



BIG SOCIETY CAPITAL

Report and Financial Statements

2021

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Company information

Company information

Directors

Sir Harvey McGrath^{1,3} (Chair)

Chair of West London Zone and Funding London, Trustee of New Philanthropy Capital and Chair of the Advisory Council Board for the Impact Investing Institute. Former Chair of Prudential plc, Man Group plc, Heart of the City, Governors of Birkbeck College, the Prince's Teaching Institute and the London Development Agency.

Christina McComb OBE³ (Senior Independent Director)

Chair of OneFamily and Standard Life European Private Equity Trust plc. Trustee of Nesta and 3i Group Pension Plan and Director of Seraphim Space Investment Trust plc.

David Hunter² (Chair of Audit, Risk and Compliance Committee)

Chair of UCLB Ltd and Chair of the Investment Committee of the Care and Wellbeing Fund (backed by Macmillan Cancer Care and Big Society Capital). Chair of the Audit Committee at Gresham House Renewable Energy VCT1 plc. Treasurer at Motability, and formerly Trustee of Age UK and Director of Paragon Asra Housing Limited.

Kieron Boyle¹ (Chair of Nominations and Remuneration Committee)

Chief Executive of Guy's and St Thomas' Foundation, Trustee of Design Council and Catch22. Chair of Long-Term Investors in People's Health, the Cultural Impact Development Fund and Advisory Board member of the Impact Investing Institute and The Impact Integration Project.

Alan Giddins^{3,4}

Chair of Hill & Smith Holdings plc and Watkin Jones plc. Formerly Managing Partner and Global Head of Private Equity at 3i Group and a member of its Executive and Investment Committees.

Anne Wade

Non-Executive Director of Summit Materials and Non-Executive Director and Chair of the Remuneration Committee at Man Group plc. Trustee of the Heron Foundation and Partner of Leaders' Quest.

Chris Wright^{1,4}

Chief Executive of Catch22. Chair of Catalyst Choices CIC. Alongside his involvement in Catch22-led enterprises, he is also a Director of We are JUNO CIC, Juno Support Services Limited and Capacity LLP, and a Trustee of Community Links, The Lighthouse CIO and Unlocked Graduate.

Fiona Ellis²

Former Chair of the BBC Appeals Advisory Committee, Trustee of the People's Operator Foundation, Chair of NVO Funding Commission, Trust Manager of the Millfield House Foundation and Vice Chair of the Nationwide Foundation and Futurebuilders.

Lesley-Anne Alexander CBE¹

Non-Executive Director on the Meridian Water Regeneration Board, an Adviser to the Institute for Apprenticeships and Technical Education, and The MicroLoan Foundation. Former Chair of the Hertfordshire Community NHS Trust and Non-Executive Director for Metropolitan Thames Valley Housing

Trust. Former CEO of the RNIB and Director of Operations for the Peabody Trust.

Stuart Foster² (Director nominated by the shareholder banks)

Managing Director of Institutional Banking and Depository Services at RBS International.

Stephen Muers^{3,4} (CEO)

Chair of Friends Provident Foundation, Trustee of Fair Trials and a Policy Fellow at the Institute of Policy Research, University of Bath.

¹ Member of the Nominations and Remuneration Committee

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Strategic Report

Introduction

The following report sets out Big Society Capital's progress and key initiatives during 2021, together with the company's financial performance for the year.

Big Society Capital exists to improve the lives of people in the UK through investments that address a wide range of social issues, from mental health to homelessness, and from unemployment to financial exclusion. The company does this both directly through its own investments and by helping to build the market for social impact investment¹, enabling other investors to support enterprises that have a positive social impact. During 2021, the organisation has been operating against the backdrop of a pandemic which has exacerbated many of the very social issues it seeks to tackle and increased the need for social impact investment to address them. The latter part of 2021 also saw the beginning of a potentially prolonged period of higher inflation and macroeconomic uncertainty which will likely impact the operating models of a number of areas of Big Society Capital's social impact investment portfolio.

There have been some significant highlights for the year:

- During 2021, the company signed new investments totalling £80 million to be deployed into charities and social enterprises delivering positive social impact throughout the UK. This brings the total amount of Big Society Capital's own funds committed since its launch to £821 million, reaching more than 2,000 organisations addressing a wide range of social issues from homelessness to mental health.
- The company has helped to grow the wider social impact investment market in the UK which has increased in size to £6.4 billion in total, which has been invested in social enterprises, charities, and social purpose organisations. Meanwhile a record number of enterprises accessed information about social investment. 300,000 unique users visited Good Finance, a platform run in partnership with the company and Access – The Foundation for Social Investment. Awareness and understanding have improved, with double the proportion of market participants reporting confidence in using social investment compared to three years ago.
- The company has set out its plans for the next four years, launching a new strategy to 2025. The aim is to at least double the scale of the social impact investment market in the UK from its 2020 level, to at least £10-£15 billion. The strategy sets out the four priority areas where the company believes it can make the most difference and where the most social impact can be achieved through investment.

¹ An explanation of social impact investment can be found on the Big Society Capital Website, at: <https://bigsocietycapital.com/our-approach/>

Key developments

New strategy

As Big Society Capital came to the end of its second five-year strategy in 2020, it began a consultation on the next phase of its development.

This concluded with a new 2025 strategy which it published in September. This set out the priorities it will pursue to at least double the scale of the social impact investment market in the UK from its 2020 level to £10-£15 billion by 2025, based on learning what has worked over the last decade:

- To concentrate on the opportunities for transformational impact which have become clearer over time, with the recognition that longer-term models and partnerships are needed to realise these.
- To build platforms to channel capital from private, public and philanthropic sources into the market.
- To continue to build its unique proposition as an expert in delivering social impact through investment by way of a deep understanding of business models, best-in-class impact practice and decision-making, and networks across sectors.

Big Society Capital will focus these approaches on four distinct social impact investment market systems where it has learned there is greatest potential for growing impact at scale, and where the company believes it can make the biggest difference:

- social and affordable housing;
- impact venture;
- social lending; and
- social outcomes.

Alongside this, the company will continue to run its innovation programme to find the new, big investment ideas that can be developed over the next five years.

Together with the help of partners, and by bringing in more capital alongside its own, the company aims to create even greater social change through investment, reaching more organisations in different places and communities in the UK, including those who have missed out in the past.

More details about Big Society Capital's new strategy can be found [here](#)² and in the Market Systems section below.

² Big Society Capital's website. Full URL: https://bigsocietycapital/media/documents/Our_2025_Strategy_5zRBV4I.pdf

The Schroder BSC Social Impact Trust (SBSI)

The Schroder BSC Social Impact Trust (SBSI) is a key market building initiative, as the first investment trust on a global stock exchange allowing a wide range of investors access to diversified private market investments delivering deep social impact. Following on from the successful initial public offering (IPO) in December 2020, an additional round of fundraising closed in November 2021. There was strong support from the Trust's existing shareholders, as well as interest from a number of new investors, and a total of £10.8 million was raised. This brought the total capital raised, including the IPO, to over £85 million. Big Society Capital is the Delegated Portfolio Manager for the Trust and is targeting for the Trust to grow over the next three years to £300 million and provide a unique way for investors to access a diversified portfolio of high impact, private market, social investments. In recognition of the Trust's important contribution to the development of the market for impact investments, it received "Fund of the Year – Multi-Asset/Other" at the Environmental Finance IMPACT Awards, and "Most Innovative Sustainable and ESG Fund Launch" at the Investment Week Sustainable and ESG Investment Awards.

Homelessness initiative

During the pandemic, thousands of people who were sleeping rough were accommodated temporarily in shelters and hotels through the Everyone In initiative. As part of a social investment response to provide a longer-term solution, in 2021 Big Society Capital signed an investment partnership with the Ministry of Housing, Communities and Local Government (MHCLG). This £30 million of funding (£15 million from Big Society Capital and £15 million from Government) is being deployed through three fund managers into five investment funds, all of which focus on delivering housing and support to rough sleepers and families at risk of homelessness. The partnership aims to deliver 240 units of accommodation by March 2022, and is currently meeting its delivery milestones, with an independent impact evaluation underway, designed to assess the effectiveness and value for money of social investment as a means to help deliver national policy objectives on ending homelessness and rough sleeping. For further details see the Market building activities section on page 17.

Social Investment Tax Relief (SITR)

In late 2020, Big Society Capital launched its SAVE SITR campaign, working with key partners Social Enterprise UK, Co-operatives UK, Resonance and Social Investment Scotland, among others. Social Investment Tax Relief (SITR) is a specialist tax relief to encourage investment into asset-locked social enterprises and charities and was due to reach its sunset clause in April 2021. Big Society Capital, with its partners, sought to ensure that the tax relief was not lost, so that community businesses such as pubs, shops and community centres, which had been planning to raise capital using SITR, were supported to reach their end goal. The Government agreement to extend SITR for a further two years, which was announced in the 2021 budget, was a very positive outcome, meaning that dedicated funds using SITR could be fully disbursed, releasing capital to the frontline organisations that needed it. However, this did not secure or improve SITR on a permanent basis, and this, and the use of tax reliefs as subsidy to support the social lending market system, will be a key part of Big Society Capital's strategy going forward.

Resilience and Recovery Loan Fund

When the pandemic first hit, there was real concern that social enterprises and charities could fall through the gaps in Government support. The Resilience and Recovery Loan Fund was created by Big Society Capital, Social Investment Business, and other partners in 2020 to help ensure social enterprises and charities could access the Coronavirus Business Interruption Loan Scheme, to provide crucial working capital to help organisations maintain financial resilience, save jobs, and allow the continuation of vital services.

To date, the fund has distributed a total of £28 million to 77 social enterprises and charities, (£24.2 million in loans and £3.9 million in grants) and helped secure over 9,000 jobs. At the 2021 UK Social Enterprise Awards, the fund won Social Enterprise Deal of the Year, with the judges commenting, "There are businesses that might not be here today without the speedy, affordable support provided by this deal."

Nick Temple, CEO at Social Investment Business, said about the success of the fund and the partnership working with Big Society Capital and others that went into creating it:

“We were hugely proud at Social Investment Business to be recognised with this award for the Resilience and Recovery Loan Fund. The fund itself was a huge partnership effort, involving lots of our peers and partners, so it felt like the award was recognising that spirit of collaboration and trust that made things happen during the early stages of the pandemic.”

Financial results

Big Society Capital's long-term objective is to generate positive financial returns alongside demonstrable social impact. The company utilises a number of financial metrics to track its underlying in-year and longer-term performance, including new commitments, drawdowns and receipts, portfolio return and overall financial return.

In 2021, the company made total new commitments of £80 million; this is in line with the long-term trend, although lower than the previous year, which saw a number of specific Covid-19 commitments. Drawdowns in 2021 totalled £77.6 million and cash receipts £52.8 million, both in line with expectations, with receipt levels driven by the stage of the constituents of the company's underlying investment portfolio.

The company has reported a net profit of £16.1 million in 2021, which represents a significant uplift from the profits and losses reported in previous years, and a 2.6% return on average capital employed. Returns generated from the Social Impact Investment Portfolio were 6.3% for the year (2020: 2.5%). Balanced against cumulative brought forward losses from previous years, this result puts the company on a clear track towards operating on a sustainable basis in line with its mandate, and will enable it to achieve further social impact, by making investments to address social issues aimed at improving lives in the UK. This performance also enables the company's operational and market building costs to be covered and moves the company towards generating returns for its shareholders. However, as noted in the Financial performance section on page 20, future volatility, resulting in upsides or downsides to portfolio performance, may be expected.

The net profit for 2021 is largely attributable to unrealised (non-cash) valuation write-ups on a small number of our impact venture investments, made during the previous strategy period. The business models of those investments have scaled significantly during the past year, leading to further capital being raised to support their growth. Alongside the strong performance of the Impact Venture Portfolio, the results of other areas of the Social Impact Investment Portfolio have been closer to expected longer-term trends, with limited downsides experienced compared to previous years.

Support for employees

Big Society Capital's employee focus in 2021 continued to be ensuring its staff were well supported during a significant period of transition and change arising from Covid-19. In addition to wellbeing initiatives and additional leave arrangements, the organisation ensured its managers and leaders were equipped to guide and support their teams and give consistency in an uncertain time. Throughout the year, Big Society Capital worked with its staff to embrace a new hybrid framework, finding ways of working that would allow everyone to succeed, making time to collaborate, and continuing to build a culture of purpose and passion, as well as finding time to listen and learn from one another.

Chief Executive Officer

On 10 August 2021, Stephen Muers was confirmed as Big Society Capital's permanent CEO, having been acting in an interim capacity since the departure of Cliff Prior, the previous CEO at the end of May 2020.

As always, the achievements this year have been made possible only by the talent, dedication and hard work of all of our staff at Big Society Capital, and Stephen and the Board would like to extend their gratitude to everyone in the organisation for their efforts.

Our work

Since inception, Big Society Capital and other investors alongside it have together made over £2.5 billion of new capital available to organisations with a social mission.

As a wholesale social impact investor, Big Society Capital invests in funds alongside others, rather than investing directly. The company aims to identify the sustainable business models that will create impact and improve people's lives, as well as achieving positive investment returns. The organisation focuses on those models that can attract other investors, as ultimately these will provide the opportunity to scale and have greater impact. By investing its capital, the organisation aims to build a thriving ecosystem, which has strong impact-driven fund managers and more available finance from diverse sources. Big Society Capital will judge its ultimate success by the growth and social impact of the broader environment it helps create, not just by the direct impact of its investment capital.

Big Society Capital also acts as a market builder to increase awareness of, and confidence in, social impact investment. It does this by encouraging other organisations to engage with the market, developing research that builds understanding, improving the measurement of social impact, and advocating for an appropriate policy environment.

Big Society Capital's operating model is based on the following principles:

Independence

The Oversight Trust – Assets for the Common Good, formerly known as The Big Society Trust, is an independent holding company that currently owns 68.1% of Big Society Capital's shares, and was set up to ensure that the organisation remains 'on mission'. Big Society Capital is not owned or controlled by Government, nor is it controlled by the banks that have invested in it.

Transparency

Big Society Capital is committed to producing details of the financial and social impact of its investments. It acts as a champion for sharing information and expertise across the social impact investment sector.

Self-sufficiency

Over time, the company needs to cover its operating costs and any losses from the return on its investments, as well as earn a financial return. This, in turn, will demonstrate that the social impact investment model is sustainable, helping to build and strengthen the market.

Wholesale activity and sources of capital

Big Society Capital acts as a wholesaler, deploying capital through fund managers and social banks, including organisations providing market infrastructure.

Big Society Capital has received equity capital from the Oversight Trust. The source of the capital from the Oversight Trust is dormant bank accounts managed by the Reclaim Fund Limited (RFL). The RFL passes surplus funds to the National Lottery Community Fund (NLCF), which then grants a defined sum from the English portion of the funds to the Oversight Trust in respect of share subscriptions to Big Society Capital for investment in enterprises domiciled in England. The NLCF also enters into grant agreements for the remainder of the English portion with the other entities of the Oversight Trust group and also makes grants to beneficiary organisations under directions from the devolved administrations in each of the other nations of the United Kingdom.

At its launch, the equity capital base of Big Society Capital was set at £600 million, of which the Oversight Trust's portion was £400 million. In 2018, additional capital of up to £25 million from dormant bank accounts was announced. Big Society Capital has now received this £425 million from the Oversight Trust. Big Society Capital has also received £200 million from the shareholder banks (Barclays, HSBC, Lloyds Banking Group and NatWest Group) for investment across the UK, which represents their maximum commitment.

Our impact

The organisation uses the Impact Management Project (<https://impactmanagementproject.com/>) impact dimensions to help define the change it wants to see in people's lives, using the following key areas:

Impact on people

This relates to the impact on the people who use the services and products created by social enterprises and charities that have received investment from the fund managers, or social banks that Big Society Capital invests in.

Impact on the system

This refers to the impact the organisation's investments and other market building activities have on the broader investment ecosystem – including investors, policy-makers, fund managers and intermediaries – to ultimately increase the quantity and quality of capital and support to enterprises and charities that improve people's lives in the UK.

Financial sustainability

All Big Society Capital's investments are made with the aim of developing financially sustainable structures and enterprises. This ensures the social impact continues to be generated, even after the investment has been repaid with a return. The organisation aims for a positive financial return, as that has the greatest chance of attracting other investors, and ultimately achieving the greatest social impact.

Market systems

Big Society Capital aims to develop an understanding of the current market systems in the social and affordable housing, impact venture, social lending, and social outcomes contracts segments, meaning the principal actors and system conditions, and the

current, unsatisfactory social outcomes these produce. With the goal of increasing the quantity and quality of capital flowing to social enterprises and charities, it then identifies leverage points within these systems where an intervention could trigger change. These leverage points form the foundation of Big Society Capital's strategy for each market system, progress against which is tracked through internally developed KPIs.

Consideration of impact and systems change is embedded across Big Society Capital's investment process. Both aspects are considered before a decision is made to progress a potential investment to the due diligence phase, where the targeted impact and systems change are tested in detail. Bespoke tools, such as an Impact Canvas, are used to test and confirm the thesis. The investment team's conclusions are then presented to the Investment Committee, with equal (or at times greater) prominence as the traditional financial considerations related to the investment. Once an investment has been made, Big Society Capital continues to monitor and engage with its investees through an Annual Impact Conversation focused on impact and systems change performance, which is then reviewed annually by the Valuation and Performance Committee. In March 2021, Big Society Capital became a signatory to the Operating Principles for Impact Management, a framework for best practice in impact management, under which a Disclosure Statement has been published (bigsocietycapital.com/media/documents/Disclosure_statement), outlining Big Society Capital's impact management system, alongside an independent verification of the framework, conducted by BlueMark (https://bigsocietycapital.fra1.cdn.digitaloceanspaces.com/media/documents/BSC-BlueMark_Verifier_statement_Detailed_assessment_03.23.21.pdf).

Big Society Capital published its latest Impact Report in December 2020.

Further information on the organisation's approach to impact can be found on the website at <http://www.bigsocietycapital.com/how-we-work/impact/>

Key impact considerations and approaches for each of Big Society Capital's market systems areas are set out below:



Social and affordable housing

Big Society Capital's objective in this area is to build a housing investment ecosystem that increases the supply of social and affordable housing, so that there are more safe, secure, and affordable homes for the people that need them. Through its investments, the organisation backs the models that work fairly for all stakeholders and selects managers that understand the social issues involved. Big Society Capital also recognises that the social and affordable housing market is growing and that it has a role to play in shaping the market for impact beyond just the capital deployed.

To tackle the UK housing crisis, Big Society Capital needs to work with other institutional investors who bring the scale of capital required to back high-impact housing opportunities alongside us. Its investor engagement activities play a pivotal role in understanding the needs of these investors and breaking down some of the barriers that exist to investing. One of the biggest barriers cited is lack of knowledge. To that end, in August, Big Society Capital produced 'Mapping the Market: UK Social and Affordable Housing Funds'. The purpose of this document is to share its knowledge and learnings with other investors to support better and more informed investment decision-making.

In 2021, Big Society Capital committed £37.5 million across three funds. Two commitments were to funds that partner with Housing Associations to provide affordable housing to people on lower incomes, and that exemplify impact management best practice. The third was a further commitment to the Everyone In initiative, a series of funds that provide hundreds of secure and affordable homes for those sleeping rough or at risk of sleeping rough as a result of the pandemic.

