised people and use housing as a starting point for providing a wider range of essential services. Our investments in housing are diversified across three main types, each supported by different government funding streams.

Specialist Housing (SH)

- Bespoke/adapted new builds for people with specific needs
- **>700,000[1] people** with high level, long term care and support needs

Transitional Supported Housing (TSH)[1]

- Existing housing stock (refurbished) for people with vulnerability or in crisis
- **189,500[2]** people

General needs Social and Affordable Housing (GNA)

- New builds to address chronic undersupply of affordable homes available
- **3.8 million people[3]** in need of social rented housing and significantly more looking for other types of affordable long term housing solution

In 2021, Big Society Capital and the Good Economy convened a group of funds to develop a standard for impact reporting for investments in Social and Affordable Housing and published an initial brief with partners, titled "Equity Investment Models in Affordable Housing: Optimising Risk, Return and Impact". In 2022, we will also be working with these funds and the wider sector to establish more consistent standards for affordable housing investment[13].

Impact KPIs

Funds committed	Number of organisations supported	Number of homes provided	Number of people served
£30.6m	17	1,318	3,175

Key SDGs

[13] For Big Society Capital's recent work on this issue, see our publication *Affordable Housing Equity Investment Models: Optimising Risk, Return and Impact*, July 2021

Impact Report

Case study: Resonance Real Lettings Property Fund

Real Lettings is a social enterprise set up by the leading homelessness charity St Mungo's, which has been operating for more than 50 years. The Real Lettings Property Fund (RLPF), managed by Resonance, buys flats and small houses, which are then made available to people who are homeless or at risk of homelessness. St Mungo's also provides support to tenants, focusing on employment, health and financial inclusion.

Impact

What	Providing move-on housing and support services
Who	People at risk of homelessness
How much	259 homes provided
Contribution	By taking a holistic approach to homelessness, the fund aims to achieve long-term changes in people's lives. Currently 76% of all tenants say their support network and relationships have been positively affected by living in a Real Lettings home.
Risk	Endurance risk (low): that tenancies are not sustained for long enough to provide essential support. Tenancy sustainment has been consistent at 100% for the critical first six months of placements. Execution risk (medium): that people are unable to move on to stable housing arrangements. Although more than half of people move on to improved housing (53%), financial stress is a severe issue for the target group and Covid is likely to have further adverse effects. St Mungo's has mitigated these risks through research partnerships looking into the effects of a recent benefits cap and by freezing rent levels in 2020.

Impact in practice: User Voice

Ensuring the voices of service users are incorporated into fund planning and decision making is fundamental to good impact management. Resonance has embedded user voice in its homelessness funds by working closely with St Mungo's and regularly surveying tenants. Its latest homelessness impact report demonstrates the value of this[14]. As a result of engagement with tenants, RLPF has identified some of the key areas of pressure leading to rental arrears, as well as opportunities to provide more targeted support to help improve tenants' financial wellbeing, some of which are highlighted below.

Before moving in	In the home (Lower support)	In the home (Higher support)	Moving on
Focusing on clear communications with prospective tenants	Working more closely with local authority services	More intensive support for the small number of struggling tenants	Reducing negative move-ons as a result of rent arrear declines

[14] Resonance Homelessness Property Funds Impact Report, 2020
https://resonance.ltd.uk/images/uploads/media/Resonance_Homelessness_Property_Funds_Social_Impact_Report_2020.pdf

[15]Includes 16 primary investees, and an estimate of 44 underlying investees for the Company's investment with Triodos, based on a Triodos loan book administering an average of more than 200 small loans to social organisations per annum.

Impact Report

Asset Class: Debt for social enterprise

Social need:

Shifts in public services and consumer behaviours create the need for new products and services, as well as employment opportunities. However, lower-income and marginalised people frequently miss out and are disadvantaged across a range of social services. Charities and social enterprises are often best placed to serve these needs but they need capital to grow, as well as to satisfy their existing working capital requirements. Traditional finance providers are typically not well positioned to address these financial needs.

Solution:

The Company invests in funds and co-investments that provide capital to charities and social enterprises targeting high-social-impact interventions for more disadvantaged groups, primarily funded by government directed revenue of different types. The social enterprise models supported include community care services, schemes tackling fuel poverty and residential accommodation for high-need groups.

Impact KPIs

Funds committed	Number of organisations supported	Serving more than	Average track record of organisations
£35.1m	**60[15]**	**138,000 people**	**32 years**

Key SDGs

Case study: AgilityEco and Bridges Evergreen

Many mission-driven organisations tackle difficult and entrenched social problems that require a long-term view. Bridges Evergreen invests patient, flexible capital in highly impactful, scalable and cash generative businesses. The fund aims to deliver a combination of both compounded capital appreciation and yield for its investors and has delivered a net IRR of 19% since inception and a yield of 4.8% in FY21. Bridges Evergreen's strategy allows the fund to act as a long-term partner and source of capital, enabling organisations with high potential for positive social or environmental impact to make decisions which are in the long-term interests of their stakeholders and to maximise their potential impact.

More than 10% of households in the UK live in fuel poverty. Continuously rising fuel costs, inefficient housing stock and rising household debt mean that too many people are forced to make unacceptable choices between 'heating or eating'. AgilityEco is a leading provider of fuel poverty, energy efficiency and low carbon services across the UK, helping to tackle the challenge of fuel poverty, primarily via two Government-backed schemes.

Impact

What	Reduction of fuel poverty through energy efficiency savings, averaging £425 annually per household
Who	Households in receipt of benefits, at risk of poverty or other criteria qualifying for Government fuel poverty schemes
How Much	47,926 households served in 2020
Contribution	High customer satisfaction (rating 9/10) and accessibility for lower-income households indicates a meaningful contribution over existing market alternatives
Risk	Evidence risk (low): that lifetime savings for households are not in line with projections. This risk is mitigated through further research.

[16] For more information on Social Impact Bonds, see *"People Deserve Better" Tim Gray, Policy Evaluation and Research Unit*

Impact Report

Impact in practice: Holistic assessment

Bridges Evergreen have developed an impact scoring system based on the Impact Management Project framework for five dimensions of impact, assessing each investment's ability to deliver positive effects, as well as the risks of desired impacts not being achieved. For each investment, Bridges analyses impact for core stakeholders (i.e. how the product or service impacts its target beneficiary), plus the business's material effects on other key stakeholders (e.g. employees, the local community, the planet). These scores guide the Fund in providing support to investees and help shape their investment strategies.

AgilityEco

Impact statement

AgilityEco is a leading provider of fuel poverty, energy-efficiency and low-carbon services across the UK, helping to tackle the challenge of fuel poverty.

