BIG SOCIETY CAPITAL

Report & Financial Statements

31 December 2023

(Better Society Capital from April 2024)

Contents

Company information

Company information

Board of Directors

Our current Board of Directors, including Committee memberships, is set out below. Full biography information for all our Directors can be found on our company website here: https://bigsocietycapital.com/about-us/governance/.

Robin Hindle Fisher OBE[1]
(Chair)

David Hunter[2,4]
(Chair of Audit, Risk and Compliance Committee)

Kieron Boyle[1,2]
(Chair of Nominations and Remuneration Committee)

Alison Evans[4]
(Senior Independent Director)

Stephen Muers[3, 4]
(CEO)

James Chew[2]
(Director nominated by the shareholder banks)

Alan Giddins[3]

Christina McComb OBE[3]

Chris Wright[1,4]

Lesley-Anne Alexander CBE[1]

Rosie Ginday MBE[1]

Stan Chan[2]

Secretary

Katie Hall-May

Independent Auditor

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Banker

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Registered office

New Fetter Place
8-10 New Fetter Lane
London
EC4A 1AZ

Registered number

07599565

Regulatory authorisation

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

[1] Member of the Nominations and Remuneration Committee
[2] Member of the Audit, Risk and Compliance Committee
[3] Member of the Investment Committee
[4] Member of the Valuation and Performance Committee

An introduction from our Chair

It is my pleasure to present this annual report and accounts for 2023, the first full financial year since I became Chair in 2022.

Big Society Capital's overarching mission is to improve the lives of people in the UK by increasing the amount of capital invested by a wide range of investors in tackling social challenges. We do this by investing the capital under our own management, but crucially also by supporting the growth of the overall social investment market and by enabling others to invest alongside us.

2023 was our 11th year of operation and was another period of solid progress, albeit against an uncertain and difficult backdrop. Higher inflation, fluctuating interest rates and increasingly unpredictable macro-economic conditions created a testing environment for many in our sector, including us. Some of our notable achievements in the year are highlighted in our Chief Executive's statement, and I was particularly delighted by the Government's decision to allocate further monies from the dormant bank accounts to our stewardship.

Although our commitment to our mission and to tackling social challenges in the UK has not changed in any way, our name will have changed by the date of publication of these accounts. As from late April 2024, our organisation is now called Better Society Capital, because we believe that name reflects our mission and purpose more clearly now that the market and our profile have grown significantly. Our strategy for the next five-year period will mirror our ambition that social impact investment should become an increasingly important and influential force in UK financial markets and in society.

Two long-standing Non-Executive Directors of our organisation retired in 2023, after completing their respective periods of tenure. Fiona Ellis served on the Board for nine years and made a distinguished contribution, most recently as our Senior Non-Executive Director; Stuart Foster was the shareholder banks' representative on our Board for six years and made a significant and broad contribution, as well as overseeing our relationship with these important shareholders. I want to thank them both on behalf of everyone at Big Society Capital for the wisdom, insight and experience they brought to us during their tenures.

Board rotation provides opportunities to bring new and different perspectives to the organisation and I am delighted by the new appointments we made in 2023. Alison Evans brings a wealth of expertise in impact management and measurement after a distinguished career at the World Bank Group; Rosie Ginday brings lived experience of setting up and running Miss Macaroon, one of the UK's most successful social enterprises; and James Chew of HSBC, our new shareholder banks' appointed Director, brings long experience of our mission and of the dormant accounts funding scheme. They are already contributing very successfully to the work of the Board, and I am delighted that they have joined us.

As ever, the achievements and progress we made in 2023 were only possible because of the talent, dedication and hard work of the outstanding team we have at Big Society Capital. I would like to record the Board's appreciation and enormous gratitude for the exceptional efforts of everyone in the organisation. Thank you.

Robin Hindle Fisher

Robin Hindle Fisher

An introduction from our CEO

Big Society Capital made strong progress in 2023 towards our mission to increase the amount of capital invested in tackling social challenges in the UK, while also facing the ongoing challenges created by macro-economic uncertainty.

These challenges have also affected our own financial results for 2023. High inflation in particular, exacerbates many of the social issues we seek to address – increasing demands on the services of the organisations we support – and making the need for social impact investment to address them even greater. However, despite this backdrop we have seen encouraging progress.

The overall social impact investment market continued to grow, and has increased more than ten-fold since 2011. Our annual market sizing exercise estimated that £9.4 billion had now been invested in social enterprises, charities and social purpose organisations.

During 2023, we signed nine new investments including one follow-on investment, totalling £44 million, supporting a range of fund managers to invest in organisations delivering positive social impact throughout the UK. This brings the total amount of Big Society Capital's own funds committed since launch to £927 million. With £2.6 billion in co-investment alongside, over £3.5 billion has now been made available to more than 3,500 organisations addressing a wide range of social issues, from homelessness to mental health.

This has enabled over seven million people to be supported through impact venture investments, with a focus on financial inclusion and health, and delivered over 6,000 homes, which are expected to house some 15,000 people. Over 60% of our investments in social lending are located in the UK's most deprived areas. Further examples of the positive impact which has been delivered through social impact investment and our activities to support it, are set out in our 2023 Impact Report,[1] and I would encourage you to read it and find out more.

We believe a supportive policy environment, and increased understanding within Government of the role social impact investment can play, can have a significant

[1] https://bigsocietycapital.com/impact-report-2023/

impact on the growth of the market, therefore 2023 saw us increase our Government and political engagement work, building closer relationships with decision-makers on both sides of the House and in local and regional government. We received an additional £8 million in dormant accounts monies from the Government, as part of a package to support social sector organisations in becoming more resilient to high energy costs. By the end of the year, we had signed terms for its delivery alongside other funding, and through a range of partners who will be able to reach organisations right across the country.

I am proud to report that in July 2023, Big Society Capital became a Certified B Corp and joined the global movement of businesses striving for an inclusive, equitable and regenerative economy.

2023 also saw the launch of ImpactVC, a community for venture capital investors seeking to learn about and accelerate the topic of impact in venture, which we hope will help facilitate the flow of venture capital to impact startups. The community provides online and in-person connections to facilitate learning and collaboration, as well as practical tools to help venture investors back and build high-impact companies, including resources and training for both venture firms and potential investee companies. By the end of the year the number of venture capital firms signing up for the initiative had reached 570, representing some £50 billion of assets under management.

In order to grow the social impact investment market, it is key to widen the universe of organisations seeking to access investment, and our partner Good Finance[2] plays a key role in raising awareness in this stakeholder group. I'm therefore really encouraged to see Good Finance reach the milestone of 500,000 unique website users – showing that an increasing number of charities and social enterprises are exploring the possibilities of using social investment.

I would echo the thanks expressed by Robin Hindle Fisher, the Chair of our Board, to all the staff at Big Society Capital, whose passion for the work we do, and its ultimate objective, is manifest in the quality and generosity of their efforts. I would also thank our partners, Robin and the Board themselves for their insightful challenge, wisdom and willingness to engage.

The social issues we seek to guide capital into are no less prevalent or urgent this year than they have ever been. As we progress in 2024, I hope for ever-increasing opportunities to engage with policy-makers, investors, fund managers and social enterprises to continue to improve the lives of people living in the UK, channelling resources to where they are most needed.

Stephen Muers

[2] https://www.goodfinance.org.uk/

Strategic Report

Our Strategy

The Directors present their Strategic Report for the year ended 31 December 2023.

Our mission

Big Society Capital's mission is to grow the amount of money invested in tackling social issues and reducing inequalities in the UK. We do this, not only by investing our own capital, but also by enabling others to invest for impact, and therefore helping to build the wider market for social impact investment.[3] We will judge our ultimate success by the growth and social impact of the broader environment we help to create, not just by the direct impact of our own investment capital. As part of this, we must also prove that we are able to independently sustain ourselves as a business.

Our strategic approach

Acting as a wholesale social impact investor, we invest in funds alongside others, deploying capital through fund managers, social banks and organisations providing market infrastructure, rather than investing directly in frontline organisations.

We use the Impact Management Project impact dimensions to help define the change we want to see, using the following key areas:

- **Impact on people:** Specifically, the individuals who use the services and products created by social enterprises and charities that have received investment from the fund managers or social banks we invest in.
- **Financial sustainability:** All our 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. We aim for positive and competitive financial returns that will have the greatest chance of attracting other investors, and ultimately achieving the greatest social impact.
- **Impact on the system:** This refers to the impact our 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. We also refer to this as systems change.

[3] An explanation of social impact investment can be found on the Big Society Capital website, at: https://bigsocietycapital.com/our-approach/

We focus, within our current strategy, on systems change within four key market areas (market systems) as set out below. Across these four markets, we seek to understand the key actors and conditions that keep the current systems in place, so that we can identify leverage points where our investment or non-investment activities can trigger change. We embed these into our market system strategies, and track progress against them on an annual basis.

- **Social and Affordable Housing (Social Property):** We seek to build a housing investment ecosystem that increases the supply of good-quality, safe and secure social and affordable homes. We invest in those models that we believe work fairly for all stakeholders, and select managers who understand the social issues involved. This is a growing area, and we believe that private impact capital has a significant role to play in solving the UK's housing crisis.
- **Impact Venture:** Our key goal in this area is to support the development of an ecosystem that nurtures and scales innovative ways of tackling social problems. To achieve this, we invest our capital with top-tier venture managers who are value-aligned and who are looking to enhance their impact practice, and with pioneering, impact-dedicated managers. We seek to develop leadership in this area by initiating new tools, systems and processes to enhance impact practice, engaging key market players, and building the movement towards impact in venture – including through the ImpactVC community.
- **Social Lending:** We aim to supply capital to impact-led social enterprises and charities, to enable them to build resilience in the current economic environment, and access pathways to growth. As part of our strategy to 2025, we aim to ensure that at least 50% of organisations that take on social lending are from, or are working with, under-represented communities. We also aim to invest at least 60% of our Portfolio in the areas of the UK that are represented by the top two quintiles in the Index of Multiple Deprivation (IMD). We work with partners to understand key areas we may be missing, and identify where we must go further.
- **Social Outcomes Contracts:** Our objective here is to enhance and develop an environment that supports the delivery of outcomes contracts at scale, in a broad range of policy areas, supported with appropriate funding, delivery and management expertise. To achieve this, we work with stakeholders across the market to share learnings, while ensuring that there is enough socially motivated capital in the market to service outcomes projects, including investing our own capital.

Looking to the future

The current macro-economic conditions, with the effects of higher inflation and interest rates, are likely to continue to have an impact on our work. Demand for the services provided by the organisations funded by our investments has been rising, and the need for early-stage intervention measures is ever more important. An expected election in the UK in 2024 introduces further uncertainty, but also opportunity for all political parties to harness social impact investment to help address key challenges, and we are engaging with them on these issues ahead of the prospective election. We will continue to focus on supporting our fund manager partners, and charity and social enterprise investees, in building resilience and providing positive social impact where it is most needed. We are encouraged by evidence that, despite the challenging market environment, the social investment market in the UK continues to grow, and we believe that Big Society Capital remains well positioned to lead and benefit from this.

Our Business Model

Our operating model

Our operating model is based on the following principles:

- **Independence:** The Oversight Trust – Assets for the Common Good (the Oversight Trust), is an independent holding company that currently owns 68.5% of our issued share capital and was set up to ensure that our organisation remains 'on mission'. Big Society Capital as an entity is not owned or controlled by Government, nor is it controlled by the banks that have invested in it.
- **Transparency:** We are committed to producing details of the financial and social impact of our investments. We act as a champion for sharing information and expertise across the social impact investment sector.
- **Self-sufficiency:** Over time, we need to cover our own operating costs and any losses from the return on our investments, as well as earn a financial return, in order to demonstrate to the market that the social impact investment model is sustainable.

Since inception, Big Society Capital and other investors alongside us have together made £3.6 billion of new capital available to organisations with a social mission. We aim to identify the sustainable business models that will create impact and improve people's lives, as well as achieving positive investment returns. We focus on those models that can attract other investors, as ultimately these will provide the opportunity to scale and have greater impact. We seek to be a market builder for social impact investment 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.

Our capital

We have received equity capital from the Oversight Trust, the source of which 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, which subscribes for shares in 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 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. Subsequent injections of additional equity totalling £33 million from dormant bank accounts were made in 2018 and 2023, of which £8 million was received in 2023. We have also received £200 million in total from our shareholder banks (Barclays, HSBC, Lloyds Banking Group and NatWest Group) for investment across the UK, which represents their maximum commitment. Approximately one and a half times this total capital from dormant bank accounts and the shareholder banks has now been committed by Big Society Capital to generate social impact across the UK.

Our approach to impact management and measurement

Both impact on people and systems change are considered alongside financial sustainability aspects, before a decision is made to progress a potential investment to the due diligence phase, where the targeted impact and systems change are assessed in further detail. Bespoke tools, such as an Impact Canvas, are used to capture these and articulate a measurement plan to validate them post-investment. Impact and systems change considerations are then presented to our Investment Committee with equal (or at times greater) prominence as traditional financial considerations. Once an investment has been made, we continue to monitor and engage with our investees through an Annual Impact Conversation focused on impact and systems change performance, which is then reviewed annually by our Valuation and Performance Committee.

Big Society Capital is a signatory to the Operating Principles for Impact Management, a framework for best practice in impact management. Our 2023 Disclosure Statement has been published here,[4] and our latest independent verification report by BlueMark can be found here.[5] Big Society Capital published its 2023 Impact Report in February 2024, which is available on our website here.[6] Further information on the organisation's approach to impact can be found on the website here.[7]

[4] https://bigsocietycapital.fra1.cdn.digitaloceanspaces.com/media/documents/OPIM_2023_disclosure_statement_final.pdf
[5] https://bigsocietycapital.fra1.cdn.digitaloceanspaces.com/media/documents/BSC-BlueMark_Verifier_statement_Detailed_assessment_03.23.21.pdf
[6] https://bigsocietycapital.com/impact-report-2023/
[7] http://www.bigsocietycapital.com/how-we-work/impact/

Our Performance in 2023

Improving lives through investment and market systems change

Social Property

In 2023 we focused on scaling up innovative high-impact models in transitional supported housing, while also developing new funds to attract institutional capital. We made one new investment in social property with a total value of £10 million, as follows.

- **Octopus Affordable Housing Fund:** The social housing shortfall is currently resulting in 130,000 children living in temporary accommodation in England. Meanwhile, building new homes has become increasingly challenging, due to rising costs and a housing association sector under pressure to focus its resources on improving existing stock. BSC has invested £10 million into this fund, which will target long-term strategic equity partnerships with housing associations to deliver affordable and energy-efficient housing for low-income households.

Since inception, we have made 20 fund commitments in social property totalling £237 million (representing 25% of all gross commitments in our Social Impact Investment Portfolio since inception), to deliver 6,690 properties across the UK, which are projected to provide homes for 15,000 people. Analysis of our social housing segment of the Portfolio undertaken in 2023, highlighted the reach of these investments, with 74% of our investments delivering homes in the least affordable areas, where house prices are nine times the average local salary. 75% of these homes were also in areas with the greatest homelessness pressures.

