BIG SOCIETY CAPITAL

Report and Financial Statements

31 December 2022

Report and Financial Statements 2022

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Directors

Robin Hindle Fisher[1,3] (Chair)
Governor and Chair of the Grant Making and Innovation Committee at Motability. Former Non-Executive Deputy Chairman of Ruffer LLP. Currently partner at Hay Hill Partners, working as a business coach and executive mentor. Previous Board member for a number of disability charities including Contact, the Family Fund and Scope, and Chair of the Extra Costs Commission in 2014 to 2015.

David Hunter[2] (Chair of Audit, Risk and Compliance Committee)
Chair of UCLB Ltd and Chair of the Investment Committee of the Care and Wellbeing Fund (backed by Macmillan Cancer Care and Big Society Capital). Treasurer at Motability, and formerly Trustee of Age UK and Director of Paragon Asra Housing Limited.

Kieron Boyle[1] (Chair of Nominations and Remuneration Committee)
Chief Executive of Guy's and St Thomas' Foundation and appointed Chief Executive of the Impact Investing Institute as from 15 May 2023. Governor of The Southbank Centre, Trustee of Design Council, Chair of the Investment Committee for the Cultural Impact Development Fund and Advisory Board member of Long-Term Investors in People's Health, and The Impact Integration Project.

Fiona Ellis[2] (Senior Independent Director)
Former Chair of the BBC Appeals Advisory Committee, Trustee of the People's Operator Foundation, Chair of NCVO Funding Commission, Trust Manager of the Millfield House Foundation and Vice Chair of the Nationwide Foundation and Futurebuilders.

Alan Giddins[3,4]
Currently Executive Chair of Hill & Smith plc and Chair of Watkin Jones plc. Formerly Managing Partner and Global Head of Private Equity at 3i Group and a member of its Executive and Investment Committees.

Christina McComb OBE[3]
Trustee of Nesta and 3i Group Pension Plan and Director of Seraphim Space Investment Trust plc. Former Chair of OneFamily and Standard Life European Private Equity Trust plc.

Chris Wright[1,4]
Former Chief Executive of Catch22. Chair of Catalyst Choices CIC. Director of We are Juno CIC, Juno Support Services Limited, Chair of Jobs22 Limited and a Trustee of West London Zone, Unlocked Graduate, and The Lincolnshire Partnership NHS Foundation Trust.

Stan Chan[2]
Board member for six CBF Church of England investment funds and fund representative on the Church's Ethical Investment Advisory Group. Board and Audit and Finance Committee member for Oasis Community Learning. Previously director and Chair of the Audit Committee for Power to Change.

Stephen Muers[3, 4] (CEO)
Chair of Friends Provident Foundation, Trustee of Fair Trials and a Policy Fellow at the Institute of Policy Research, University of Bath.

Stuart Foster[2] (Director nominated by the shareholder banks)
Managing Director of Financial Institutions at NatWest.

Lesley-Anne Alexander CBE[1]
Currently director of the Meridian Water Regeneration Board and adviser to the Institute for Apprenticeships and Technical Education, and The MicroLoan Foundation. Formerly Chair of the Hertfordshire Community NHS Trust and Non-Executive Director for Metropolitan Thames Valley Housing Trust, among other non-executive roles. Former CEO of the RNIB and Director of Operations for the Peabody Trust.

[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

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Strategic Report

Introduction

The following report sets out our progress and key initiatives during 2022, together with our financial performance for the year.

Big Society Capital exists to improve the lives of people in the UK, through investments that address a wide range of social issues, from mental health to homelessness, and from unemployment to financial exclusion. We do this both directly through our own investments, and by helping to build the wider market for social impact investment,[1] enabling other investors to support enterprises that have a positive social impact. The last year has been one of macroeconomic uncertainty, which is likely to continue for the foreseeable future, overlaid with the ongoing aftermath of the Covid-19 pandemic. These conditions exacerbate many of the social issues we seek to tackle – increasing the demand on the services of the charities and social enterprises we ultimately support – and making the need for social impact investment to address them even greater. The ongoing period of higher inflation and macroeconomic unpredictability is likely to impact the operating models of social enterprises, charities and social purpose organisations within several areas of our social impact investment portfolio. For this reason, we have focused throughout the year on understanding this potential impact, working with partners to try to prepare as far as possible for the uncertain economic future in 2023, while ensuring that we remain sustainable and effective in achieving our mission.