Thirteen managers have signed up as 'Adopters' of Big Society Capital's housing investment sector initiative, 'The Equity Impact Project'. In doing so, they commit to reporting against a standard impact framework developed by Big Society Capital and The Good Economy, and endorsed by Homes England, which aims to increase transparency, comparability and accountability in the sector and ensure private capital is a force for good in meeting the UK's housing challenges.



Impact venture

Big Society Capital's key goal in this area is to support the development of an ecosystem that nurtures and scales innovative ways of tackling social problems – through mission-driven enterprises that embed societal benefit in their approaches. Tech-enabled business models can have a transformative impact on social issues, if they are deployed in the right context, with the right intent, and with a business model aligned to impact, particularly for subsets of social issues including health, mental health, education and financial inclusion.

To achieve this, the organisation invests its capital with top-tier venture managers who are values-aligned to Big Society Capital and looking to enhance their impact practice, and with impact-dedicated managers who are pioneering innovative approaches. It seeks to develop leadership in this area by pioneering new tools, systems and processes to enhance impact practice and by embedding it. The organisation does this through engaging the ecosystem and building the Big Society Capital brand, through the ways in which we engage with investors, venture fund managers, and entrepreneurs.

In 2021, Big Society Capital committed £11 million in four venture funds that further these strategies – resulting in commitments to more than a dozen live venture funds. Through them the organisation has reached more than 200 start ups, and they in turn are reaching over 10 million people with digital products. During the last year, the organisation grew its 'impact venture investor network' to include more than 50 investors. Big Society Capital's work in publicising impact venture and sharing its learnings on impact were viewed more than 175,000 times in 2021.



Social lending

Big Society Capital aims to supply much needed capital to impact-led social enterprises and charities, both to enable them to build resilience in their recovery from the pandemic, and to access pathways to growth.

Within its portfolio, as part of its strategy to 2025, it is Big Society Capital's aim that at least 50% of the organisations that take on social lending, are from or are working with under-represented communities. Big Society Capital also aims to invest at least 50% of its portfolio in the areas of the UK that have been overlooked, as represented in the Index of Multiple Deprivation (IMD). The organisation will continue to work with partners to understand key areas it may be missing and identify where it needs to go further.

Since the evolution of Big Society Capital's strategy in 2021, the organisation has begun to make progress towards these goals, focusing in the short term on the interventions and enabling activities that underpin building resilience through the recovery. In 2021, Big Society Capital committed more than £30 million to social lending, including via the Recovery Loan Fund (RLF) managed by the Social Investment Business (SIB), which benefits from the Government's Recovery Loan Scheme (RLS) Guarantee, and Resonance's Community Developers, a social impact fund, which has an innovative approach to blending resources and capital to create strong assets at the heart of communities around the UK.

The funds that Big Society Capital was already supporting have also continued to create impact in their communities; for example, through the Community Investment Enterprise Facility (CIEF) managed by Social Investment Scotland (SIS). The fund supports four Community Development Finance Institutions (CDFIs), which have now channelled £48.5 million into 686 enterprises in communities across the Midlands and Yorkshire. Big Society Capital's £30 million commitment to this facility has been fully matched by social banks, Triodos and Unity Trust Bank.



Social outcomes

Big Society Capital's objective in social outcomes is to build an ecosystem that supports the delivery of outcomes contracts at scale, in a broad range of policy areas that are supported with appropriate funding, and delivery and management expertise. To achieve this, the organisation works with stakeholders across the market to convene and share learnings, while ensuring that there is enough socially motivated capital in the market to service these projects, including investing its own capital.

In 2021, Big Society Capital worked to build the market, concentrating efforts on public advocacy to build knowledge and networks across all areas of Government, at both local and central level. The organisation also worked within its existing investments, to support continued performance of established projects and showcase best practice. To date, the investments have supported over 40,000 people with complex needs across the areas of homelessness, children's services, health, education and employment.

Social impact: Key statistics

General

>2,000

Number of social enterprises and charities receiving money from Big Society Capital and other investors alongside since 2012

75%

Percentage of organisations operating nationally or outside London

Social and affordable housing

>4,000

homes completed

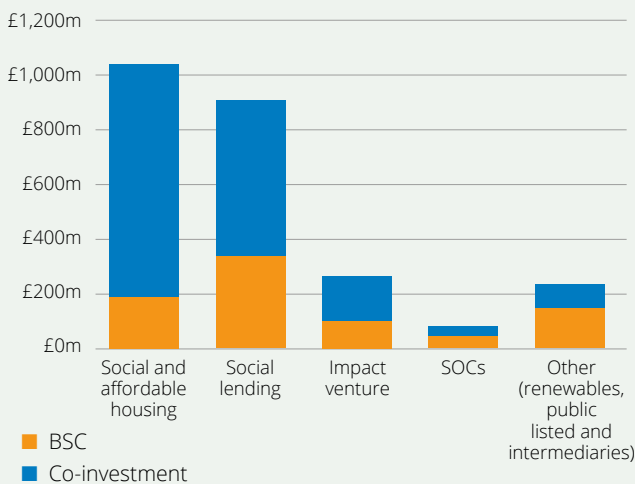
>8,000

people projected to be housed (number of homes completed and projected number of people housed)

Per market system

The bar chart below shows the total committed by Big Society Capital in each key market system alongside the total committed by Big Society Capital with other co-investors.

BSC Signed and Co-investment since inception



Impact venture

Impact venture portfolio reaching

>10m

people with digital products

Social lending

65%

of social enterprise and SME borrowers in 50% most deprived parts of the country

Example indicators for each market system

Exemplar impact figures based on investments made. Beyond these figures, Big Society Capital collects a range of quantitative and qualitative impact information across various outcome areas for all its investments.

Social outcomes

45,000

people reached through Social Outcomes Contracts (SOCs)

Market building activities

Big Society Capital's overall purpose is to help build an investment ecosystem that supports enterprises to improve people's lives. It does this both through investing its own capital in ways that bring other investors alongside it and through wider market building activities. These involve building awareness and understanding of social impact investment among investors of all kinds, as well as among social enterprises and charities that could use repayable finance.

Big Society Capital's approach to market building is through education and partnership, with a long-term goal of building a movement of people and organisations that use social impact investment to improve lives.

Market awareness

In early 2021, Big Society Capital engaged a research agency to undertake an independent study of the Social Impact Investment (SII) sector, including those involved as investors, investees or in intermediary or facilitator roles. The findings showed that the SII sector has become considerably more established and settled over the last two to three years, with good levels of confidence and know-how reported among most of those involved in the investment process, and a growing sense that SII is becoming more achievable and accessible. There was also widespread recognition and agreement that the sector was making progress in achieving its aims.

- Understanding of SII has grown significantly – **65% are very familiar** (compared to 37% in 2018).
- Confidence about SII has improved – **56% feel confident about the sector** (compared to 10% in 2018).
- Participants feel better informed about SII – **53% feel well informed about SII** (compared to 10% in 2018).

However, that was matched by a strong, prevailing view that there is a lot more to be done and the majority still recognise significant challenges and difficulties.

- Majority find SII difficult – **63% say process is 'challenging and difficult'** across investors, intermediaries and investees.
- Networks and partnerships still need improvement – **24% disagreed** that it is easy to find the right contacts and partners, rising to 36% among investees.
- Investees have less confidence than other groups when dealing with SII – **57% have low to mid confidence** (compared to 31% among investors).

Big Society Capital will continue to work with its partners to further understanding and participation in social impact investment, particularly among the groups mentioned above. Some of these activities are highlighted below.

Media and digital highlights

- In 2021, Big Society Capital averaged 48 pieces of press coverage per month – across national, investment and social sector trade publications.
- In 2021, the Big Society Capital website had 20,000 users, with 72% of visitors being first-time users.
- Big Society Capital published, on average, three blogs per month, a total of 39 blogs across the year.
- The organisation gained 700 new subscribers to its email database, representing growth of 40%. Its quarterly newsletter received an average open rate of 46%, double the industry average.
- On its social media channels, Big Society Capital has over 38,000 followers and gained, on average, nearly 300 new followers per month.

Supporting Government

- Big Society Capital continued to work to grow awareness and deepen understanding of social impact investment with Government audiences.
- The organisation built new and deepened existing relationships with Government stakeholders around key priority areas, for example, engaging Ministers, MPs, Special Advisers, and think-tanks through participation in Big Society Capital events, or through one-to-one meetings to discuss social outcomes partnerships. More than 30 MPs personally wrote or spoke to HM Treasury about SITR, 17 MP posts appeared on social media, and about 40 questions were tabled in Parliament.
- Big Society Capital actively engaged with policymakers to help create supportive policies for social investment, including: the two-year extension of SITR; the 50 basis-point discount on the Recovery Loan Scheme fee for social sector lenders; support for the Access Foundation to secure £20 million of new dormant assets; and helping the Impact Investing Institute, The Good Economy and Pensions for Purpose to secure a new target for Local Government Pension Funds in England to spend at least 5% of their £337 billion of combined assets in local areas.
- The organisation worked to create and strengthen new partnerships to generate advocacy, including the Social Investment Forum, Impact Investing Institute, and think-tanks such as the Centre for Social Justice. The campaign to save SITR, working with key partners Social Enterprise UK, Co-operatives UK, Resonance and Social Investment Scotland, built a large coalition of nearly 50 social sector representatives and investors to jointly advocate to Government. Following on, Big Society Capital worked with the Department for Digital, Culture, Media and Sport (DCMS) to create a research project led by the Impact Investing Institute, to inform policy development utilising key Government levers in the social lending market.

Supporting networks, fund managers and intermediaries

- Big Society Capital assisted with the recruitment of 17 non-executive directors for Big Society Capital's partnered fund managers and frontline organisations, through its partnership with Equity Chair.
- Big Society Capital also provided access to the expertise of Zamo Capital, who worked with a number of partnered fund managers to think through the key steps needed for scale and transformational growth.
- It also ran a fundraising workshop mini-series, and impact management training for fund managers, with over 40 participants.
- The organisation also ran the third cohort of the Aspire Leadership programme, designed specifically for senior staff members from Big Society Capital and its fund managers.

Supporting social enterprises

- In 2021, the Good Finance tool passed the milestone of reaching over 300,000 unique users, with a new cost of capital calculator, animation and resources.
- Big Society Capital's provision of online training in social investment has expanded, with Social Investment Unpicked seeing over 80 graduates of the programme, with participants ranging from capacity building consultancy to larger frontline social enterprises or charities to current or potential social investors. The organisation ran over 25 events reaching over 1,300 individuals.
- Through Good Finance, Big Society Capital launched the Addressing Imbalance programme with the first cohort of seven partners including the Black South West Network, The Entrepreneurial Refugee Network and Caribbean and African Health Network as a route to help address the barriers leaders from under-represented groups or communities find when trying to access finance.
- In addition to investment support, Big Society Capital also provided information for enterprises to help them navigate the current challenges related to the pandemic. Good Finance also updated its resources on the Recover and Rebuild hub, which has supported over 1,200 users.

Supporting investors

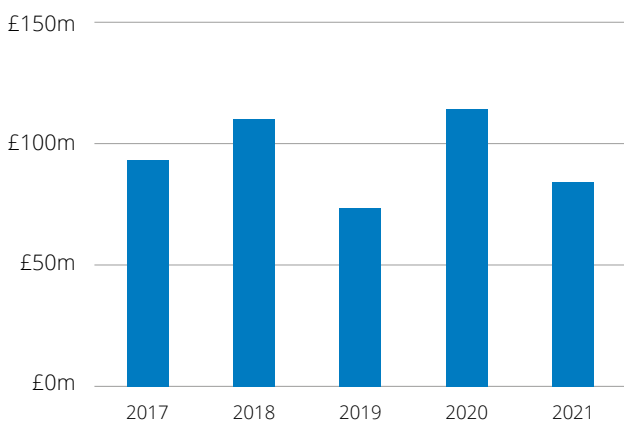
- The Schroder BSC Social Impact Trust was launched and listed on the London Stock Exchange at the end of 2020. The Trust provides investors access to a diversified range of private market impact investments engaging with investors of all types. In 2021, the company built and embedded reporting on the Trust, and raised an additional £10 million in new funds.
- In 2021, Big Society Capital launched a call for ideas, named Ideas for Impact, ultimately identifying seven winners and working with them to develop innovative models with the potential to scale the delivery of impact.
- The organisation also partnered on a number of initiatives to grow awareness and understanding of social impact investing, including the launch of the Catalytic Capital Project with the Association of Charitable Foundations (ACF), and the launch of the Individual Impact Investing Commission with the Beacon Collaborative. It also continued to develop existing networks including Pensions for Purpose, Social Impact Investors Group (SIIG) and the Responsible Investment Network – Universities (RINU).
- The organisation also ran three Impact Venture roundtables for Limited Partnership investors, and ran a webinar attended by a range of institutional investors showcasing its first investor-facing report for housing, entitled 'Mapping the Market: UK Social and Affordable Housing Funds'. In addition, Big Society Capital sponsored the first Pensions for Purpose Social Impact Award, which was presented at its inaugural Annual Impact Investing Awards event, and hosted Toniic's first UK investor meet-up at House of St Barnabas. Speakers from Big Society Capital were engaged at the British Private Equity & Venture Capital Association summit on impact investing in ventures and at Europe's largest venture capital conference, Super Venture.

Financial performance

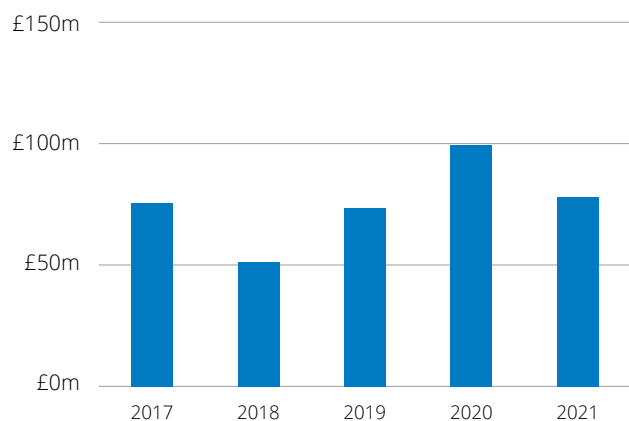
The financial statements on pages 55 to 81 outline the company's financial performance for the period.

The company's investment portfolio is made up of a Social Impact Investment Portfolio and a Treasury Portfolio. The Social Impact Investment Portfolio comprises investments made to meet the company's objectives outlined above. The Treasury Portfolio represents capital held before it is drawn down into social impact investment.

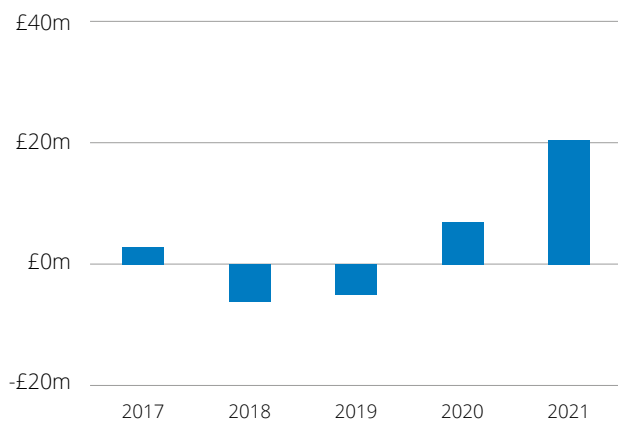
New commitments – last 5 years



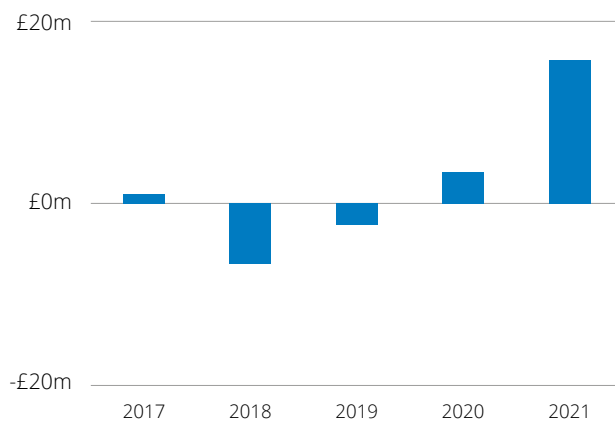
Drawdowns – last 5 years



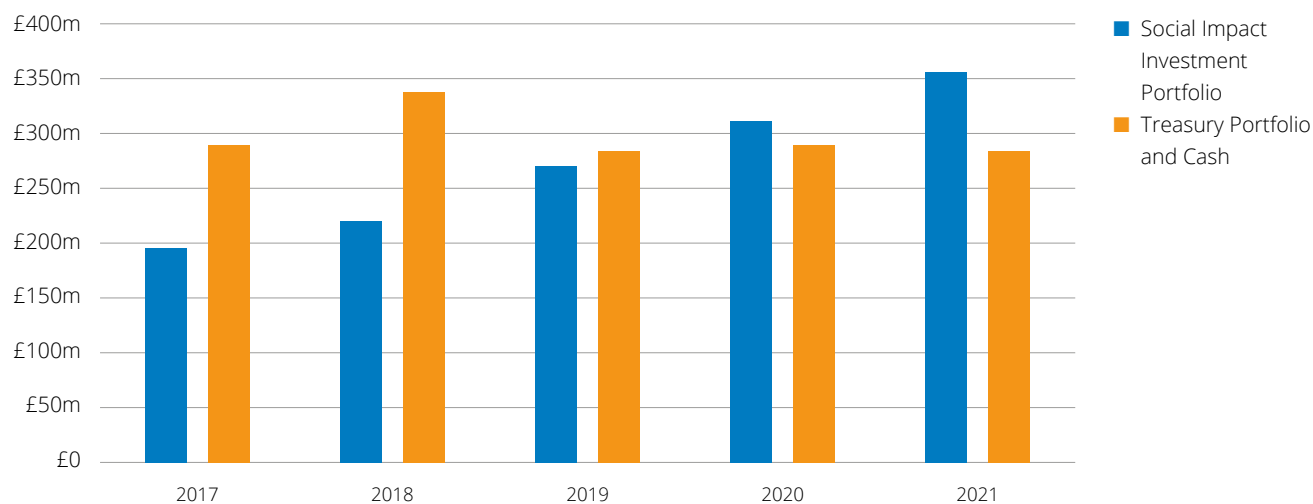
Net Social Impact Investment Portfolio return – last 5 years



Net profit – last 5 years



Valuation of Social Impact Investment Portfolio and Treasury Portfolio – last 5 years



The company utilises a number of financial metrics to track its underlying in-year and longer-term performance, including new commitments, drawdowns and receipts, portfolio return and overall financial return.

In 2021, the company made total new commitments of £80 million. This is in line with the long-term trend, although lower than the previous year, which saw a number of specific Covid-19 commitments. Drawdowns in 2021 totalled £77.6 million and cash receipts £52.8 million, both in line with expectations with receipt levels driven by the stage of the constituents of the company's underlying investment portfolio.

The 2021 results show the largest in-year net profit to date since inception for the company of £16.1 million (2020: £3.7 million). The growth in net profit is largely driven by unrealised (non-cash) valuation gains in a small number of impact venture investments together with limited downside elsewhere in the portfolio relative to previous years. However, as noted in prior years, the company expects to see some volatility within the performance of the Social Impact Investment Portfolio, given the long-term nature and risk of the company's investments. It also expects there to be a general trend towards improved financial performance, as its overall investment approach has developed and a clearer path of returns becomes apparent.