Core impact: Households

Dimension	Questions	Data category	Data	Assessment	Bridges Score
What	What outcome(s) do business activities drive?	Description of outcome:	Reduction of the fuel poverty gap for vulnerable households is a positive outcome and aligns with SDG #1, No poverty (SDG 1.4)	Negative ○ ○ ○ ○ ● Positive	
	Are the outcomes positive or negative?	Outcome in period	Average annual savings per household from AE interventions £425		4.5
	How important are the outcomes to the people (or planet) experiencing them?	Threshold for positive	Average annual savings per household >= the fuel poverty gap		
		Importance	Business model significant driver of the outcome and AE's customer survey suggests outcome is important to them	Unimportant ○ ○ ○ ● ○ Important	
Who	Who experiences the outcome?	Stakeholder type/ geography	Vulnerable households in the UK that qualify for one of AE's energy schemes		
	How underserved are the stakeholders in relation to the outcome?	Baseline	Households that are eligible for AE's services qualify as vulnerable households as they need to meet the schemes' qualification criteria (i.e. in receipt of benefits, at risk of poverty etc.)	Well-served ○ ○ ○ ○ ● Underserved	5.0
How Much	How Much of the outcome occurs in terms of scale, depth and duration?	Scale	47,926 households served in the period, approx. 115,000 individuals	Small scale ○ ○ ○ ○ ● Large scale	
		Depth	Depth will vary based on type of intervention. Proxy indicator is average percentage reduction of fuel poverty gap per household, which is 127%*	Marginal effect ○ ○ ○ ○ ● Deep effect	4.7
		Duration	14 years is the average lifetime of AE's interventions	Short term ○ ○ ○ ● ○ Long term	
Contribution	What is the enterprise's Contribution to what would likely happen anyway?	Contribution	Likely better than other existing alternatives in the market, AE's meets the accessibility and quality criteria – though it still has potential to improve in the value for money area	Limited contribution ○ ○ ● ○ ○ High contribution	2.5
Overall Impact Score					**4.2**

* The UK fuel poverty gap is £334 annually according to latest government data

Risk	*Evidence risk:* There is risk that the expected impact is not in line with what occurs at the household level – need to further explore link between actual and theoretical savings data, to establish how much AE contributes to closing the poverty gap	2 Low

Impact Report

Asset Class: Social outcomes contracts

Social need:

Public services have traditionally been managed using a method that specifies the activities to be performed as tightly as possible, and defines a precise delivery budget which must be strictly adhered to for the full duration of the service. This method does not work in areas where services must be highly personalised to individual needs, or where government is trying to catalyse real innovation in service design or delivery. In these areas, a more promising approach is to outline what government is trying to achieve, but leave delivery teams free to personalise their approaches to each individual, and launch cycles of continuous improvements, building continuously on what they are learning. A well designed 'social outcomes contract' can create these conditions[17].

Solution:

The Company invests in funds or direct opportunities for expert charities and social enterprises to design and deliver at-risk outcomes-based government contracts across any policy areas where public services need to be fully personalised to individual circumstances, including homelessness support, health, education, family therapy and children's services. This enables these organisations to achieve greater impact for vulnerable people and provide better value for money for public funds, through continuous innovation and improvements to service design and delivery. Revenue is fully contracted through the duration of the intervention and is conditional upon achieving better outcomes and better value for money than traditional public service approaches.

Impact KPIs

Funds committed	Number of partner orgs	Short-term public value generated	Number of people supported
£8m	68	£17.1m	6,344

Key SDGs

Enterprise Level Case Study: West London Zone

One in five children in England leave school without basic qualifications[18]. The area around the Harrow Road in West London is one of the most unequal in the country. Areas of deep poverty exist directly adjacent to some of the most expensive locations in the world. Meanwhile, the existing support systems in West London are not easily able to flex to the needs of individual children. Organisations often work in isolation and are not always able to work with those who could benefit from their help the most. Research shows that there are 12,000 children and young people currently living in this area that need additional support. Without it, they are more likely to face challenges in later life, including unemployment, social isolation, and poor mental and emotional health.

West London Zone is a charity created to improve life chances for the 20% of children most at risk of poor outcomes in this geographical area, by enabling local community resources to work with local schools, and bringing together funding from local authorities, philanthropists, central Government and the schools themselves. The programme is a hybrid between a navigator model and direct delivery. The programme is a two-year, personalised and intensive package of support tailored to each child's unique strengths, needs and aspirations. The aim is for them to progress in all aspects of life – particularly wellbeing, confidence, relationships and academic achievement. Each child has a 'link worker' that guides them through the programme.

[17] For more information on Social Impact Bonds, see *"People Deserve Better"* Tim Gray, Policy Evaluation and Research Unit

[18] *Children's Commissioner for England, 2020*

Impact Report

Impact

	What	Support children and young people build the relationships and skills they need to get on track socially, emotionally and academically to thrive in adulthood.
	Who	Children and young people from underserved families in West London.
	How much	The programme has supported nearly 3,000 children so far, with a target to have supported over 8,000 by 2026.
	Contribution	There is no other service in West London that supports children and young people holistically with deep integration with schools.
	Risk	Funding risk: Budgetary pressures from Local Authorities could lead to WLZ needing to find other outcomes funders to support the target level of children. Mitigated through a diversified outcomes payment structure, with only a quarter of the funding currently being received from Local Authorities.

Impact in Practice: Social partnerships

Social Outcomes Funds focus on some of the most difficult challenges in the UK and their success depends on a wide range of partners with mission alignment, strong track records, local knowledge and networks. For the West London Zone partnership, Bridges met the West London Zone team when they were first designing their programme in 2015. Bridges worked with West London Zone to design and launch the social outcomes and social investment aspect of its delivery in Hammersmith and Fulham. Then, Bridges helped the team to bid for and launch a second contract in Kensington and Chelsea. After the success in these two boroughs, Bridges also supported West London Zone in their bid to the Life Chances Fund, to continue the delivery of their programme in Hammersmith & Fulham and Kensington & Chelsea, as well as expanding the programme to Brent and Westminster. The partnership seeks to join up with other services through West London Zone as the partnership coordinator in the community, and it also draws on insights across different children's services outcomes contracts delivered with Bridges' support.