Highlights from our market-building activity in this area in 2023 included:

- **Educating and influencing investors to invest in the highest-impact models:** We engaged with asset managers responsible for managing more than half a trillion pounds worth of capital and industry press to share knowledge on impact business models, risks, mitigants and opportunities. Targeted engagement with Local Government Pension Schemes led to over £140 million in new investments against a challenging macro-economic backdrop.
- **Promoting and showcasing best-in-class impact models and practice as a signal of what's possible:** In partnership with the Department for Levelling Up, Housing and Communities (DLUHC) and Manchester Metropolitan University, we launched a longitudinal study on homelessness investment, while our review of the Equity Impact Project highlighted an opportunity for ongoing sector utility.
- **Influencing policy-makers and partners to help grow the market with integrity and quality:** 2023 saw increased public affairs engagement including providing expertise and evidence to a Parliamentary Select Committee. Further details of this work are available here.[8] This built on our experience of delivering for and with Government, including the £25 million of catalytic capital previously received from DLUHC to help scale the homelessness impact models, bringing in a further £123 million of private investment.

[8] https://committees.parliament.uk/event/19023/formal-meeting-oral-evidence-session/

Impact Venture

In 2023, Big Society Capital committed or approved £13.5 million in the area of impact venture. This included:

- **Bethnal Green Ventures Fund II,** which achieved a first close of £33 million with investors including the British Business Bank and M&G. The fund aims to support up to 100 startups via Bethnal Green Ventures' flagship Tech For Good programme.
- **Anthemis AVF III,** a fund focused on financial services as a route to improving lives.

Since 2012, approximately £126 million has been committed to impact venture across 22 funds, reaching more than 100 impact startups and, through them, helping over 7.4 million people. Key impact themes in the Portfolio include physical and mental health, financial inclusion, and education and training.

In 2023 we publicly launched ImpactVC, a community of venture capital investors coming together to learn about and accelerate the topic of impact in venture. This community now includes more than 750 people from more than 570 VC funds, representing over £50 billion in assets under management. Together the community has developed a VC Impact Playbook resource that has been downloaded over 1,200 times – as well as running online and in-person training for venture capitalists and reaching over 1,300 people through online and in-person events in 2023.

Social Lending

Our aim in this area is to build a thriving social lending market that works for social purpose organisations and investors alike. In 2023, our focus was investing into high-impact business models, building stronger relationships with fund managers, and attracting new investor groups as co-investors.

In 2023, we made five new investments in social lending funds, with a total value of £27.9 million. These investments tackle specific missions, and are both seeding new investment solutions and scaling more proven strategies, for example:

- **Energy Resilience Fund Pilot:** Social enterprises, charities and community enterprises are struggling with rising energy bills, yet can lack the finance and expertise for cost-reducing energy-efficiency measures. The Energy Resilience Fund provides blended finance and technical support to help address the vulnerability of social purpose organisations to energy price volatility and strengthen their resilience.
- **Big Issue Invest (BII) Fund IV:** BII has recognised a market gap for medium-sized, asset-backed, social purpose organisations in care, housing and social infrastructure, that are seeking to grow to meet growing social needs. The fund provides unitranche loans, a solution tailored to the needs of organisations that would otherwise be able to access the amounts of finance needed only through complex deals with multiple finance providers.
- **Community Energy Together:** This deal sees community groups take ownership of eight solar assets, creating funding streams of up to £20 million for wider social change in their local area. It is the biggest transfer of community energy assets ever in the UK, with a collective capacity of 36MWp (enough to power 13,000 homes) and increases England and Wales's community solar capacity by one fifth.

Since inception, Big Society Capital has made 56 social lending investment commitments and committed £368 million of capital, representing 40% of our Portfolio.

Other notable investments included our £10 million investment into Community Enterprise Investment Facility 2, a £57 million facility to support the growth of a number of Community Development Finance Institutions (CDFIs).

Beyond investments, our team continues to engage in market-building activity, building thriving social lending markets where investors can find opportunities that align with their values, and social purpose organisations can find the right finance at the right time to fuel their work improving people's lives across the UK. These organisations deliver impact across key social issues such as financial inclusion, housing and local facilities, and employment, education and training, and are addressing critical societal challenges such as the Just Transition. In March, the Blended Finance Community of Practice was launched with five key partners, and this continues to flourish and grow. Collaborations with industry experts and participation in conferences have further enhanced our network and understanding of market opportunities.

Social Outcomes Contracts

In 2023, Big Society Capital continued to work to build the social outcomes contracts market, concentrating efforts on public advocacy to build knowledge and networks across all areas of Government, at both local and central level. We recognise that working in partnerships and coalitions, as well as cultivating external champions for the model, is key to amplifying all our voices. We have endeavoured to do so, working closely with our existing partners such as our fund managers, as well as forming newer partnerships such as with the NHS Confederation. As a result of this the Labour Markets Evaluation and Pilots Fund, a £37.5 million initiative earmarked to help explore innovative ways to help people back into work, was announced by HM Treasury in the Spring Budget. The potential of social outcomes contracts was also explicitly recognised in the guidance issued by the Treasury, emphasised by the then Chief Secretary of the Treasury, who specifically welcomed "bids from departments using innovative financing models such as Social Outcomes Partnerships".

We also worked within our existing investments to support continued performance of established projects and showcase best practice. Since inception we have made 13 fund and investment commitments in social outcomes contracts, totalling £44 million, delivering outcomes for at least 45,000 people, many of these being vulnerable individuals with complex overlapping needs.

In the wider market, to date, there have been 90 social outcomes projects in the UK, through which more than 220 social sector organisations have been able to deliver vital support to more than 55,000 people with complex needs, across the areas of homelessness, children's services, health, education and employment.

Proving sustainability: Financial results

We utilise a number of financial metrics to track our underlying in-year and longer-term performance, including new commitments, drawdowns and receipts, Portfolio returns and overall financial returns.

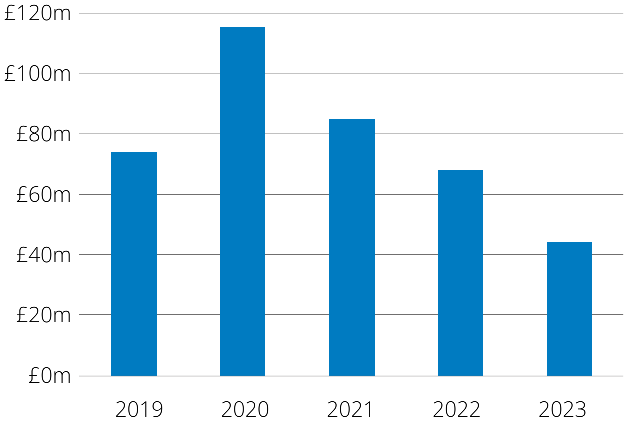
In 2023, we made total new commitments of £44 million (2022: £68 million). This is lower than the levels achieved in previous years due to the more challenging environment for mobilising co-investment. On a rolling basis, however, average commitment levels are in line with our long-term planning and strategy assumptions. Drawdowns in 2023 totalled £67 million (2022: £64 million) and cash receipts from our Social Impact Investment Portfolio totalled £49 million (2022: £48 million), both in line with expectations, with receipt levels being driven by the stage of the constituents of our underlying investment Portfolio.

Our 2023 results show a loss of £6.0 million (2022: net profit £4.2 million), driven by a continuing difficult economic environment, which has reduced returns on the Social Impact Investment Portfolio compared to recent years. These lower returns have been offset by stronger treasury performance, as we took advantage of market conditions to move into higher returning multi-asset investments, which performed well in the latter part of the year.

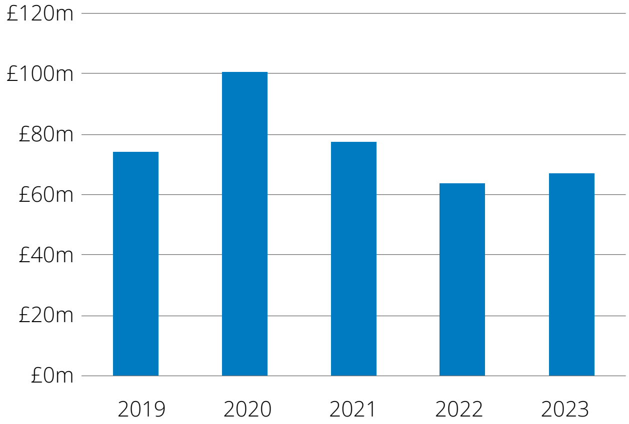
The financial statements, beginning at page 51, outline Big Society Capital's financial performance for the period.

The key performance trends for our Social Impact Investment Portfolio and Treasury Portfolio are outlined in the charts opposite. The Social Impact Investment Portfolio comprises investments made to meet our objectives. The Treasury Portfolio represents capital held before it is drawn down into social impact investment.

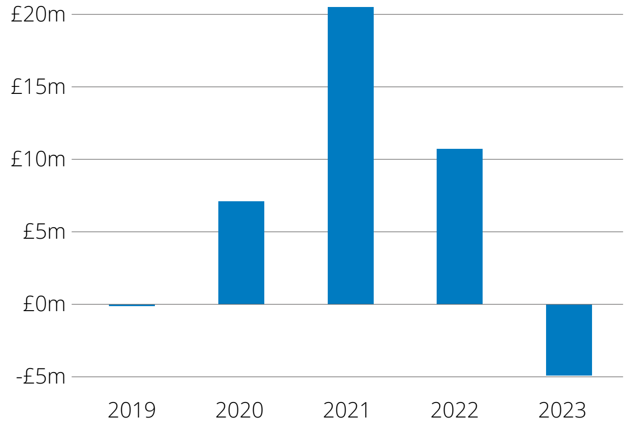
Social Impact Investment Portfolio – New Commitments – last 5 years



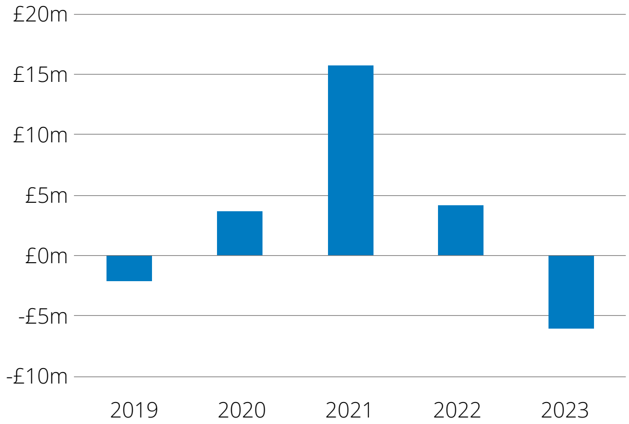
Social Impact Investment Portfolio – Drawdowns – last 5 years



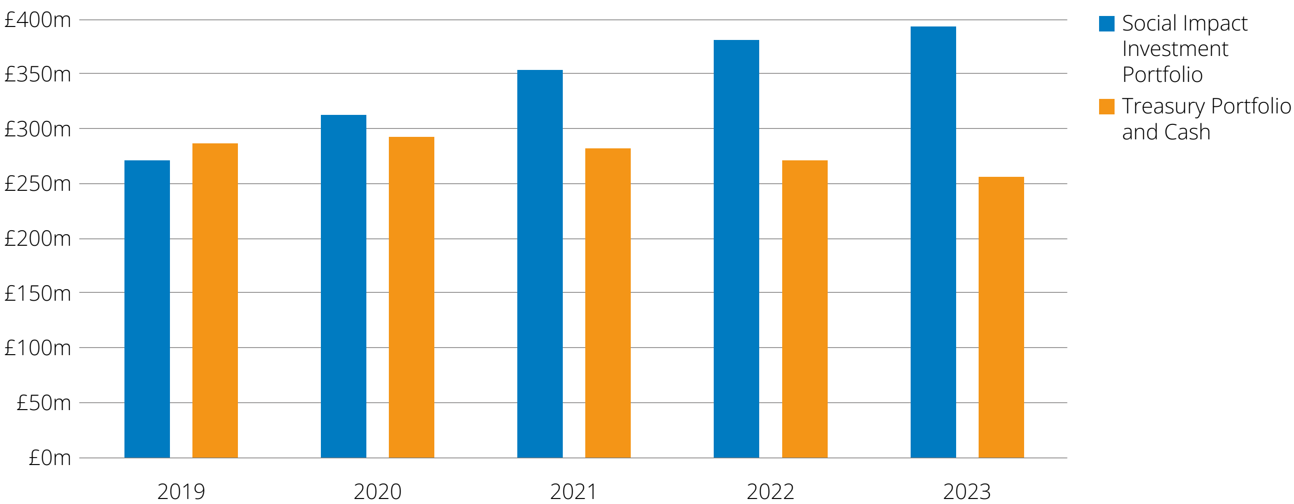
Social Impact Investment Portfolio – Net Return – last 5 years



BSC Overall Net Profit/(Loss) before taxation – last 5 years



Valuation of Social Impact Investment Portfolio and Treasury Portfolio



The longer-term objective is for the company to generate positive financial returns and social impact on a continuing basis in line with its stated return targets, as the Social Impact Investment Portfolio becomes more mature and exits from earlier investments are realised. The generation of realised financial returns, over the long term, will also support the company's operational and market-building costs and establish a dividend stream for our shareholders.

The current subdued macro-economic environment as a result of higher inflation and volatility in interest rates and gilt yields experienced over the past two years, continues to indicate a more challenging outlook for the future performance of the wider Social Impact Investment Portfolio.

Social Impact Investment Portfolio

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 Social Impact Investment Portfolio alongside income distributions. Most of the 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.

Overall in 2023 the Social Impact Investment Portfolio generated a negative return of £4.9 million (-1.3% of the total Portfolio), compared to a positive return of £10.7 million in 2022 (2.9% of the total Portfolio), broken down as follows:

Income (comprising interest, fees, income distributions and dividends received by Big Society Capital)	
2023 **£7.3 million**	**2022** **£6.8 million**
The increase is mainly a result of increased dividend income.	

(Negative)/Positive movement in gains/ (losses) excluding what BSC attributes as management fees	
2023 **(£7.0 million)**	**2022** **£9.3 million**
The large reversal is driven by uncertainties in the wider economic environment alongside weak performance in Social Property and with some Fund Manager Intermediaries.	

Management fees allocated to fund managers	
2023 **(£5.2 million)**	**2022** **(£5.4 million)**
Management fees as a percentage of average Social Impact Investment Portfolio valuation plus outstanding commitments remain consistent in 2023 at 0.91%, compared to 0.94% in 2022.	

Further breakdown is available in Note 2 of the financial statements.

The decrease in Portfolio return in 2023 is largely due to a combination of weaker performance and write-downs of a number of Social Property, Fund Manager Intermediary and Impact Venture investments, partially offset by some resilience in overall performance across the broad spectrum of lending investments.

Performance of Social Property investments has been impacted by the effects of the wider economic environment on certain underlying asset valuations, including increased discount rates and lower house prices, notwithstanding the more specialised nature of assets held. Performance of investments in Fund Manager Intermediaries has been impacted by the more challenging fundraising environment, with particular slowdowns in fundraising for emerging managers.

Within Impact Venture investments, the majority of the Portfolio remains invested in early-stage companies where valuations have reduced after strong performance over the last couple of years. During the period we continued to see profitable exits, as well as some specific impairments where the underlying business models have proved less resilient to prevailing economic conditions.

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.

Treasury Portfolio

In 2022 we conducted a strategic review of the Treasury Portfolio to take advantage of improved investing conditions in credit markets and multi-asset products. In order to demonstrate good stewardship of our share capital from a risk/return perspective, the Portfolio is managed in two principal segments. The larger portion of the Portfolio is focused on asset-liability matching to meet multi-year social impact investment commitments and organisational cash requirements. The remainder of the Portfolio is invested in a return-seeking, multi-asset Portfolio with a medium time horizon. Both segments of the Portfolio performed well in 2023, and are managed holistically alongside the Social Impact Investment Portfolio and in line with responsible investment principles.