The Social Impact Investment Portfolio has continued to show resilience and recovery as the country emerges from and deals with the ongoing effects of the Covid-19 pandemic. The various Government support measures have cushioned the impact of Covid-19 for many of the enterprise models that the company has invested in. However, the company will continue to closely monitor the effects of the Covid-19 pandemic, and the effects of the uncertain economic and international environment on the UK economy, and its areas of investment focus in particular.

Social Impact Investment Portfolio

The net profit is driven by increased social impact returns, with the Social Impact Investment Portfolio generating a return in 2021 of 6.3% (2020: 2.5%). Although there has again been a positive return in 2021, upward and downward revenue volatility is likely to continue to be a feature of the company's portfolio performance in future years.

A key driver of the company's year-on-year financial performance, is the extent of realised and unrealised valuation gains and losses in the portfolio. Most of the company's Social Impact Investment Portfolio is valued using accounting standards assessing the fair value of an asset at the measurement date, based on International Private Equity and Venture Capital Valuation guidelines. As is common practice with unquoted investments, a key metric of financial success is the actual cash realised on an investment relative to its cost.

The total revenue generated by the Social Impact Investment Portfolio of £20.8 million (2020: £7.2 million) comprises:

Positive net valuation changes and net income relating to underlying investments	
2021 £22.0 million	2020 £9.2 million
The positive movement in investment valuations reflects the nature and risk profile of the investments, and is due to a number of unrealised write-ups within the portfolio outweighing write-downs. The unrealised valuation uplifts are primarily due to a small number of our impact venture investments (see further detail below) made during the previous strategy period whose business models have scaled significantly during the past year, together with limited downsides experienced elsewhere in the Social Impact Investment Portfolio. It also includes income received by the funds from underlying investments.	
Income (comprising interest, fees and dividends received by Big Society Capital)	
2021 £3.7 million	2020 £4.5 million
A modest decrease during 2021 of £0.8 million, largely as a result of interest-bearing assets beginning repayment this year.	
Management fees paid to fund managers	
2021 £5.0 million	2020 £6.5 million
Management fees as a percentage of average total committed social impact investments have decreased in 2021 to 0.95%, compared to 1.20% in 2020. This reduction is driven by the end of the investment period for a number of underlying funds, together with the effect of certain one-off items in the prior year.	

Further breakdown is available in Note 2 – Total revenue.

Investments in impact venture have been an established part of Big Society Capital's portfolio allocation approach for a number of years. We are interested in venture investing, because we believe in the positive impact potential of mission-driven, tech-enabled organisations – in the right context, with the right intent, and with an aligned business model. Tech-enabled companies of this type are key contributors to the uplift we have seen in this period from our Impact Venture Portfolio – some of which have the potential to contribute significant impact in areas such as health, the future of work, and financial inclusion.

The majority of our Impact Venture Portfolio is at early stage, and the uplift in the year is predominantly driven by investee companies going on to raise larger funding at Series A to Series C. These unrealised uplifts are consistent with the wider venture market environment at present, which is seeing significant growth in valuations and capital raised. As our portfolio in venture matures we may see further realised and unrealised uplifts in future, but we balance this with some conservatism given the outlook for the venture market at present is uncertain in light of turbulence in public markets and the potential for increased interest rates.

Treasury Portfolio

Total revenue from the Treasury Portfolio in 2021 was £3.4 million, 27% lower than 2020. The decrease reflects a marginally lower treasury balance for most of the year and lower, but still positive, mark-to-market increases on the social bond, equity and multi-asset funds as a result of greater market volatility in the latter part of the year. The largest portion of the Treasury Portfolio is governed by a mandate that permits only investments that have been successfully screened in accordance with a socially responsible investment process, while aiming for capital preservation. The remainder of the Treasury Portfolio is invested in social bond, equity and multi-asset funds. The level of Treasury holdings reflects the delay between the company entering into social impact investment commitments and the drawdown of funds related to these with most fund commitments being drawn over a three to five-year period.

In the light of recent changes in the inflation and interest rate environment, a review of the composition and risk profile of the Treasury Portfolio is planned for 2022.

Administrative and other expenses

Administrative costs increased by £0.7 million to £8.6 million in 2021 representing 1.4% of average net assets (2020: 1.4%). Treasury management fees remained broadly stable at £0.4 million. The overall increase in administrative costs of 8% reflects continued investment to support the delivery of Big Society Capital's strategy, and enable investment in the resilience and effectiveness of Big Society Capital, as the Social Impact Investment Portfolio continues to grow. This included consultancy spend on various areas, including strengthening our focus on impact, IT enhancement and supporting SBSI. Of the total administrative expenses, it is estimated that approximately half relate to the company's social impact investment market building activities, including executing the engagement plan and pipeline development and origination, for which the company receives no reimbursement.

The longer-term objective is for the company to generate positive financial returns and social impact on a continuing basis, as the Social Impact Investment Portfolio becomes more mature and exits from earlier

investments are realised. The generation of financial returns, over the long term, will also enable the company's operational and market building costs to be more fully covered, and a dividend stream established for our shareholders.

Liquidity

As its level of overall commitments has increased to close to its available capital, Big Society Capital has developed a long-term liquidity model to assess future liquidity requirements, taking into account future expected realisations and expected drawdown profiles. Big Society Capital's cumulative gross signed-to-date commitments are £802 million, however some of these have been fully redeemed or cancelled and therefore are no longer outstanding. In order to manage the relationship between treasury balances and undrawn commitments, and to help ensure an appropriate balance between these, the Board has approved a policy whereby available liquidity should be at least 80% of the level of undrawn commitments.

The company regularly reviews and updates its liquidity model, to confirm its ability to meet its financial commitments in a rapidly evolving economic environment. This involves the stress testing of assumptions and demonstration of the levers that it has available, to ensure it can continue to commit to new investments.

Social impact investment activity and key performance indicators

Big Society Capital has a range of key performance indicators (KPIs) that it uses to evaluate both the social impact investment market and the organisation's performance. The figures below show the company's KPIs at 31 December 2021.

Capital available to social enterprises and charities

Since launching, Big Society Capital has signed 115 investments.

The cumulative amount of investments signed by Big Society Capital and its co-investors is £2,542 million (2020: £2,264 million). When an investment is signed, the funds are then available for fund managers to draw down and invest in frontline investments, including social enterprises and charities.

Of this, £815 million (2020: £735 million) is Big Society Capital's own funds and £1,721 million (2020: £1,529 million) is from its co-investors.

Social Impact Investment Portfolio

In 2021, Big Society Capital signed 12 new investments totalling £80 million (including five follow-on investments) in the following entities (2020: £115 million):

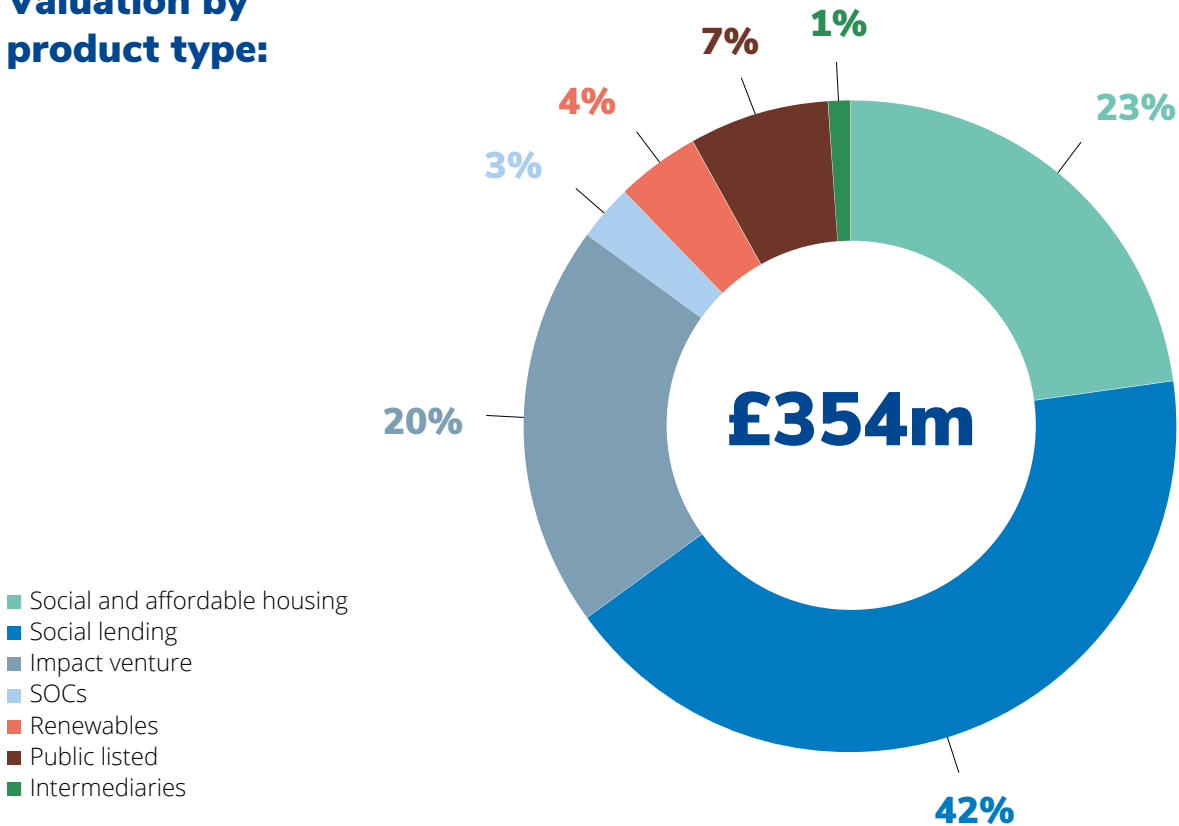
Investment Name	Market System	Commitment	Investment Summary
CBRE UK Affordable Housing Fund	Social and affordable housing	£20.0m	Follow-on investment – CBRE Global Investors (CBRE GI) is seeking to raise £250 million for the launch of its Affordable Housing Fund (AHF). AHF aims to provide equity-like financing for registered providers (RPs) to deliver affordable and social rental housing in the UK.
Recovery Loan Fund	Social Lending	£15.0m	Structured match commitment to lend to SPV set up by SIB, designed to leverage the Government's Recovery Loan Scheme Guarantees to deliver loans to the social sector.
Charity Bank Co-investment Facility	Social Lending	£10.0m	Follow-on investment – Co-investment facility to enable Charity Bank to make larger loans to a wide range of charities and social enterprises.
Man Community Housing Fund	Social and affordable housing	£10.0m	Community housing fund to work with Local Authorities and Housing Associations to provide and deliver affordable housing.

Investment Name	Market System	Commitment	Investment Summary
Resonance Everyone In Fund	Social and affordable housing	£7.5m	Property fund to acquire homes for people at risk of homelessness in London, in partnership with Greater London Authority and National Association for the Care and Resettlement of Offenders (NACRO).
Balderton Growth Capital*	Impact Venture	£5.1m	Late-stage venture fund seeking to support UK and European startups with global ambition to further their 'Sustainable Future Goals'.
Resonance Community Developers Fund	Social Lending	£5.0m	Blended finance fund focused on supporting community groups to develop and own assets, particularly with a focus on housing and sports.
Ananda Social Venture Fund IV*	Impact Venture	£3.5m	Early-stage venture capital fund focused on scaling UK and European impact-driven for-profit enterprises.
Balderton VIII*	Impact Venture	£1.5m	Balderton's latest early-stage venture fund seeking to support UK and European startups with global ambition.
Charity Bank	Social Lending	£1.0m	Follow-on equity investment to provide additional regulatory capital to enable Charity Bank to grow its existing loan book.
Fair by Design (Poverty Premium Fund)	Impact Venture	£1.0m	Follow-on investment – Fund for the development of an ecosystem to eliminate the poverty premium in the UK. The poverty premium describes the situation where the poor pay more for goods and services just because they are poor.
Northern Impact Fund – Key Fund (Access)	Social Lending	£0.3m	Development of the Northern Impact Fund – offering blended loan/grant capital.

*Commitments in foreign currencies are stated in GBP-equivalent.

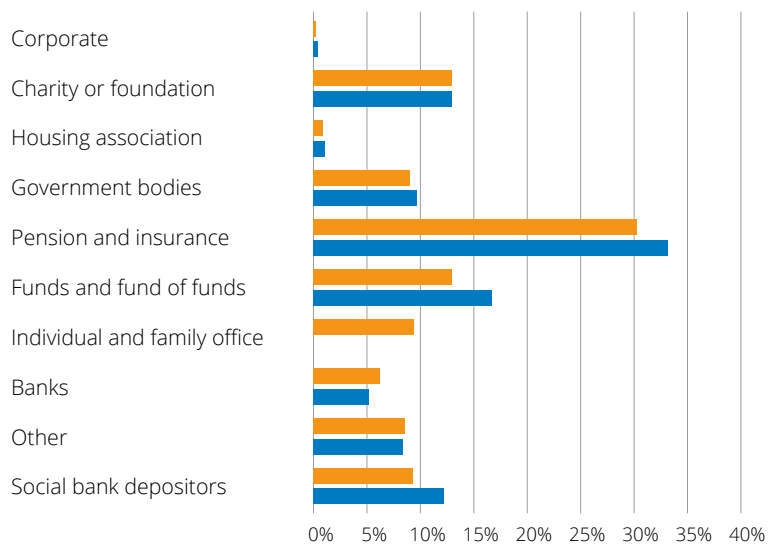
At 31 December 2021, Big Society Capital's Social Impact Investment Portfolio comprised investments totalling £354 million, in the following activities (% of portfolio by valuation):

Valuation by product type:



The major categories of co-investors by type (cumulative):

- 2021
- 2020



Co-investment figures are continually updated and refined so 2020 figures have been slightly updated to reflect this. The Banks category relates to where Banks are LPs alongside BSC in funds. The Social bank depositors category is an estimation of the public depositors (8x BSC investment) within UTB & Charity Bank enabled by the capital adequacy provided to these banks in part by the equity investment BSC has made into each of them.

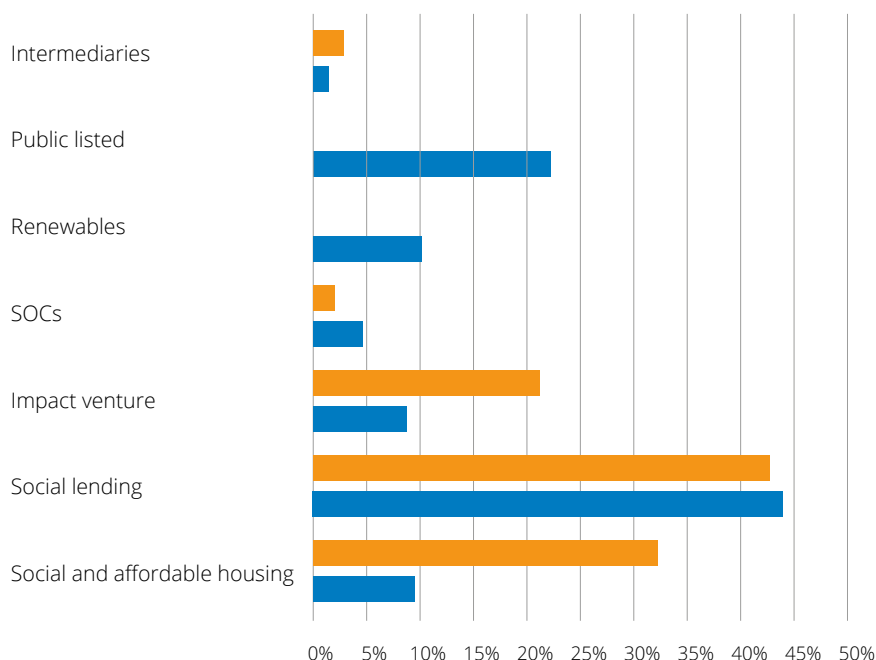
Capital deployed in social impact investments:

- The cumulative amount drawn down from Big Society Capital and its co-investors is £1,804 million (2020: £1,456 million). Big Society Capital's expectation is that the average investment will typically take between one and six years to fully draw down.
- Of this £530 million (2020: £452 million) has come from Big Society Capital's own funds and £1,267 million (2020: £1,004 million) from its co-investors. In 2021, drawdowns by investee entities totalled £77.5 million (2020: £101 million).

The drawdown has been utilised as follows (based on Big Society Capital's drawdown):

**2020/21
Cumulative
drawdown by
product type:**

■ 2021
■ 2020



Subsequent events

The incumbent Chair of the Big Society Capital Board, Sir Harvey McGrath, will have served nine years with the organisation as of September 2022, and will therefore cease to be considered independent. The business is extremely grateful to Sir Harvey for the time, wisdom and experience that he has shared with Big Society Capital in his time as Chair, and wishes him well. In 2022, the Board of Big Society Capital approved the appointment of Robin Hindle Fisher as Chair of the Board of the Company, subject to FCA approval and effective as of the date of such approval. See <https://bigsocietycapital.com/latest/big-society-capital-appoints-robin-hindle-fisher-as-new-chair/> for the full press release. The Board is excited to work with Robin, who promises to bring a fresh perspective, and depth of insight to the company.

In support of the certification process for registration as a B Corp, certain changes were required to Big Society Capital's Articles of Association, which were

passed with unanimous approval from shareholders post-period end on 21 January 2022. Further information on the organisation's plans for B Corp registration can be found in the Big Society Capital as a responsible business section below.

As part of the development of our 2025 Strategy we have discussed extensively with our Board and shareholders the need for Big Society Capital to operate with a clear and transparent financial return target considering its mandate to operate sustainably alongside its broader social impact goals. In early 2022 the Board communicated to shareholders its intention to operate on the basis of a modified net return target (after the company's own operating costs) in the region of 1% over a rolling five-year period. We believe this is a fair and appropriate level given both historic performance and Big Society Capital's dual remit both to deploy its own capital and to catalyse the wider social impact investment market.

Big Society Capital as a responsible business

Big Society Capital seeks to maximise its positive impact, and demonstrate its values as a social organisation, through how it runs its operations, its staff policies, its approach as an investor and its wider engagement with the social sector.

The focus of Big Society Capital's work has historically been, and continues to be, the intentional social impact that our investments contribute to. While the organisation recognises that social and environmental impact are intrinsically interconnected, where it has made investments into business models that create a positive environmental impact, this is typically done through the lens of the impact of such investments on people. Big Society Capital's approach is generally to identify the sustainable business models that will create impact and improve people's lives, while minimising the negative and maximising the positive environmental impact to the extent material in such business models.

Taskforce on Climate-related Financial Disclosures (TCFD) reporting

Given the environment is a key part of improving people's lives, Big Society Capital recognises that environmental risks, particularly those associated with climate change, can be significantly detrimental to its mission. Big Society Capital is therefore supportive of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD), and the below section is intended to align with the TCFD's recommended reporting framework. Big Society Capital's analysis has identified housing-related business

models in our Social Impact Investment Portfolio as its most material source of climate-related risk; therefore, work to date and focus for the coming year are to understand in greater depth and mitigate this risk.