Investment Portfolio as at 30 June 2021

Holding	Nature of interest	Listed/ unlisted	Country of incorporation	Industry Sector	Carrying value[1] £'000	Share-holders' funds %
Resonance Real Lettings Property Fund LP	Limited Partnership Interest	Unlisted	United Kingdom	Affordable and Social Housing	5,856	7.5
UK Affordable Housing Fund	Equity Shares	Unlisted	United Kingdom	Affordable and Social Housing	4,209	5.4
Social and Sustainable Housing LP	Limited Partnership Interest	Unlisted	United Kingdom	Affordable and Social Housing	2,528	3.2
Man GPM RI Community Housing 1 LP	Limited Partnership Interest	Unlisted	United Kingdom	Affordable and Social Housing	507	0.6
High Impact Property					**13,100**	**16.7**
Bridges Evergreen Capital LP	Limited Partnership Interest	Unlisted	United Kingdom	Profit-With-Purpose Organisations	14,358	18.4
Charity Bank Co Invest Portfolio: Sue Ryder FRN 04/12/2043	Fixed Income Security	Unlisted	United Kingdom	Charity (Medical)	2,595	3.3
Charity Bank Co-Invest Portfolio: Uxbridge United Welfare Trust 2.85% 20/12/2033	Fixed Income Security	Unlisted	United Kingdom	Charity (Community and Social Housing)	923	1.2
Charity Bank Co-Invest Portfolio: Abbeyfield Southdowns 3.35% 26/7/2044	Fixed Income Security	Unlisted	United Kingdom	Charity (Care Services)	311	0.4
Rathbones Bond Portfolio: Hightown Housing Association 4% 31/10/2029	Fixed Income Security	Listed	United Kingdom	Charity (Affordable and Social Housing)	2,483	3.2
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	3.1
Rathbones Bond Portfolio: Greensleeves Homes Trust 4.25%30/03/2026	Fixed Income Security	Listed	United Kingdom	Charity (Care Services)	2,357	3.0
Rathbones Bond Portfolio: Charities Aid Foundation 5% 12/04/2026	Fixed Income Security	Listed	United Kingdom	Ethical Banking	2,306	3.0
Rathbones Bond Portfolio: Thera Trust 5.5% 31/03/2024	Fixed Income Security	Unlisted	United Kingdom	Charity (Care Services)	1,650	2.1
Rathbones Bond Portfolio: Alnwick Garden Trust 5% 27/03/2030	Fixed Income Security	Listed	United Kingdom	Charity (Public Gardens)	1,500	1.9
Rathbones Bond Portfolio: Golden Lane Housing 3.9% 23/11/2029	Fixed Income Security	Listed	United Kingdom	Charity (Affordable and Social Housing)	952	1.2
Rathbones Bond Portfolio: B4RN (Broadband for Rural North Limited) 4.5% 30/04/2026	Fixed Income Security	Unlisted	United Kingdom	Communications for Rural Communities	866	1.1
Rathbones Bond Portfolio: Coigach Community CIC 5.248% 31/03/2030	Fixed Income Security	Unlisted	United Kingdom	Renewable Energy	249	0.3
Triodos Bank UK Limited 2020 Bond 4% 23/12/2030	Fixed Income Security	Unlisted	United Kingdom	Ethical Banking	2,500	3.2
Debt for Social Enterprises					**35,500**	**45.4**
Bridges Social Outcomes Fund II LP	Limited Partnership Interest	Unlisted	United Kingdom	Social Outcomes Contracts	3,008	3.8
Social Outcomes Contracts					**3,008**	**3.8**
Vontobel Fund TwentyFour Sustainable Short Term Bond Fund	Equity Shares	Listed	Luxembourg	Diversified	3,625	4.6
Threadneedle UK Social Bond Fund	Equity Shares	Listed	United Kingdom	Diversified	3,186	4.1
Rathbone Ethical Bond Fund	Equity Shares	Listed	United Kingdom	Diversified	2,099	2.7
EdenTree Responsible and Sustainable Bond Fund	Equity Shares	Listed	United Kingdom	Diversified	1,993	2.5
Liquid ESG Investments					**10,903**	**13.9**
Total investments[2]					**62,511**	**79.8**
Cash at bank and in hand					17,086	21.9
Other net liabilities					(1,370)	(1.7)
Total shareholders' funds					**78,227**	**100.0**

1 Fixed income securities amounting to £21,142,000 are included at amortised cost. These include investments amounting to £12,048,000 which are listed, but traded in inactive markets.

[2] **Total investments comprise:**

	£'000	%
Unquoted	39,560	63.3
Listed in the UK	19,326	30.9
Listed on a recognised stock exchange overseas	3,625	5.8
Total	**62,511**	**100.0**

Investment Portfolio as at 30 June 2021

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

Holding	Description of its business	Nature of interest	Proportion of interest held %	Cost of the investment £'000	Fair value £'000	Total income received in the period £'000	Turnover for the latest audited financial year[1] £'000	Pre-tax profit the latest audited financial year[2] £'000	Net assets attributable £'000
Bridges Evergreen Capital LP	Provides long term, large (£5m+) investment (mix of debt and equity) and support to established mission-led organisations.	LP Interest	18.7%	10,080	14,358	184	2,202	597	10,736
Resonance Real Lettings Property LP	Homes for families and individuals at risk of homelessness leased to large charities delivering support services.	LP Interest	8.8%	5,821	5,856	76	2,754	2,107	n/a[3]
UK Affordable Housing Fund	Homes for people unable to purchase or rent on the open market leased to housing associations and local authorities.	Equity Shares	2.6%	4,146	4,209	24	1,213	628	2,400
Bridges Social Outcomes Fund II LP	Investments in social outcomes contracts across the areas of homelessness, children's services, education and training and health.	LP Interest	23.7%	2,976	3,008	–	–	(418)	3,334
Charity Bank Co Invest Portfolio: Sue Ryder FRN 04/12/2043	Co-investments in secured floating rate loans to charities benefiting more disadvantaged groups.	Fixed Income Security	35.0%	2,595	2,595	27	112,017	(3,990)	n/a[4]
Social and Sustainable Housing LP	Secured lending to leading charities supporting vulnerable people through housing.	LP Interest	13.7%	2,608	2,528	–	110	(416)	1,054
Triodos Bank UK Limited 2020 Bond 4% 23/12/2030	Direct investment in a private bond supporting growth of the leading secured lender to sustainability and social impact organisations.	Fixed Income Security	43.9%	2,500	2,500	35	34,552	6,031	n/a[2]
Rathbones Bond Portfolio: Hightown Housing Association 4% 31/10/2029	Direct investments in bonds issued by charities targeting support for disadvantaged and vulnerable groups.	Fixed Income Security	7.9%	2,483	2,483	35	85,536	20,522	n/a[2]

[1] In the case of LP Interests and Equity Shares this includes investment income generated from an underlying portfolio of assets e.g. rental income or dividends. In the case of Fixed Income Securities this includes the turnover of the organisation which has issued the instrument.

[2] In the case of LP Interests and Equity Shares this includes investment income generated from an underlying portfolio of assets, less fees and expenses. In the case of Fixed Income Securities this includes the pre-tax profit of the organisation which has issued the instrument.

[3] The Company did not have an interest in this holding at the date of the latest audited financial statements.

[4] Due to the nature of the interest in this holding there are no net assets directly attributable to the Company other than the underlying instrument.