Total investment income from the Treasury Portfolio since this review was £9.2 million in 2023, £6.7 million higher than 2022, when a positive return was generated, notwithstanding significant market turbulence. The increase reflects greater interest income and a higher proportion of the Portfolio invested in the multi-asset segment compared to previous years, together with improved multi-asset performance as markets showed signs of recovery in the latter part of the year.

Administrative expenses

Administrative costs increased by £1.5 million to £11.4 million in 2023 (2022: by £1.2 million to £9.9 million). In addition, treasury fees were £0.3 million (2022: £0.3 million). The overall increase in administrative expenses of 15% is reflective of the higher inflationary environment on staff and operational costs, together with the effect of a 7% increase in headcount to reflect investment in specific areas such as ESG and treasury capabilities, public affairs and wider operational resilience aligned to our overall strategy. The operating costs of the company can be allocated between investment activity and market-building activity in line with our mandate. Investment activity costs account for 0.9% of average net assets (2022: 0.7%) and market-building costs account for 0.8% of average net assets (2022: 0.7%).

Liquidity

We utilise a long-term liquidity model to assess future liquidity requirements, considering future expected realisations and expected drawdown profiles. The Board has approved a policy whereby available liquidity should be at least 80% of the level of undrawn commitments. As of 31 December 2023, cash and treasury funds totalled £256 million, or 157% of undrawn commitments.

We regularly review and update our liquidity model, particularly in the light of changes in the economic environment. This includes stress testing of our assumptions and demonstration of the levers that we have available, to ensure we can continue to commit to new social impact investments.

Growing the social investment market

In order to achieve our objective to grow the wider social investment market, we work to build 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.

Our approach to market building is through education and partnership, working with others to further understanding and participation in social impact investment across a wide range of groups. Key market-building activities in 2023 included:

Supporting the public sector and engaging with Government

- We built new and deepened existing relationships with Government stakeholders around key priority areas, engaging Ministers, MPs, Special Advisers, civil servants and think-tanks. Throughout the year we met MPs from all political parties, including attending their conferences and as Secretariat to the All Party Parliamentary Group for Philanthropy and Social Investment, to raise awareness of social impact investing and its potential.
- We had several high-profile opportunities to showcase social impact investment and the sector to policy-makers, including a roundtable in Number 10 Downing Street with the Chief Secretary to the Treasury; oral evidence to the Select Committee for the Department for Levelling Up, Housing and Communities on financing social and affordable housing; and catalysing an HM Treasury roundtable on social outcomes partnerships chaired by the Special Economic Adviser to the Chancellor.
- We also joined forces with Access – The Foundation for Social Investment and other sector partners to create the Community Enterprise Growth Plan[9] to advocate for additional dormant assets to be allocated to social investment. As well as the £8 million mentioned previously, we were pleased our deep engagement activity led us to welcoming the Government provisional allocation of £87.5 million[10] of the next tranche of dormant assets to social investment.
- We also partnered with Social Investment Business and other sector partners to ensure all charities gained equal access to the Recovery Loan Scheme, and supported Responsible Finance and others to secure positive changes to the Community Investment Tax Relief scheme.

[9] https://www.communityenterprise.uk/
[10] https://www.gov.uk/government/news/dormant-assets-scheme-statement-of-intent-overview

Supporting social enterprises

- We launched the Energy Resilience Hub[11] through Good Finance, to help social enterprises and charities struggling with rising energy costs to find information, tools, grants and investment to support their Just Transition ambitions.
- We launched new e-learning modules, including topics such as Due Diligence and Legal Structures and Governance, helping social enterprises and charities to understand more about how social investment can work for different organisations.
- In respect of our Investment Committees of the Future initiative, our commitment to embed lived experience and redress the power imbalance in investment decision-making saw three successful appointments of alumni of the programme into Investment Committee or Advisory Panel roles.
- Good Finance (funded in partnership with Access – The Foundation for Social Investment) celebrated the milestone of 500,000 unique website users in April. In addition, more social enterprises and charities than ever have tried its 'Is it right for us?' tool, with the final number expected to exceed 900 completions. Approximately 25,000 (22%) users demonstrated appetite for social investment by clicking through to our investor directory, with a final one in five users (5,000) indicating real intent to use social investment by clicking through to the investor's website.
- In 2023 we also joined Social Enterprise UK as a sponsor of the Social Enterprise Knowledge Hub, emphasising our commitment to using data to track progress and to identify and overcome barriers to social investment.

Supporting investors

- Schroder BSC Social Impact Trust (the Trust) continued to be a key focus for our team as an important market-building initiative. The Trust continued to deliver resilient returns since inception, despite a highly volatile market. The Trust's Impact Report,[12] published in June 2023, contains further information on the impact achieved by its investments, including financing 168 frontline organisations and benefiting more than 276,000 people, with at least 94% being from vulnerable and disadvantaged groups. The Trust's investments have generated a total of £98 million in social outcomes and savings for households and Government.

Supporting networks, fund managers and intermediaries

- Our investment network provides Big Society Capital and fund managers in our Portfolio with access to pro bono support, tools and resources to help achieve strategic objectives, as well as manage a number of important communities. In 2023 this included:
  - The launch and roll-out of the ImpactVC community (see page 15 for further information).
  - The launch of Future Impact Finance, a network for professionals new to the social investment sector. This network has grown to 69 members to date.
  - The delivery of 46 pro bono engagements to Big Society Capital or managers in the Portfolio, to the value of £450,000.

Measuring the reach of our communications

- In 2023 we conducted a survey to inform us about the understanding and awareness of social impact investment, our position in the market and our brand recognition. This followed on from similar surveys done in 2018 and 2021.
- Results showed that previously high levels of understanding of the sector, empowerment and confidence in the process have been maintained. Over 65% (vs 66% in 2021) were familiar with the term 'social impact investment' and close to 90% had some understanding of the terms 'social impact investment', 'social investment' and 'impact investment'. 58% (vs 52% in 2021) felt well informed and 55% (vs 56% in 2021) had a high confidence in the process.
- Big Society Capital has a very high quality of knowledge – our stakeholders recognise our brand, but importantly understand our role. In particular, we are well recognised for attracting new money into the sector, advocating for social impact investment and social enterprise in Government, creating understanding and awareness of social impact investment.
- The percentage of stakeholders considering us to have a successful track record has increased from 71% in 2021, to 77%, and is among the highest of the brands included in the survey.
- BSC communications have achieved extremely good reach across the sector – with an increase in those having a sense of seeing or hearing a lot recently from the brand, and 80% (vs 75% in 2021) thought they had seen or heard anything – this is very high. Driving this presence are: website, newsletters, word of mouth and events, with both the website and newsletter substantially up on 2021.

[11] https://www.goodfinance.org.uk/resources/social-investment-energy-resilience
[12] https://publications.schroders.com/view/257162579/

Key Performance Indicators

We have a range of key performance indicators (KPIs) that we use to evaluate both the social impact investment market and the organisation's performance. The figures below show our KPIs at 31 December 2023.

Investment KPIs

Capital available for social impact investment
Since launching, Big Society Capital has signed >130 investments.

The cumulative amount of investments signed by Big Society Capital and its co-investors is £3,554 million (2022: £2,881 million). Of this, £927 million (2022: £883 million) is Big Society Capital's own funds, representing almost one and a half times its share capital, and £2,627 million (2022: £1,996 million) is from its co-investors.

Social Impact Investment Portfolio
In 2023, Big Society Capital signed nine new investments, totalling £44 million (including one follow-on investment) in the following entities (2022: £68 million):

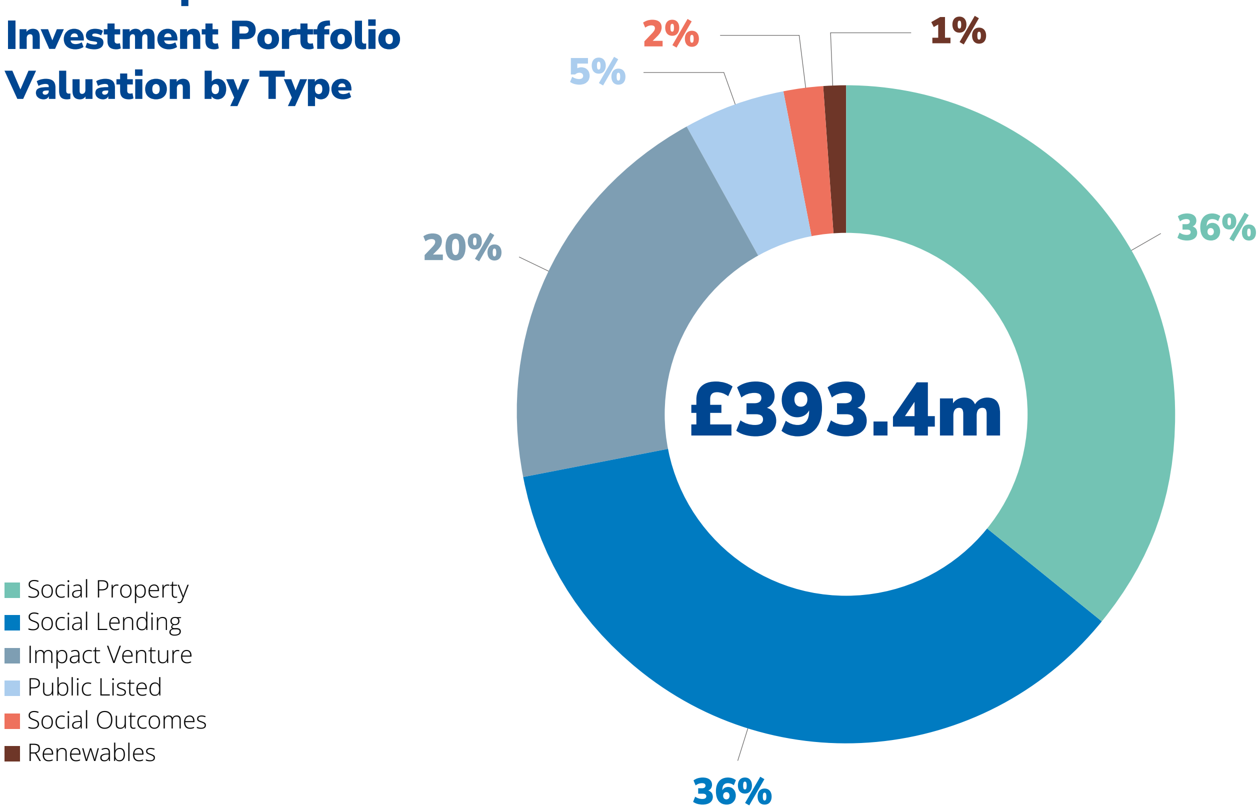
Investment Name	Market System	Commitment	Investment Summary
Octopus Affordable Housing Fund	**Social Property**	**£10.0m**	Octopus Affordable Housing Fund (OAHF) is an open-ended fund with the ambition to raise £1bn into social and affordable housing targeted at high-need, low-income renters on local authority waiting lists and older people in significant need. The fund will provide genuinely affordable, quality homes with a combination of new-built and existing stock units with high energy-efficiency standards (target EPC B or above).
Anthemis AVF III*	**Impact Venture**	**£3.0m**	Early-stage fund from financial services specialist Anthemis. Anthemis is considered a top fintech fund, increasingly adopting the language of impact at the corporate level, with a track record of making impact investments in fintech and fintech-adjacent sectors in an earlier financial wellness focused fund.

Investment Name	Market System	Commitment	Investment Summary
Bethnal Green Ventures II	**Impact Venture**	**£3.0m**	Tech for good accelerator and fund supporting companies targeting healthy lives, the future of work and sustainability.
Bethnal Green Ventures Social Innovation Camp Loan	**Impact Venture**	**£0.3m**	Extension of existing loan to support BGV investment activities into early-stage tech for good ventures.
Community Investment Enterprise Facility 2	**Social Lending**	**£10.0m**	Successor fund to Community Investment Enterprise Facility (CIEF). CIEF 2 provides capital to medium-sized CDFIs lending to underserved micro and small businesses in disadvantaged areas.
Big Issue Invest Fund IV	**Social Lending**	**£6.0m**	BII Fund IV is an asset-backed uni-tranche private debt fund lending to established social enterprises operating in care, housing and social infrastructure. It targets 70% of investments in the 40% most deprived areas in the UK, according to IMD.
Energy Resilience Fund Pilot	**Social Lending**	**£3.0m**	Fund to support social enterprises to improve their energy resilience through financing of retrofit solutions.
Bradford – Local Access	**Social Lending**	**£3.0m**	£5m-7m blended finance investment to help support Bradford to be a dynamic, compassionate and inclusive social enterprise ecosystem. The Local Access Bradford District aims to raise awareness and support simple investment products that have proportionate application processes and meet the needs of the social enterprises in the area, and specifically Muslim-led businesses with a pilot Sharia-compliant product.
Community Energy Together	**Other**	**£5.9m**	Junior loan to enable community benefit societies to acquire seven solar assets from CORE (Community Owned Renewable Energy LLP) and generate £20m community benefit funds over the assets' lifetime (20 years).

**Commitments in foreign currencies are stated in GBP-equivalent as at date of commitment.*

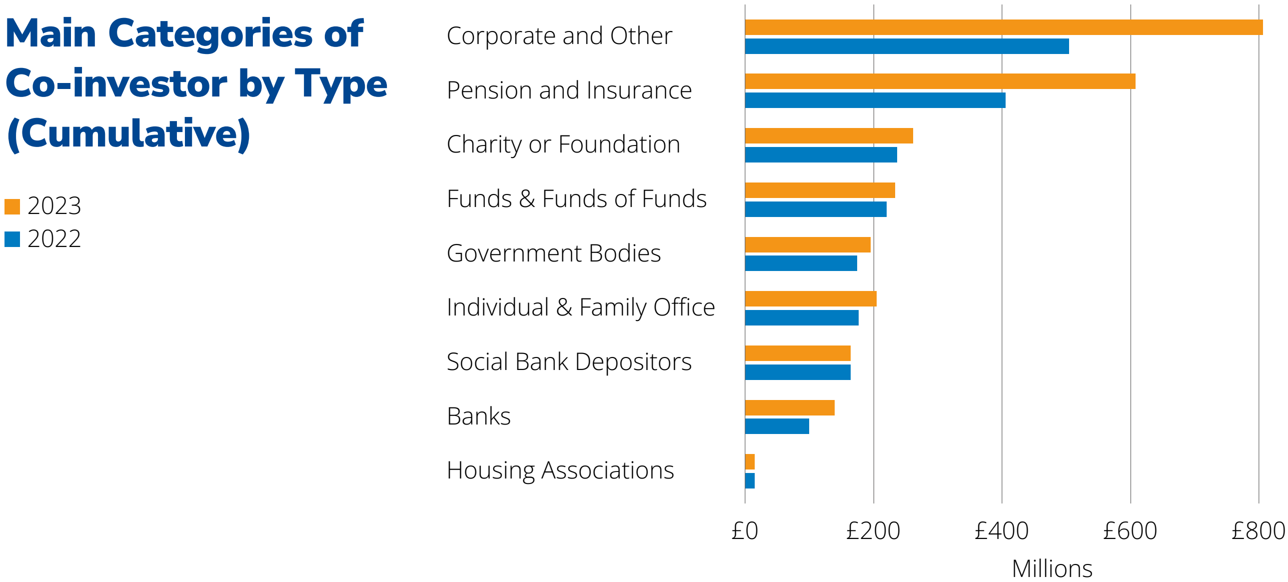
At 31 December 2023, our Social Impact Investment Portfolio comprised investments totalling £393.4 million, in the following activities (% of Portfolio by valuation):