Governance

Board oversight of climate-related risks and opportunities

Big Society Capital's Board has overall responsibility and accountability for climate change-related issues, to the extent they affect our strategy and operations. For example, an update to the organisation's Responsible Business Principles, which includes a commitment to combat climate change, was reviewed and approved by the Board this year and operationalised by the Investment Committee and management as described below. The updated Principles, as well as details of how they are applied in Big Society Capital's investment process, can be found here: <https://bigsocietycapital.com/about-us/responsible-business-principles/>.

Big Society Capital's approach towards climate change focuses on the risks posed to its mission. Climate change is typically overseen at Board level by the Board's Audit, Risk and Compliance Committee (ARCC). In July 2021, ARCC was presented with an overview of Big Society Capital's approach more generally towards Environment, Social and Governance (ESG) factors in its investment process, and a deep-dive analysis on environmental (including climate change) risk, prepared internally. As with all other risks, ARCC ensures that climate-related risks are taken into account by the Board when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets and business plans, as well as setting Big Society Capital's performance objectives, monitoring implementation and performance.

Management's role in assessing and managing climate-related risks and opportunities

ARCC and the Board are supported in their oversight of climate change risks by the management team at Big Society Capital. In particular, climate-related risks are

monitored and reported to ARCC by the Chief Financial Officer, with the assistance of a Senior Investment Director.

Where climate-related risks are specifically associated with Big Society Capital's investments, these are surfaced, monitored and mitigated in accordance with its ESG approach in line with the Responsible Investment Policy, for which the Chief Investment Officer is responsible. Climate-related risks, along with any other ESG risks, are scrutinised by the Investment Committee when a decision to invest, or otherwise, is made, based on the diligence conducted by the investment team. Post-investment, monitoring of identified risks is undertaken by the investment team and reviewed by the Performance Committee annually.

Strategy

Identification of climate-related risks and opportunities

As an investor in private, illiquid investments, Big Society Capital's time horizons range is typically seven to twelve years, during which time it expects the material climate-related risks, identified and discussed in detail below, are likely to arise. The precise definitions of short, medium and long-term in respect of these risks are in the process of being defined and will be published in subsequent disclosures.

Materiality at Big Society Capital is determined by reference to the extent to which an issue affects:

- financial, impact and/or systems change performance of a particular investment;
- right holders, people not captured by the impact thesis for an investment, such as employees of the fund manager; and
- reputation of Big Society Capital or the wider social impact investment market.

Impact of climate-related risks and opportunities on businesses, strategy, and financial planning

Big Society Capital considers the impact of climate-related risks, after taking into account existing mitigation, on the organisation to be relatively low (as discussed in more detail below). The organisation appreciates that this is subject to change and, therefore, it is important to continue to monitor these risks. This is one of the reasons Big Society Capital updated its ESG approach this year to more explicitly take into account climate-related risks when making investment decisions. This increased, and more explicit, focus has led the organisation to commission external consultants to examine climate change issues in social housing investments, detailed below.

Different climate-related scenarios

Big Society Capital has not yet conducted an analysis based on different climate-related scenarios. Based on the climate-related risks identified below, the organisation believes that different scenarios are unlikely to materially vary the climate-related risks that it faces; therefore, this has not been a specific priority to date, due to the challenges of consistent and quality data collection for many of the organisation's stakeholders. Big Society Capital continues to monitor these risks and explore how the organisation might more efficiently collect this data across its portfolio, and, therefore, the organisation's position on climate-related scenarios continues to remain under review.

Risk management

Identifying, assessing and managing climate-related risks

As part of the Environmental Risk deep-dive presented to ARCC, a Senior Investment Director at Big Society Capital reviewed the material environmental risks faced by the organisation. This review considered both:

- transitional risk – risks due to changes to climate and energy policies and regulation, shifts to low-carbon technologies and liability issues; and
- physical climate-related risk – risks resulting from extreme weather events and acute or chronic risks from longer-term shifts in climate patterns such as higher temperatures.

For each risk identified, an assessment was made of the risk's possible consequences, their likelihood and severity. The former is taken to mean the probability of different outcomes of the risk occurring; the latter is defined as the negative impact that would result should such risk materialise. The combination of the risk's likelihood and severity was considered to produce a risk rating.

This review first considered the nature of the business models that make up Big Society Capital's Social Impact Investment Portfolio. Most business models by number are service-based, with no or limited use of assets or reliance on natural resource and infrastructure. These organisations will typically have low greenhouse gas emissions and be restricted to the use of an office (Scope 1); choice of energy provider (Scope 2); and employee travel and third-party service providers (Scope 3). Big Society Capital aims to encourage these organisations to protect the environment and help combat climate change through its Responsible Business Principles, and ensure the fund manager is assessing ESG risks in its investment process. However, Big Society Capital does not believe these risks are material in line with the definition above.

The other group of business models within Big Society Capital's portfolio are those underpinned by an asset, and can be broadly categorised as 1) housing; 2) community assets such as community centres and leisure facilities; 3) transport such as community transport. There is a higher

environmental risk for these business models. Housing-related business models are the most material within Big Society Capital's portfolio (c 22% of the portfolio at the end of 2021 was in Social and Affordable Housing). Community assets are prevalent in social lending either for standard loans (three to five years) or via long-dated mortgages in the bank lending product area. Big Society Capital has limited exposure by value to transport-specific business models, however, many social enterprises will use vehicles to deliver their business models, for example transporting beneficiaries, travelling to deliver services, or delivering products. In the case of the latter business models, the vehicles are an enabler rather than driver of the business model and revenue streams, so are not deemed material within the portfolio.

Big Society Capital's review was further supplemented by ongoing dialogue with the fund managers and other intermediaries with which the organisation invests on ESG issues. Big Society Capital holds "annual impact conversations" with key managers and intermediaries to discuss their impact performance, which includes ESG, and understand their perspective on ESG risks facing the sector. The organisation also participates in asset class-wide initiatives, for example, the Equity Impact Project (see below) with respect to housing funds and Venture ESG, which deals with ESG issues in venture capital.

Based on this review, the following climate-related risks were identified and rated above a "Low" risk, and the following mitigants and management measurements were noted.

Risk area	Extreme weather events and temperature
Sub-category	Loss or damage to assets/infrastructure
Commentary	Housing or asset-based business models are likely to be most affected. However, there is a relatively lower risk of extreme weather events in the UK than elsewhere globally combined with established infrastructure and a developed insurance industry.
Likelihood	Medium
Severity	Low to medium
Risk RAG pre-mitigants	Low to medium
Mitigants and Management Measures	<ul style="list-style-type: none"> • Infrastructure in the UK is well established which limits the severity of impact of extreme weather events which are irregular. • Developed insurance market which most developers and organisations will hold, often as a requirement of financing. The extent that a fund manager considers this is part of its ESG approach and is assessed during Big Society Capital's due diligence. • Geographical spread across the UK which limits the impact for a location-specific extreme weather event (eg flooding).
Risk RAG post-mitigants	Low

Risk area	Failures of climate change mitigation and adaptation
Sub-category	Construction standards
Commentary	There is a move to further improve the sustainability of construction standards to mitigate the effects of climate change. There is a reasonable likelihood of tighter regulation which may lead to higher costs. These are being considered by the social and affordable housing market system and sustainability is assessed in all new proposals.
Likelihood	High over the long term
Severity	Low to medium
Risk RAG pre-mitigants	Medium
Mitigants and Management Measures	<ul style="list-style-type: none"> • Fund manager's ESG approach assessed during due diligence and monitored during portfolio management. This will include the extent the manager assesses/monitors compliance with existing regulation. • Within the social and affordable housing market system, a fund's approach to sustainability is a core area of consideration. • Big Society Capital has commissioned external consultancy support to develop an environmental risk framework and ESG module for housing investments.
Risk RAG post-mitigants	Low

Risk area	Risks linked to transition to a low-carbon economy
Sub-category	Energy efficiency
Commentary	There may be a requirement to retrofit existing building stock for certain housing business models and other asset-based models. This may lead to unexpected costs that affect fund performance and/or an organisation's ability to repay. This is mitigated by active management by the fund manager and in Social Lending, longer-dated loans will be secured and to more established organisations.
Likelihood	High over the long term
Severity	Low to medium given high existing standards
Risk RAG pre-mitigants	Low to medium
Mitigants and Management Measures	<ul style="list-style-type: none"> • Ongoing monitoring of regulatory requirements on retrofitting existing housing stock by the market system team, particularly where action is required within the life of our investment and may lead to additional, unexpected costs. • Standard loans for community assets less likely to be affected given lead-in times for new regulation and short loan tenors. More likely to result in lending opportunities. • Mortgages for community assets may be affected by additional costs, however, lending to more established organisations and loans is secured.
Risk RAG post-mitigants	Low

Risk area	Risks linked to transition to a low-carbon economy
Sub-category	Carbon taxing
Commentary	Few business models will be subject to material carbon taxing as almost all do not operate in carbon-intensive industries. Transport-specific business models may be affected with fuel duties and particularly with the UK Government's ban on new petrol and diesel vehicles from 2030. Some social enterprises that use vehicles as an enabler to their activity may be affected, however, Big Society Capital is not able to influence this directly and depending on the materiality, would be considered by the fund manager.
Likelihood	High
Severity	Low given limited exposure in BSC portfolio
Risk RAG pre-mitigants	Low to medium without mitigation
Mitigants and Management Measures	<ul style="list-style-type: none"> • Fund manager's ESG approach assessed during due diligence and monitored during portfolio management which will identify and manage this risk if it is material in the portfolio whether for transport-specific or where transport is an enabler. • Limited exposure in the portfolio. Future lending funds seek to bring in risk mitigation elements such as blend and guarantees which protects our downside risk if the small current exposure grows.
Risk RAG post-mitigants	Low

The conclusion that the other risks identified were low risks was principally due to their limited or ancillary relevance to the underlying business models that Big Society Capital's Social Impact Investment Portfolio is exposed to. For example, the organisation considered the potential risks posed by climate change to energy management. Few business models in the portfolio are focused specifically on energy management, with most relying on access to energy from the grid which is well established in the UK. The exception is community energy, which is an environmental impact opportunity.

Integrating climate-related risks in risk management

As highlighted above, climate-related risks are monitored by the Chief Financial Officer supported by a Senior Investment Director, in conjunction with other risks, and reported to ARCC. To the extent such risks arise from Big Society Capital's investments, they are monitored by the investment team and reported as part of an overall performance assessment to our Valuation and Performance Committee.

Treasury Portfolio

Management of over 80% of Big Society Capital's Treasury Portfolio by value is outsourced to a specialist investment manager who follows a strategy of investing predominantly into short and medium-duration listed bonds with a clear ESG framework, in line with Big Society Capital's Treasury Policy approved annually by the Board. During 2021, Big Society Capital reviewed the manager's approach to responsible investments/ESG/climate and concluded that it is sufficiently robust and aligned with best practice. In particular, the manager's exclusion lists, ESG framework and stewardship approach stand up to scrutiny and more than align with Big Society Capital's ESG approach for its Social Impact Investment Portfolio.

Metrics and targets

Metrics and targets used to assess and manage climate-related risks and opportunities

The risk identification exercise, discussed above, concluded that the climate-related risks faced by housing-related business models in our Social Impact Investment Portfolio are most likely to be material. This means that we have chosen to focus any measurement of climate indicators in the housing investments. This is the area where Big Society Capital believes its climate-related risks are concentrated, and where it can have the greatest influence on climate change performance.

Big Society Capital has commissioned an external consultancy to support the organisation in developing an environmental risk framework and ESG module specifically for its housing investments and a broader paper on the pathway to Net Zero. Over time, this work will inform Big Society Capital's own approach to environmental and climate change risks, including measurement, and KPIs, and will develop a Position Statement on Big Society Capital's plans to move towards alignment with international Net Zero investment frameworks. Big Society Capital also aims for this work to influence the wider sector by linking it to the Equity Impact Project, a collaboration between Big Society Capital, The Good Economy, and a group of ten investment fund managers, with the support of Trowers &

Hamblins and the Association of Real Estate Funds, aimed at creating common standards of impact measurement in social and affordable housing. Similarly, Big Society Capital has been involved in the ESG Social Housing Working Group and its development of a common reporting framework for social housing providers, which includes climate change indicators.

Scope 1, 2 and 3 greenhouse gas (GHG) emissions

The measurement of greenhouse gas (GHG) emissions at Big Society Capital and across the investment portfolio more generally involves several challenges with respect to data quality and consistency for the organisation's stakeholders. Therefore, given that the organisation considers the materiality of the risk posed to be relatively low at present, and in the interests of taking a proportionate approach, Big Society Capital does not currently monitor GHG emissions. Please see above for the measurement of GHG emissions in the social housing investments. Big Society Capital will continue to keep this position under review and explore more efficient methods of collecting GHG emissions data.

Responsibility as a consumer

At an organisational level, Big Society Capital continually seeks to reduce its environmental impact as far as possible, for example using recycled paper and segregated recycling systems in its staff kitchen, as well as the ongoing emphasis across the organisation to 'Buy Social and Go Green'.

In respect of office premises, Big Society Capital's only office has undergone a pre-assessment for the Building Research Establishment Environmental Assessment Method (BREEAM) in-use certification. The pre-assessment has highlighted some areas for improvement, which the building management is now looking to address. The intention is for the building to be certified in the course of 2022.

As part of procurement at Big Society Capital, the organisation seeks, where possible, to source goods and services from social enterprises, charities and not-for-profit organisations that align with the organisation's overall mission. To further support and expand this work into 2022, Big Society Capital will consider how it can formally incorporate the principles of the Social Value Act and include a dedicated Buy Social element within the organisation's procurement policy.

Responsibility to the sector

Big Society Capital promotes the use of social enterprises both as part of its business supply chain and by individual employees. At the end of 2021, Big Society Capital had 41 (2020: 35) charities, not-for-profit and social enterprises in its supply chain, including providers of catering, stationery, staff care packages, staff training, team-building events such as online cookery lessons, event seminars and venue hire.

The company encourages staff to undertake trustee and other governance roles in social enterprises and charities, outside their work commitments and on a voluntary basis. Over a quarter of staff serve as trustees for a variety of charities and social enterprises, and at least 400 hours are spent by staff each year supporting charitable organisations in this way.

Led by a cross-functional team at Big Society Capital, the organisation has been taking steps towards becoming a B Corp, and made great progress in 2021, completing its B Impact Assessment and receiving Board approval to submit the application. As part of the certification process, certain changes were required to Big Society Capital's Articles of Association, which were passed with unanimous approval from shareholders post-period end on 21 January 2022. Big Society Capital looks forward to completing this application in the year ahead, and upholding the highest standard of social and environmental performance as a business.

Responsibility as an employer

Big Society Capital seeks to be a responsible employer, and in 2021 worked with staff to plan wellbeing initiatives that would meet a variety of needs. Key initiatives included a mental health awareness programme open to all staff, with expert advice on how to ensure a positive start to the year, and ideas to manage long-term mental health. The organisation also provides professional coaching to any staff with long-term mental or physical health conditions and has increased the number of mental health first aiders.

Big Society Capital's Flexible Working Framework is being used to create a hybrid working model that meets the needs of individuals, teams and the wider organisation, and allows for a mix of home and office working. The organisation encourages teams and managers to take responsibility for developing new ways of working, and supporting them with practical guides and people practices that encourage engagement within and across teams.

Continuing Big Society Capital's focus on Learning and Development, the organisation ensures its training offering covers a broad spectrum of learning opportunities for professional development, leadership and management development and increasing sector-specific knowledge. To ensure consistent and regular development discussions, Big Society Capital has implemented a talent management framework to help all staff think about how they want to progress during their career at Big Society Capital and beyond.

Equality, Diversity and Inclusion (EDI)

Since 2020, Big Society Capital has worked hard to implement the actions identified in its equality, diversity and inclusion (EDI) action plan, ensuring these are embedded into its culture. Big Society Capital has adopted three principles to guide its EDI work.

- **Intention:** making deliberate choices about what Big Society Capital is going to do and how the organisation will know when it has made progress.
- **Transparency:** collecting and publishing data where possible.
- **Building capacity** with and for others rather than trying to do everything within the organisation: Big Society Capital does not yet have all the answers and is still developing its plans.

It is hoped these three principles will help the organisation make progress when applied across four areas of work: internal standards; the investment strategy and processes; managing and reporting on the portfolio; and work as a market builder.

Big Society Capital published its EDI plan in 2021 as a public document that outlines its approach and what it will be looking to do on this in line with its 2025 strategy. Please see: https://big societycapital.fra1.cdn.digitaloceanspaces.com/media/documents/Big_Society_Capital_EDI_plan_Oct_2021.pdf.

Some highlights on what the organisation has achieved across its three business areas in relation to its broader EDI plan are:

- Within its **People & Talent** team the organisation has explored ways in which Big Society Capital can be an inclusive employer able to attract talented individuals from all walks of life. As a result, it has taken part in programmes such as the 2027 Programme and 10,000 Black Interns as well as offered roles to two apprentices. Furthermore, it has also published a Gender and Ethnicity Pay Gap report, as well as introducing an internal reverse mentoring programme.
- The **Engagement** team has been exploring ways in which social impact investment can better reach different geographies and diverse communities that have found it difficult to access it in the past. As a result, work has taken place on developing and building a new cohort of frontline organisations and networks as part of the company's update of the Addressing Imbalance programme, and releasing a newly updated Outcomes Matrix, which will enable frontline organisations to understand how equality and equity can play a role in measuring impact.
- Its focus within the **Investment** team has centred on how it embeds EDI practices into the way the company makes its investments, collects data and develops investment strategies that take an equity-based approach. The company has worked closely (and continues to work closely) with sector initiatives such as the Equality Impact Investing Project, as well as using the relationships it has with fund managers to bring about better practice on this.

Board decision-making and stakeholder considerations (s172 report)

The Board of Big Society Capital is committed to the success of the organisation's mission to improve the lives of people in the UK through investment with a sustainable return. It is vital that the company can establish, balance and maintain connections with a diverse set of key stakeholders, with differing interests and expectations. This includes working with expert partners who can identify areas of need, collaborating with fund managers and social banks, and liaising with beneficiaries of funds.

Big Society Capital's goal is not only to ensure its own sustainability and reputation, but to balance this by acting as a catalyst to the development and growth of the wider social impact investment market. Big Society Capital's Board of directors is mindful of the need, therefore, to take a holistic and long-term approach to decision-making, and of its duty to promote the success of the company for the benefit of its members, while having regard to the following (s172(1)) requirements:

- a) the likely consequences of any decision in the long term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the company.

(a) Long-term decisions

It is Big Society Capital's objective not only to invest in the short term, but to grow the social impact investment market and become a sustainable business over the longer term, with capital to reinvest in enterprises and initiatives that meet a social need. Big Society Capital also seeks to act as a model for successful social impact investment to provide reassurance to other investors, strengthening the social impact investment market as a whole. As part of its remit to monitor the company's progress against its objectives, therefore, the Board seeks always to make decisions that will have long-term impact outside the company itself, maturing and deepening the wider market.

Key issues and actions taken in 2021

The Board met in April 2021 to discuss and agree the new strategy to 2025, as outlined earlier in this report. It was agreed that the new strategy should focus on scaling and on growing specific market systems in a way that not only encompasses the investment made by the organisation, but also strengthens the longer-term stability, awareness and trust in social impact investment in the wider market. The Board carefully discussed the need to ensure that, notwithstanding the need for scalable investment, newer and innovative approaches should continue to be sought and modelled by Big Society Capital over the longer term. The Board also spent time considering the long-term sustainability of the organisation's funding, and how the new strategy would support this.