Other holdings of 20% or more of any class of shares

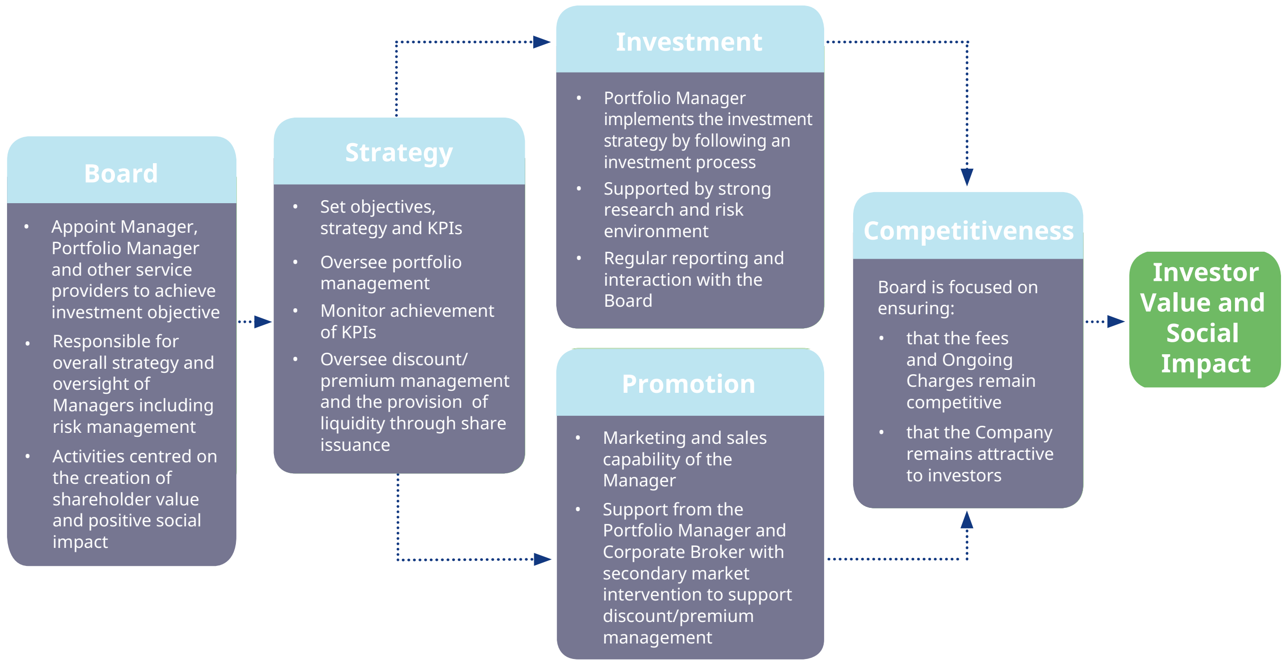
Holding	Proportion of interest held %	Pre-tax profit the latest audited financial year £'000	Net assets attributable £'000
Rathbones Bond Portfolio: Thera Trust 5.5% 31/03/2024	33.0	228	3,986
Charity Bank Co-Invest Portfolio: Uxbridge United Welfare Trust 2.85% 20/12/2033	28.8	268	4,278
Rathbones Bond Portfolio: B4RN (Broadband for Rural North Limited) 4.5% 30/04/2026	26.2	(464)	1,543

Other holdings of 3% or more of any class of shares

Holding	Proportion of interest held %
Rathbones Bond Portfolio: Alnwick Garden Trust 5% 27/03/2030	15.0
Rathbones Bond Portfolio: Coigach Community CIC 5.248% 31/03/2030	14.6
Rathbones Bond Portfolio: Charities Aid Foundation 5% 12/04/2026	12.0
Charity Bank Co-Invest Portfolio: Abbeyfield Southdowns 3.35% 26/7/2044	10.1
Rathbones Bond Portfolio: Golden Lane Housing 3.9% 23/11/2029	10.0
Rathbones Bond Portfolio: Dolphin Square Charitable Foundation 4.25% 06/07/2028	10.0
Rathbones Bond Portfolio: Greensleeves Homes Trust 4.25% 30/03/2026	7.0
Man GPM RI Community Housing 1 LP	3.7

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

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. BSC 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.

BSC then undertakes robust investment analysis to test a proposed investment's hypothesis for both financial returns and social impact. BSC 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 BSC that is reflected throughout the investment process to ensure that lessons learned from BSC's existing portfolio and the team's diverse experience are reflected in its analysis and recommendations.

In selecting investments, BSC 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, BSC 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 BSC portfolio.

Idea Generation

Actively search for new investment opportunities. BSC starts with the social issue and then designs and improves routes to bring together the needs of enterprises and investors.

Deal Origination

Significant reach in sourcing investments through 1) BSC's strong reputation, 2) support of existing managers to develop new proposals, 3) actively seek out new managers to develop new proposals 4) maximise the team's network.

Pre – Due Diligence

Idea is formally tested against investment and portfolio allocation objectives.

Due Diligence

A "search for truth". Range of proprietary tools used throughout the process, including management DD, DD toolkits across impact, financial and operational due diligence, model and review templates and deal structuring guidelines.

Investment Approval

Debate and Challenge. The deal team submits a proposal to an investment committee dedicated to the Company's portfolio. The proposal focusses on clarity, testable theses, key performance indicators and risk.

Deal Structuring and execution

Transaction structures and documentation created to mitigate risks identified during due diligence while maintaining incentives for the investee. During documentation the deal team will work with the investee company to agree an implementation plan. For example an "impact canvas" is developed and agreed, which is a tool that summarises the key objectives of the investment and the resulting KPIs that will be monitored over the life of the investment.

Portfolio Management

1. **Managing investment performance across** impact on people and financial return
2. **Supporting impact manager development** providing structured support where impact managers face common challenges e.g. impact management

Performance Monitoring and Valuation

1. **Valuation Committee** – meets half yearly to consider and approve for recommendation to the Board portfolio valuation
2. **Performance Committee** – meets half yearly to compare against original investment thesis and identify any actions required and what lessons can be drawn

Exit

After working to an exit to best deliver financial and impact returns the team will **reflect on learnings** during the life of the investment and prepare a report for BSC's learning database.

Strategic Report

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 26 and 27 demonstrates that, as at 30 June 2021, the Company held 23 investments spread over a range of industry sectors. The largest investment, Bridges Evergreen Capital LP, represented 18.4% 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.

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 2021, 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 Company will not discriminate on the grounds of gender, social and ethnic backgrounds or 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 webpage), 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.

Greenhouse gas emissions and energy usage

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

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 webpages, 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, with the Annual Report for the period ended 30 June 2021 the first time it has done so.

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 environmental, social and governance ("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 business ethics 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.

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 period, detailed elsewhere in this report.

As detailed in "Promotion" on page 30 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 pages 30 and 31, 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.

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 2021.

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 a capital reduction to facilitate a buy-back programme should this be required.
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. 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 2021, the Board also discussed and monitored a number of risks that could potentially impact the Company's ability to meet its strategic objectives. These were political risk, climate change risk and COVID-19-related 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 67 to 70.

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 2021 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 32 and 33 and in particular the impact of a significant fall in regional equity 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 25 October 2021 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

25 October 2021

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. Susannah retires as a non-executive director and senior independent director of Pantheon International plc on 27 October 2021 and is currently non executive director of The North American Income Trust plc, Baronsmead Venture Trust plc, Amati AIM VCT plc and Ecofin Global Utilities and Infrastructure Trust plc.
Committee membership: Audit and Risk, Management Engagement (Chair) and Nomination (Chair)
Current remuneration: £40,000 per annum
Number of shares held: 10,000*

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 a non-executive director of Standard Life Investment Property Income Trust plc (audit chair) and, Fidelity China Special Situations plc (audit chair). He also chairs the investment committee of TPT Retirement Solutions (previously The Pensions Trust) and sits on the trust's management 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 have 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 Broderick is a director 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 is 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
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 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 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 Investor Watch (which seeks to align capital markets with a sustainable future through Carbon Tracker and Planet Tracker), Trustee of the Shell Foundation, 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
Current remuneration: £30,000 per annum
Number of shares held: 10,000

*Shareholdings are as at 25 October 2021, full details of Directors' shareholdings are set out in the Remuneration Report on page 47.