Social Impact Investment Portfolio Valuation by Type



The major categories of co-investors are:

Main Categories of Co-investor by Type (Cumulative)



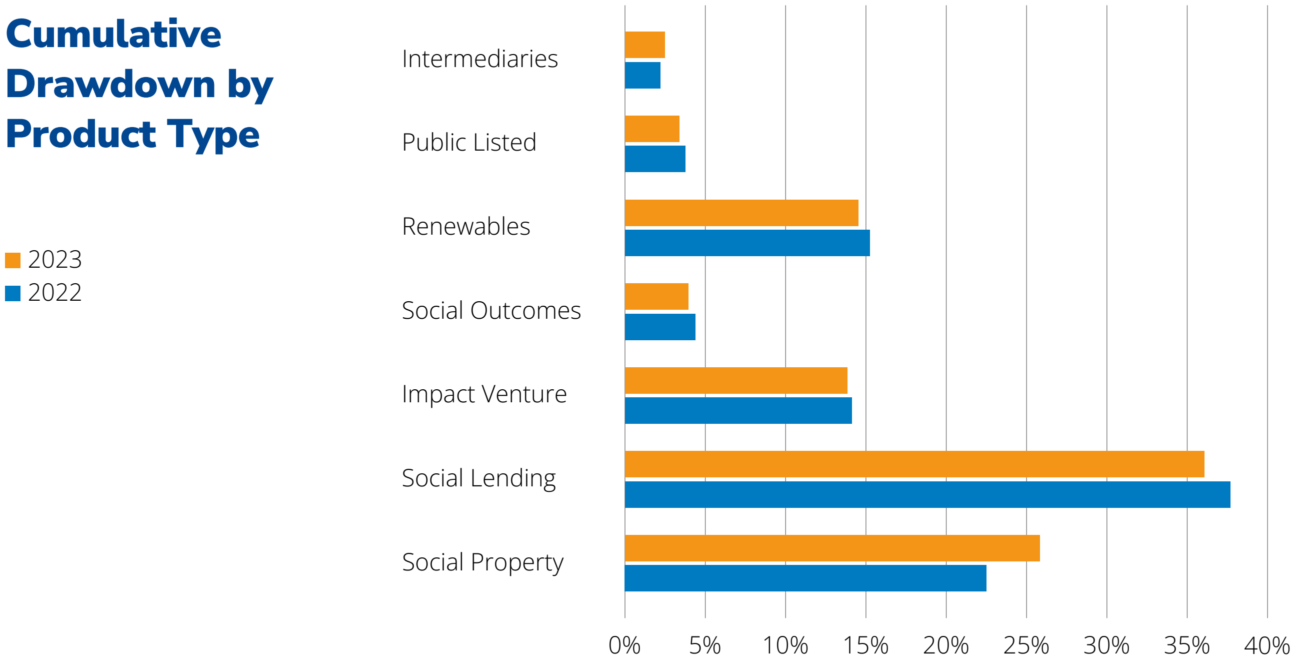
Co-investment figures are continuously updated. The Banks category relates to where banks are invested alongside us in funds. The Social Bank Depositors category is an estimation of the public depositors (eight times Big Society Capital investment) within Unity Trust Bank and Charity Bank.

Capital deployed in social impact investments:

- The cumulative amount drawn down from Big Society Capital and our co-investors is £2,642 million (2022: £1,926 million). Our expectation is that the average investment will typically take between one and six years to fully draw down.
- Of this, £661 million (2022: £594 million) has come from our own funds and £1,981 million (2022: £1,326 million) from our co-investors. In 2023, our drawdowns totalled £67 million (2022: £64 million).

Our drawdowns to date have been utilised as follows (based on our drawdown):

Cumulative Drawdown by Product Type



General

>3,500

Number of organisations receiving money from Big Society Capital and other investors alongside since 2012.

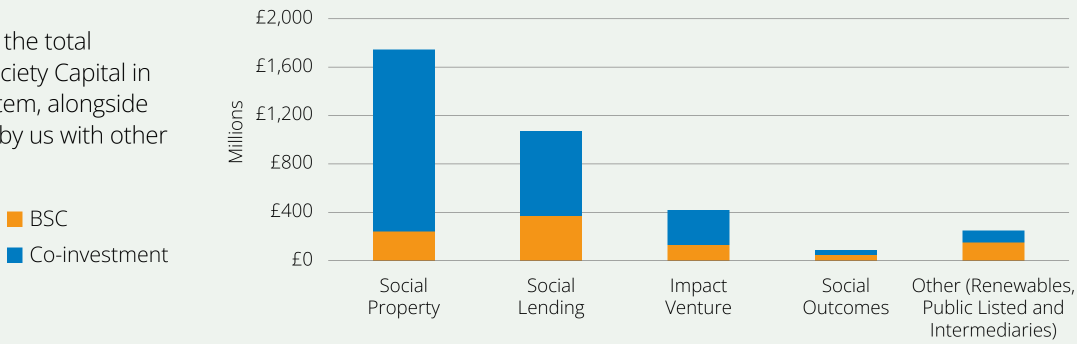
>70%

Percentage of organisations operating nationally or outside London.

Per market system

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

BSC Signed and Co-investment Since Inception



Social impact KPIs for market systems areas[13]

Social Property

>6,000

homes completed and >15,000 people projected to be housed.

Impact Venture

>7m

people reached through impact ventures with a focus on financial inclusion and healthcare.

Social Lending

>2,500

enterprises taking on social lending and 60% of social enterprise and SME borrowers in 40% of the most deprived parts of the country.

Social Outcomes

>45,000

people reached through social outcomes contracts (SOCs) delivering interventions across health services, employment and training, homelessness and child and family welfare.

Financial KPIs

Our key indicators in this area are our (loss)/profit for the year (see page 17 for further detail) and the overall target for net return after costs of 1% per annum averaged over five years, as agreed with our shareholders in 2022. There will continue to be a range of rates of return for the investments within our Portfolio, but our overall return target reflects the way we balance competing objectives, including ongoing investment in market building and backing higher-risk new proposals.

As a result of the challenging economic environment in 2023 and the resultant reported net loss, the net return on capital employed after costs averaged 0.5% on a rolling five-year basis. As outlined above we expect this challenging environment to continue into 2024, and given the nature and risk profile of the Social Impact Investment Portfolio, further net profit volatility can be expected.

[13] Beyond these figures, Big Society Capital collects a range of quantitative and qualitative impact information across various outcome areas for all its investments to create its impact dashboard.

Our Business Environment – Trends and Key Factors

The economic challenges such as high inflation, rising interest rates and gilt yields, and high energy and other costs, as discussed previously in this report, continued throughout 2023. Unfortunately, those who have the least are disproportionately affected by such challenges.

Despite our market sizing exercise estimating that the social impact investment market in the UK continues to grow, we are very conscious that these figures do not reflect the full impact of rising interest rates and a tougher investor fundraising environment, which are likely to come through in the next year's figures. The social investment market is resilient, but it is not immune to wider economic changes. This is a theme that is fundamental to our risk profile, our mission, our future strategy and the way in which we treat our stakeholders and run our business.

Task Force on Climate-related Financial Disclosures (TCFD) reporting

We recognise that environmental risks, particularly those associated with climate change, can be significantly detrimental to our mission. Our Responsible Business Principles, which are applied to our investment process, include a commitment to combat climate change and can be found here.[14] We are therefore supportive of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), and the below section is intended to align with the TCFD's recommendations on a voluntary basis.

Our analysis has identified our social property business models in our Social Impact Investment Portfolio as our most material source of climate-related risk; therefore, our work to date has focused on this area. This has involved working with a specialist real estate consultancy to create an ESG tool and environmental risk framework. We now consider the Paris-aligned net zero pathway and net zero industry frameworks or standards, such as the Better Buildings Partnership Climate Commitment, when conducting deal screening and due diligence. For example, in 2023, our investment into the Octopus Affordable Homes Fund, which aims to deliver good-quality, affordable homes with high energy-efficiency standards, pioneering models to lower energy bills and net zero targets.

Governance

Board oversight of climate-related risks and opportunities

Our Board has overall responsibility and accountability for climate change-related issues that might affect our strategy and operations. Our approach to climate change focuses on the risks posed to our mission. Climate change

[14] https://bigsocietycapital.com/about-us/responsible-business-principles/

risks are typically overseen at Board level by the Board's Audit, Risk and Compliance Committee (ARCC), which meets quarterly. As with all other risks, ARCC ensures that climate-related risks are considered by the Board when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets and business plans, and performance objectives.

In January 2023, ARCC was presented with an update of our approach to managing ESG factors in our investment process. The Board also supported our activities to become a signatory to the Principles for Responsible Investment and a Certified B Corp in 2023, which it will oversee on an ongoing basis.

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 our management team. In particular, climate-related risks are monitored and reported to ARCC by our Chief Financial Officer, with day-to-day management by our Head of Investment Management, as well as an ESG and EDI Manager.

Climate-related risks specifically associated with our investments are surfaced, monitored and mitigated in line with our Responsible Investment Policy, for which the Chief Investment Officer is responsible and which is managed on a day-to-day basis by our Head of Investment Management. Material climate-related risks, along with other ESG risks, are scrutinised by our Investment Committee during the investment due diligence (DD) process. Any material ESG risks are documented in the Investment Committee memo and DD toolkit. The monitoring of identified risks in the Portfolio is undertaken by our investment team and reviewed by the Performance Committee annually.

Strategy

Identification and impact of climate-related risks and opportunities on businesses, strategy and financial planning
As an investor in private, illiquid investments, our investment time horizon is typically seven to 12 years, during which time we expect that material climate-related risks, identified and discussed in detail below, are likely to arise. We determine materiality 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;
- the environment; and
- the reputation of Big Society Capital and/or the wider social impact investment market.

Following an internal review of our underlying business models within the Portfolio, we consider the impact of climate-related risks, after taking into account existing mitigation, on Big Society Capital itself to be relatively low (as discussed in the risk management section below). We appreciate that this is subject to change and, therefore, it is important to continue to monitor these risks. This is one of the reasons we updated our ESG approach in 2022, to more explicitly consider climate-related risks when making investment decisions.

This increased focus has led us to commission external consultants to examine climate change issues in social property investments, and hire an ESG and EDI Manager in 2022. We also participate in asset class-wide initiatives that inform our ESG approach, for example, the Equity Impact Project with respect to housing funds, and as a member of the LP Steering Group with the VentureESG consortium.

During 2023, we identified a climate-related opportunity to develop a new strategy based on delivering a Just Transition to net zero (this refers to the process of reaching net zero targets with positive social impact and without excluding local communities). This builds on existing work within our Portfolio – 25% of which already aligns to Just Transition principles. For example, in 2023, we worked with sector partners to help direct £31 million of additional funding from the Government dormant assets scheme (of which £8 million was granted to us) towards helping community businesses meet increased cost-of-living pressures through solutions such as installing energy-saving technology in their buildings.

Treasury Portfolio
A modified approach to Treasury Portfolio management was agreed by our Board in 2022, encompassing a greater focus on ESG, particularly climate and environment risk, as a key assessment criterion for investments. In addition to assets with positive and negative screening and ESG stewardship best practices, our Portfolio now includes assets that are responding to climate-related opportunity through the generation of clean energy and sustainability of natural resources.

Different climate-related scenarios
We have not yet conducted an analysis based on different climate-related scenarios. Based on the climate-related risks identified below, we believe that different scenarios are unlikely to materially vary the climate-related risks that we face, and so this has not been a specific priority to date, due to the challenges of consistent and quality data collection for many of our smaller stakeholders. We continue to monitor these risks and explore how we might more efficiently collect this data across our Portfolio.

Risk management

Processes for identifying, assessing and managing climate-related risks

We followed the process laid out below to review the material climate-related risks we face, considering both transition and physical risks. For each risk identified, an assessment was made of the risk's possible consequences, likelihood and severity. The former was taken to mean the probability of different outcomes of the risk occurring; the latter was defined as the negative impact that would result, should such a risk materialise. The combination of the risk's likelihood and severity was then considered to produce a risk rating.

This review first considered the nature of the business models that make up our 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 typically have low greenhouse gas emissions and are 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). We aim to encourage these organisations to protect the environment and help combat climate change through our Responsible Business Principles, and we ensure the fund manager is assessing ESG risks in its investment process. However, we do not believe these risks are material in line with the definition above.

The other group of business models within our 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 our Portfolio (c36.5% of the Portfolio value at the end of 2023 was in social property). Community assets are prevalent in the social lending section of our Portfolio either for standard loans (three to five years), or via long-dated mortgages in the bank lending product area. We have limited exposure by value to transport-specific business models, however many social enterprises 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 a driver of the business model and revenue streams, so are not deemed material within our Portfolio.

Our review was further supplemented by ongoing dialogue with the fund managers and other intermediaries with which we invest on ESG issues. We hold '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.

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	Risk of extreme weather event and temperature damaging infrastructure of Portfolio assets causing loss in value of Portfolio.
Assessment	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.
Impact	**Medium**
Likelihood	**Low**
Risk RAG pre-mitigants	**Low to Medium**
Mitigants and management measures	• 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 as part of its ESG approach is assessed during our 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	Risk of construction standards tightening to meet sustainable regulation resulting in unanticipated increased costs for Social Property investments, leading to potential loss of value in the Portfolio.
Assessment	Construction standards are already relatively robust in the UK, however there is a move to further improving 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 Property Market System and assessed in all new proposals.
Impact	Low
Likelihood	Medium
Risk RAG pre-mitigants	Low to Medium
Mitigants and management measures	• 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. • We have 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	Risk of unexpected costs due to increased regulation on energy efficiency, leading to loss in value of the Portfolio.
Assessment	There may be a requirement of retrofitting 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.
Impact	Low
Likelihood	Medium
Risk RAG pre-mitigants	Low to Medium
Mitigants and management measures	• Mitigated by active management by the fund manager. • 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

The conclusion that the other risks identified were low was principally due to their limited or ancillary relevance to the underlying business models that our Social Impact Investment Portfolio is exposed to. For example, we 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 into overall risk management

As highlighted above, climate-related risks are monitored by our Chief Financial Officer, supported by our Head of Investment Management and ESG and EDI Manager, in conjunction with other risks, and reported to ARCC. To the extent such risks arise from our investments, they are monitored by our investment team and reported as part of an overall performance assessment to our Valuation and Performance Committee. During 2023, we further integrated the climate-related risk review alongside our overall investment and Portfolio risk register.

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. As a result, we have started to request Scope 1-3 emissions data as part of our Social Property ESG due diligence questionnaire for new investments.

We also helped shape the Equity Impact Project, a collaboration between Big Society Capital, The Good Economy and a group of 13 investment fund managers, with the support of Trowers & Hamlins and the Association of Real Estate Funds, aimed at creating common standards of impact measurement in social and affordable housing, including environmental reporting. Similarly, we were an early supporter of the creation of the Sustainability Reporting Standard for Social Housing, an ESG reporting standard for social housing, which includes climate change indicators.

Scope 1, 2 and 3 greenhouse gas emissions

Over 2024, and as part of our improvement plan for our B Corp status, we will be working to measure our direct environmental footprint, working with our buildings manager to understand our energy usage and make improvements over time. See the section below on our responsibility as a consumer for more details.