(b) Interest of the company's employees

Stakeholders

Big Society Capital places considerable emphasis on supporting and developing its employees and is promoting a diverse and inclusive culture. The Board of directors is aware of the crucial part that Big Society Capital's employees have to play in achieving each of the company's objectives, and of the risk to the business posed by the underdevelopment, dissatisfaction or departure of employees.

How the Board engages

The Board has a committed and active Nominations and Remuneration Committee (N&RC), which spends a sizeable proportion of its time discussing people issues, HR strategic plans, remuneration policies and the results of staff surveys. The Head of HR is a standing attendee and reports to each meeting.

In addition to N&RC, the Board's Audit, Risk and Compliance Committee (ARCC) meets quarterly, and discusses top risks. People risk has remained a key topic throughout each ARCC meeting in 2021, with the Committee focusing particularly on arrangements to support 'hybrid working' as the country emerged from the Covid-19 lockdowns, and the need to support and retain staff in a newly mobile employment market.

As part of the Board's engagement with staff, and to ensure that staff have a 'voice' at Board level, Big Society Capital has established a Staff Council, which comprises a representative group of employees across the business and meets quarterly. The Council reviews pertinent Board papers ahead of submission, and provides input on key issues and projects, which is communicated back to the Board as a discrete section of the report from the CEO in every Board meeting.

After each Board meeting, the company's CEO provides feedback to staff wherever appropriate, giving a flavour of the discussions and topics covered, so that staff who

did not have the opportunity to attend are fully briefed on the interests and concerns of the Board.

Key issues and actions taken in 2021

Covid measures in place in the office and hybrid working plans were discussed in detail at N&RC in February 2021, with a focus on how the company could prevent staff burnout, and again at ARCC as part of a deep-dive on people risks in October 2021.

The Board discussed the business-wide EDI action plan, as discussed earlier in this report, in June 2021 and noted and agreed the actions to which the organisation had committed. The Board also held a separate, externally facilitated Board EDI discussion in November 2021, attended by all company elected directors and the Company Secretary. Areas of discussion included the need for Board transparency on EDI aspects in respect of the organisation's investment choices, as well as its internal culture and policies, and also EDI issues in the context of Board recruitment and Board dynamics. Gender equality and pay gap reports were discussed in some detail in both N&RC meetings throughout the year and this continues to be a focus.

In respect of staff satisfaction and turnover rates, N&RC reviewed staff survey results in February 2021, with turnover figures discussed in ARCC as a key risk in each of its quarterly meetings and with a deep-dive on this topic also held in October 2021.

An external benchmarking review of remuneration for staff across the company was commissioned in 2021, and the results were discussed by N&RC at a dedicated meeting in December 2021.

Particularly in the context of decisions to take on or expand projects, the Board takes care to consider the impact on staff wellbeing and workloads, ensuring that the company can meet realistic resource requirements, and encouraging management to confirm that the spread and timing of competing deadlines remain achievable.

People strategy, EDI issues and pay gap reporting will remain a key focus in 2022.

(c) Relationships with suppliers, customers and others

Stakeholders

Stakeholders for Big Society Capital include suppliers, shareholders, fund managers, social banks and other intermediaries, frontline organisations receiving investment and, ultimately, the end-users of those social enterprises and charities. The company relies on good relationships with its partners to achieve its long-term aim to build and sustain the social impact investment market, and on establishing a strong reputation among all stakeholders, particularly shareholders and

Government bodies, to continue to sustain itself and preserve and strengthen its reputation. It also relies on experts and advisers to appropriately target its investment areas, and on the frontline charities and social enterprises to deliver the intended impact for their respective beneficiaries, to allow it to achieve its overall purpose (to improve the lives of people in the UK).

How the Board engages

Intermediaries and Investors:

Fund Managers and Social Banks: Big Society Capital's Valuation and Performance Committee, which comprises both executives and Board members, reviews Big Society Capital's Social Impact Investment Portfolio, from both an impact and a performance perspective, and the investment team holds intermediaries to account, working with them to find solutions in challenging areas. The Board receives an Investment Activity Report in each meeting. ARCC also considers matters arising from the Valuation and Performance Committee meetings, and reports any significant issues to the Board.

SBSI: In 2020, Big Society Capital entered into a contract to provide portfolio management services to Schroder Unit Trusts Limited, which acts as Alternative Investment Fund Manager to SBSI. Big Society Capital provides quarterly reports to the SBSI Board, and has established an SBSI-specific Investment Committee, whose composition includes non-voting representatives from Schroders. Reports on the progress and performance of SBSI were provided to ARCC on at least a quarterly basis through 2021, and from a strategy perspective are included within the CEO report to the Board in each meeting.

Frontline Organisations and their Beneficiaries:

Impact Reporting and Media: Every alternate meeting of the Valuation and Performance Committee focuses on performance, including impact performance, of the underlying investments, and in 2021 a new set of detailed impact reporting dashboards was designed and presented to the Valuation and Performance Committee in December. These dashboards will be shared with the Board in 2022. A media round-up is produced and circulated to the Board on a monthly basis, providing an overview of media representation and feedback from the social sector. Discussions are held at Board level within quarterly meetings following any significant media reports or pre-knowledge of them, and may also be discussed in depth by ARCC, where necessary.

Advisory Board: The Advisory Board for Big Society Capital comprises a selection of individuals from social sector organisations and social investment organisations and meets regularly with the CEO to gain feedback on pertinent points and projects. Minutes from these discussions are shared with the Chair of the Board.

Sourcing of Supplies and Services: As outlined previously in this report, Big Society Capital has a policy of sourcing goods and services wherever possible in a way that aligns with its overall objective, and continues to expand the number of social enterprises within its supply chain. Where this is not possible or appropriate, the company remains committed to seeking ethical, environmentally or socially sound services as far as possible. See the Responsible business section on page 28 for further information.

Government Bodies:

Regulators: The Board is aware of its obligations to the FCA, and key FCA submissions are brought to the Board in a timely manner and considered carefully.

Other Policy-Making Bodies: Big Society Capital works closely with various Government and policy-making bodies and, where relevant, material matters in respect of the activities of these bodies and the company's interaction with them are brought before the Board via the CEO report.

Key issues and actions taken

Following the Quadrennial review of the company in 2020, commissioned by the Oversight Trust – Assets for the Common Good, and which comprised feedback from a range of stakeholders, an action list was established, and progress against this continued to be monitored by the Board throughout 2021. A brand survey was also undertaken in 2021 to collect feedback from stakeholders on how the company was viewed, and trends and actions arising from that were reported and discussed by the Board.

Big Society Capital also commissioned an externally facilitated impact review, the results of which were presented to and discussed by the Board in March 2021.

In October, the Board requested further details from management in respect of potential reputational impact on the company arising from the actions of third-party organisations that were not directly linked to the business, but which had received negative press coverage that could impact on stakeholders and the wider sector in the area of social housing. A full discussion of this was held in the December Board meeting and again in the ARCC meeting, with further discussion held in January 2022 in ARCC.

A deep-dive discussion was also requested by the Board in October 2021 and held in December 2021, in respect of the organisation's strategy as regards the specific stakeholder group of public affairs bodies.

(d) Impact on community and environment

Stakeholders

The positive effect on community and environment underpins Big Society Capital's overall purpose and each of its market focus areas. Big Society Capital's portfolio of underlying investments numbers over 2,000 individual charities and social enterprises located across England, Wales and Scotland, covering both rural and urban areas.

How the Board engages

Full details of how the company engages with its community and environment as a user of resources are included within the Responsible business section on page 28, and the Board retains an interest in this approach. In addition to reporting as set out above, covering activities and impact across all Big Society Capital's investments, the Board is also updated as to any key operational changes that may impact the business' environmental footprint, as well as any new initiatives to help limit the organisation's carbon usage and promote good practice across the market.

Key issues and actions taken

The Board has taken a specific interest in how the organisation takes responsibility in respect of climate risk, and there have been Board discussions and deep-dive discussions in ARCC on this matter. ARCC discussed this matter in detail in July 2021 and again in October 2021 and has requested early sight of ESG reports together with greater disclosure in the annual Financial Statements. The Board has a separate meeting scheduled in early 2022 on the ways in which ESG and climate risks could be considered, particularly across Big Society Capital's housing investments.

(e) High standards of business conduct

Big Society Capital is party to a Governance Agreement with its majority shareholders, requiring it to adhere to a comprehensive set of Principles in respect of Investment, Responsible Business, Appointments and Remuneration. Big Society Capital seeks to uphold best practice standards in all areas, and to respond quickly and positively to stakeholders.

In 2021, an externally facilitated Board evaluation was commissioned, to ensure that the Board continues to operate to the highest possible standards and effectiveness, results of which will be reported to the Board in early 2022.

(f) Acting fairly between members

The Oversight Trust

The Chair of the Board liaises regularly with the Chair of the Oversight Trust, which is Big Society Capital's majority shareholder and is charged with an oversight role over the business. Under the terms of its Governance Agreement, Big Society Capital delivers quarterly reports to the Board of the Oversight Trust covering financial performance, activities and strategic plans, and refers to the Oversight Trust on certain decisions, such as changes to remuneration policy and appointments to the Board or CEO positions. The Chair of the Board and CEO of Big Society Capital attend one Board meeting of the Oversight Trust a year, to discuss matters relating to strategy and performance.

In 2021 there has also been increased liaison between the Chair of N&RC and the Chair of the Oversight Trust in respect of Board and CEO recruitment processes to ensure transparency and openness of communication.

Shareholder banks

Big Society Capital also regularly meets its minority shareholders (the shareholder banks) to provide similar updates. The Board of Big Society Capital includes one non-executive director nominated by the four shareholder banks (Stuart Foster), and all shareholders receive copies of Big Society Capital's Board papers.

Principal risks and uncertainties

Risk management framework

In order to achieve its mission, Big Society Capital is required to take risks from a strategic, financial return and social impact perspective. Big Society Capital has established a risk framework and a related set of policies that provide oversight and accountability for the identification, assessment and management of risks across the organisation.

The Board, supported by ARCC, is ultimately responsible for Big Society Capital's risk management framework, and for regular review of its adequacy and effectiveness, with operation of the framework delegated to the executive team. The framework is designed to support informed decision-making regarding the risks faced by the organisation, with the intention of managing acceptable risks within the agreed risk appetite, rather than eliminating such risks.

The key elements of Big Society Capital's risk management framework include:

- setting of annual and longer-term corporate objectives and quarterly reporting against agreed KPIs;
- a Risk Appetite Statement approved annually by the Board, together with key indices that are monitored quarterly;
- a quarterly review by the executive team of key risks faced by Big Society Capital;
- a robust investment decision-making process;
- half-yearly portfolio valuation and monitoring processes; and
- policies, procedures and authorisation levels against which the company operates.

The risk framework is based on a 'three lines of defence' model. The first line of defence is through the executive leadership team and line managers, who are responsible for day-to-day identification, reporting and management of risks. The second line of defence is responsible for designing risk policies and monitoring risk performance and providing objective challenge to the first line of defence – for Big Society Capital this is primarily delivered through ARCC and the executive leadership team. The third line of defence provides independent assurance of the overall systems of internal control and risk governance, and is achieved through a programme of external assurance in respect of compliance, key controls, and processes.

Risk appetite

Big Society Capital's Risk Appetite Statement, reproduced below, outlines the level of risk that the Board is willing to accept to deliver its objectives, and provides the link between the overall business strategy and the risk management framework.

Big Society Capital Risk Appetite Statement

Fulfilling Big Society Capital's mission requires us to take risks. In order to achieve Big Society Capital's financial return and social impact objectives, Big Society Capital is willing to take and accept a high level of investment risk. Big Society Capital will also sometimes accept more risk for lower financial returns where the social impact or system change returns are justified. Big Society Capital is also exposed to a high level of strategic-type risk through the selection of its principal areas of focus and the extent to which social impact objectives for these can be delivered. We manage and mitigate those risks through a broad network of investors and enterprises to build understanding and through frameworks of rigorous social impact, financial and systems change assessment, appropriate structuring of transactions, portfolio allocation, concentration thresholds and robust governance mechanisms.

The higher level of risk appetite in respect of our core investment activity, how we achieve social impact and our strategic focus together with the policy risks to which a number of Big Society Capital investments are exposed, is balanced by a more cautious approach to risk in other areas. The Board considers the appetite for risks across a number of areas including investment strategy, liquidity, financial performance, social impact, operational, regulatory and other external factors. Big Society Capital's overall risk appetite is set in light of its principal risks and their impact on the ability of Big Society Capital to meet its strategic objectives.

The Board sets risk appetite for the most material risks, to help ensure Big Society Capital is well placed to meet its priorities and longer-term strategic goals. An assessment of the extent to which actual risk profile is within agreed risk appetite, is reported regularly to the Board and senior management using a broad set of key risk indicators which help provide clarity on the scale and types of activity that can be undertaken, in a manner that is easily conveyed.

Enhancements to Big Society Capital's risk framework in 2021

A number of enhancements to Big Society Capital's risk framework have been developed during 2021. These include:

- For the most significant risks scored as Red, a pathway to Amber scoring is considered and reported on.
- A 'Risk Universe' showing all risks that Big Society Capital considers it faces has been developed and is shared quarterly with ARCC to give greater context to the spectrum of risks faced by Big Society Capital.
- A risk policy has been developed in respect of Big Society Capital's role as delegated portfolio manager for SBSI.
- Two internal audit reviews, on key anti-fraud financial controls and cyber-security, have been undertaken by an external specialist provider. It is intended that there will be a rolling programme of such reviews going forward.

Principal risks

Big Society Capital's principal risks are considered under the following generic headings:

- Strategic Risks
- Performance/Investment Risks
- External Risks
- Operational/Preventable Risks

Further information on the nature of these key risks and how they are managed by Big Society Capital is set out in the table below.

Risk	Definition and Examples	Example mitigants
<p>Strategic Risks Risk Appetite: High</p>	<p>The risks arising from the design and execution of Big Society Capital's business strategy and business model that may lead to financial loss, adverse social impact, failure to deliver its mission in a broader and evolving impact investment market. The organisation also faces risks that it acts in a way that falls short of stakeholder expectations and causes reputational damage</p>	<p>A strong governance framework. The setting of clear strategic goals. An active programme of engagement with key stakeholders.</p>
<p>Performance/ Investment Risks Risk Appetite: High</p>	<p>The risks of financial and social impact losses as a result of loss of value of social impact investments, failure of a counterparty to meet its obligations in accordance with agreed terms. Alongside these financial risks there are related risks of desired social impact not achieved, and the risk of reduced mobilisation of co-investment.</p> <p>Risks associated with future liquidity and achievement of investment exits become more significant as Big Society Capital's Social Impact Investment Portfolio grows.</p>	<p>These risks are mitigated through the Investment Committee and Valuation and Performance Committee frameworks, which consider investments from financial, social impact and systems change perspectives and through concentration thresholds on fund managers and allocation judgements for product types.</p> <p>Liquidity and related exit-type risks are mitigated through twice-yearly reviews of long-term liquidity requirements, including consideration of stress-type scenarios, together with identification of possible liquidity mitigants. In addition, the Board has approved a policy that projected available liquidity should exceed 80% of Big Society Capital's undrawn social impact investment commitments.</p> <p>Further detail on the key financial risks facing Big Society Capital and the steps taken to manage them are outlined in Note 14 – Financial risk management and financial instruments.</p>
<p>External Risks Risk Appetite: High</p>	<p>The risk of Government policy, regulatory changes, adverse macro-economic trends and other external factors such as Covid-19, inflation and climate change impacting the performance of Big Society Capital's Social Impact Investment Portfolio and its pipeline. Such risks are often outside the company's direct control, however, Big Society Capital is willing to accept a high level of risk in these areas – though it does not actively seek it.</p> <p>Big Society Capital's activities and its Social Impact Investment Portfolio have not thus far been significantly affected by Covid-19. In conjunction with Big Society Capital's fund manager partners, a number of Covid-19 response measures were implemented in respect of its Social Impact Investment Portfolio in the early stages of the pandemic, including interest and repayment holidays together with establishment of dedicated funds to provide working capital and longer-term finance to support charities and social enterprises facing shortfalls. In 2021, Big Society Capital financed a further fund to support the longer-term recovery of charities and social enterprises whose activities have been impacted by Covid-19.</p>	<p>Mitigation of these risks is achieved through the diversified nature of the company's portfolio and low correlation of elements of the portfolio with wider market performance factors.</p> <p>During 2021 an assessment of key climate risks faced by Big Society Capital has been undertaken together with more detailed work to consider the effect of climate change and possible mitigants in respect of Big Society Capital's housing investments. See page 28 for further information on this.</p>

Risk	Definition and Examples	Example mitigants
<p>Operational/ Preventable</p> <p>Risk Appetite: Low</p>	<p>Big Society Capital is exposed to a range of operational risks, including cyber risks, resulting from inadequate or failed internal processes and key systems.</p> <p>The organisation also faces risks that it does not create a working environment and culture to attract, develop, motivate and retain sufficient people resource to meet its objectives.</p>	<p>These types of risk are mitigated by having policies, processes, controls and procedures in place, together with suitably qualified and experienced staff in place to oversee these. In order to provide a stronger level of external assurance in respect of the adequacy and effectiveness of key internal controls, a rolling programme of internal audit reviews by a specialist external provider commenced in 2021.</p> <p>To mitigate its people risks, the company has developed a comprehensive People Strategy to support attraction and retention of talent, with particular focus on staff development, onboarding, wellbeing and development of a supportive and enabling culture.</p>

This report was approved by the Board on 14 April 2022 and signed on its behalf.



Stephen Muers
Executive Director and CEO

Dated 14 April 2022

Corporate Governance Report

The company is authorised by the Financial Conduct Authority (Firm Number: 568940).

Big Society Capital

Big Society Capital obtains its capital from two streams: dormant bank accounts – in accordance with the Dormant Bank and Building Society Accounts Act 2008 (invested via the Oversight Trust – Assets for the Common Good (the Oversight Trust) which holds “A” shares), and four major UK high street banks: Barclays, HSBC, Lloyds Banking Group and NatWest Group (which hold “B” shares).

The Oversight Trust is the majority shareholder of Big Society Capital and provides oversight with the aim of ensuring that Big Society Capital remains true to its object of promoting and developing social investment and the social impact investment market in the United Kingdom.

The composition of the Big Society Capital Board reflects its purpose and includes directors with financial and/or social sector expertise. The Board comprises a majority of non-executive directors, and one executive director, being the company CEO.

The Board meets at least five times a year, and there is an annual review of the effectiveness of the Board (including the Senior Independent Director providing feedback on the Chair’s performance). To ensure an objective assessment is made, the Board has a policy of complementing this exercise by engaging a third party to provide an independent Board evaluation approximately every three years, with an independent evaluation undertaken for 2021, which was reported to and discussed by the Board in March 2022.

Big Society Capital has two Board Committees, each comprising non-executive directors. The Audit, Risk and Compliance Committee also engages two external adviser members to provide specific expertise:

- The Nominations and Remuneration Committee (N&RC) – responsible for making recommendations concerning the appointment and development of directors. Specific considerations include ensuring an appropriate depth and breadth of skills and experience in the Board composition, that the Board benefits from a diversity of membership, and that there is an even balance of expertise in both the financial and social sectors. It also has responsibility for setting levels of executive and non-executive remuneration, and monitors activities related to the company’s People Strategy.
- The Audit, Risk and Compliance Committee (ARCC) – responsible for overseeing management processes and other arrangements to ensure the appropriateness and effectiveness of systems and controls, including risk management. The ARCC also considers the arrangements made by management to ensure compliance with external regulatory requirements and standards. It oversees the internal audit programme

and reviews the annual accounts with the external auditors. It also advises the Board on the company’s overall current and future risk appetite and strategy, assisting the Board in overseeing the implementation of that strategy by senior management.