Directors' Report

The Directors submit their report and the audited financial statements of the Company for the period which commenced on 22 September 2020 and ended on 30 June 2021.

Directors and officers

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 35. 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 35 and 36) 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 32 and 33 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 £716.9bn (as at 30 September 2021) 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 29.9% 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 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 34, 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 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 period, after finance costs and taxation, was £0.44m, equivalent to a revenue return per ordinary share of 0.58 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 0.57 pence per share payable on 3 December 2021 to shareholders on the register on 29 October 2021. 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 period ended 30 June 2021, 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 period 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 period 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 4 and 11 and 31 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 67 to 70.

Share capital and substantial share interests

As at 25 October 2021, the Company had 75,000,000 ordinary shares of 1p in issue. No Shares were held in treasury. Accordingly, the total number of voting rights in the Company at 25 October is 75,000,000. Details of changes to the Company's share capital during the year under review are given in note 12 on page 65.

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 2021	
	Number of shares	% of total voting rights
Big Society Capital Limited	22,425,000	29.90
Schroders plc	21,410,876	28.55
East Riding of Yorkshire Council	7,500,000	10.00
Pentwater Capital Management LP[1]	5,000,000	6.70
UBS Group AG Investment Bank	4,400,000	5.87
EQ Investors Limited	3,595,000	4.79

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

	Number of shares	% of total voting rights
UBS Group AG Investment Bank	–[2]	<5
Pentwater Capital Management LP[1]	3,550,000	4.73

[1]Contract for difference
[2]Not disclosed to Company

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 period and the attendance of individual Directors is shown below. Whenever possible all Directors attend the AGM. The inaugural meetings of the Management Engagement and Nomination Committees were held after the period end.

Director	Board	Audit and Risk Committee
Susannah Nicklin	2/2	1/1
Mike Balfour	2/2	1/1
James Broderick	2/2	1/1
Alice Chapple	2/2	1/1

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 period under review for each Director and to the date of this report.

By order of the Board

Schroder Investment Management Limited
Company Secretary

25 October 2021

Audit and Risk Committee Report

The responsibilities and work carried out by the Audit and Risk Committee during the period 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 webpages, www.schroders.com/sbsi. Membership of the Committee is as set out on pages 35 and 36. 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 once during the period ended 30 June 2021 and once after the period end and prior to the publication of this Report and Accounts. 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 period ended 30 June 2021;
- 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 period ended 30 June 2021, 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. – Following a recommendation from the Portfolio Manager, the Committee agreed that the valuation methodology applied to Social Outcomes Contracts funds
– 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

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 period 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. This is the first accounting period that BDO LLP has undertaken the Company's audit.

Statutory auditors are required to rotate the senior statutory auditor every five years. This is the first 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.

Prior to their appointment as Auditor, BDO LLP were paid £84,000 for the provision of services as reporting accountant in connection with the IPO. These services are not deemed to impede BDO LLP's independence and objectivity as the Company's Auditor.

Mike Balfour
Chairman of Audit and Risk Committee

25 October 2021

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 2020 and 30 June 2021 net asset values and Report and Accounts for the period ended 30 June 2021.
- 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 period ended 30 June 2021, 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 48.

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 is the chair of the Committee. Its terms of reference are available on the Company's webpages, 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.

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. Its terms of reference are available on the Company's webpages, www.schroders.com/sbsi.

Oversight of Directors

Selection → Induction → Annual evaluation → Annual review of succession policy → Application of succession policy

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 period, 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 45

Nomination Committee Report

<table>
<tr><th colspan="3">Application</th></tr>
<tr><th>Selection and induction</th><th>Board evaluation and Directors' fees</th><th>Succession</th></tr>
<tr><td>• 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.</td><td>• The Board, Chair and committee evaluation process was undertaken in October 2021. 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 35 and 36.
• Based on its assessment, the Committee provided individual recommendations for each Director's 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.</td><td>• The Committee reviewed the succession policy and agreed it was still fit for purpose.</td></tr>
</table>

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 election by shareholders at the AGM.
- That the Remuneration Policy on page 46 of the Directors' Remuneration Report, be approved and recommended to binding vote by shareholders at the AGM.

Directors’ Remuneration Report

Introduction

An ordinary resolution for the approval of the remuneration policy below will be put to shareholders at the Company’s forthcoming AGM. The remuneration policy is subject to a binding vote every three years.

The Directors’ annual report on remuneration is subject to an annual advisory vote. An ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM.

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 and factors affecting the time commitment expected of the Directors. Directors’ fees for the year ending 30 June 2022 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 2022 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 period ended 30 June 2021.

Consideration of matters relating to Directors’ remuneration

Directors’ remuneration was last reviewed by the Nomination Committee and the Board in October 2021. The members of the Board at the time that remuneration levels were considered were as set out on pages 35 and 36. 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. It was decided not to raise fees for the Directors given the fees were set less than one year ago.

Directors' Remuneration Report

Fees paid to Directors

The following amounts were paid by the Company to Directors for their services in respect of the period ended 30 June 2021. Directors' remuneration is all fixed; they do not receive any variable remuneration. The performance of the Company over the financial year is presented on page 2, under the heading "Financial highlights".

Directors[1]	Fees Period ended 30 June 2021 £	Taxable benefits[2] £	Total £
Susannah Nicklin (Chair)	21,050	–	21,050
Mike Balfour	18,419	254	18,673
James Broderick	15,788	–	15,788
Alice Chapple	15,788	–	15,788
	71,045	254	71,299

[1]The Directors were appointed on 9 November 2020. Directors fees were payable from 22 December 2020.
[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

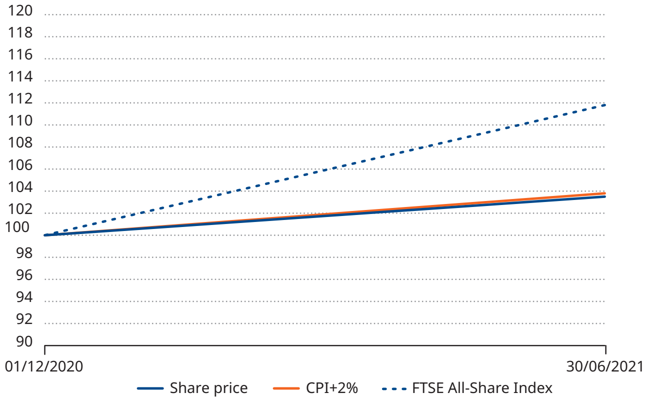
The table below compares the remuneration payable to Directors, to distributions made to shareholders during the period. In considering these figures, shareholders should take into account the Company's investment objective.

	Period ended 30 June 2021 £'000
Remuneration payable to directors	71
Distributions paid to shareholders	–

The information in the above table has been audited.

Performance graph since 22 December 2020 (launch date)

Share price total return versus the Consumer Price Index ("CPI") plus 2%, and the FTSE All-Share Index, for the period from launch date on 22 December 2020, to 30 June 2021[1]



[1]Source: Morningstar. Rebased to 100 at 22 December 2020. The Company is legally required to compare its share price total return against a broad equity market index. The Company's performance is however expected to have a low correlation to traditional quoted markets and therefore has no meaningful index comparator. The FTSE All-Share Index has been chosen as it is reflective of economic conditions in the UK. CPI plus 2% has also been included as this represents the Company's target return in its investment objective.