The size of the overall social impact investment market has grown nearly ten-fold in ten years. Our annual market sizing exercise, which looks at the wider social impact investment market, estimated that more than £7.9 billion has now been invested in social enterprises, charities and social purpose organisations.

There have been some significant highlights over the last year:

- 2022 marked ten years since Big Society Capital commenced operating and provided the perfect opportunity to reflect on progress made since our inception. Throughout the year there were opportunities to bring together key stakeholders and partners from across the sector to recognise the broad range of achievements over the last decade. In our publication, Ten Years of Impact Investing, we asked key voices from our journey and the wider market for their thoughts on what progress has been made (you can read this publication here[2]).
- During 2022, we signed 12 new investments totalling £67.5 million to be channelled into social enterprises, charities and social purpose organisations delivering positive social impact throughout the UK. This brings the total amount of Big Society Capital's own funds committed since launch to £883 million. With £2 billion in co-investment alongside, over £2.9 billion has now been made available to more than 2,000 organisations addressing a wide range of social issues from homelessness to mental health.
- A record number of enterprises accessed information about social investment over the year. Good Finance (funded in partnership with Access – The Foundation for Social Investment) celebrated its fifth anniversary, reaching 465,000 unique users, showing interest in increasing their knowledge about social impact investment. 35% of these users went on to demonstrate appetite for investment, clicking onto the investor and fund directory, with a final 20% of those showing real intent by going on to visit individual listed investors' websites.

[1] An explanation of social impact investment can be found on the Big Society Capital Website, at: https://bigsocietycapital.com/our-approach/
[2] https://bigsocietycapital.fra1.cdn.digitaloceanspaces.com/media/documents/Big_Society_Capital_Ten_Years_of_Investing_for_Impact.pdf

Key developments

Investments

Social Property

In 2022, Big Society Capital committed £40 million across three social property funds; two to funds providing housing for people with more complex needs, and one to a fund providing general needs affordable housing. £20 million was committed to the National Homelessness Property Fund 2, to provide 215 secure and affordable homes for those sleeping rough or at risk of rough sleeping. A further £10 million was committed to the Social and Sustainable Housing Fund 2, a fund providing flexible secure loans to high-quality, experienced charities and social sector organisations, so that they can provide homes for their clients. Finally, a £10 million follow-on commitment was made to the Man GPM RI Community Housing Fund, a general needs affordable housing fund, aiming to deliver 3,500 new homes by 2026, with at least 50% of these being affordable homes (social rent, affordable rent, key worker and shared ownership) and with documented ambitions to reach 70%.

Social Lending

Big Society Capital committed more than £10 million of new investment to social lending, across four funds. Two of these were part of a place-based programme, Local Access, in partnership with the Access Foundation. A third was into the Growth Impact Fund managed by Big Issue Invest. Finally, we invested in UnLtd, a fund for organisations that are focused on tackling inequality for marginalised people in the UK, through the provision of products, services, training or employment, aligning closely to our goal to build fair opportunity.

Impact Venture

We committed £17.5 million across five investments. This included two investments with impact-dedicated firms running programmes to support entrepreneurs at the earliest stages of their development: Bethnal Green Ventures' work supporting tech for good companies, and Zinc 2. The latter is an impact venture building programme, which will launch close to 100 impact startups over the next five years. Zinc's programmes are focused on tackling mental health, the climate crisis, the cost of living and healthy ageing. A key part of Zinc's approach is bringing cutting-edge research, evidence and user voice to the venture building process, through partnerships with universities, charities and UK Research and Innovation (UKRI). Three further investments were with early-stage funds supporting companies at pre-seed or seed stage, including funds managed by Connect Ventures, Ada Ventures and Kindred Capital.

Returns target

Over the last ten years we have reflected on what mix of investments is consistent with our mission of building a sustainable, growing and high-impact market. As a result, in 2022 and after discussion with Big Society Capital shareholders, we revised our overall target for net return after costs to 1% per annum averaged over five years. There will continue to be a range of rates of return for the investments within our portfolio, but our revised overall return target more accurately reflects the way we balance competing objectives, including ongoing investment in market building and backing high-risk new proposals.