The measurement of greenhouse gas (GHG) emissions across the Portfolio more generally involves several challenges with respect to data quality and consistency for our stakeholders. In 2023, we sought to better understand environmental performance in our Schroder BSC Social Impact Trust (the Trust). The Trust currently reports greenhouse gas emissions data for 52% of the Portfolio, which consists largely of small and medium-sized social organisations.

Responsibility as a consumer

In July 2023, Big Society Capital became a Certified B Corp and joined the global movement of businesses striving for an inclusive, equitable and regenerative economy. We are proud to have scored 137 points of a possible 200, significantly surpassing the minimum threshold of 80. This score is derived from assessing our practices and outputs across five categories: governance, workers, community, the environment and customers. There are some areas where we scored particularly well, such as governance and workers, and others where we have room for improvement, such as our measurement and management of our direct impact on the environment. We have formed an internal working group to take forward recommendations for areas of improvement, and intend to share our continued learning along the way.

At an organisational level, we continually seek to reduce our environmental impact as far as possible, for example reduced printing following a switch to mainly digital records, using recycled paper, segregated recycling systems in our staff kitchen, refilling consumables, as well as the ongoing emphasis across the organisation to Buy Social and Go Green. From 2023 we also began tracking our travel emissions as a first step towards wider reporting on applicable Scope 1, 2 or 3 emissions.

The building where Big Society Capital's only office is based has undergone a pre-assessment for the Building Research Establishment Environmental Assessment Method (BREEAM) in-use certification; the outcome of the certification is pending.

As part of procurement at Big Society Capital, we seek, where possible, to source goods and services from social enterprises, charities and not-for-profit organisations that align with our overall mission. During 2023 we developed an internal Buy Social procurement approach, formalising principles into policy, providing a framework supporting our mission to further channel our spend via impact-led suppliers.

Responsibility to the sector

Big Society Capital promotes the use of social enterprises both as part of our business supply chain and by individual employees. At the end of 2023, we had 84 (2022: 74) charities, not-for-profit and social enterprises in our supply chain, including providers of catering, stationery, staff training, team-building events such as corporate volunteering, activity away-days, event seminars and venue hire.

We encourage staff to undertake trustee and other governance roles in social enterprises and charities, outside their work commitments and on a voluntary basis. Many of our staff undertake a variety of voluntary roles with charities and social enterprises, and over 880 hours were spent by staff last year supporting charitable organisations in this way.

Responsibility as an employer

Big Society Capital seeks to be a responsible employer and as an organisation, we have made demonstrable achievements in creating an environment that enables our increasingly diverse workforce to thrive. We have been increasing awareness of critical issues that impact staff personally, through all-staff panel events, launching support toolkits and creating forums for safe conversations.

We have established a Diversity Dialogue group for staff from racial and ethnic minorities to come together and discuss their experiences of working at Big Society Capital, with the goal to improve employee engagement. Their input and feedback have led to more open communication and the introduction of new processes and policies to address concerns.

Employee wellbeing is important to us, and we strive to create a healthy working environment for our employees. Staff enjoy two Wellbeing Hours per employee per month, to allow employees to relieve stress and to take dedicated time to focus on their wellbeing, and regular 'switch off' afternoons which encourage all staff to take time away from meetings and emails for a set period of time. We have also further increased enhanced sick pay offer to help improve the financial safety net for employees who are unable to work when sick.

We continue to implement a number of benefits that reflect the needs of our diverse workforce. Our Ways of Working policy, which was launched during the year, supports colleagues to do their best work in a sustainable way by having a good work-life balance, working flexibly and giving a free choice of where, how and when work is done. The policy seeks to meet the diverse requirements of our colleagues based on a set of guiding principles.

Our new and improved HR system, brought in at the end of 2023, is more transparent and intuitive for staff. It also allows us to collect more data, offering a better understanding of our workforce, and provides more concrete management information for leaders to make data-driven decisions.

We continue to ensure our remuneration policy is fair and consistent through the use of clear and transparent salary bands, and by paying no lower than the London Living Wage.

Our apprenticeship programme, which helps young people enter the workplace and develop their skills in a real-life work environment, continues to flourish. In 2023, we took on four apprentices, and one of these has secured a permanent role in our Finance team, with another securing a role externally.

Equity, Diversity and Inclusion (EDI)

We are here to reduce inequality and to build a fairer society; through the use of our capital, building the market and through our people. EDI is at the heart of our delivering on this. We reviewed and updated our original EDI Plan in 2023 to focus our actions.

Our three principles to guide our EDI work are:

- **Intention:** making deliberate choices about what we are going to do and how we will know when we have 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 we are still developing our plans.

We apply these principles across four areas of work: organisation and governance; people and culture; investment and Portfolio; and market building and engagement.

We have updated our website and shared our plan outlining our approach and our priorities in line with our 2025 strategy. Further details are available on our website here.[15]

We are a member of the Diversity Forum, Equality Impact Investing Project, and have recently become a Women in Finance Charter holder.

[15] https://bsc.cdn.ngo/media/documents/Equity_Diversity_and_Inclusion_plan_Oct_2023.pdf
https://bettersocietycapital.com/about-us/equity-diversity-inclusion/#edi-action-plan

Principal Risks and Uncertainties

Risk management framework

In order to achieve our mission, we are required to take risks from a strategic, financial return and social impact perspective. We have 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.

Our Board, supported by ARCC, is ultimately responsible for our 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 we face, 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 which are overseen by the Board and ARCC, include:

- setting of annual and longer-term corporate objectives (as agreed with the Board) 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 we face;
- 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, monitoring risk performance, and providing objective challenge to the first line of defence – 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 limited programme of external assurance in respect of compliance, key controls and processes.

In 2023 there has been particular focus on the assessment of cyber-related risks and counterparty risks, including risks relating to fund managers and key banking and service providers, together with consideration of the extent of mitigants in place.

Risk appetite

Our 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 our overall business strategy and risk management framework.

Big Society Capital Risk Appetite Statement

Fulfilling our mission requires us to take risks. In order to achieve our financial return and social impact objectives, we are willing to take and accept a high level of investment risk. In the light of our long-term investment mandate, this appetite includes continuing to grow our Social Impact Investment Portfolio in periods of economic stress and volatility.

We will also sometimes accept more risk for lower financial returns where the social impact or system change returns are justified. We are exposed to a high level of strategic-type risk through the selection of our 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.

Following a review in 2022, we have made some upward adjustments to the level of risk appetite in a portion of our Treasury Portfolio. With better visibility of our longer-term liquidity position, our Board has concluded that assuming a greater degree of investment, asset and duration risk in approximately 50% of the Treasury Portfolio is appropriate.

BSC's overall risk appetite is set in the light of its principal risks and their impact on the ability of BSC to meet its strategic objectives. 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 BSC investments are exposed, is balanced by a more cautious approach to risk in other areas. In particular the Board has a low risk appetite in respect of cyber security, key financial and operational controls, governance, regulatory requirements and the implementation of our Responsible Investment Policy.

The above statement describes the risk appetite we have for our core balance sheet capital as a catalytic actor in the social investment market. When we are running or advising Portfolios on behalf of clients, the risk and return appetite will be set as appropriate for the client mandate.

Our Board sets risk appetite for the most material risks, to help ensure we are well placed to meet our priorities and longer-term strategic goals. During 2023 a small number of changes were made to the Risk Appetite Statement in order to further emphasise the types of risk area where we have a low risk appetite.

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 that help provide clarity on the scale and types of activity that can be undertaken.

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 is set out in the table below:

Risk	Definition and examples	Example mitigants	Trend
Strategic Risks **Risk Appetite:** High	The risks arising from the design and execution of our business strategy and business model that may lead to financial loss, adverse social impact or failure to deliver our mission, in a broader and evolving impact investment market. We also face risks that we might act in a way that falls short of stakeholder expectations, causing reputational damage.	A strong governance framework. The setting of clear strategic goals. An active programme of engagement with key stakeholders.	→

Risk	Definition and examples	Example mitigants	Trend
Performance/ Investment Risks **Risk Appetite:** High/Medium	The risks of financial and social impact losses as a result of loss of value of social impact investments, or 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. Risks associated with future liquidity and achievement of investment exits become more significant as our Social Impact Investment Portfolio grows. For the Treasury Portfolio we apply a combination of lower risk appetite to the listed investment-grade debt securities segment, and a medium risk appetite to the longer duration multi-asset segment. A higher risk appetite is applied to fund manager partners, underpinned by concentration thresholds, while a low risk appetite is considered appropriate for operational counterparties.	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. 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, together with thresholds for exposure to higher-risk, longer-duration, multi-asset Treasury investments. Further detail on the key financial risks we face and the steps taken to manage them are outlined in Note 14 – Financial risk management and financial instruments.	↑
External Risks **Risk Appetite:** High – in respect of policy and macro-economic risks, Low in respect of climate and environmental risks	The risk of Government policy, regulatory changes, adverse macro-economic trends and other external factors such as inflation and climate change impacting the performance of our Social Impact Investment Portfolio and its pipeline. Such risks are often outside our direct control; however, we are willing to accept a high level of risk in these areas (with the exception of climate change) – though do not actively seek it.	Mitigation of these risks is achieved through the diversified nature of our Portfolio and the low correlation of elements of the Portfolio with wider market performance factors. Assessment of key climate risks faced by Big Society Capital is now a key element of the overall risk framework process. See page 27 onwards for further information on this.	→
Operational/ Preventable Risks **Risk Appetite:** Low	Big Society Capital is exposed to a range of operational risks, including cyber risks, resulting from inadequate or failed internal processes and key systems and risks associated with the operational delivery of client mandates. We also face risks that we do not create a working environment and culture to attract, develop, motivate and retain sufficient people resource to meet our objectives.	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 is in place. To mitigate our people risks, we have 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.	↑

↑ Increasing risk area since the last report
→ Risk level broadly unchanged since the last report
↓ Decreasing risk area since the last report

Board Decision-making and Stakeholder Considerations (s172 report)

In order that we can succeed in our mission, it is vital that we can establish, balance and maintain connections with a diverse set of key stakeholders with differing interests and expectations. Our Board is mindful of the need, therefore, to take a holistic and long-term approach to decision-making, and to consider each of the factors set out below, as required by the Companies Act 2006 under Section 172.

The likely consequences of any decision in the long term	Our goal is not only to invest in the short term, but to ensure our own sustainability and reputation and act as a catalyst to the development and growth of the wider social impact investment market. In line with this, our governance framework, and the way in which we report to our majority shareholder, are designed to ensure that we focus on a long-term mission of market development. Our Board therefore seeks always to make decisions that will have long-term impact outside Big Society Capital itself, maturing and deepening the wider market. The Board held a detailed strategy session in November, in which it considered our longer-term direction in respect of both financial sustainability and impact performance, and it agrees detailed budgets and business plans for the next year every December, in alignment with our five-year strategy framework, all of which relates back to our key system change goals as set out on page 10 onwards.
The interests of BSC's employees	We place considerable emphasis on supporting and developing our employees, and are promoting a diverse and inclusive culture. We are aware of the crucial part that our employees have to play in achieving each of our objectives. Our People Committee (incorporating the Nominations and Remuneration Committee) spends a sizeable proportion of its time discussing people issues, HR strategic plans, remuneration policies and the results of staff surveys. People risk is always considered to be a key risk for Big Society Capital in recognition of the importance of staff to our success, and the members of our Audit, Risk and Compliance Committee regularly discuss this as part of their standing agenda items. Our Staff Council also reviews pertinent Board papers ahead of submission and provides input on key issues and projects. See page 38 for our Corporate Governance Report for more details on each of these bodies and how they engage with staff. Our Board considers our People Strategy at least once a year, along with the results of our annual staff survey, as well as turnover figures and EDI issues, as appropriate throughout the year. In 2023 the Board reviewed both its own and the employee-level EDI Action Plans, both of which were refreshed during the year. See page 31 onwards for further information on the company's approach to employee welfare and EDI. In addition to this, we have a rotational role for two Board members to act as Employee Engagement champions, including attending selected staff council meetings and staff lunches.

The need to foster the company's business relationships with suppliers, customers and others	Our stakeholders include suppliers, shareholders, fund managers, social banks and other intermediaries, frontline organisations receiving investment and, ultimately, the end-users of those frontline social enterprises and charities. We rely on good relationships with our partners to achieve our long-term aim to build and sustain the social impact investment market, and on establishing strong relationships with all our stakeholders, particularly shareholders and Government bodies, to continue to sustain us as an organisation and preserve and strengthen our reputation and that of social impact investment on the whole. We also rely on experts and advisers to appropriately target our investment areas, and on the frontline charities and social enterprises to deliver the intended impact for their respective beneficiaries. *Fund Managers and Investors:* Our Valuation and Performance Committee reviews our Social Impact Investment Portfolio, from both an impact and a performance perspective, and we aim not only to hold fund managers to account for their impact and financial goals, but to work alongside them to find solutions in challenging areas. 2023's difficult macro-economic climate brought with it some significant challenges for our fund managers and for our social enterprise investees, and the Board and ARCC worked closely with the investment team to monitor the situation for each of our partnering stakeholders, and to ensure that the company was providing appropriate support where possible. *Frontline Organisations and their Beneficiaries:* In May 2023, the Board met key fund managers and social enterprises in Sheffield. All catering and activities were sourced from social enterprises and the event proved inspiring for all concerned, allowing opportunities for the Board to speak directly to people working in the front line of our investments, form closer connections and learn together. A similar event is planned for a different location in 2024. See also our Big Society Capital as a Responsible Business section, from page 30, for further information on our policy of sourcing goods and services so that we can continue to expand the number of social enterprises within our supply chain. *Government Bodies:* Big Society Capital works closely with various Government and policy-making bodies to seek lasting change wherever possible, and to engage with key individuals and departments to seek potential solutions to social problems.
The impact of our operations on the community and environment	The positive effect on community and environment underpins Big Society Capital's overall purpose and each of our market focus areas. Our 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. In addition to reports covering activities and impact across all our investments, the Board is also updated as to any key operational changes that may impact the business's environmental footprint, as well as any material new initiatives to help limit the organisation's carbon usage and promote good practice across the market. In 2023 we celebrated our registration as a B Corp, an accolade and accompanying set of responsibilities that the Board values highly. As part of our EDI considerations, the Board reviews annually a report on the demographic spread of our investment choices, as well as a similar report on investments through an environmental and climate lens. We are also mindful of our aim to influence the market, and the Board also discusses each year the ways in which our external engagement practices and messaging match up to our aspirational goals to model and drive positive behaviours in the wider social impact sector.
The desirability of the company maintaining a reputation for high standards of business conduct	We believe it is crucial that we act at all times with the highest possible standards of conduct, and we take this very seriously as being critical to our mission. Big Society Capital is party to a Governance Agreement with its majority shareholder requiring it to adhere to a comprehensive set of Principles in respect of Investment, Responsible Business, Appointments and Remuneration. We seek to uphold best practice standards in all areas, and to respond quickly and positively to stakeholders.

The need to act fairly as between members of the company	The Chair of our Board liaises regularly with the Chair of the Oversight Trust, our majority shareholder, and regularly provides it with key reports as agreed within our Governance Agreement. We also regularly meet our minority shareholders (the shareholder banks) and our Board includes one bank-nominated Non-Executive Director to represent their interests. Further details on both of these relationships are set out in our Corporate Governance Report on page 38.

Subsequent events

In Q2 2024, we intend to change our name from Big Society Capital to Better Society Capital, retaining the abbreviation 'BSC'. This change is expected to take formal effect and be announced to market after finalisation of these 2023 accounts, but before this document becomes publicly available.