Definitions of terms and performance measures are provided on page 76.

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 period under review, are set out below.

Director	As at 30 June 2021[1]	As at 22 December 2020[1]
Susannah Nicklin	10,000	10,000
Mike Balfour	–	–
James Broderick	500,000	500,000
Alice Chapple	10,000	10,000

[1]Ordinary shares of 1p each

Since the reporting period end, Mike Balfour has purchased 10,000 shares. The information in the above table has been audited.

On behalf of the Board

Susannah Nicklin
Chair

25 October 2021

Governance

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 webpage 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 35 to 36, 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

25 October 2021

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 2021 and of its profit for the period 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 for the period ended 30 June 2021 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 16 October 2020 to audit the financial statements for the period ending 30 June 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 1 year, covering the period ending 30 June 2021. 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 market volatility and the present uncertainties in economic recovery created by the ongoing Covid-19 pandemic by reviewing the information used by the Directors in completing their assessment; and
- Challenging Directors' assumptions and judgements made in their base case and stress tested forecasts including consideration of current cash levels and committed funding.

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

			2021
Key audit matters	–	Valuation and Ownership of Investments	✓
Materiality	–	£1,200,000 based on 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.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of the valuation of investments, which have a high level of estimation uncertainty involved in determining the unquoted investment valuations.

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 unquoted investments ***(Note 1 and Note 9)***	We consider the valuation of investments to be the most significant audit area as there is estimation uncertainty involved in determining the unquoted investment valuations. There is an inherent risk of management override arising from the unquoted investment valuations being prepared by the Manager and the Portfolio Manager, who are remunerated based on the net asset value of the Company. Investments is also the most significant balance in the financial statements and where we will spend most of our time.	**Audit approach** For 100% of investments 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. **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 listed bonds held at the balance sheet date. **Investment held in General Partnership Funds ('the Funds')** In order to gain an understanding of the valuation process and the challenge posed by the Portfolio Manager, the Manager and the Board, we attended the initial Pricing Committee meeting and period end Pricing Committee meeting. We met with the Portfolio Manager and the Manager to discuss and challenge the estimation uncertainty in the valuations and movements in valuations between acquisition date and the period end. We obtained the unaudited June 2021 investor statements prepared by the Fund General Partners, which form the starting point of the Portfolio Manager and the Manager's period end valuation.

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 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 2021 Investor Report. We reviewed the associated audited financial statements and audit reports of the Funds (or the draft unaudited financial statements if signed accounts were not yet available) to confirm for each Fund that the audit report was unmodified and that there was no limitation of scope and also to confirm 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. We assessed the audit firms to confirm that they have the requisite skills and knowledge to audit the Funds. 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 accounts and the June 2021 Investor Reports. We challenged the Portfolio Manager and the Manager to explain any material movements and looked for corroborating information in the Investor Reports provided by the General Partners to support any material valuation movements. **Investment in Loan Portfolios** 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 the effective rate of interest equals the coupon rate by considering whether associated costs have been appropriately calculated and taken into account and whether the coupon rate represent a prevailing market rate of interest.

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 considered whether there were any impairment indicators present within the loan, such as interest payments not being made or capital repayments missed, which would indicate that amortised cost is no longer an appropriate measurement basis. **Key observations:** Based on the procedures performed we consider the investment valuations 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.

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

	Company financial statements 2021 £'000
Materiality	1,200
Basis for determining materiality	2% of total investments
Rationale for the benchmark applied	As an Investment Trust, the value of investments is the key measure of performance.
Performance materiality	840
Basis for determining performance materiality	Performance materiality was set at 70% of total materiality as this is the first year we are auditing this entity and considering the limited number of accounts which have estimation uncertainty.

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

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £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 Financial Statements 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.

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 period 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, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management relating to the existence of any non-compliance with laws and regulations;
- review of minutes of board meetings throughout the period;
- 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 statements to material misstatement, including fraud and the risk of management override of internal controls. Our audit work focussed on the valuation of investments, where the risk of material misstatement due to fraud is the greatest (refer to the Key Audit Matter section). We also:

- Recalculated investment management fees in total; and
- Obtained independent confirmation of bank balances.

In addressing the risk of management override of internal controls we tested journals and evaluated whether there was evidence of bias by the 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.

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.

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

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

25 October 2021

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

Financial

Income Statement

For the period from the date of incorporation on 24 September 2020, to 30 June 2021

	Note	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	2	–	4,200	4,200
Income from investments	3	775	–	775
Other interest receivable and similar income	3	5	–	5
Gross return		780	4,200	4,980
Investment management fees	4	(121)	(121)	(242)
Administrative expenses	5	(224)	–	(224)
Transaction costs		–	(30)	(30)
Net return before taxation		435	4,049	4,484
Taxation	6	–	–	–
Net return after taxation		435	4,049	4,484
Return per share	8	0.58p	5.40p	5.98p

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 60 to 71 form an integral part of these accounts.

Statement of Changes in Equity

For the period from the date of incorporation on 24 September 2020, to 30 June 2021

	Called-up share capital £'000	Share premium £'000	Special reserve £'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**

The notes on pages 60 to 71 form an integral part of these accounts.

Financial

Statement of Financial Position at 30 June 2021

	Note	2021 £'000
Fixed assets		
Investments held at fair value through profit or loss	9	41,369
Investments held at amortised cost	9	21,142
		62,511
Current assets	10	
Debtors		221
Cash at bank and in hand		17,086
		17,307
Current liabilities		
Creditors: amounts falling due within one year	11	(1,591)
Net current assets		15,716
Total assets less current liabilities		78,227
Net assets		78,227
Capital and reserves		
Called-up share capital	12	750
Special reserve	13	72,993
Capital reserves	13	4,049
Revenue reserve	13	435
Total equity shareholders' funds		78,227
Net asset value per share	14	104.30p

These accounts were approved and authorised for issue by the Board of Directors on 25 October 2021 and signed on its behalf by:

Susannah Nicklin
Chair

The notes on pages 60 to 71 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 period from the date of incorporation on 24 September 2020, to 30 June 2021

	Note	£'000
Net cash inflow from operating activities	15	**397**
Investing activities		
Purchases of investments		**(57,245)**
Sales of investments		**191**
Net cash outflow from investing activities		**(57,054)**
Net cash outflow before financing		**(56,657)**
Financing activities		
Issue of Management Shares		**13**
Redemption of Management Shares		**(13)**
Issue of Ordinary Shares		**74,843**
Share issue costs		**(1,100)**
Net cash inflow from financing activities		**73,743**
Net cash inflow in the period		**17,086**
Cash at bank and in hand at the beginning of the period		**–**
Net cash inflow in the period		**17,086**
Cash at bank and in hand at the end of the period		**17,086**

Included in net cash inflow from operating activities are dividends received amounting to £285,000, income from debt securities amounting to £283,000 and other interest receivable and similar income amounting to £5,000.

The notes on pages 60 to 71 form an integral part of these accounts.