Engagement with Government

In 2022, the Government conducted a consultation on how to allocate a further estimated £738 million of dormant assets for England. We have worked in close collaboration with Access – The Foundation for Social Investment, Social Enterprise UK and many others, on the Community Enterprise Growth Plan[3] to make the case for a portion of these newly unlocked funds to be allocated to social impact investment. We have evidenced that social impact investment can play a significant role in tackling some of the most pressing social issues in the UK, and we will continue to engage policymakers on ways to further address these key issues.

[3] https://www.communityenterprise.uk/

We also commissioned a significant piece of independent research – the first of its kind at a market level – to demonstrate the social value created by social outcomes contracts over the last ten years. Our Outcomes for All report[4] clearly set out the value social impact investment can bring Government – social outcomes contracts have so far generated over £1.4 billion of value. This equates to just over £10 of social value for every taxpayer £1 spent, including £3 of fiscal savings to budgets, and shows the transformative impact this innovative approach to delivering public services can have on people's lives.

The cost-of-living crisis

The economic challenges we faced in 2022, such as high inflation, rising interest rates and increasing energy and other costs, are here for the foreseeable future. Those who have the least are disproportionately affected, with analysis suggesting that a further one million people in the UK are set to be pushed into poverty this winter.

Big Society Capital has worked with partners at speed to create the pilot Energy Resilience Fund, combining grants and repayable loans to provide capital to allow social enterprises and charities to make energy efficiency improvements and transition to more sustainable sources of energy. We will look to scale this up if the pilot is successful. Our overall aim is to enable more organisations to not only survive the current challenges, but be better positioned for the future.

We have also spent time considering what more we, and the broader social investment market, can do to help. There are many organisations that already exist to help address the impact of the current crisis. Examples from within our portfolio include AgilityEco, funded by Bridges Fund Management, which is delivering energy efficiency improvements to households throughout the UK. Also, Wagestream, which has received investment from the Fair By Design fund, works with employers to help low-paid workers manage their finances and avoid the need to turn to high-cost payday lenders. We continue to target business models that have the ability to contribute to tackling cost-of-living issues at scale, and seek potential coalitions to help scale these up rapidly.

Financial results

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

The company made total new commitments in 2022 of £68 million (2021: £80 million); this is in line with the long-term trend, although lower than the previous year. Drawdowns in 2022 totalled £64 million (2021: £78 million) and cash receipts from our Social Impact Investment Portfolio totalled £48 million (2021: £53 million), both in line with expectations; receipt levels being driven by the stage of the constituents of the company's underlying investment portfolio.

2022 was a very challenging year for financial assets, with global bond and equity indices falling by over 10% as inflation rose. For Big Society Capital the 2022 results show a reduction of in-year net profit to £4.1 million (2021: £16.1 million), driven by reduced valuation gains in the Social Impact Investment Portfolio. This represents a 0.7% return on average capital employed. Returns generated from the Social Impact Investment Portfolio were 2.9% for the year (2021: 6.3%). Balanced against cumulative brought forward losses from previous years, this result moves the company towards operating on a sustainable basis in line with its mandate and agreed return target of 1% over a rolling five-year period. This will also enable it to achieve further social impact, by making investments to address social issues aimed at improving lives in the UK. This performance also enables the company's operational and market building costs to be covered, and moves the company towards generating returns for its shareholders. However, as noted in the Financial performance section on page 18 the current economic environment, with higher inflation and uncertain trends in interest rates and gilt yields, creates a more challenging outlook for the future performance of the company's investments and as a result future volatility in portfolio performance may be expected.

Our people

On 22 June 2022, Robin Hindle Fisher was appointed as Chair of our Board, replacing Harvey McGrath, who had reached the end of his nine-year tenure. On 1 December 2022, we also appointed Stan Chan as an additional member of the Board, and as a member of our Audit, Risk and Compliance Committee. We are grateful for the wisdom, experience and effort of all those who have served and who continue to serve on our Board.