This report was approved by the Board on 19 April 2024 and signed on its behalf on 22 April 2024.

Stephen Muers
Executive Director and CEO
Dated 22 April 2024

Corporate Governance Report

Big Society Capital Board

Our Board includes Directors with financial and/or social sector expertise in order to reflect our purpose. It comprises a majority of Non-Executive Directors, with one Executive Director, being the company CEO.

The Board meets at least five times a year, and there is an annual review of its effectiveness (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, most recently in 2021/2022.

Board Committees

The People Committee (incorporating the Nominations and Remuneration Committee), exclusively comprising Non-Executive Directors, is 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 our People Strategy.

The Audit, Risk and Compliance Committee (ARCC) comprises Non-Executive Directors with one additional external advisory member, Peter Wallace. It is responsible for overseeing management processes and other arrangements to ensure the appropriateness and effectiveness of systems and controls, including risk management and compliance with applicable legal and regulatory standards. It oversees the internal audit programme, and reviews the annual accounts with the independent auditors. It also advises the Board on our overall current and future risk appetite and strategy, assisting the Board in overseeing the implementation of that strategy by Senior Management. In 2023 the shareholders approved a change of independent auditors from KPMG to PricewaterhouseCoopers LLP in the Annual General Meeting of the company on 29 June 2023.

Key Executive and Operational Committees

The Executive Committee is chaired by our CEO and is responsible for the day-to-day running of the business. In addition to the CEO, the members of the Executive Committee are: David Burndred (CFO), James Westhead (Head of Engagement), and Anna Shiel and Jeremy Rogers (Joint CIO).

The Investment Committee is also chaired by our CEO and comprises both Board and Executive Committee members as well as external co-opted Committee members (currently Lisa Hilder and Patricia Hamzahee), who bring additional external and sector expertise. It is responsible for making investments, and for monitoring the performance of our Portfolio of investments. All investments over £10 million for Social Impact Investment Portfolio investments, and £30 million for Treasury investments, require approval by the Board, and 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 role we undertake for Schroders BSC Social Impact Trust.

The Valuation and Performance Committee is chaired by our CFO (who is not a member of our Investment Committee except for Treasury investment matters) and 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 our 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 our Portfolio. Members of ARCC and the independent auditors have an open invitation to observe meetings of this Committee. The Committee also meets quarterly, for a separate, closed session to discuss the valuation of assets specifically within the Schroders BSC Social Impact Trust Portfolio.

The Big Society Capital Advisory Board has been established by our CEO to advise on aspects of our 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, although its input is frequently used to inform projects or decisions, which the CEO may then take to our Board.

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

Shareholders

Big Society Capital obtains its capital from two streams: dormant bank accounts – in accordance with the Dormant Assets Acts 2008 to 2022 (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 – Assets for the Common Good

The Oversight Trust (registered office: 8-10 New Fetter Lane, London EC4A 1AZ) has a controlling interest (as a majority shareholder and with 80% of the voting rights) in Big Society Capital and provides oversight with the aim of ensuring that we remain true to our object of promoting and developing social investment and the social impact investment market in the United Kingdom. Further information on the Oversight Trust Board and its subsidiaries are available via its website at www.oversighttrust.org/.

Information about Big Society Capital, in respect of our financial standing, Portfolio, strategy, Board composition and performance, is provided to each regular quarterly meeting of the Oversight Trust, with one meeting a year focusing specifically on Big Society Capital. There is also an Annual Governance meeting with the Oversight Trust and representatives of our Board, to discuss governance issues. We maintain an ongoing open and transparent relationship with the Oversight Trust, and particularly in respect of issues relating to the recruitment and remuneration of Non-Executive Directors and 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 objectives. The first of these reviews was performed on Big Society Capital in 2020. The report, and year-on-year progress updates in respect of the actions to which Big Society Capital committed in response to recommendations from the review, are available on our website here.[16] Our second Quadrennial Review will be carried out by the Oversight Trust in 2024.

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. The banks hold voting rights 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 our Board (currently James Chew). The banks receive all our Board papers, and the CFO maintains regular contact with all shareholder banks' representatives. In certain circumstances the banks also have the right to request a formal meeting with Senior Management to discuss our performance.

[16] https://bettersocietycapital.com/about-us/governance/independent-quadrennial-review-big-society-capital/

Remuneration Report

Remuneration Report

This report covers the 12 months ended 31 December 2023, and sets out our policy and disclosures in relation to the remuneration of the employees and directors of Big Society Capital.

The People Committee, as set out on page 39 in the Corporate Governance report, is appointed by our Board to be responsible for establishing a formal and transparent procedure for setting the remuneration policy and for determining the remuneration packages of Senior Management and Material Risk Takers. It also leads the process for setting Non-Executive Directors' fees. The People Committee's responsibilities regarding remuneration are to:

- Review on an annual basis the level of payment of Non-Executive Directors permitted under the Governance Agreement, in the light of inflation and payment levels for Non-Executive Directors in comparable organisations and make recommendation to the Board.
- Agree the policy (and any material changes to it) for authorising claims for expenses from the Directors, including for travel and necessary overnight accommodation, which shall be in keeping with expectations for comparable social sector organisations.
- Consider the identity and approve the terms of appointment of independent consultants for the conduct of an independent survey, as necessary and at least once every five years, to establish the benchmark for remuneration packages, including salary and valuable benefits such as pension contributions, for persons engaged in like positions to the positions of Senior Management (defined as Executive Directors, Non-Executive Directors, employees who are members of the Executive Committee, and any other staff who are classed as Material Risk Takers), in the public, not-for-profit or charity sectors.
- Within the framework of the Governance Agreement with the Oversight Trust, review the ongoing appropriateness and relevance, including any risk implications, of the company remuneration, pensions and employment benefits policy and ensure that such policy does not permit bonuses for Senior Management.
- Within the framework of the Governance Agreement and any remuneration, pensions and employment benefits policy and in consultation with the Chair and/or Chief Executive of the company, as appropriate, determine the total individual remuneration package of members of Senior Management and Material Risk Takers.
- On behalf of the Board, approve the Annual Remuneration Code Assessment.

Principles for executive remuneration

- Executive Directors and Senior Management are 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 are not paid any bonuses.

Principles for non-executive remuneration

- Non-Executive Directors are offered an equivalent sum paid by other comparable public bodies and not-for-profit organisations, such as housing associations and NHS Trusts.
- In 2023, the amounts were £8,700 (2022: £8,250) per annum for the service of acting as a Non-Executive Director, £3,750 (2022: £3,550) per annum for chairing a Board Committee, £3,750 per annum for the Senior Independent Director (2022: fee waived) and £1,900 (2022: £1,800) per annum for acting as a non-chair member of a Committee (including the Valuation and Performance Committee). In addition, £5,700 (2022: £5,400) per annum is offered to a Non-Executive Director who acts as a member of the Investment Committee. The Chair of the Board is paid £31,650 per annum (2022: £30,000). These amounts are reviewed

annually in the light of inflation and non-executive remuneration levels at comparable organisations. There was an uplift in these fees of 5.5% in 2023 in recognition of (but without matching) the higher inflation levels, being the same approach as was taken for staff.

- Total Non-Executive Directors' fees in 2023 were £133,475 (2022: £109,772). The increase was driven primarily by the inflationary uplift as set out above, the appointment of an additional Director and Senior Independent Director, and the addition of a new Director to our People and Valuation and Performance Committees.

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:

	2023 £'000	2022 £'000
£60,000 – £69,999	16	13
£70,000 – £79,999	12	11
£80,000 – £89,999	7	8
£90,000 – £99,999	6	3
£100,000 – £109,999	2	0
£110,000 – £119,999	0	0
£120,000 – £129,999	1	4
£130,000 – £139,999	3	0
£150,000 – £159,999	0	1
£160,000 – £169,000	1	0

Of these employees, 46 (2022: 37) participate in the company pension scheme. Employees contribute 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 as at 31 December 2023 was 100, this equates to an FTE of 94.2 of which 85% are on permanent contracts and 15% on fixed-term contracts. The total number of employees on 31 December 2022 was 93, which equated to an FTE of 87.2, of which 89% were on permanent contracts and 11% on fixed-term contracts.

The ratio of highest salary to lowest salary is 6.5 to 1 (2022: 6.93 to 1).

Equal pay

We recognise the importance of transparency and completed our pay gap report in April 2023.

We are committed to the goal of being an inclusive employer and helping our people reach their potential.

Our gender pay gap has seen a reduction year on year since the start of reporting in 2019, from 28% to 12% in 2023. This has been achieved through several actions, including focusing on enhancing the proportion of women in the highest quartile.

We have reported for the last two years also on our ethnicity pay gap, which now stands at 21%, from 16% in the previous year. We are disappointed to see our ethnicity pay gap increase in our third year of reporting, particularly at the lowest quartile.

We encourage our teams to consider apprenticeship programmes where possible, and currently have four apprentices working across the business. Currently, all our apprentices identify as Black, Asian, Mixed or Other. This has played a big part in the increase in our ethnicity pay gap. Our lowest quartile has seen a 31% change in the ethnicity pay gap from -5% pay gap in 2022 to 26% in 2023. While we have actions in place to help improve our performance in relation to the ethnicity pay gap, this report shows us that we need to drive forward further initiatives to increase the proportion of Black, Asian and other minority ethnic groups in the highest quartile.

Directors' Report

Directors' Report

The Directors present their report and financial statements for the year ended 31 December 2023.

Directors

The Directors of the company who were in office during the year and up to the date of signing the financial statements were:

- Robin Hindle Fisher OBE (Chair)
- Alan Giddins
- Alison Evans – appointed on 13 July 2023
- Chris Wright
- Christina McComb OBE
- David Hunter
- Fiona Ellis – resigned on 1 May 2023
- James Chew – appointed on 18 April 2023
- Kieron Boyle
- Lesley-Anne Alexander CBE
- Rosie Ginday MBE – appointed on 13 July 2023
- Stan Chan
- Stephen Muers
- Stuart Foster – resigned on 29 June 2023

Dividends

The Directors do not recommend the payment of a dividend for the year (2022: £nil). See the Liquidity risk section on page 72 for information on exposure to risk in respect of cash flows.

Directors' indemnity

Directors' and officers' insurance cover has been established for all Directors to provide appropriate cover for their reasonable actions on our behalf. Since inception, our Articles of Association have included a clause indemnifying each of the Directors of the company and/or its subsidiaries as a supplement to the directors' and officers' insurance cover. The indemnities, which constitute a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, were in force during the 2023 financial year and remain in force for all our current and past Directors.

Greenhouse gas emissions

Big Society Capital 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, see page 27 for further information on how we are approaching our responsibilities in respect of environmental issues.

Investment Firms Prudential Regime (IFPR) 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 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 the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the company's auditors are 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 auditors are aware of that information.

This report was approved by the Board on 19 April 2024 and signed on its behalf on 22 April 2024.

Stephen Muers
Executive Director and CEO

Auditor’s Report

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

Report on the audit of the financial statements

Opinion

In our opinion, Big Society Capital Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2023; the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also 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.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Dormant Assets Acts 2008 to 2022 and the Financial Conduct Authority regulations primarily defined by the Financial Services and Markets Act 2000, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to judgements in the valuation of investments and the posting of inappropriate journal entries. Audit procedures performed by the engagement team included:

- Enquiries with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing relevant meeting minutes, including those of the Board of Directors;
- Reviewing correspondence with the Financial Conduct Authority;
- Identifying and testing journal entries that met certain risk criteria;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Assessing and challenging the assumptions underlying the accounting estimates, including any valuation adjustments and overlays.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Caroline May
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

22 April 2024

Financial Statements

Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	2023 £'000	2022 £'000 Restated
Revenue		12,948	11,078
Investment (losses)/gains		(8,673)	2,071
Net investment income	2	**4,275**	**13,149**
Other operating income	3	1,370	1,134
Administrative expenses	4	(11,675)	(10,201)
Operating (loss)/profit		**(6,030)**	**4,082**
(Loss)/Profit before taxation		**(6,030)**	**4,082**
Tax on (loss)/profit	6	12	115
(Loss)/Profit for the financial year and total comprehensive (expense)/income		**(6,018)**	**4,197**

There is no other comprehensive income.
The results above relate to continuing operations.
The notes on pages 56 to 78 form part of these financial statements.

Statement of Financial Position

As at 31 December 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	7	–	3
Tangible assets	8	86	49
Investments	9	393,488	380,269
		393,574	**380,321**
Current assets			
Debtors	10	1,675	1,758
Investments	11	217,639	248,016
Cash at bank and in hand	18	38,892	22,759
		258,206	**272,533**
Creditors: amounts falling due within one year	12	(2,279)	(4,465)
Net current assets		**255,927**	**268,068**
Total assets less current liabilities		**649,501**	**648,389**
Creditors: amounts falling due after more than one year	12	(22,704)	(23,581)
Provisions for liabilities			
Deferred taxation	13	(15)	(8)
		626,782	**624,800**
Capital and reserves			
Called-up share capital	16	634,345	626,345
Profit and loss account	17	(7,563)	(1,545)
Total equity		**626,782**	**624,800**

The notes on pages 56 to 78 form part of these financial statements.
Approved by the Board on 19 April 2024 and signed on its behalf on 22 April 2024.

Stephen Muers
Director

Company registration number: 07599565

Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital £'000	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2022	626,345	–	–	(5,742)	620,603
Profit for the financial year	–	–	–	4,197	4,197
At 31 December 2022	**626,345**	**–**	**–**	**(1,545)**	**624,800**
At 1 January 2023	626,345	–	–	(1,545)	624,800
Loss for the financial year	–	–	–	(6,018)	(6,018)
Shares issued	8,000	–	–	–	8,000
At 31 December 2023	**634,345**	**–**	**–**	**(7,563)**	**626,782**

The notes on pages 56 to 78 form part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 £'000	2022 £'000 Restated
Cash flows from operating activities			
(Loss)/Profit for the financial year		(6,018)	4,197
Adjustments for:			
Taxation		(19)	(112)
Depreciation and amortisation		50	57
		(5,987)	**4,142**
Increase in debtors		102	711
(Decrease)/Increase in creditors		(3,056)	10,617
		(8,941)	**15,470**
Returns on fixed asset investments		12,688	(2,820)
Returns on current asset investments		(1,464)	154
Payments to acquire fixed asset investments		(67,233)	(63,990)
Proceeds from disposals of fixed asset investments		41,013	40,924
Payments to acquire current asset investments		(125,829)	(118,778)
Amounts from sale of current asset investments		145,491	100,459
Foreign exchange losses/(gains)		920	(1,404)
Net cash from operating activities		**(3,355)**	**(29,985)**
Cash flows from investing activities			
Payments to acquire tangible and intangible fixed assets		(84)	(35)
Net cash from investing activities		**(84)**	**(35)**
Cash flow from financing activities			
Proceeds from the issue of shares		8,000	–
Net cash from financing activities		**8,000**	**–**
Net increase/(decrease) in cash and cash equivalents		**4,561**	**(30,020)**
Cash and cash equivalents at 1 January		36,323	66,343
Cash and cash equivalents at 31 December	18	**40,884**	**36,323**
Cash and cash equivalents comprise:			
Cash at bank		38,892	22,759
Current asset investments (maturity less than three months from the date of acquisition)		1,992	13,564
	18	**40,884**	**36,323**

The notes on pages 56 to 78 form part of these financial statements.