Big Society Capital operates a rotational system whereby directors whose experience is not primarily in the financial sector serve for a period of two years on ARCC, to ensure that the Committee benefits from a diversity of perspectives, and to contribute to the development of directors.

Big Society Capital has three other operational committees:

- The Executive Committee is chaired by the CEO and is responsible for the day-to-day running of Big Society Capital.
- The Investment Committee comprises both Board and Executive Committee members, and is responsible for making investments, and for the performance of Big Society Capital’s portfolio of investments and reporting its activities to the Board. All investments over £10 million also require approval by the Board. It is chaired by the CEO of Big Society Capital or delegated to an alternative member of the Committee (normally the Deputy Chair of the Investment Committee). All Board members have a standing invitation to observe the Investment Committee. There is a separate Investment Committee established purely in respect of the portfolio management for SBSI.
- The Valuation and Performance Committee also comprises both Board and Executive Committee members. Its role is to agree the valuation of social impact investments made by the company (Valuation) and to review how Big Society Capital’s portfolio of investments is performing against the original investment thesis from an overall, financial, impact on people and systems change perspective (Performance). This includes identifying key risks and issues within Big Society Capital’s investment portfolio. It is chaired by the CFO of Big Society Capital (who is not a member of the Investment Committee). Members of ARCC and the company auditors have an open invitation to observe meetings of the Valuation and Performance Committee. The Committee also meets at least twice yearly, for a separate, closed session to discuss the Valuation of assets within the SBSI portfolio.

The Oversight Trust – Assets for the Common Good

The Oversight Trust is the majority shareholder in Big Society Capital. The Oversight Trust’s role, in relation to Big Society Capital, is to ensure that it remains true to its mission. Reflecting its strategic remit, the Oversight Trust Board comprises individuals with a balance of relevant skills and experience, and includes a nominee of the Department of Digital, Culture, Media & Sport (DCMS) and a nominee of the National Lottery Community Fund.

In November 2019, the Oversight Trust took on oversight responsibilities for two new entities receiving funding (designated for expenditure in England) under the Dormant Bank and Building Society Accounts Act 2008. In addition to being the majority shareholder of Big Society Capital, the Oversight Trust has responsibilities as the sole corporate member of: Access – The Foundation for Social Investment, Fair4All Finance and Youth Futures Foundation.

The Oversight Trust Board meets formally at least five times a year. Information about Big Society Capital, in respect of its financial standing, portfolio, strategy, Board composition and performance, is provided to each regular quarterly meeting, and the Oversight Trust Board focuses one meeting a year specifically on developments at Big Society Capital. There is also an annual governance meeting with representatives of the Big Society Capital Board and management, to discuss governance issues. In addition to these formal procedures, Big Society Capital maintains an ongoing open and transparent relationship with the Oversight Trust, in particular between the respective Chairs, and in respect of issues relating to the recruitment and remuneration of non-executive directors and certain senior management roles. The Oversight Trust is not involved in making investment decisions or other operational issues.

The Oversight Trust commissions an independent Quadrennial Review on a rotational basis, to examine the effectiveness of each of its subsidiary companies in delivering against its object as set out in its governance documents. The first of these reviews was performed on Big Society Capital in 2020. The report is available at: <https://bigsocietycapital.com/latest/big-society-capital-quadrennial-review/>. Year-on-year progress updates in respect of the actions to which Big Society Capital committed in response to recommendations from the review are also available at: https://bigsocietycapital.fra1.cdn.digitaloceanspaces.com/media/documents/Quadrennial_Review_-_Progress_Update_October_2021

To enable it to carry out its role, the Oversight Trust has a controlling interest in Big Society Capital. It has 80% of the voting rights at shareholders' meetings. For important issues, such as any change to the company's Articles concerning its objects or powers, a consensus vote by the Oversight Trust Board is required.

Shareholder banks

Each of the shareholder banks (Barclays, HSBC, Lloyds Banking Group and NatWest Group) has subscribed £50 million of Big Society Capital's shares. Their individual shareholdings will always be less than 10% of the paid-in capital, currently 7.98%.

The banks can vote at shareholders' meetings. Their votes are in proportion to their shareholding, but each is capped at 5% of the overall voting rights. The banks

together have the right to nominate one director to the Big Society Capital Board (currently Stuart Foster). In addition to information provided to them by that director, the banks receive all Big Society Capital Board papers and quarterly and half-yearly reports. In certain circumstances the banks have the right to request a meeting with the senior management of Big Society Capital, to discuss its performance, however the CFO also maintains regular informal contact with all shareholder banks' representatives.

Big Society Capital Advisory Board

The Big Society Capital CEO has established an Advisory Board to advise on aspects of Big Society Capital's strategy and activities. The Advisory Board is made up of individuals with specific interest and involvement in social impact investment, including prominent practitioners from the sector. The Advisory Board is a consultative committee with no decision-making powers, though its input is frequently used to inform projects or decisions, which the CEO may then take to the Big Society Capital Board. Copies of the minutes of Advisory Board meetings are provided to the Chair of the Big Society Capital Board and an abbreviated version shared with Big Society Capital staff.

Advisory Board members as at 31 December 2021

Carol Mack, Association of Charitable Foundations (ACF)
Clara Barby, The Oversight Trust, Just Climate
Danyal Sattar, Big Issue Invest
David Hutchison, Social Finance UK
Gail Cunningham, Associate of Charitable Foundations
Mark Simms, P3 Charity
Natascha Engel, Former Member of Parliament, Consultant
Nick Temple, Social Investment Business
Richard Brass, Berenberg, IVUK, Arts Impact Fund
Sara Llewellyn, Barrow Cadbury Trust
Whitni Thomas, Triodos

The Big Society Capital Staff Council

The Big Society Capital Staff Council, a representative group of staff from across the business, was established by the CEO in Autumn 2020. It meets quarterly to consider important issues facing Big Society Capital, including reviewing and contributing views on certain key items before they go to the Board. Key points from these discussions are reported to the Big Society Capital Board at each meeting, through the CEO report.

Remuneration Report

Remuneration Report

This report covers the 12 months ended 31 December 2021, and sets out the policy and disclosures in relation to the remuneration of the employees and directors of Big Society Capital.

The Nominations and Remuneration Committee (N&RC) is appointed by the Board of the company.

N&RC is responsible for establishing a formal and transparent procedure for setting the remuneration policy for the executive staff of the company, and for determining the remuneration packages of executive staff. It also leads the process for setting non-executive directors' fees.

N&RC's responsibilities regarding remuneration are to:

- make recommendations to the Board of the company in relation to the remuneration of directors and senior executives;
- make recommendations to the Board of the company in relation to the identity and terms of appointment of independent consultants for the conduct of an independent salary survey, at least once every five years;
- establish the benchmark for remuneration packages for persons engaged in similar positions in the public, not-for-profit or charity sectors;
- review the ongoing appropriateness and relevance of the company remuneration, pensions and employment benefits policies;
- determine the total individual remuneration package of senior executives in consultation with the Chair and/or CEO of the company, as appropriate;
- review on an annual basis the remuneration of non-executive directors;
- ensure that contractual terms on termination, and any payments made, are fair to the individual and the company;
- oversee any major changes in the nature of employee benefits provided by the company;
- approve the Annual Remuneration Code Assessment; and
- agree the policy for authorising claims for expenses from the directors.

Principles for executive remuneration

- Executive directors and the senior executive team will be paid a comparable remuneration package to persons engaged in similar positions in the public or not-for-profit sectors, as appropriate.
- The senior executive team will not be paid any bonuses.

Principles for non-executive remuneration

- Non-executive directors will be offered an equivalent sum paid by other comparable public bodies and not-for-profit organisations, such as Housing Associations.
- In 2021, the amounts were £8,250 (2020: £8,190) per annum for the service of acting as a non-executive director, £3,550 (2020: £3,490) per annum for chairing a Board Committee and £1,800 (2020: £1,745) per annum for acting as a non-chair member of a Committee (including the Valuation and Performance Committee). In addition, £5,400 (2020: £5,365) per annum is offered to a non-executive director who acts as a member of the Investment Committee. These amounts are reviewed by Big Society Capital annually in the light of inflation and non-executive remuneration levels at comparable organisations.
- Total non-executive directors' fees in 2021 were £94,264 (2020: £93,774).

Higher-paid employees

The total number of employees, including directors, with annual remuneration of £60,000 or more and employed as at the period end were as follows:

Annual remuneration	2021 £'000	2020 £'000
£60,000 - £69,999	12	13
£70,000 - £79,999	9	10
£80,000 - £89,999	5	3
£100,000 - £109,999	1	1
£110,000 - £119,999	1	3
£120,000 - £129,999	2	0
£150,000 - £159,999	1	1

Of these employees, 29 (2020: 30) participate in the company pension scheme. Employees make a contribution of up to 8% of salary to the pension scheme. The company matches the employee contributions and pays an additional 3% of salary.

The total number of employees at 31 December 2021 was 82 and at 31 December 2020 was 72.

The ratio of highest salary to lowest salary is 7.14 (2020: 8.33).

Gender pay data

Big Society Capital published its latest gender pay gap information on its website in summer 2021: <https://bigsocietycapital.com/latest/people-update-and-annual-pay-gap-report/>

This showed a gender pay gap of 17% compared to 21% the previous year. The positive movement in the overall pay gap has been driven by several factors: pay and promotions of female senior managers, a greater proportion of female new joiners in the year than male joiners, and an increase in male joiners in the lowest quartile.

During the year Big Society Capital has continued to ensure its pay and grading structure is robust and fair and it is committed to ensuring compliance with equal pay legislation. In 2021 the organisation introduced an additional step to its pay and promotion process, whereby the senior management team conducts a pay moderation session in addition to the executive team. This ensures even closer collaboration with those managers who are primarily accountable for many teams, working together to ensure consistency of approach. Along with Big Society Capital's Job Matching Framework and Salary bands, this is one more step to provide a structured and objective environment where an agreed set of principles is used to ensure that this process is being conducted in a fair and equitable manner.

As part of Big Society Capital's EDI action plan, it has committed to publishing its ethnicity pay gap, measuring progress in preventing discrimination and bias, including equal access to jobs and career progression for all. Big Society Capital's ethnicity pay gap for 2021 was 14%, and the organisation is very aware that it needs to close that gap by increasing the number of Black, Asian and ethnically diverse employees, particularly in senior roles, and working to ensure it is an inclusive and ethnically diverse company. In 2022, it will also conduct an equal pay review to ensure its pay processes are applied fairly and consistently, regardless of gender and ethnicity.

Directors' Report

Directors' Report

The directors present their report and financial statements for the year ended 31 December 2021.

Directors

The following persons served as directors during the year:

- Sir Harvey McGrath (Chair)
- Lesley-Anne Alexander CBE
- Kieron Boyle
- Chris Wright
- Fiona Ellis
- Stuart Foster
- Alan Giddins
- David Hunter
- Christina McComb OBE
- Anne Wade
- Stephen Muers (appointed to the Board in August 2021)

Dividends

The directors do not recommend the payment of a dividend for the year (2020: £nil).

Directors' indemnity

The company arranges directors' and officers' liability insurance to cover certain liabilities and defence costs.

Greenhouse gas emissions

The company considers itself to be a low energy user under the Streamlined Energy and Carbon Reporting regulations and therefore is not required to disclose energy and carbon information. Accordingly, no such information has been disclosed. However please note the comments explaining Big Society Capital's evolving approach to Climate disclosures on page 28.

Pillar III disclosures

The company makes disclosures on its website – www.bigsocietycapital.com – setting out the company's capital resources, risk exposures and risk management processes.

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 profit 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Directors' Report

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 comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

Each person who was a director at the time this report was approved, confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the Board on 14 April 2022 and signed on its behalf.



Stephen Muers
Executive Director and CEO

Auditor's Report

Independent Auditor's Report to the members of Big Society Capital Limited

Opinion

We have audited the financial statements of Big Society Capital Limited ("the company") for the year ended 31 December 2021, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows and related notes, including the accounting policies in Note 1 – Summary of significant accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related 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 going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of directors and the Audit, Risk and Compliance Committee as to the company's policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud;
- reading the company's and the Audit, Risk and Compliance Committee meeting minutes;
- using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is generated from few sources and transactions are easily verifiable to external sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted to investments and cash.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the company's regulatory correspondence, and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the company's regulatory permissions. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information which comprises the Strategic Report, Corporate Governance Report, Remuneration Report and Directors' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 49, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Richard De La Rue
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London E14 5GL

19 April 2022

Financial Statements

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Statement of Comprehensive Income

For the year ended
31 December 2021

	Notes	2021 £ 000	2020 £ 000
Income		6,185	7,508
Investment gains		18,079	4,341
Total Revenue	2	24,264	11,849
Other income	3	713	115
Administrative and other expenses	4	(9,016)	(8,339)
Operating profit		15,961	3,625
Profit on ordinary activities before taxation		15,961	3,625
Tax credit on gain on ordinary activities	6	164	62
Profit for the financial year		16,125	3,687
Other comprehensive income		-	-
Total comprehensive profit for the year		16,125	3,687

The results above relate to continuing operations.
The notes on pages 60-81 form part of these Financial Statements.

Statement of Financial Position

As at the year ended
31 December 2021

	Notes	2021 £ 000	2020 £ 000
Fixed assets			
Intangible assets	7	7	17
Tangible assets	8	67	95
Investments	9	354,026	311,645
		354,100	311,757
Current assets			
Debtors	10	2,357	1,477
Investments	11	230,243	226,636
Cash at bank and in hand		51,343	65,852
		283,943	293,965
Creditors: amounts falling due within one year	12	(2,598)	(1,225)
Net current assets		281,345	292,740
Total assets less current liabilities			
		635,445	604,497
Creditors: amounts falling due after more than one year			
Deferred income		(14,831)	-
Provisions for liabilities			
Deferred taxation	13	(11)	(19)
		620,603	604,478
Capital and reserves			
Called-up share capital	16	626,345	626,345
Profit and loss account	17	(5,742)	(21,867)
Total equity		620,603	604,478

The notes on pages 60-81 form part of these Financial Statements.
Approved by the Board on 14 April 2022 and signed on its behalf



Stephen Muers
Director

Company registration number: 07599565

Statement of Changes in Equity

For the year ended
31 December 2021

	Share capital	Share premium	Other reserves	Profit and loss account	Total
	£ 000	£ 000	£ 000	£ 000	£ 000
At 1 January 2020	581,345	-	-	(25,554)	555,791
Profit for the financial year	-	-	-	3,687	3,687
Shares issued	45,000	-	-	-	45,000
At 31 December 2020	626,345	-	-	(21,867)	604,478
At 1 January 2021	626,345	-	-	(21,867)	604,478
Profit for the financial year	-	-	-	16,125	16,125
At 31 December 2021	626,345	-	-	(5,742)	620,603

The notes on pages 60-81 form part of these Financial Statements.

Statement of Cash Flows

For the year ended
31 December 2021

	Notes	2021 £ 000	2020 £ 000
Cash flows from operating activities			
Operating profit		16,125	3,625
Adjustments for:			
Depreciation and amortisation		69	91
		16,194	3,716
(Increase) in debtors		(942)	(160)
Increase in creditors		15,802	336
		31,054	3,892
Returns on fixed asset investments		(17,860)	(3,363)
Returns on current asset investments		(3,197)	(3,961)
Foreign exchange losses (gains)		1,998	(164)
Corporation tax received		-	58
Net cash from operating activities		11,995	(3,538)
Cash flows from investing activities			
Payments to acquire tangible and intangible fixed assets		(31)	(67)
Payments to acquire fixed asset investments		(77,562)	(100,805)
Proceeds received from sale and yield on fixed asset investments		52,880	34,323
Payments to acquire current asset investments		(51,313)	28,700
Amounts from sale of current asset investments		42,925	55,986
Net cash from investing activities		(33,101)	18,137
Cash flow from financing activities			
Proceeds from the issue of shares		-	45,000
Net cash from financing activities		-	45,000
Net (decrease)/increase in cash and cash equivalents		(21,106)	59,599
Cash and cash equivalents at 1 January		87,449	27,850
Cash and cash equivalents at 31 December	18	66,343	87,449
Cash and cash equivalents comprise:			
Cash at bank		51,343	65,852
Current asset investments (maturity less than three months from the date of acquisition)		15,000	21,597
	18	66,343	87,449

The notes on pages 60-81 form part of these Financial Statements.

Notes

Notes to the Financial Statements

For the year ended 31 December 2021

1. Summary of significant accounting policies

a. Basis of preparation

The financial statements have been prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements have been prepared under the historical cost convention, except for certain financial instruments, which are stated at their fair value, as detailed in the 'Basic financial instruments' accounting policy below.

The financial statements are presented in thousands of pounds sterling, which is the company's functional currency.

b. Use of judgements and estimates

The preparation of the financial statements in conformity with applicable UK GAAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

The most significant area of judgement is the determination of fair values for investments. This is discussed below, in the accounting policy 'Basic financial instruments – Fair value measurement'.

c. Going concern

The financial statements have been prepared on the going concern basis. The company has incurred cumulative losses since inception of £5.7 million and is reporting a profit this year of £16.1 million. The company had cash and current asset treasury investments of £281.6 million at the year end, having been capitalised with £626.3 million of equity investment since inception. The directors have reviewed the company's future liquidity projections in the light of the impact of the Covid-19 pandemic and the current economic environment and the potential implications of these on future company operations. While there are significant wider market uncertainties that may impact portfolio investments, the directors believe these will not significantly impact the overall

liquidity of the company over the next 12 months and that the company has sufficient existing treasury balances to enable it to meet its investment and other obligations and to continue in operational existence for at least 12 months from the date of approval of the financial statements. Further information on this is set out in the Strategic Report from page 6. For this reason, the directors have adopted the going concern basis in preparing these financial statements.

d. Revenue

Revenue comprises income and gains/losses on the Social Impact Investment and Treasury Portfolios. Revenue is recognised on an accruals basis throughout the year when it is probable that the economic benefits will flow to the company.

e. Other income

Other income comprises government grants and management fees earned from portfolio management services provided to Schroder BSC Social Impact Trust.

Government grants

Government grants are included within deferred income in the Statement of Financial Position and credited to the Statement of Comprehensive Income over the expected useful lives of the assets to which they relate or in the period in which the related costs are incurred.