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

[4] https://bigsocietycapital.com/latest/outcomes-for-all/#download-report

Our work

Since inception, Big Society Capital and other investors alongside us have together made £2.9 billion of new capital available to organisations with a social mission.

As a wholesale social impact investor, we invest in funds alongside others, rather than investing directly in frontline organisations. 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. By investing our capital, we aim to build a thriving impact investing ecosystem, which has strong impact-driven fund managers and more available finance from diverse sources. 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.

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

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 68.1% of Big Society Capital's shares and was set up to ensure that the organisation remains 'on mission'. Big Society Capital is not owned or controlled by Government, nor is it controlled by the banks that have invested in it.

Transparency

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

Wholesale activity and sources of capital

We act as a wholesaler, deploying capital through fund managers and social banks, including organisations providing market infrastructure.

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 then 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 also makes grants to beneficiary organisations under directions from the devolved administrations in each of the other nations of the United Kingdom.

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

Our impact

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

Impact on the system
This refers to the impact our investments and other market building activities have on the broader investment ecosystem – including investors, policymakers, 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.

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 a positive financial return, as that will have the greatest chance of attracting other investors, and ultimately achieving the greatest social impact.

Consideration of both impact on people and systems change is embedded across our investment process, alongside financial sustainability. Both aspects are considered before a decision is made to progress a potential investment to the due diligence phase, where the targeted impact and systems change are assessed in further detail. Bespoke tools, such as an Impact Canvas, are used to capture these and articulate a measurement plan to validate them, once the investment has been made. The investment team's conclusions are then presented to the Investment Committee, with equal (or at times greater) prominence as the traditional financial considerations related to an investment. 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 the 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 latest Disclosure Statement has been published here,[5] and our latest independent verification report by BlueMark can be found here.[6]

Big Society Capital published its latest Impact Report in December 2020. Further information on the organisation's approach to impact can be found on the website at http://www.bigsocietycapital.com/how-we-work/impact/.

Market systems

Big Society Capital takes a systemic approach to building the broader social impact investing market in the UK. Within our current strategy we focus on four market systems that we seek to shape to increase the quantity and quality of capital flowing to impactful enterprises and charities: Social and Affordable Housing, Impact Venture, Social Lending and Social Outcomes Contracts. We see particular potential within these areas to direct more capital to business models that improve the lives of people in the UK, particularly those living in disadvantaged circumstances.

Across these four markets, we seek to understand the key actors and conditions that keep the current systems in place, to then identify leverage points where our investments or non-investment activities can trigger change. We capture these leverage points and activities in our market system strategies and track progress against them on an annual basis.

[5] https://bigsocietycapital.fra1.cdn.digitaloceanspaces.com/media/documents/OPIM_2023_disclosure_statement_final.pdf
[6] https://bigsocietycapital.fra1.cdn.digitaloceanspaces.com/media/documents/BSC-BlueMark_Verifier_statement_Detailed_assessment_03.23.21.pdf

Key impact considerations and approaches for each of our market systems areas are set out below.

Social and Affordable Housing

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

To tackle the UK housing crisis, we need to work with other institutional investors who bring the scale of capital required to back high-impact housing opportunities alongside us. Our investor engagement activities play a pivotal role in understanding the needs of these investors, and breaking down some of the existing barriers to investment. One of the biggest of these barriers cited by potential investors, is lack of knowledge. To that end, in the autumn of 2022 we produced an updated version of Mapping the Market: UK Social and Affordable Housing Funds. The document sets out the growth of the market, key returns and risk attributes, impact best practice and commentary on future investment pipeline. Information is drawn from Big Society Capital's own insights, predominantly from: 1) managing a portfolio of £208 million of housing investment commitments for active deals; and 2) running the 2022 request for investment proposals in partnership with the pensions advisory and investment management specialist, Cardano. The purpose of this document is to share our knowledge and lessons learnt with other investors, to support better and more-informed investment decision-making.

One of our key social property investments in 2022, was a follow-on commitment to a fund that partners with high-quality Housing Associations to provide affordable housing to people on lower incomes, and which exemplifies impact management best practice. The remaining two commitments were to funds that provide homes for people with more-complex needs, such as people who have been rough sleeping or who require longer-term specialist care and support.