Notes to the Accounts

1. Accounting Policies

(a) Basis of accounting

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

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in October 2019. 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 through profit or loss. The directors believe that the Company has adequate resources to continue operating until 31 October 2022, 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.

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

Certain judgements, estimates and assumptions have been required in valuing the Company's investments and these are detailed in note 19 on page 66.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. Investments with a fixed coupon and redemption amount are valued at amortised cost in accordance with FRS 102. Other financial assets are managed and their performance evaluated on a fair value basis, in accordance with a documented investment objective and information is provided internally on that basis to the Company's Board of Directors. Upon initial recognition these investments are designated by the Company as "held at fair value through profit or loss", included initially at cost and subsequently at fair value using the methodolgy below. This valuation process is consistent with International Private Equity and Venture Capital Guidelines issued in December 2018, which are intended to set out current best practice on the valuation of Private Capital investrments.

(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.

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

(c) Accounting for reserves

Gains and losses on sales of investments and the management fee or finance costs allocated to capital, are included in the Income Statement and dealt with in capital reserves. Increases and decreases in the valuation of investments held at the period 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 period end is calculated and accrued on a time apportionment basis using market rates of interest.

Notes to the Accounts

(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 13 on page 65.

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.

(h) Taxation

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

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date.

Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

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.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the accounting date and is measured on an undiscounted basis.

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of the related irrecoverable VAT.

(j) Dividends payable

In accordance with FRS 102, dividends payable are included in the accounts in the period 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

	Period to 30 June 2021 £'000
Net movement in investment holding gains and losses	4,200

Notes to the Accounts

3. Income from investments

	Period to 30 June 2021 £'000
Income from investments:	
UK dividends	285
Interest income from debt securities and other financial assets	490
	775
Other interest receivable and similar income:	
Deposit interest	1
Other income	4
	5
Total income	**780**

4. Investment management fee

	Period to 30 June 2021		
	Revenue £'000	Capital £'000	Total £'000
Investment management fees	121	121	242

The bases for calculating the investment management fees are set out in the Report of the Directors on pages 37 and 38 and details of all amounts payable to the managers are given in note 17 on page 66.

5. Administrative expenses

	Period to 30 June 2021 £'000
Other administrative expenses	106
Directors' fees[1]	71
Auditor's remuneration for the audit of the Company's annual accounts[2]	47
	224

[1]Full details are given in the remuneration report on pages 46 and 47.
[2]Includes VAT amounting to £8,000.
[3]Prior to their appointment as Auditor, BDO LLP were paid £84,000, including £14,000 VAT, for the provision of services as reporting accountant in connection with the IPO. These services are not deemed to impede BDO LLP's independence and objectivity as the Company's Auditor.

6. Taxation

(a) Analysis of tax charge for the period

	Period to 30 June 2021		
	Revenue £'000	Capital £'000	Total £'000
Taxation on ordinary activities	–	–	–

The Company has no corporation tax liability for the period ended 30 June 2021.

Notes to the Accounts

(b) Factors affecting tax charge for the period

	Period to 30 June 2021 Revenue £'000	Capital £'000	Total £'000
Net return before taxation	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%	83	769	852
Effects of:			
Capital gains on investments	–	(798)	(798)
Tax deductible interest distribution	(83)	23	(60)
Expenses not deductible for corporation tax purposes	–	6	6
Taxation on ordinary activities	–	–	–

(c) Deferred taxation

Given the Company's intention to meet the conditions required to retain its status as an Investment Trust Company, no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

The Company has no unrecognised deferred tax asset at 30 June 2021.

7. Dividends

A final dividend of 0.57p per share has been declared in respect of the period ended 30 June 2021, and has been designated as an interest distribution.

8. Return per share

	Period to 30 June 2021 £'000
Revenue return	435
Capital return	4,049
Total return	4,484
Weighted average number of shares in issue during the period	75,000,000
Revenue return per share	0.58p
Capital return per share	5.40p
Total return per share	5.98p

9. Fixed assets

(a) Movement in investments

	Investments held at fair value through profit or loss £'000	Investments held at amortised cost £'000	Period to 30 June 2021 Total £'000
Purchases at cost	37,169	21,333	58,502
Sales proceeds	–	(191)	(191)
Gains on investments held at fair value through profit or loss	4,200	–	4,200
Closing fair value	41,369	21,142	62,511
Closing book cost	37,169	21,142	58,311
Closing investment holding gains	4,200	–	4,200
Closing fair value	41,369	21,142	62,511

Financial

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

Material revaluations of unquoted investments during the period

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

Material disposals of unquoted investments during the period

Investment	Book cost £'000	Sales proceeds £'000	Realised gain/ (loss) £'000
Charity Bank Co-Invest Facility: Abbeyfield Southdowns 3.35% 26/7/2044	147	147	–
Charity Bank Co Invest Facility: Sue Ryder FRN 04/12/2043	29	29	–
Rathbones Bond Portfolio: Coigach Community CIC	15	15	–

(c) Transaction costs

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

	Period 30 June 2021 £'000
On acquisitions	**30**
On disposals	**–**
	30

10. Current assets

Debtors

	2021 £'000
Dividends and interest receivable	**207**
Other debtors	**14**
	221

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

The carrying amount of cash and cash equivalents, amounting to £17,086,000, represents its fair value.

11. Current liabilities

Creditors: amounts falling due within one year

	2021 £'000
Securities purchased awaiting settlement	**1,257**
Other creditors and accruals	**334**
	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

The issued share capital at the accounting date was as follows:

	2021 £'000
Ordinary shares allotted, called-up and fully paid:	
75,000,000 shares of 1p each:	750

On incorporation, the issued share capital of the Company comprised a single 1p Ordinary Share, £1 paid, held by an employee of the Company's legal adviser, as subscriber to the Company's memorandum of association.

On 2 November 2020, 50,000 Redeemable Shares were allotted to a member of the Schroder Group, in order to obtain a certificate to conduct business. These shares were paid up to one quarter of their nominal value of £1 per share.

On 22 December 2020, 74,499,999 Ordinary Shares were issued at £1 per share, following a placing and offer for subscription, and the 50,000 Redeemable Shares were redeemed out of the proceeds of the issue.

13. Reserves

			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	–	–	–	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 share premium was cancelled during the period following an application to the court, and transferred to a distributable capital reserve.
[2] This is a distributable 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

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

Notes to the Accounts

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

	Period to 30 June 2021 £'000
Total return before taxation	4,484
Less capital return before taxation	(4,049)
Increase in accrued income	(207)
Increase in other debtors	(14)
Increase in other creditors	334
Management fee and transaction costs allocated to capital	(151)
Net cash inflow from operating activities	397

16. Uncalled capital commitments

At 30 June 2021, the Company had uncalled capital commitments amounting to £23,854,000 in respect of follow-on investments, which may be drawn down or called by investee entities, subject to agreed 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 37 and 38.

The fee payable to the Manager in respect of the period ended 30 June 2021 amounted to £209,000, and the whole of this amount was outstanding at the period 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.

No Director of the Company served as a director of any company within the Schroder Group at any time during the 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. The fee payable to Rathbone in respect of the period ended 30 June 2021 amounted to £33,000, of which £16,000 was outstanding at the period end.