Management fees

Management fees earned from portfolio management services provided to Schroder BSC Social Impact Trust are recognised on an accruals basis throughout the year when it is probable that the economic benefits will flow to the company.

f. Foreign currency

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated to the functional currency (pounds sterling) at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

g. Subsidiaries and associates held as part of an investment portfolio

The company has investments that may be regarded as subsidiary or associated undertakings, which might require these to be consolidated using the equity method of accounting. As these investments are held as part of an investment portfolio, they have not been consolidated in the accounts of the company, and are measured at fair value with changes in fair value recognised in profit or loss in accordance with FRS 102 14.4B.

h. Interest

Interest income is recognised either using the effective interest method or on an accruals basis, depending upon whether the financial asset is measured at 'amortised cost' or whether it has been designated upon initial recognition as at 'fair value through profit or loss'.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument to the carrying amount of the financial instrument. When calculating the effective interest rate, the company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

i. Net gains or losses from financial assets designated as at fair value through profit or loss

Net gains or losses from financial assets designated as at fair value through profit or loss includes all realised and unrealised fair value changes but excludes interest income.

j. Basic financial instruments

Recognition and initial measurement

Financial assets designated as at fair value through profit or loss are recognised initially at fair value, with transaction costs recognised in profit or loss. Financial assets or financial liabilities not at fair value through profit or loss are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Investments within the Social Impact Investment Portfolio, in which the company has controlling or significant influence, are held as part of an investment portfolio, rather than qualifying as subsidiaries or associates. The company recognises its investments within the Statement of Financial Position, on the date on which investments are signed and drawn down.

Additionally, the company discloses commitments at two distinct stages: commitments contracted but not drawn down, and in-principle commitments. Details are set out in Note 20 – Capital commitments.

Classification

The company classifies its basic financial instruments into the following categories:

Financial assets at fair value through profit or loss

Designated as at fair value through profit or loss – debt, equity, fund and social impact bond investments and derivative financial instruments.

Financial assets at amortised cost

Debt investments meeting the conditions set out in FRS 102.11, cash at bank and in hand, cash deposits (included in investments held as current assets), and other debtors.

Financial liabilities at amortised cost

Trade creditors, other creditors, tax and social security, cost accruals, accrued investment drawdowns and deferred income.

Financial liabilities at fair value through profit or loss

Derivative financial instruments.

Note 14 – Financial risk management and financial instruments, provides a reconciliation of line items in the Statement of Financial Position to the categories of financial instruments.

Fair value measurement

As described in Note 15 – Valuation of financial instruments, the company uses a three-level hierarchy for fair value measurement disclosure. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

In determining a fair value using Level 3 valuation techniques, the company applies the principles included in the International Private Equity and Venture Capital Valuation Guidelines (2018 edition and Special Guidance March 2020):

Where an investment has been made recently, or where there has been subsequent, significant new investment into the company, a more accurate valuation is not available and there is no evidence to suggest that the unadjusted Price of Recent Investment is no longer relevant, the company may apply the Price of Recent Investment, for a limited period following the date of the relevant transaction. Where it is felt that there has been a change to the milestones or benchmark, then the company will use the Price of Recent Investment adjusted to reflect milestone/benchmark analysis.

Where appropriate and reasonable earnings or revenue multiples are available for comparable businesses, the company will apply the Multiples valuation technique to derive a value for the investment.

If industry benchmarks can be applied to the investment to derive a fair value, these will be applied.

If future cash flows can be reasonably estimated, and it is felt that the risks, due to the high level of subjectivity, involved in applying the Discounted Cash Flow method do not render the method insufficiently reliable, this will be applied.

Where a regular Net Asset Valuation is available for the investment, the company will assess this for reasonableness and consider whether the investment can be valued on the basis of the underlying fair value of its assets, rather than its earnings. If this is considered appropriate the company will apply the Adjusted Net Asset Valuation method.

The company may decide to use a combination of the above-mentioned methods, or other methods that are considered more appropriate to derive the fair value of its investments.

Impairment

A financial asset not classified at fair value through profit or loss is assessed at each reporting date, to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s), and that loss event(s) had an impact on the estimated future cash flows of that asset(s) that can be estimated reliably.

Derivative financial instruments

The company holds derivative financial instruments to manage its exchange risk exposure from its USD and EUR denominated financial assets. Derivatives are recognised initially at fair value, with any attributable transaction costs recognised in the profit and loss account as incurred. After initial recognition derivatives are measured at fair value and changes recognised in the profit and loss account as incurred, the fair value reflects the estimated amount the company would receive or pay in an arm's length transaction. This amount is determined based on observable exchange rates.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under UK GAAP, eg for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss.

k. Investments held as current assets

The company classifies investments (cash deposits or other debt securities) that cannot be readily realised within 24 hours, but can be realised within 12 months as Investments held as current assets.

l. Intangible fixed assets

Intangible fixed assets are measured at cost less accumulative amortisation and any accumulative impairment losses.

Amortisation is provided on all intangible assets to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Software development	Over 3 years
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m. Tangible fixed assets

Tangible fixed assets are measured at cost less accumulative depreciation and any accumulative impairment losses.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Leasehold land and buildings	Over the lease term
Fixtures, fittings and equipment	Over 3 years

n. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

At Budget 2021, the Government announced that the Corporation Tax main rate (for all profits except ring-fenced profits) for the year starting 1 April 2022 would remain at 19% and for the year starting 1 April 2023 would increase to 25%.

o. Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2. Total revenue

	2021 £ 000	2020 £ 000
Total revenue	24,264	11,849
Represented by:		
Income		
Social Impact Investment Portfolio	3,736	4,511
Treasury Portfolio	2,449	2,997
	6,185	7,508
Investment gains/(losses)		
Social impact Investment Portfolio	17,117	2,659
Treasury Portfolio	962	1,682
	18,079	4,341

2a. Total Revenue – Social Impact Investment Portfolio

	2021 £ 000	2020 £ 000
Total revenue	20,853	7,170
Represented by:		
Income		
Interest income on financial assets designated as fair value	3,016	3,917
Interest income on financial assets carried at amortised cost	442	427
Dividend income from financial assets designated as fair value	224	85
Fees received	54	82
	3,736	4,511
Investment gains/(losses)		
Net gains/(losses) from financial assets designated as fair value		
Realised	3,290	6,175
Unrealised	13,695	(3,499)
Net gains/(losses) from financial assets carried at amortised cost		
Realised	(2)	-
Unrealised	295	(74)
Net foreign exchange gains/(losses) from financial assets designated as fair value		
Unrealised	(161)	57
	17,117	2,659
Further analysis of Investment gains/(losses)		
Net gains/(losses) from financial assets designated as fair value		
Management fees paid to fund manager	(5,058)	(6,494)
Valuation changes and net income relating to underlying investments	22,043	9,170
Net foreign exchange losses from financial assets	(161)	57
Net gains/(losses) from financial assets carried at amortised cost		
Valuation changes and income relating to underlying investments	293	(74)
	17,117	2,659

2b. Total Revenue – Treasury Portfolio

	2021	2020
	£ 000	£ 000
Total Revenue	3,411	4,679
Represented by:		
Income		
Interest income on financial assets designated as amortised cost	2,449	2,997
	2,449	2,997
Investment gains/(losses)		
Net gains/(losses) from financial assets designated as fair value		
Realised	499	546
Unrealised	220	972
Net gains/(losses) from financial assets carried at amortised cost		
Realised	97	57
Net gains/(losses) on currency forward derivatives		
Realised	1,610	(1,852)
Unrealised	(64)	633
Net foreign exchange gains/(losses) from financial assets carried at amortised cost		
Realised	377	762
Unrealised	(1,777)	564
	962	1,682

Total revenue increased significantly in 2021, primarily as a result of increased income and write-ups within the Social Impact Investment Portfolio. As described in the Strategic Report on pages 6 to 41 the income and valuation movements on the Social Impact Investment Portfolio reflect the continued growth of the portfolio and the current stage of the company's social impact investments, as these move to a more mature, fully invested position, as well as the expected volatility due to the long-term nature of the investments and the use of fair value accounting to value them. As described in Note 15 – Valuation of financial instruments, one of the valuation techniques applied is to value the investments on the basis of their Net Asset Valuation. This results in the recognition of set-up costs, management fees and other expenses paid to fund managers, as they are incurred by the investee.

The management fees paid to fund managers allow them to employ high-quality teams to deliver the social and financial returns required. In this way, the fees represent the cost of delivering the company's investment objectives and of building the capacity of the social impact investment sector to deliver returns for all social investors. Management fees as a percentage of total average committed social impact investments were 0.95% in 2021 (2020: 1.15%). The company's share of fund expenses (apart from management fees) increased in the year from £2.7 million to £4.4 million. This was primarily due to debt financing and transaction costs in a number of property fund investments.

During 2021, the company made investments in foreign currency denominated assets. As outlined in Note 14 – Financial risk management and financial instruments, the foreign exchange risk is managed with currency forward derivative contracts. Any gains/losses on the revaluation of foreign currency denominated assets offset the corresponding gains/losses on the currency forward derivatives to the extent that the derivatives match the underlying currency exposure. During 2021 the exchange loss on foreign currency denominated debt securities was £1.4 million (2020: gain of £1.3 million), which was offset by a gain on the currency forward derivatives in 2021 of £1.5 million (2020: loss of £1.2 million), resulting in a net foreign exchange gain of £0.1 million (2020: £0.1 million).

3. Other income

	2021	2020
	£ 000	£ 000
Government grants received	394	1
Management fees generated	221	-
Other income	98	114
	713	144

On 29 March 2021, Big Society Capital received £15,750,000 from the Ministry of Housing, Communities and Local Government (subsequently renamed the Department for Levelling Up, Housing and Communities). Monies raised from this grant are to be ring-fenced for drawdown into participating social impact investment vehicles, with the aim of delivering accommodation for rough sleepers, those at risk of rough sleeping, and the homeless.

The agreement provides for money to be clawed back by the grantor, if and only if Big Society Capital breaks the terms of the grant agreement within a 30-year period. During the period of the grant, amounts received from investments made with grant monies are also ring-fenced for recycling into similar investments with the same aim. As a result of the above, all monies have been deferred and are being released straight-line over the same 30-year period. £15,356,250 remains in deferred income at 31 December 2021.

During the financial year, Big Society Capital also generated its first management fee for its role as Portfolio Manager of Schroder BSC Social Impact Trust plc.

4. Administrative and other expenses

	2021 £ 000	2020 £ 000
Wages and salaries	4,359	4,117
Non-executive directors' fees	94	94
Social security costs	506	498
Pension costs	389	374
Staff-related costs, including recruitment, training and travel	546	536
Premises	716	692
General and administrative expenses	536	468
Consultancy	519	169
Marketing, including events, sponsorship and website	248	213
Amounts receivable by the company's auditor (see below)	131	116
Other professional costs	269	279
Depreciation of owned fixed assets	61	71
Amortisation of intangible assets	8	20
Investment related expenses, including legal fees	228	255
Total administrative expenses	8,610	7,902
Treasury management fees	406	437
Total other expenses	406	437
Total administrative and other expenses	9,016	8,339

Amounts receivable by the company's auditor and its associates in respect of:

Auditors' remuneration for audit services	94	95
Other assurance services	14	12
Taxation compliance services	23	9
	131	116

Average number of employees during the year

Investment	29	31
Senior management	3	3
Communications	7	4
Operations	17	17
Social and finance sector engagement	10	8
On Purpose and 2027 interns	2	3
	68	66

A breakdown of the total number of employees, including directors, with annual remuneration of £60,000 or more and employed as at the period end, is disclosed in the Remuneration Report on page 45.

5. Directors' and key management personnel emoluments

	2021 £ 000	2020 £ 000
Directors' emoluments*		
Emoluments	153	166
Company contributions to money purchase pension schemes	6	7
	159	173
Highest paid director		
Emoluments	59	72
Company contributions to money purchase pension schemes	6	7
	65	79
Number of directors to whom retirement benefits accrued		
Money purchase schemes	1	1
Key management personnel emoluments**		
Emoluments	708	745
Company contributions to money purchase pension schemes	74	77
	782	822

*Directors' emoluments include remuneration in respect of one executive Director for part of both years.

**Key management personnel include one executive director as detailed above.

6. Taxation

	2021 £ 000	2020 £ 000
Analysis of charge in period		
Current tax:		
Adjustments in respect of previous periods	(156)	(58)
	(156)	(58)
Deferred tax:		
Origination and reversal of timing differences	(8)	(4)
	(8)	(4)
Tax credit on profit on ordinary activities	(164)	(62)

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	2021 £ 000	2020 £ 000
Profit on ordinary activities before tax	15,961	3,625
Standard rate of corporation tax in the UK	19.0%	19.0%
Profit on ordinary activities multiplied by the standard rate of corporation tax	3,033	689
Effects of:		
Income not taxable and expenses not allowable for tax purposes	(3,163)	(366)
Capital allowances for period in excess of depreciation	5	2
Utilisation of tax losses	125	(325)
Adjustments to tax charge in respect of previous periods	(156)	(58)
Deferred tax – origination and reversal of timing differences	(8)	(4)
Current tax credit for period	(164)	(62)

7. Intangible fixed assets

	Software development £ 000
Cost	
At 1 January 2021	73
Additions	-
At 31 December 2021	73
Amortisation	
At 1 January 2021	56
Provided during the year	10
At 31 December 2021	66
Carrying amount	
At 31 December 2021	7
At 31 December 2020	17

8. Tangible fixed assets

	Land and buildings £ 000	Fixtures, fittings and equipment £ 000	Total £ 000
Cost			
At 1 January 2021	330	427	757
Additions	-	31	31
At 31 December 2021	330	458	788
Depreciation			
At 1 January 2021	330	332	662
Charge for the year	-	59	59
At 31 December 2021	330	391	721
Carrying amount			
At 31 December 2021	-	67	67
At 31 December 2020	-	95	95

9. Fixed asset investments

	Total £ 000
Social Impact Investment Portfolio	
At 1 January 2021	311,645
Additions	77,562
Sale proceeds	(48,327)
Income distributions	(4,553)
Income accrued	582
Investment gains	17,117
At 31 December 2021	354,026

Notes to the Financial Statements

The company holds 20% or more of the share capital of the following undertakings:

Investment name	Registered office address/ principal place of business ¹	Class of shares held	BSC % as at 31 December 2021	Aggregate capital and reserves of the entity ² £000	Aggregate profit/(loss) for the year of the entity ² £000
Ada Ventures Soc I LP	Humphreys Law Ltd 5 Merchant Square London W2 1AY, UK	Partnership interest	99.99	1,187	(80)
Bethnal Green Ventures LLP	First Floor, 27 Cursitor Street, London EC4 1LT, UK	Partnership interest	35.35	3,390	(81)
Big Issue Invest Outcomes Investment Fund LP	113-115 Fonthill Road Finsbury Park London N4 3HH, UK	Partnership interest	85.03	6,151	516
Big Issue Invest Social Enterprise Investment Fund II LP	113-115 Fonthill Road Finsbury Park London N4 3HH, UK	Partnership interest	62.98	10,699	(1,424)
BMO WUK Residential Real Estate FCP-RAIF	49, J.F. Kennedy Avenue L-1855 Luxembourg	Registered shares	33.33	Holding less than 50%, no public filing required	
Bridges Evergreen BSC Housing Co-Investment LP	38 Seymour Street London W1H 7BP, UK	Partnership interest	100.00	N/A ³	N/A ³
Bridges Evergreen Capital Limited Partnership	38 Seymour Street London W1H 7BP, UK	Partnership interest	36.67	Holding less than 50%, no public filing required	
Bridges Social Impact Bond Fund LP	38 Seymour Street London W1H 7BP, UK	Partnership interest	44.44	Holding less than 50%, no public filing required	
Bridges Social Interim LP	38 Seymour Street London W1H 7BP, UK	Partnership interest	99.98	(29)	(3)
Cheyne Social and affordable housing High Impact (I) LP	94 Solaris Avenue Camana Bay 1348 Grand Cayman Ky1-1108, Cayman Islands	Partnership interest	100.00	902	(11)
City Funds LP	Narrow Quay House Narrow Quay Bristol BS1 4QA, UK	Partnership interest	50.00	2,187	(216)
Community Owned Renewable Energy LLP	W106 Vox Studios 1-45 Durham Street, London SE11 5JH, UK	Partnership interest	50.00	18,189	1,077
Eka Ventures 1 LP	Flat 1, Knaresborough House, 5-7 Knaresborough Place London SW5 0TN, UK	Partnership interest	99.25	565	(162)
Fair by Design Venture Limited Partnership	The Council House Victoria Square Birmingham West Midlands B1 1BB, UK	Partnership interest	36.75	Holding less than 50%, no public filing required	
Impact Ventures SA, SICAV-SIF	9, Allée Scheffer L-2520 Luxembourg	Registered shares	41.58	Holding less than 50%, no public filing required	
National Homelessness Property Fund 2 Limited Partnership	The Great Barn 5 Scarne Court Hurdon Road Launceston Cornwall PL15 9LR, UK	Partnership interest	23.43	Holding less than 50%, no public filing required	
National Homelessness Property Fund Limited Partnership	The Great Barn 5 Scarne Court Hurdon Road Launceston Cornwall PL15 9LR, UK	Partnership interest	35.52	Holding less than 50%, no public filing required	
Nesta Impact Investments 1 Limited Partnership	58 Victoria Embankment London EC4Y 0DS, UK	Partnership interest	45.46	Holding less than 50%, no public filing required	
North East Social Investment Fund Limited Partnership	5th Floor 27-35 Grainger Street Newcastle upon Tyne Tyne and Wear NE1 5JE, UK	Partnership interest	48.75	3,302	(31)
Public Services Lab LLP	Queens Insurance Building, Suite 3a 24 Queen Avenue Liverpool L2 4TZ, UK	Partnership interest	28.48	281	18

Investment name	Registered office address/ principal place of business ¹	Class of shares held	BSC% as at 31 December 2021	Aggregate capital and reserves of the entity ² £000	Aggregate profit/(loss) for the year of the entity ² £000
Resonance Everyone In Limited Partnership	The Great Barn 5 Scarne Court Hurdon Road Launceston Cornwall PL15 9LR, UK	Partnership interest	43.15		Holding less than 50%, no public filing required
Resonance Supported Homes Fund Limited Partnership	The Great Barn 5 Scarne Court Hurdon Road Launceston Cornwall PL15 9LR, UK	Partnership interest	32.81		Holding less than 50%, no public filing required
SASH Sidecar LP	4th Floor Reading Bridge House George Street, Reading Berkshire RG1 8LS, UK	Partnership interest	100.00	6	(20)
Schroder BSC Social Impact Trust	1 London Wall Place London EC2Y 5AU, UK	Ordinary	26.28	78,227	4,484
Shared Lives Investments LP	131-151 Great Titchfield Street London W1W 5BB, UK	Partnership interest	37.93		Holding less than 50%, no public filing required
Social Finance Care and Wellbeing Investments LLP	C/o Social Finance Ltd 87 Vauxhall Walk London SE11 5HJ, UK	Partnership interest	50.00	3,037	(694)
Social Growth Fund 2 LLP	6 Broughton Street Lane Edinburgh, Midlothian EH1 3LY, UK	Partnership interest	47.06	1,575	(313)
Social Growth Fund LLP	6 Broughton Street Lane Edinburgh, Midlothian EH1 3LY, UK	Partnership interest	50.00	5,640	(148)
The Charity Bank Limited	Fosse House, 182 High Street, Tonbridge Kent TN9 1BE, UK	Ordinary	54.47	20,904	(479)
The Community Investment Fund L.P.	4th Floor Reading Bridge House George Street, Reading Berkshire RG1 8LS, UK	Partnership interest	55.56	12,997	410
The Good Food Ventures LP	4th Floor, 20 Air Street London W1B 5DL, UK	Partnership interest	29.73	724	(114)
The Third Sector Investment Fund LLP	4th Floor Reading Bridge House George Street, Reading Berkshire RG1 8LS, UK	Partnership interest	91.91	8,531	53
Triodos New Horizons Limited	4th Floor Reading Bridge House George Street, Reading Berkshire RG1 8LS, UK	Ordinary	30.00	2	0
Women in Safe Homes Limited Partnership	The Great Barn 5 Scarne Court Hurdon Road Launceston Cornwall PL15 9LR, UK	Partnership interest	34.31		Holding less than 50%, no public filing required
Zamo Capital 1 Limited Partnership	12 Constance Road London E16 2DQ, UK	Partnership interest	100.00	2,310	(440)

The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 requires that:

¹ For unincorporated undertakings, the address of its principal place of business is stated.