Since 2012, approximately £226 million has been committed to Social Property, and along with our co-investors, this is projected to provide approximately 6,000 homes and support 15,000 people in housing need.

Thirteen managers have signed up as Adopters of Big Society Capital's housing investment sector initiative, the Equity Impact Project. Several managers have now developed or published impact reports aligned to the project's reporting standard. Through widespread sector adoption in the coming years, the project aims to increase transparency and accountability and support greater capital flows from investors at scale into social and affordable housing in the UK.

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 – through mission-driven enterprises that embed societal impact in their approaches. Tech-enabled business models can have a transformative impact on social issues, if they are deployed in the right context, with the right intent, and with a business model aligned to impact, particularly for subsets of social issues including health, mental health, education and financial inclusion.

To achieve this, we invest our capital with top-tier venture managers who are values-aligned to Big Society Capital and looking to enhance their impact practice, and with impact-dedicated managers who are pioneering innovative approaches. We seek to develop leadership in this area by pioneering new tools, systems and processes to enhance impact practice. We do this through engaging the ecosystem and building the movement around impact in venture.

In 2022, we committed £17.5 million in five venture funds that further these strategies – resulting in current commitments to more than 15 live venture funds in our wider portfolio. Through them the organisation has reached nearly 250 startups, and they in turn are reaching more than 10 million people with digital products. In 2022 we incubated and launched ImpactVC, a community for fund managers seeking to accelerate impact within venture capital. The ImpactVC community already includes c200 individuals representing c120 firms, and we have released our first impact resource, the VC Impact Playbook, to help venture capital firms improve how they source, select and support high-impact companies.

Social Lending

Big Society Capital aims to supply much-needed capital to impact-led social enterprises and charities, both to enable them to build resilience in the face of the current economic environment, and to access pathways to growth.

Within our portfolio, as part of our strategy to 2025, our aim is that at least 50% of the 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 have been overlooked, as represented by the top two quintiles in the Index of Multiple Deprivation (IMD). We also continue to work with partners to understand key areas we may be missing, and identify where we must go further.

Since the evolution of Big Society Capital's strategy in 2022, we have continued making progress towards these goals, focusing in the short term on the interventions and enabling activities that underpin building resilience through the current market environment. Among other means of providing capital into the sector, in 2022, we committed more than £10 million of new investment to social lending, across four deals, including an investment in the Growth Impact Fund managed by Big Issue Invest and UnLtd, as detailed in our Key developments earlier in this report.

The funds that we are already supporting continue to create impact in their communities. For example, through the Community Investment Enterprise Facility (CIEF) managed by Social Investment Scotland, which supports four Community Development Finance Institutions, and via the Recovery Loan Fund (RLF) managed by the Social Investment Business. Both funds benefit from the Government's Recovery Loan Scheme Guarantee. In 2022 we also continued to work with partners from across Government, the financial sector and civil society, to find ways to grow these further, so that investment capital can flow at scale into communities that need it the most, and so that the organisations supporting those communities have access to a vital fuel to continue creating impact.

Social Outcomes Contracts

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

In 2022, Big Society Capital worked to build the market, concentrating efforts on public advocacy to build knowledge and networks across all areas of Government, at both local and central level. As part of this effort, we commissioned an independent review of impact achieved to date by social outcomes contracts across the UK. These results found that for every £1 that Government has spent on outcomes commissioning, a further £10.20 of public value has been created. The results were published[7] as part of an Outcomes For All campaign, with a launch in Parliament in the summer.

We also worked within our existing investments to support continued performance of established projects and showcase best practice. 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.

[7] https://bigsocietycapital.fra1.cdn.digitaloceanspaces.com/media/documents/BSC_Outcomes_For_All_Report_2022.pdf

Social impact: Key statistics

General

>2,000

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

>75%

Percentage of organisations operating nationally or outside London.