Notes to the Financial Statements

Notes to the Financial Statements

For the year ended 31 December 2023

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 on a going concern basis, 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 estimation 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 £7.6 million and is reporting a loss this year of £6.0 million (2022: profit of £4.2 million). The company had cash and current asset treasury investments of £256.5 million (2022: £270.8 million) at the year end, having been capitalised with £634.3 million (2022: £626.3 million) of equity investment – which is enough to cover its outstanding commitments at year end. The Directors have reviewed the company's future liquidity projections in the light of the prolonged macro-economic uncertainty, continuing inflation risks and higher interest rates and considered 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 9. For this reason, the Directors have adopted the going concern basis in preparing these financial statements.

d. Investment income

Investment income comprises both revenue earned and gains/(losses) on the Social Impact Investment and Treasury Portfolios. Revenue consists of income distributions from investment vehicles alongside interest, dividend and fee income, each recognised on an accruals basis throughout the year when it is probable that the economic benefits will flow to the company. Gains/(losses) on the Social Impact Investment Portfolio comprise both realised and unrealised income. Unrealised income is recognised six-monthly as part of the bi-annual valuation process. Unrealised gains/(losses) on the Treasury Portfolio are recognised each month and realised gains/(losses) are recognised on disposal/maturity of investments.

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.

e. Other operating income

Other operating 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, associates and joint ventures 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 sections 9.9C(a), 14.4(c) and 15.9(c).

h. 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, associates or joint ventures. 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 approved but not signed. 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 sections 11.8-11.11, 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, cost accruals and accrued investment drawdowns.

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.

The company's Portfolio is held through a variety of fund and other structures, including Limited Partnerships, Limited Liability Partnerships and Limited Companies among others. 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 (2022 edition).

The majority of the company's investments are funds measured at fair value through profit or loss based on the net asset value ("NAV") of the fund at the year end. The company's valuation of fund investments is, therefore, dependent upon estimations of the valuation of the underlying investments in each fund. To value such investments, management obtains the latest audited financial statements or unaudited investor reporting of the investments and discusses further movements with management of the funds following consideration of whether the funds follow the International Private Equity and Venture Capital Guidelines ("IPEV Guidelines"). Not all fund investments have coterminous year ends with the company. Management may also perform further procedures to determine whether the valuation of the underlying investments has been prepared in accordance with appropriate valuation policies and these valuations will be adjusted by the company where necessary based on IPEV Guidelines.

Non-fund investments are also valued following IPEV guidelines using market, income or replacement cost approaches such as the price of a recent investment, discounted cash flows and NAV among others. An assessment will be made at each measurement date as to the most appropriate valuation methodology.

Fair value estimates that are based on observable market data will be of greater reliability than those based on estimates and assumptions and, accordingly, where there have been recent investments by third parties, the price of that investment will generally provide a basis of the valuation. If this methodology is used, its initial use and the length of period for which it remains appropriate to use the calibration of last round price depends on the specific circumstances of the investment, and the company will consider whether this basis remains appropriate each time valuations are reviewed. In all cases, valuations are based on the judgement of the Directors and upon available information believed to be reliable, which may be affected by conditions in the financial markets. Due to the inherent uncertainty of the investment valuations, the estimated values may differ significantly from the values that would have been used, had a ready market for the investments existed, and the differences could be material. Due to this uncertainty, the company may not be able to sell its investments at the carrying value in these financial statements when it desires to do so or to realise what it perceives to be fair value in the event of a sale.

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 managed treasury assets (debt securities), denominated in USD and EUR. 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.

i. 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.

j. Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation and any accumulated 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

k. Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated 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

l. 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 that 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.

The corporation tax main rate (for all profits except ring-fenced profits) for the year starting 1 April 2023 will increase to 25%.

m. 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.

n. Leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. This similarly applies to related lease incentives eg rent-free periods.

2 Net investment income

	2023 £'000	2022 £'000 Restated
Total net investment income	**4,275**	**13,149**
Represented by:		
Revenue		
Social Impact Investment Portfolio	7,341	6,821
Treasury Portfolio	5,607	4,257
	12,948	**11,078**
Investment (losses)/gains		
Social Impact Investment Portfolio	(12,242)	3,870
Treasury Portfolio	3,569	(1,799)
	(8,673)	**2,071**

2a Net investment income – Social Impact Investment Portfolio

	2023 £'000	2022 £'000 Restated
Net investment (loss)/income	**(4,901)**	**10,691**
Represented by:		
Revenue		
Income distributions from investment vehicles	4,073	4,210
Interest income on financial assets designated at fair value	1,974	1,798
Interest income on financial assets carried at amortised cost	383	395
Dividend income from financial assets designated as fair value	890	400
Fees received	21	18
	7,341	**6,821**
Investment (losses)/gains		
Net (losses)/gains from financial assets designated at fair value		
– Realised	(4,191)	(218)
– Unrealised	(7,785)	4,058
Net gains/(losses) from financial assets carried at amortised cost		
– Realised	–	13
– Unrealised	47	(340)
Net foreign exchange (losses)/gains from financial assets designated as fair value		
– Unrealised	(313)	357
	(12,242)	**3,870**

2b Net investment income – Treasury Portfolio

	2023 £'000	2022 £'000
Net investment income	**9,176**	**2,458**
Represented by:		
Revenue		
Interest income on financial assets designated at amortised cost	2,222	3,851
Interest income on financial assets carried at fair value	3,385	406
	5,607	**4,257**
Investment gains/(losses)		
Net gains/(losses) from financial assets designated at fair value		
– Realised	137	450
– Unrealised	2,998	(2,535)
Net gains/(losses) from financial assets carried at amortised cost		
– Realised	253	(180)
Net gains/(losses) on currency forward derivatives		
– Realised	675	(2,794)
– Unrealised	730	(1,584)
Net foreign exchange gains/(losses) from financial assets carried at amortised cost		
– Realised	113	2,213
– Unrealised	(1,337)	2,631
	3,569	**(1,799)**

During 2023, the company held investments in foreign currency denominated assets. As outlined in Note 14 – Financial risk management and financial instruments, the foreign exchange risk of our managed Treasury assets (debt securities) is handled 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 2023 the exchange loss on foreign currency denominated debt securities was £1.2 million (2022: gain of £4.8 million), which was offset by a gain on the currency forward derivatives in 2023 of £1.4 million (2022: loss of £4.4 million), resulting in a net foreign exchange gain of £0.2 million (2022: £0.5 million).

3 Other operating income

	2023 £'000	2022 £'000
Government grants recognised	862	710
Management fees generated	296	304
Other operating income	212	120
	1,370	**1,134**

On 8 June 2022, BSC signed an Amended and Restated Agreement with the Department for Levelling Up, Housing and Communities (DLUHC) to receive a second grant funding amount of £10 million (in addition to the £15.75 million initial grant funding received from DLUHC in 2021). This extra amount is being used to fund 50% of BSC's £20 million additional commitment on National Homelessness Property Fund 2. All monies have been deferred and are being released on a straight-line basis over the grant term which, for both tranches, is from grant funding date to 12 March 2051. £23,812,144 remains in deferred income at 31 December 2023 (2022: £24,674,980).

During the financial year, Big Society Capital Limited also generated management fees for its role as Portfolio Manager of Schroder BSC Social Impact Trust plc of £296,292 (2022: £303,654).

Other operating income is £212,282 (2022: £119,705) and comprises recharges for office use and accounting services, training and sponsorship services, and recoverable VAT.

4 Administrative expenses

	2023 £'000	2022 £'000
Wages and salaries	5,977	5,155
Non-Executive Directors' fees	137	110
Social security costs	672	637
Pension costs	542	463
Staff-related costs, including recruitment, training and travel	823	729
Premises	725	772
General and administrative expenses	547	608
Consultancy	618	480
Marketing, including events, sponsorship and website	372	301
Amounts receivable by the company's auditors (see below)	142	166
Other professional costs	228	213
Depreciation of owned fixed assets	47	53
Amortisation of intangible assets	3	4
Investment-related expenses, including legal fees	535	195
Total administrative expenses	**11,368**	**9,886**
Treasury management fees	307	315
Total other expenses	**307**	**315**
Total administrative and other expenses	**11,675**	**10,201**

Amounts receivable by the company's auditors and their associates in respect of:		
Auditors' remuneration for audit services	125	138
Other assurance services	17	16
Taxation compliance services	–	12
	142	**166**

The Directors have agreed with the company's auditors that the auditors' liability to damages for breach of duty in relation to the audit of the company's financial statements for the year to 31 December 2023 will be limited to the greater of £5 million or five times the auditors' fees for the statutory audit and that, in any event, the auditors' liability for damages will be limited to that part of any loss suffered by the company as is just and equitable having regard to the extent to which the auditors, the company and any third parties are responsible for the loss in question. The shareholders approved this limited liability agreement, as required by the Companies Act 2006, by a resolution dated 18 September 2023.

Average monthly number of employees during the year

	2023 Number	2022 Number
Investment	33	30
Senior Management	3	3
Communications	9	8
Operations	30	22
Social and finance sector engagement	15	15
On Purpose Scheme and 2027 interns	2	4
	92	**82**

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 43.

5 Directors' and key management personnel emoluments

	2023 £'000	2022 £'000
Directors' emoluments		
Emoluments	302	267
Company contributions to money purchase pension schemes	18	17
	320	**284**
Highest-paid Director		
Emoluments	168	157
Company contributions to money purchase pension schemes	18	17
	186	**174**

	2023 Number	2022 Number
Number of Directors to whom retirement benefits accrued		
Money purchase schemes	1	1

	2023 £'000	2022 £'000
Key management personnel emoluments[17]		
Emoluments	703	734
Company contributions to money purchase pension schemes	73	77
	776	**811**

[17] Key management personnel include the only Executive Director as detailed above.

6 Tax on (loss)/profit

	2023 £'000	2022 £'000
Analysis of credit in period		
Current tax:		
– Adjustments in respect of previous periods	(19)	(112)
	(19)	**(112)**
Deferred tax:		
– Origination and reversal of timing differences	7	(3)
	7	**(3)**
Tax on (loss)/profit on ordinary activities	**(12)**	**(115)**

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

	2023 £'000	2022 £'000
(Loss)/Profit before tax	(6,030)	4,082
Standard rate of corporation tax in the UK	19%	19%
(Loss)/Profit before tax on ordinary activities multiplied by the standard rate of corporation tax	(1,146)	776
Effects of:		
Income not taxable and expenses not allowable for tax purposes	(2,064)	(1,236)
Capital allowances for period in excess of depreciation	(15)	1
Utilisation of tax losses	–	459
Unrecognised tax losses to carry forward	3,225	–
Adjustments to tax charge in respect of previous periods	(19)	(112)
Deferred tax – origination and reversal of timing differences	7	(3)
Total tax credit for period	**(12)**	**(115**

7 Intangible assets

	Software development £'000
Cost	
At 1 January 2023	73
Additions	–
At 31 December 2023	**73**
Accumulated amortisation	
At 1 January 2023	70
Provided during the year	3
At 31 December 2023	**73**
Carrying amount	
At 31 December 2023	**–**
At 31 December 2022	3

8 Tangible assets

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 January 2023	330	493	823
Additions	–	84	84
Disposals	(330)	(277)	(607)
At 31 December 2023	**–**	**300**	**300**
Accumulated depreciation			
At 1 January 2023	330	444	774
Charge for the year	–	47	47
Disposals	(330)	(277)	(607)
At 31 December 2023	**–**	**214**	**214**
Carrying amount			
At 31 December 2023	**–**	**86**	**86**
At 31 December 2022	–	49	49

9 Investments

	2023 £'000	2022 £'000 Restated
Social Impact Investment Portfolio		
At 1 January	380,269	354,026
Additions	67,233	63,990
Sale proceeds	(41,013)	(40,924)
Income distributions	(8,101)	(7,290)
Income accrued	7,342	6,597
Investment (losses)/gains	(12,242)	3,870
At 31 December	**393,488**	**380,269**

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 2023	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	16 Great Queen Street, London WC2B 5AH	Partnership interest	100.00	2,675	(260)
Ada Ventures Soc II LP	16 Great Queen Street, London WC2B 5AH	Partnership interest	100.00	N/A[3]	N/A[3]
BBRC Homes Limited	Desklodge House, 2 Redcliffe Way, Bristol BS1 6NL	Partnership interest	20.00	N/A[3]	N/A[3]
Bethnal Green Ventures LLP	63/66 Hatton Garden, Fifth Floor Suite 23, London EC1N 8LE	Partnership interest	35.35	3,390	(60)
BGV Birdcage LP	63/66 Hatton Garden, Fifth Floor Suite 23, London EC1N 8LE	Partnership interest	80.00	N/A[3]	N/A[3]

Investment name	Registered office address/ principal place of business[1]	Class of shares held	BSC % as at 31 December 2023	Aggregate capital and reserves of the entity[2] £'000	Aggregate profit/(loss) for the year of the entity[2] £'000
Big Issue Invest IV LP	113-115 Fonthill Road, London N4 3HH	Partnership interest	30.00	N/A[3]	N/A[3]
Big Issue Invest Outcomes Investment Fund LP	113-115 Fonthill Road, London N4 3HH	Partnership interest	85.00	5,998	(742)
Big Issue Invest Social Enterprise Investment Fund II LP	113-115 Fonthill Road, London N4 3HH	Partnership interest	62.98	12,894	864
Bridges Evergreen BSC Housing Co-Investment LP	38 Seymour Street, London W1H 7BP	Partnership interest	100.00	349	(5)
Bridges Evergreen Capital Limited Partnership	38 Seymour Street, London W1H 7BP	Partnership interest	36.66	66,756	9,654
Bridges Social Impact Bond Fund LP	38 Seymour Street, London W1H 7BP	Partnership interest	44.52	2,084	(14)
Bridges Social Interim LP	38 Seymour Street, London W1H 7BP	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	918	6
City Funds LP	Narrow Quay House, Narrow Quay, Bristol BS1 4QA	Partnership interest	50.00	6,393	(84)
Community Owned Renewable Energy LLP	W106 Vox Studios, 1-45 Durham Street, London SE11 5JH	Partnership interest	50.00	18,898	700
CT UK Residential Real Estate FCP-RAIF	49, JF Kennedy Avenue, L-1855 Luxembourg	Registered shares	28.74	34	(1)
Eka Ventures 1 LP	Flat 1, Knaresborough House, 5-7 Knaresborough Place, London SW5 0TN	Partnership interest	99.25	5,600	496
Fair By Design Venture Limited Partnership	10 Orange Street, Haymarket, London WC2H 7DQ	Partnership interest	40.86	14,585	5,252
Funding Affordable Homes SICAV SIF S.A.	18 Savile Row, London W1S 3PW	Registered shares	25.97	55,186	(863)
Impact Ventures SA, SICAV-SIF	9, Allée Scheffer L-2520 Luxembourg	Registered shares	41.59	18,766	(432)
National Homelessness Property Fund 2 Limited Partnership	The Great Barn, 5 Scarne Court, Hurdon Road, Launceston, Cornwall PL15 9LR	Partnership interest	32.37	60,115	(3,986)
National Homelessness Property Fund Limited Partnership	The Great Barn, 5 Scarne Court, Hurdon Road, Launceston, Cornwall PL15 9LR	Partnership interest	34.30	44,220	1,555
Nesta Impact Investments 1 Limited Partnership	58 Victoria Embankment, London EC4Y 0DS	Partnership interest	45.46	8,530	(472)
North East Social Investment Fund Limited Partnership	5th Floor, 27-35 Grainger Street, Newcastle upon Tyne, Tyne and Wear NE1 5JE	Partnership interest	57.35	3,240	(164)
Public Services Lab LLP	Queens Insurance Building Suite 3a, 24 Queen Avenue, Liverpool L2 4TZ	Partnership interest	28.48	363	222