² For all undertakings where the company's holding is 50% or greater, and for undertakings where the company's holding is 20% or greater and the undertaking is required by any provision of the 2006 Companies Act to deliver a copy of its balance sheet, the aggregate amount of the capital and reserves of the undertaking as at the end of its latest relevant financial year, and its profit or loss for that year is also stated.

³ Aggregate capital and reserves and profit or loss not available, as first financial year end falls after 31 December 2021.

10. Debtors

	2021	2020
	£ 000	£ 000
Other debtors	518	63
Prepayments	446	441
Accrued income on Treasury Portfolio	39	120
Accrued income on Social Impact Investment Portfolio	187	-
Accrued income on SBSI management fees earned	221	-
Accrued income on derivative financial instruments	760	823
Corporation tax	186	30
	2,357	1,477

11. Investments held as current assets

	2021	2020
	£ 000	£ 000
Treasury Portfolio – cash deposits	-	24,596
Treasury Portfolio – debt securities	197,600	169,698
Treasury Portfolio – social bonds/equity/multi-asset funds	32,643	32,342
	230,243	226,636

Investments held as current assets can be realised within one year, but not within 24 hours. Social bonds/equity/multi-asset funds are open-ended investment companies, and are held as part of the social impact investment allocation within the Treasury Portfolio, as described in the Strategic Report on page 20.

Listed debt securities include items with a fair value of (£370,000) (2020: £nil), which have been pledged as collateral for a contingent liability on foreign exchange forward contracts. The collateral is adjusted daily to reflect any contingent liability arising as at the prior day close of business and is subject to a minimum transfer threshold of £250,000. The collateral can be replaced by a range of agreed alternative financial assets. The company retains the risks and rewards of ownership.

12. Creditors: amounts falling due within one year

	2021 £ 000	2020 £ 000
Trade creditors	261	381
Other taxes and social security costs	153	142
Other creditors	831	47
Accruals	823	651
Deferred income	530	4
	2,598	1,225

13. Deferred taxation

	2021 £ 000	2020 £ 000
Accelerated capital allowances	11	19
Adjustment in respect of prior period	529	529
Tax losses carried forward	(1,836)	(1,181)
Tax losses not recognised as a deferred tax asset	1,307	652
Provision for deferred tax	11	19

Provision for liabilities

At 1 January 2021	19	23
Credited to the profit and loss account	(8)	(4)
At 31 December 2021	11	19

14. Financial risk management and financial instruments

Introduction

The Board is responsible for overall corporate governance, which includes ensuring that there are adequate systems of risk management. The systems and processes aim to identify, measure and report risks. Risk is controlled through a system of procedures, checks, reports and responsibilities. The Audit, Risk and Compliance Committee examines management processes and other arrangements to ensure the appropriateness and effectiveness of systems and controls, including risk management.

As described in the Strategic Report starting on page 6, the company's investment portfolio comprises a Social Impact Investment Portfolio and a Treasury Portfolio.

The Social Impact Investment Portfolio comprises unlisted equity investments, loans, investments in unlisted funds and investments in social impact bonds. All social impact investments are approved by the Investment Committee (which has been delegated authority by the Board to operate within set parameters).

The Treasury Portfolio comprises bank and building society cash deposits, certificates of deposit and listed and unlisted debt securities, social bonds/equity/multi-asset funds, and represents capital held before it is drawn down into social impact investment. The Treasury Portfolio operates using a socially responsible investment process.

Categories of financial instrument

Financial instruments as at 31 December by category are shown below:

2021

	Financial instruments measured at fair value through profit or loss £ 000	Financial instruments measured at amortised cost £ 000	Non-financial instruments £ 000	Total £ 000
Assets				
Tangible and intangible fixed assets	-	-	74	74
Fixed asset investments	336,453	17,573	-	354,026
Debtors	760	-	1,597	2,357
Investments held as current assets	32,643	197,600	-	230,243
Cash at bank and in hand	-	51,343	-	51,343
Liabilities				
Creditors	-	(17,429)	-	(17,429)
Deferred taxation	-	-	(11)	(11)
	369,856	249,087	1,660	620,603

2020

	Financial instruments measured at fair value through profit or loss £ 000	Financial instruments measured at amortised cost £ 000	Non-financial instruments £ 000	Total £ 000
Assets				
Tangible and intangible fixed assets	-	-	112	112
Fixed asset investments	294,169	17,476	-	311,645
Debtors	823	-	654	1,477
Investments held as current assets	56,938	169,698	-	226,636
Cash at bank and in hand	-	65,852	-	65,852
Liabilities				
Creditors: amounts falling due within one year	-	(1,225)	-	(1,225)
Deferred taxation	-	-	(19)	(19)
	351,930	251,801	747	604,478

The financial instruments not accounted for at fair value through profit or loss are assets and liabilities whose carrying amounts at the period end approximate fair value.

Gains and losses recognised in the profit and loss account during the period to 31 December by category are shown below:

2021

	Financial assets measured at fair value through profit or loss £ 000	Financial derivatives measured at fair value £ 000	Financial assets measured at amortised cost £ 000	Other income and expenses £ 000	Total £ 000
Interest income	3,016	-	2,891	-	5,907
Fee and dividend income	278	-	-	-	278
Investment gains/(losses)	17,543	1,546	(1,010)	-	18,079
Other income	-	-	-	713	713
Administrative and other expenses	-	-	(406)	(8,610)	(9,016)
Tax on loss on ordinary expenses	-	-	-	164	164
	20,837	1,546	1,475	(7,733)	16,125

2020

	Financial assets measured at fair value through profit or loss £ 000	Financial derivatives measured at fair value £ 000	Financial assets measured at amortised cost £ 000	Other income and expenses £ 000	Total £ 000
Interest income	3,917	-	3,424	-	7,341
Fee and dividend income	167	-	-	-	167
Investment gains/(losses)	4,251	(1,219)	1,309	-	4,341
Other income	-	-	-	115	115
Administrative and other expenses	-	-	(437)	(7,902)	(8,339)
Tax on loss on ordinary expenses	-	-	-	62	62
	8,335	(1,219)	4,296	(7,725)	3,687

Credit risk

Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. The company is exposed to credit risk principally from debt securities held, loans and receivables and cash deposits.

Investments in unlisted funds and loans included in fixed asset investments are all social impact investments. Debt securities, showing as current asset investments, are held within the Treasury Portfolio. Cash deposits are held either for operational purposes or as part of the Treasury Portfolio. Cash deposits that can be withdrawn at any time without notice and without penalty or that have a maturity or period of notice of not more than 24 hours or one working day are shown as cash at bank and in hand, whereas all other deposits with a maturity of up to one year are shown as investments held as current assets.

Within the Treasury Portfolio, the company has set a maximum exposure limit for each counterparty. The treasury policy seeks to minimise the exposure to counterparties with perceived higher risk of default by specifying an average credit rating for the portfolio. The Treasury Portfolio is managed externally and counterparty exposure limits and average credit rating are monitored by the external managers. The company receives monthly treasury reports.

The company's maximum credit risk exposure at the Statement of Financial Position date is represented by the respective carrying amounts of the relevant financial assets in the Statement of Financial Position, with the exception of listed debt securities designated as at amortised cost, for which the credit exposure and the carrying value are shown below. The carrying value includes amortisation of the premium at purchase and does not include any market revaluation, and therefore does not represent the current credit risk.

The company uses foreign exchange forward contracts to manage its exchange risk exposure from holdings of non-GBP denominated financial assets. Collateral is exchanged on open foreign exchange forward contracts representing the unrealised gain (receipt of collateral by the company) or loss (pledge of collateral by the company) on a daily basis.

Credit risk arises from changes in the value of the open foreign exchange forward contracts being insufficiently covered by collateral received (to cover unrealised gains) if the counterparty to the contract does not complete the exchange of currency on the contracted settlement date. This is mitigated by utilising standard credit support agreements with a limited number of mainstream financial institutions and reliance upon the collateral management processes at the investment manager.

Notes to the Financial Statements

Credit risk exposure as at the Statement of Financial Position date comprises:

	2021	2020
	£ 000	£ 000
Fixed asset investments	354,026	311,645
Other debtors	1,278	886
Accrued income	447	120
Social bond/equity/multi-asset funds – Investments held as current assets	32,643	32,342
Cash deposits – Investments held as current assets	-	24,596
Debt securities*	196,524	174,349
Cash deposits – Cash at bank and in hand	51,343	65,852
Maximum exposure to credit risk as at the Statement of Financial Position date	636,261	609,790

* Included within listed debt securities:	Credit risk exposure	Carrying value
	£ 000	£ 000
Debt securities designated as at amortised cost	196,524	197,600
	196,524	197,600

As at the year-end Cash at bank and in hand and Investments held as current assets were held at institutions rated as follows by Standard & Poor's Investor Services, by market value:

	Rating	2021	2020
		£ 000	£ 000
Social bond/equity/multi-asset funds investments	Not rated	32,643	32,342
Debt securities	AAA	17,789	32,243
Debt securities	AA	37,900	28,545
Debt securities	A	87,268	68,448
Debt securities	BBB	46,486	30,552
Debt securities	Not rated	7,081	9,910
Cash deposits – Investments held as current assets	Not rated	-	24,596
Cash deposits – Cash at bank and in hand	A-1	51,343	65,852
		280,510	292,488

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations. The company's policy is to ensure it has sufficient funds to fulfil liabilities as they fall due, including investment commitments approved by the Investment Committee (see Note 20 – Capital commitments, for details of investment commitments).

The company's financial assets include loans, unlisted equity investments, investments in unlisted funds and investments in social impact bonds, which are generally illiquid.

The company's investments in listed debt securities are considered to be readily realisable as they are actively traded. All cash deposits held as current assets have a maturity of less than 12 months.

The company's overall liquidity is monitored on a daily basis. The company receives income and capital distributions from the Social Impact Investment Portfolio, which are recycled to meet future commitments and other obligations.

An analysis of contractual creditor balances, by maturity, is shown below:

2021	Carrying amount £ 000	Contractual cash flows £ 000	6 months or less £ 000
Creditors: amounts falling due within one year	2,598	2,598	2,598
Creditors: amounts falling due after more than one year	14,831	14,831	-
	17,429	17,429	2,598

2020	Carrying amount £ 000	Contractual cash flows £ 000	6 months or less £ 000
Creditors: amounts falling due within one year	1,225	1,225	1,225
	1,225	1,225	1,225

Market risk

Market risk is the risk that changes in market prices, such as interest rates and credit spreads (not relating to changes in the issuer's credit standing), will affect the company's income or the fair value of its holdings of financial instruments.

The company has interest rate exposure. The company currently has £281.6 million in cash or current asset investments that earn interest at a variety of rates. Any reduction in interest rates will reduce the interest income on these deposits. A reduction of interest rates by 1% would result in a reduction in returns of £2.8 million.

Foreign exchange risk

The company is exposed to foreign currency risks on assets and liabilities as a result of changes in exchange rates. The company invests in foreign currency denominated bonds through its Treasury Portfolio and a small number of foreign currency denominated funds in the Social Impact Investment Portfolio, and so has foreign currency risk exposure on those assets. The company mitigates the risk on the bonds by putting in place matching currency forward derivative contracts. When a foreign currency denominated bond is purchased a spot trade and a forward are executed, and these are rolled forward every three months. The spot trade buys foreign currency and sells GBP (originally to fund the bond purchase) and a new forward contract is then executed to sell foreign currency and buy GBP, creating a foreign currency liability that offsets the investment. Currently the size of the company's investments in the foreign currency denominated funds in the Social Impact Investment Portfolio is too low for a similar process to be cost-effective due to the associated fees; the funds also hold GBP denominated assets, which partially mitigate the exposure. The exposure continues to be monitored and the company has the ability to implement a similar procedure to the bonds when/if required.

Regulatory risk

The company is authorised and regulated by the FCA. It is required to regularly assess the amount of capital needed for operations and will hold liquid capital in excess of this amount.

The company has, at all times during the period under regulatory supervision, held sufficient capital to meet its regulatory capital requirement.

15. Valuation of financial instruments

The determination of fair value for basic financial instruments for which there is no observable market price requires the use of valuation techniques as described in Note 1 – Significant accounting policies, Basic financial instruments – Fair value measurement.

The company uses a three-level hierarchy for fair value measurement disclosure, as follows:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

In determining a fair value using Level 3 valuation techniques, the company applies the principles included in the International Private Equity and Venture Capital Valuation Guidelines (2018 Edition and Special Guidance March 2020):

- Where an investment has been made recently, or where there has been subsequent, significant new investment into the company, a more accurate valuation is not available and there is no evidence to suggest that the unadjusted Price of Recent Investment is no longer relevant, the company may apply the Price of Recent Investment, for a limited period following the date of the relevant transaction. Where it is felt that there has been a change to the milestones or benchmark, then the company will use the Price of Recent Investment adjusted to reflect milestone/ benchmark analysis.
- Where appropriate and reasonable earnings or revenue multiples are available for comparable businesses, the company will apply the Multiples valuation technique to derive a value for the investment.
- If industry benchmarks can be applied to the investment to derive a fair value, these will be applied.
- If future cash flows can be reasonably estimated, and it is felt that the risks, due to the high level of subjectivity, involved in applying the Discounted Cash Flow method do not render the method insufficiently reliable, this will be applied.
- Where a regular Net Asset Valuation is available for the investment, the company will assess this for reasonableness and consider whether the investment can be valued on the basis of the underlying fair value of its assets, rather than its earnings. If this is considered appropriate, the company will apply the Adjusted Net Asset Valuation method.

The company may decide to use a combination of the above-mentioned methods, or other methods that are considered more appropriate to derive the fair value of its investments.

The fair value hierarchy of financial assets and liabilities held at fair value as at 31 December can be analysed as follows:

	2021	2020
	£ 000	£ 000
Level 1		
Investments held as current assets	32,643	32,342
Fixed asset investments	23,434	-
Level 2		
Investments held as current assets	-	24,596
Derivative financial instruments	760	823
Level 3		
Fixed asset investments	313,019	294,169
	369,856	351,930
	Financial assets held at fair value through profit or loss	
	£ 000	
Balance at 1 January 2021		294,169
Purchases		74,492
Sales		(50,703)
Total investment returns		17,464
Re-categorisation out of Level 3		(22,403)
Balance at 31 December 2021		313,019

All Level 3 financial assets held at fair value are investments held within the Social Impact Investment Portfolio.

16. Share capital

	Nominal value	2021 number	2021 £ 000	2020 £ 000
Allotted, called up and fully paid:				
Ordinary A shares	£1 each	426,345	426,345	426,345
Ordinary B shares	£1 each	200,000	200,000	200,000
			626,345	626,345

17. Profit and loss account

	2021 £ 000	2020 £ 000
At 1 January 2021	(21,867)	(25,554)
Profit/(Loss) for the financial year	16,125	3,687
At 31 December 2021	(5,742)	(21,867)

18. Cash and cash equivalents

	2021 £ 000	2020 £ 000
Cash at bank	51,343	65,852
Current asset investments (maturity less than three months from the date of acquisition)	15,000	21,597
Cash and cash equivalents per cash flow statement	66,343	87,449

As described in Note 11 – Investments held as current assets, investments held as current assets can be realised within one year, but not within 24 hours. For cash flow purposes those investments that have a maturity or period of notice of less than three months from the date of acquisition are included as cash and cash equivalents. A breakdown of investments held as current assets is provided below:

	2021 £ 000	2020 £ 000
Current asset investments (maturity less than three months from the date of acquisition)	-	21,597
Current asset investments (maturity greater than three months from the date of acquisition)	-	2,999
Debt securities (maturity less than three months from the date of acquisition)	15,000	-
Debt securities (maturity greater than three months from the date of acquisition)	182,600	169,698
Social bond/equity/multi-asset funds investments	32,643	32,342
Investments held as current assets per Statement of Financial Position	230,243	226,636

19. Events after the reporting date

There have been no significant events to disclose since the reporting date.

20. Capital commitments

The company recognises investments and potential investments at three distinct stages of the investment process:

Investments signed and drawn down – legal agreements are completed and signed and funds (in total or partial) have been drawn down. The amounts drawn down are recognised as financial assets in the Statement of Financial Position, and the balance of the commitment is disclosed below.

Investments signed, commitment undrawn – legal agreements are completed and signed and funds (in total or partial) have not been drawn down. These are not recognised within the Statement of Financial Position, but are disclosed below.

In-principle commitments – the commitment has been approved in principle by the company's Investment Committee; legal agreements and deal terms are in the process of being prepared. These are not recognised within the Statement of Financial Position, but are disclosed below.

As at 31 December, there were capital commitments, in respect of investments signed, commitments undrawn, of:

	2021 £ 000	2020 £ 000
Commitments contracted, undrawn fully or partially and not provided in the Financial Statements	182,491	193,133

As at 31 December, there were in-principle commitments of:

	2021 £ 000	2020 £ 000
In principle commitments (approved by the Investment Committee, subject to legal documentation)	6,000	25,850

21. Other financial commitments

	Land and buildings 2021 £ 000	Land and buildings 2020 £ 000
Falling due:		
Within one year	366	372
Within two to five years	825	1,196
In over five years	-	-
	1,191	1,568

22. Related party transactions

During 2021, The Oversight Trust – Assets for the Common Good (formerly The Big Society Trust), being the parent company, purchased £nil (2020: £45 million) of £1 Ordinary A shares in Big Society Capital Limited. During 2021, Big Society Capital Limited incurred £23,000 of costs (2020: £48,000) on behalf of the Oversight Trust for which it was reimbursed. No amount was outstanding at 31 December 2021 (31 December 2020: £nil).

During the period, Access – The Foundation for Social Investment, being a member of The Oversight Trust – Assets for the Common Good Group, paid £78,400 (2020: £78,400) to Big Society Capital, in respect of a licence fee for the use of its offices, additionally during 2021 Big Society Capital Limited incurred £2,000 of costs (2020: £nil) on behalf of Access, for which it was reimbursed. As at 31 December 2021 there was an outstanding balance of £6,500 (31 December 2020: £6,500).

The transactions were made on terms equivalent to those that prevail in arm's length transactions.

Directors' and senior management emoluments are disclosed in Note 5 – Directors' and key management personnel emoluments, and the Remuneration Report on page 45.

23. Controlling party

The directors consider that the immediate parent undertaking and the ultimate controlling party of this company is The Oversight Trust – Assets for the Common Good, a company incorporated in the UK and limited by guarantee.

The consolidated financial statements of the group are available to the public and may be obtained from Companies House.

24. Presentation currency

The financial statements are presented in sterling.

25. Legal form of entity and country of incorporation

Big Society Capital Limited is a limited company incorporated in England.

26. Principal place of business

The address of the company's principal place of business and registered office is:
New Fetter Place, 8–10 New Fetter Lane, London EC4A 1AZ