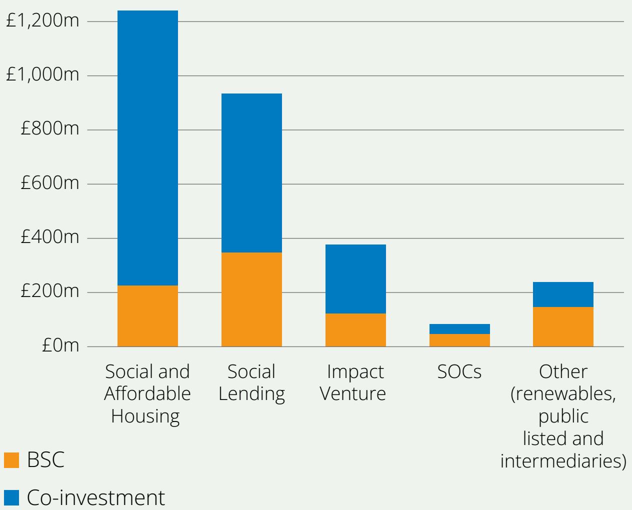
Example indicators for each market system:*

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

Per market system

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

BSC Signed and Co-investment since inception



Social and Affordable Housing

>4,000

homes completed.

>15,000

people projected to be housed.

Impact Venture

Impact Venture portfolio reaching

>10m

people with digital products.

Social Lending

>60%

of social enterprise and SME borrowers in 40% of the most deprived parts of the country.

Social Outcomes

55,000

people reached through Social Outcomes Contracts (SOCs).

Wider market building

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

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

Big Society Capital continues to work with its partners to further understanding and participation in social impact investment across a wide range of groups.

Supporting the public sector

- Big Society Capital continued to work throughout 2022 to grow awareness and deepen understanding of social impact investment with Government audiences, at both national and local level.
- We built new and deepened existing relationships with Government stakeholders around key priority areas relating to Social Lending and Social Outcomes Contracts, for example, engaging Ministers, MPs, Special Advisers and think-tanks, through participation in Big Society Capital and jointly held events, or through one-to-one meetings, for example, the parliamentary launch of the Outcomes for All report in the summer. Throughout the year we met MPs from all political parties, including attending their conferences to raise awareness of social impact investing and its potential.
- We worked closely with Access – The Foundation for Social Investment, and all the leading organisations in the social investment and enterprise sector and others, to form the Community Enterprise Growth Plan, a coalition to support further commitment to social impact investment from the additional estimated £738 million of dormant assets for England which arose from the expansion of the scheme to include new categories of additional dormant assets. This included extensive engagement with Government, but also with industry representatives who will be contributing assets to the scheme, as well as other supporters including the Federation of Small Businesses, Institute of Directors and British Chambers of Commerce.
- We successfully advocated for social sector organisations to continue to benefit from the Recovery Loan Scheme, a guarantee scheme that was originally created to help organisations through, and coming out of, the pandemic. The Government announced in July 2022 that this would continue for a further two years.

- Together with the Impact Investing Institute, with funding from the Department for Digital, Culture, Media & Sport, we authored Bridging capital into communities: A practical guide for policymakers, which examines the advantages and disadvantages of a number of Government policy tools, from loan guarantee schemes to investment tax reliefs.

Supporting social enterprises

- We recognise the importance of increasing access to finance for social enterprises, charities and social purpose organisations and the important work of Access – The Foundation for Social Investment. Our continued support and commitment to blended finance structures, in terms of both capital and wider influencing, have, we believe, helped the significant growth in the number of social enterprises and charities to whom social investment may now be relevant. Research in 2016 identified this number to be around 30,000. In 2022, this has grown by 73% to c52,000, with the average first-time investment being sought halving to £50,000 over the past eight years.[8]
- The Good Finance tool has passed the milestone of reaching more than 465,000 unique users, with a new pre-investment support hub; a scoping social investment tool designed to help support networks and membership bodies to improve signposting and understanding; and a five-year anniversary animation plotting the progress that has been made to support social enterprises and charities in navigating the social impact investment space. In 2022 Good Finance added 14 new case studies, seven new podcasts and 28 blog posts, with almost 50% focused on sharing stories from diverse organisations, their leaders and communities.
- Our provision of online training in social investment has also expanded, with Social Investment Unpicked seeing more than 140 graduates of the programme, and participants ranging from capacity builders, to larger frontline social enterprises or charities, to current or potential social investors.
- The organisation ran 12 education events including Ask the Investor and Let's Talk Good Finance, reaching almost 500 individuals. Through post-event video views, external speaking opportunities and participation in a further 15 key sector events, we estimate our reach at almost 2,000 people. Events included the Locality Convention, Social Enterprise Yorkshire & Humber and the Social Enterprise UK Awards, as well as engagement with the Enterprise Development Programme partners and other regional or issue-focused sector networks and support bodies.
- Good Finance built on the Addressing Imbalance programme, adding new partners Common Call, The Ubele Initiative, BASE and The Social Innovation Partnership, as a route to help address the barriers that leaders from under-represented groups or communities find when trying to access finance.
- In September, more than 120 diverse leaders attended, either in person or online, Addressing Imbalance Live sessions, showcasing the role of social investment in diverse communities. The event offered real-life insights and facilitated conversations, connections and discussions about how social investment can be made more accessible, bringing together under-represented leaders from charities and social enterprises as well as investors, innovators and changemakers from across the social investment space.