Investment name	Registered office address/ principal place of business[1]	Class of shares held	BSC % as at 31 December 2023	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	Partnership interest	44.72	14,583	(1,265)
Resonance Supported Homes Fund Limited Partnership	The Great Barn, 5 Scarne Court, Hurdon Road, Launceston, Cornwall PL15 9LR	Partnership interest	32.81	8,811	(92)
SASH Sidecar LP	4th Floor Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB	Partnership interest	100.00	3,957	34
Schroder BSC Social Impact Trust	1 London Wall Place, London EC2Y 5AU	Ordinary	26.78	88,753	620
Shared Lives Investments LP	131-151 Great Titchfield Street, London W1W 5BB	Partnership interest	37.93	241	(74)
Social and Sustainable Housing II LP	4th Floor Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB	Partnership interest	28.84	N/A[3]	N/A[3]
Social Finance Care and Wellbeing Investments LLP	C/o Social Finance Limited, 87 Vauxhall Walk, London SE11 5HJ	Partnership interest	50.00	2,014	(484)
Social Growth Fund 2 LLP	3rd Floor 27 George Street, Edinburgh EH2 2PA	Partnership interest	46.15	7,440	(113)
The Charity Bank Limited	Fosse House, 182 High Street, Tonbridge, Kent TN9 1BE	Ordinary	51.06	358,050	2,716
The Community Investment Fund L.P.	4th Floor Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB	Partnership interest	55.17	13,914	377
The Good Food Ventures LP	4th Floor, 20 Air Street, London W1B 5DL	Partnership interest	29.92	1,112	(228)
The Third Sector Investment Fund LLP	4th Floor Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB	Partnership interest	90.78	11,518	551
Women in Safe Homes Limited Partnership	The Great Barn, 5 Scarne Court, Hurdon Road, Launceston, Cornwall PL15 9LR, UK	Partnership interest	34.61	12,141	(959)
Zamo Capital 1 Limited Partnership	7 Opal Apartment, 23 Hereford Road, London W2 5AH	Partnership interest	100.00	2,310	(495)
Zinc 2 VB LP	24 Old Bond Street, London W1S 4AP	Partnership interest	50.44	1,131	(224)

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 are also stated.
[3] For undertakings for whom aggregate capital and reserves and profit or loss are not available, as the first financial year end falls after 31 December 2023.

10 Debtors

	2023 £'000	2022 £'000
Prepayments	359	417
Accrued income on Treasury Portfolio	93	195
Accrued income on Social Impact Investment Portfolio	928	699
Accrued income on SBSI management fees earned	153	164
Corporation tax	131	112
Other debtors	11	171
	1,675	**1,758**

11 Investments held as current assets

	2023 £'000	2022 £'000
Treasury Portfolio – debt securities	124,571	177,869
Treasury Portfolio – multi-asset investments	93,068	70,147
	217,639	**248,016**

Investments held as current assets can be realised within one year, but not within 24 hours.

Listed debt securities include items with a fair value of £nil (2022: £660,000), which have been pledged as collateral for a contingent liability on foreign exchange forward contracts. In the prior year, the collateral was adjusted daily to reflect any contingent liability arising as at the prior day close of business and was 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

	2023 £'000	2022 £'000
Amounts falling due within one year		
Trade creditors	165	193
Other taxes and social security costs	213	199
Other creditors	77	1,537
Accruals	620	598
Accruals on derivative financial instruments	94	824
Deferred income	1,110	1,114
	2,279	**4,465**
Amounts falling due after more than one year		
Deferred income	22,704	23,581
	22,704	**23,581**

Deferred income includes Government grants of £23,812,144 (2022: £24,674,980).

13 Deferred taxation

	2023 £'000	2022 £'000 Restated
Accelerated capital allowances	15	8
Provision for deferred tax	**15**	**8**
Provision for liabilities		
At 1 January 2023	8	11
Credited to the profit and loss account	7	(3)
At 31 December 2023	**15**	**8**

The Company currently does not recognise a deferred tax asset on the tax losses carried forward, as there is no certainty of recovery. The unrecognised deferred tax asset on tax losses was £10.0 million at 31 December 2023 (2022: £7.1 million).

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 9, the company's investments comprise a Social Impact Investment Portfolio and a Treasury Portfolio.

The Social Impact Investment Portfolio comprises listed and unlisted equity investments, direct and indirect loans and bonds, and investments in unlisted partnerships and other structures. All social impact investments are approved by BSC's Investment Committee (which has been delegated authority by the Board to operate within set parameters).

The Treasury Portfolio comprises bank cash deposits, certificates of deposit and low-duration listed debt securities, alongside multi-asset investments, and represents capital held before it is drawn down into social impact investments. 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:

2023	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	–	–	86	86
Fixed asset investments	378,972	14,516	–	393,488
Debtors	–	1,174	501	1,675
Investments held as current assets	93,068	124,571	–	217,639
Cash at bank and in hand	–	38,892	–	38,892
Liabilities				
Creditors	–	(956)	(24,027)	(24,983)
Deferred taxation	–	–	(15)	(15)
	472,040	**178,197**	**(23,455)**	**626,782**

2022 Restated[18]	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	–	–	52	52
Fixed asset investments	363,621	16,648	–	380,269
Debtors	–	1,058	700	1,758
Investments held as current assets	70,147	177,869	–	248,016
Cash at bank and in hand	–	22,759	–	22,759
Liabilities				
Creditors	–	(3,152)	(24,894)	(28,046)
Deferred taxation	–	–	(8)	(8)
	433,768	**215,182**	**(24,150)**	**624,800**

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

[18] The company's deferred income and taxation has been reclassified from the financial instruments measured at amortised cost category of Note 14 into non-financial instruments, to better reflect the nature of these amounts.

Gains and losses recognised in the Statement of Comprehensive Income during the period to 31 December by category are shown below:

2023	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
Income distributions from investment vehicles	4,073	–	–	–	4,073
Interest income	5,359	–	2,605	–	7,964
Fee and dividend income	911	–	–	–	911
Investment (losses)/gains	(9,154)	1,405	(924)	–	(8,673)
Other income	–	–	–	1,370	1,370
Administrative expenses	–	–	–	(11,675)	(11,675)
Tax on loss on ordinary expenses	–	–	–	12	12
	1,189	**1,405**	**1,681**	**(10,293)**	**(6,018)**

2022 Restated[19]	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
Income distributions from investment vehicles	4,210	–	–	–	4,210
Interest income	2,204	–	4,246	–	6,450
Fee and dividend income	418	–	–	–	418
Investment gains/(losses)	2,112	(4,378)	4,337	–	2,071
Other income	–	–	–	1,134	1,134
Administrative expenses	–	–	–	(10,201)	(10,201)
Tax on profit on ordinary expenses	–	–	–	115	115
	8,944	**(4,378)**	**8,583**	**(8,952)**	**4,197**

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 in the Treasury Portfolio, loans and receivables in the Social Impact Investment Portfolio, and cash deposits.

Investments in unlisted partnerships 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 listed debt securities section of the Treasury Portfolio, the company has set a maximum exposure limit for each issuer. The Treasury Policy seeks to control the exposure to issuers with perceived higher risk of default (where relevant) by specifying a minimum average credit rating for the underlying Portfolio assets. The majority of the Treasury Portfolio is managed externally and accounted for on a hold to maturity/amortised cost basis, with the underlying portfolio counterparty exposure limits and average credit rating (where relevant) monitored by the external managers. The company receives monthly performance reports (including credit ratings where relevant) from the external fund managers.

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.

[19] Income distributions from investment vehicles have been reclassified from Investment gains/(losses) to Income distributions from investment vehicles, to match the primary financial statements' categorisation of net investment income.

The company uses foreign exchange forward contracts to manage its exchange risk exposure from holdings of non-GBP-denominated listed debt securities. 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.

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

	2023 £'000	2022 £'000
Fixed asset investments	393,488	380,269
Other debtors	11	171
Accrued income	1,174	1,058
Multi-asset investments – Investments held as current assets	93,068	70,147
Debt securities	124,571	162,055
Cash deposits – Cash at bank and in hand	38,892	22,759
Maximum exposure to credit risk as at the Statement of Financial Position date	**651,204**	**636,459**

As at 31 December 2023, 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	2023 £'000	2022 £'000
Multi-asset investments	Not rated	93,068	70,147
Debt securities	AAA	6,531	8,395
Debt securities	AA	12,502	26,228
Debt securities	A	43,080	67,313
Debt securities	BBB	48,701	54,832
Debt securities	Not rated	4,968	4,628
Cash deposits – Cash at bank and in hand	A-1	38,892	22,759
		247,742	**254,302**

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 partnerships and other private asset vehicles, 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:

2023

	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000
Creditors: amounts falling due within one year	956	956	956
Creditors: amounts falling due after more than one year	–	–	–
	956	**956**	**956**

2022
Restated[20]

	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000
Creditors: amounts falling due within one year	(3,152)	(3,152)	(3,152)
	(3,152)	**(3,152)**	**(3,152)**

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. A theoretical fluctuation in asset prices of +/- 10% would result in a movement in returns of +/- £48.7 million (2022: £45.0 million).

The company has interest rate exposure. The company currently has £256.5 million (2022: £270.8 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 £1.6 million (2022: £2.7 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 listed debt securities (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. A 10% movement in foreign exchange rates would result in a £1.0 million movement in returns (2022: £0.7 million).

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.

[20] Deferred income and taxation have been removed from all three balances in order better to reflect the contractual liquidity risks the company faces.

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 – Summary of 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 (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3
Inputs are unobservable (ie 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 (2022 Edition). A variety of valuation techniques are utilised as set out in the accounting policy note 1h – Basic financial instruments.

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

	2023 £'000	2022 £'000 Restated[21]
Level 1		
Investments held as current assets	93,068	70,147
Fixed asset investments	29,055	30,616
Level 2		
Investments held as current assets	–	–
Derivative financial instruments	–	–
Level 3		
Fixed asset investments	349,917	333,004
	472,040	**433,767**

Level 3 financial assets held at fair value through profit or loss:

	2023 £'000	2022 £'000 Restated[21]
Balance at 1 January	333,004	302,136
Purchases	62,672	59,740
Sales	(41,466)	(36,116)
Total investment returns	(4,293)	7,244
Balance at 31 December	**349,917**	**333,004**

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

[21] Directly held listed bonds within our fixed asset investments have been recategorised from Level 3 to Level 1 to reflect that they come from unadjusted quoted prices traded in an active market.

16 Called-up share capital

	Nominal value	2023 number of shares	2022 number of shares	2023 £'000	2022 £'000
Allotted, called up and fully paid:					
Ordinary A shares	£1 each	434,345,000	426,345,000	434,345	426,345
Ordinary B shares	£1 each	200,000,000	200,000,000	200,000	200,000
				634,345	**626,345**

As described in the Corporate Governance report on page 38, voting rights for both share classes are proportional to the shareholding but, for each of the shareholder banks (B shareholders), are capped at 5% of the overall voting rights, with the A shareholder (the Oversight Trust) holding 80% of the voting rights. For the avoidance of doubt, Big Society Capital is a company limited by shares.

17 Profit and loss account

	2023 £'000	2022 £'000
At 1 January 2023	(1,545)	(5,742)
(Loss)/Profit for the financial year	(6,018)	4,197
At 31 December 2023	**(7,563)**	**(1,545)**

18 Cash at bank and in hand

	2023 £'000	2022 £'000
Cash at bank	38,892	22,759
Current asset investments (maturity less than three months from the date of acquisition)	1,992	13,564
Cash and cash equivalents per cash flow statement	**40,884**	**36,323**

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 on this basis is provided below:

	2023 £'000	2022 £'000
Debt securities (maturity less than three months from the date of acquisition)	1,992	13,564
Debt securities (maturity greater than three months from the date of acquisition)	122,579	164,305
Multi-asset investments	93,068	70,147
Investments held as current assets per Statement of Financial Position	**217,639**	**248,016**

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 two distinct stages of the investment process:

i. Investments signed, commitments outstanding
Legal agreements are completed and signed and contributions have not been fully drawn down. Amounts drawn down are recognised as financial assets in the Statement of Financial Position when incurred, and the balance of the remaining commitments is disclosed below.

ii. In-principle commitments not yet signed
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, on the above bases capital commitments were as follows:

	2023 £'000	2022 £'000
Investments signed, commitments outstanding	133,093	181,940
In-principle commitments not yet signed	30,250	3,000
	163,343	**184,940**

21 Other financial commitments

	Land and buildings 2023 £'000	Land and buildings 2022 £'000
Falling due:		
– Within one year	93	366
– Later than one year and not later than five years	–	459
– In over five years	–	–
	93	**825**

22 Related party transactions

During 2023, The Oversight Trust – Assets for the Common Good, being the parent company, purchased £8 million (2022: £nil) of £1 Ordinary A shares in Big Society Capital Limited. During 2023, Big Society Capital Limited provided £10,000 of accounting services (2022: £7,900) on behalf of the Oversight Trust for which it was reimbursed. The amount outstanding was £nil at 31 December 2023 (31 December 2022: £7,900).

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 (2022: £78,400) to Big Society Capital, in respect of a licence fee for the use of its offices. Additionally, during 2023 Big Society Capital Limited incurred £19,900 of costs (2022: £nil) on behalf of Access, for which it was reimbursed. As at 31 December 2023 there was an outstanding balance of £6,500 (31 December 2022: £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 41.

The company makes investments in the equity of unquoted and quoted investments where it does not have control but may be able to participate in the financial and operating policies of that company. FRS 102 presumes that it is possible to exert significant influence when the equity holding is greater than 20%. The company has taken the portfolio holding exemption as permitted by FRS 102 sections 9.9C(a), 14.4(c) and 15.9(c) and has not equity accounted for these investments but they are related parties. The total amounts included for investments where the company has significant influence but not control are as follows:

	2023 £'000	2022 £'000
Amounts invested	21,660	38,137
Amounts distributed	16,372	10,271
Investment valuation	216,654	221,566

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

27 Restatement of prior-year comparatives

The Directors have presented income distributions from investment vehicles as revenue in the current year rather than as realised investment (losses)/gains, to align with the presentation of interest and dividend income from investments. Accordingly, the prior-year comparatives have been restated to move £4.2 million of income distributions from realised investment (losses)/gains to revenue to be comparable with the current-year presentation.

The Directors consider that presenting all cash flows from fixed and current asset investments as operating cash flows more accurately represents the nature of the amounts given the nature of the company's activities. Accordingly, the prior-year comparatives have been restated to reclassify certain amounts previously presented as investing cash flows, as operating cash flows, to be comparable with the current-year presentation. This is shown in the following table:

	2022 £'000
Net cash from investing activities using prior-year categorisation	**(34,130)**
– Payments to acquire fixed asset investments	63,990
– Proceeds from disposals of fixed asset investments	(40,924)
– Payments to acquire current asset investments	118,778
– Amounts from sale of current asset investments	(100,459)
– Amounts recategorised as returns on fixed asset investments	(7,290)
Net cash from investing activities using updated categorisation	**(35)**

	2022 £'000
Net cash from operating activities using prior-year categorisation	**4,110**
– Payments to acquire fixed asset investments	(63,990)
– Proceeds from disposals of fixed asset investments	40,924
– Payments to acquire current asset investments	(118,778)
– Amounts from sale of current asset investments	100,459
– Amounts recategorised as returns on fixed asset investments	7,290
Net cash from operating activities using updated categorisation	**(29,985)**

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