18. Related party transactions

Details of the remuneration payable to Directors and the Directors' shareholdings are given on page 47. Details of transactions with the Managers are given in note 17 above. There have been no other transactions with related parties during the 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 60. Level 3 investments have been valued in accordance with note 1(b) (iv).

Disclosures on related undertakings are given on page 26 and 27.

The Company's unlisted investments held at fair value at 30 June 2021 were valued using a variety of techniques consistent with the recommendations set out in the International Private Equity and Venture Capital guidelines. Investments in third-party managed funds were valued by reference to the most recent net asset value provided by the relevant manager. The valuation methods adopted by third-party managers include using comparable company multiples, net asset values, assessment of comparable company performance and assessment of milestone achievement at the investee. For certain investments e.g. 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 2021, the Company's investment held at fair value, were categorised as follows:

	2021			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments in equities – quoted	10,903	–	–	10,903
– unquoted	–	–	30,466	30,466
Total	10,903	–	30,466	41,369

There have been no transfers between Levels 1, 2 or 3 during the period.

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

	Period to 30 June 2021 £'000
Purchases at cost	26,222
Sales proceeds	–
Net gains on investments	–
Closing fair value of Level 3 investments	26,222
Closing book cost	26,222
Closing investment holding gains	4,244
Closing fair value of Level 3 investments	30,466

The Level 3 investments have all been value in accordance with note 1(b)(iv).

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 borrowing. Gearing is defined as borrowings less cash, expressed as a percentage of net assets. The Company has arranged an overdraft facility with HSBC Bank plc but it has not been utilised during the period.

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:

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

Interest receivable on cash balances is at a margin below LIBOR, or its replacement reference rate.

The above period end amount is broadly representative of the exposure to interest rates during the period.

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the period and net assets to a 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.

	2021	
	0.25% increase in rate £'000	0.25% decrease in rate £'000
Income statement – return after taxation		
Revenue return	59	(59)
Capital return	–	–
Total return after taxation	59	(59)
Net asset	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:

	2021 £'000
Investments held at fair value through profit or loss	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 26. 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.

	2021	
	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement – return after taxation		
Revenue return	(17)	17
Capital return	4,120	(4,120)
Total return after taxation and net assets	4,103	(4,103)
Percentage change in net asset value	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.

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:

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

Notes to the Accounts

(c) Credit risk

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

Credit risk exposure

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

Management of credit risk

Credit risk is managed as follows:

Portfolio dealing

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

Exposure to the custodian

The custodian of the Company's assets is HSBC Bank plc which has long-term Credit Ratings of AA- with Fitch and A1 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 Companys 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 period end.

	2021	
	Balance sheet £'000	Maximum exposure £'000
Fixed assets		
Investments held at fair value through profit	41,369	–
Investments held at amortised cost (debt securities)	21,142	21,142
Current assets		
Dividends and interest receivable	221	221
Cash at bank and in hand	17,086	17,086
	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.

Notes to the Accounts

21. Capital management policies and procedures

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

The Company's capital structure comprises the following:

	2021 £'000
Equity	
Called-up share capital	**750**
Reserves	**77,477**
Total equity	**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.

Annual General Meeting – Recommendations

The Annual General Meeting ("AGM") of the Company will be held on Friday, 3 December 2021 at 12.00 p.m. The formal Notice of Meeting is set out on page 73.

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.

COVID-19 and the AGM

Owing to the COVID-19 pandemic, shareholders are asked to cast their votes by proxy, appointing the Chair of the meeting as their proxy.

Ordinary business

Resolutions 1 to 11 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 Policy. Resolution 4 concerns the Directors' Remuneration Report, on pages 46 to 47. Resolutions 5 to 8 invite shareholders to elect each of the Directors for another financial reporting period, following the recommendations of the Nomination Committee, set out on page 45 (their biographies are set out on pages 35 and 36). Resolutions 9 and 10 concern the re-appointment and remuneration of the Company's Auditor, discussed in the Audit and Risk Committee Report on pages 41 and 42.

Special business

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 £75,000 (being 10% of the issued share capital (excluding any shares held in treasury) as at 25 October 2021).

A special resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £75,000 (being 10% of the issued share capital as at 25 October 2021) 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 2022 unless renewed, varied or revoked earlier.

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

On 9 November 2020, 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 25 October 2021 (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 2022 unless renewed, varied or revoked earlier.

Resolution 14: notice period for general meetings

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 2022. 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, 3 December 2021 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:

1. To receive the Annual Report and Accounts for the reporting period ended 30 June 2021.
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 Policy.
4. To approve the Directors' Remuneration Report for the reporting period ended 30 June 2021.
5. To approve the election of Susannah Nicklin as a Director of the Company.
6. To approve the election of Mike Balfour as a Director of the Company.
7. To approve the election of James Broderick as a Director of the Company.
8. To approve the election of Alice Chapple as a Director of the Company.
9. To re-appoint BDO LLP as auditor to the Company.
10. To authorise the Directors to determine the remuneration of BDO LLP as auditor to the Company.
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 £75,000 (being 10% of the issued ordinary share capital at 25 October 2021) 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 2022, 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 £75,000 (representing 10% of the aggregate nominal amount of the share capital in issue at 25 October 2021); 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 11,242,500, representing 14.99% of the Company's issued ordinary share capital as at 25 October 2021 (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 2022 (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

25 October 2021

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. Due to COVID-19 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 ID 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 1 December 2021. 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 1 December 2021, 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 1 December 2021 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 election are set out on pages 35 and 36 of the Company's Annual Report and Accounts for the period ended 30 June 2021.

7. As at 25 October 2021, 75,000,000 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 25 October 2021 was 75,000,000.

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 webpage, 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. Due to COVID-19 shareholders are asked to send their questions by post to the Company's registered office address or by email (amcompanysecretary@schroders.com).

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 webpages. 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 104.30p represents the net assets attributable to equity shareholders of £78,227,000 divided by the 75,000,000 of shares in issue at the period end.

Discount/premium

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. The discount or premium is expressed as a percentage of the NAV per share. The discount at the period end amounted to 0.8%, as the closing share price at 103.50p was 0.8% lower than the closing NAV of 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 period end, the Company had no loans or overdrafts, and thus was in a net cash position, calculated as follows:

	2021 £'000
Borrowings used for investment purposes, less cash	(17,086)
Net assets	78,227
Net cash	(21.8)%

Ongoing Charges

Ongoing Charges (OGC) 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 period. The operating expenses calculated as above amounted to £466,000, for the period, which including an allowance for non-recurring expenses, gives an annualised figure of £832,000. This amount, expressed as a percentage of the average net asset values during the period of £76.0 million, gives an OGC figure of 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 77 under Shareholder Information.

Shareholder Information

Webpages and share price information

The Company has dedicated webpages, which may be found at www.schroders.com/sbsi. The webpages 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 webpages 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 webpages.

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	November/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 webpages.

Leverage

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFMD are published on the Company's webpages. The Company is also required to periodically publish its actual leverage exposures. As at 30 June 2021 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	150.0%	78.2%
Commitment method	150.0%	78.2%

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 webpages.

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 webpages.

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 webpages.

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