Supporting investors

- The Schroder BSC Social Impact Trust (the Trust) continued to be a key focus for our team as a key market building initiative. Difficult stock market conditions prevented additional capital raises in 2022, but engagement with investors continued around the launch of the Trust's inaugural impact report in addition to the Annual and Interim Results. The Impact Report highlighted the impact that has already been achieved by its investments – financing 160 frontline organisations and benefiting more than 160,000 people, with at least 90% from vulnerable and disadvantaged groups. The Trust's investments have generated a total of £55.6 million in near-term value as savings and benefits for households and the Government. Our team members also participated in several conferences and events, as well as press opportunities to support Schroder's marketing of the Trust. In 2022, the Trust won Best ESG Investment Fund: Multi-Asset at the ESG Investing Awards.
- Big Society Capital teamed up with Cardano in 2022, to launch a joint UK social and affordable housing request for proposal, inviting investment managers to submit strategies tackling the UK housing crisis. For us, it was a great opportunity to work with experienced advisers acting for and on behalf of UK pension funds, to help raise awareness and channel large pools of capital towards this growing part of the real estate market. This work was further supported by an update to our report, Mapping the Market: UK Social and Affordable Housing Fund.
- We partnered on a number of initiatives to grow awareness and understanding of social impact investing. This included hosting a webinar on the topic of foundation endowments and the opportunities to allocate more of their investments towards impact, alongside a range of sector voices and networks, including the Association of Charitable Foundations and the Impact Investing Institute. This event is the start of a much wider, long-term piece of engagement, focusing on endowments and how they can allocate more of their investment portfolios towards impact. We also continued to develop existing networks including Pensions for Purpose, Social Impact Investors Group (SIIG) and the Responsible Investment Network – Universities (RINU).

[8] Reference source SEUK State of the Sector Report https://www.socialenterprise.org.uk/seuk-report/no-going-back-state-of-social-enterprise-survey-2021/

- The Individual Impact Investing Commission's report, Unlocking Private Assets for Impact, was successfully launched at an event hosted by Cazenove Capital, setting out 12 recommendations and suggested actions to resolve the barriers that hold wealthy individuals and families back from impact investing. It is estimated that between £2 and £11 billion of private investments could be redirected to impact investments, by enabling an ecosystem that encourages and supports increased levels of private wealth targeting impact. We also continued to engage with the Toniic network of wealthy individuals seeking deeper impact across the spectrum of capital, hosting their UK meet-up and joining a regional gathering in Amsterdam.

Supporting networks, fund managers and intermediaries

- In 2022, Big Society Capital established the Investment Network, which is focused on developing pro bono and low bono resources and partnerships to support us and our fund managers.
- As part of this work, we assisted with the recruitment of 13 non-executive directors and Investment Committee members for our partnered fund managers and frontline organisations, through our partnership with Equity Chair.
- We also engaged 30 support contracts for Big Society Capital or fund managers, including pro bono support for the development of our 2023 Business Plan by EY-Parthenon.
- 2022 saw the launch of our Fund Manager Resource Portal, providing intermediaries in our portfolio with access to a number of Big Society Capital developed tools and training materials.

Telling the story

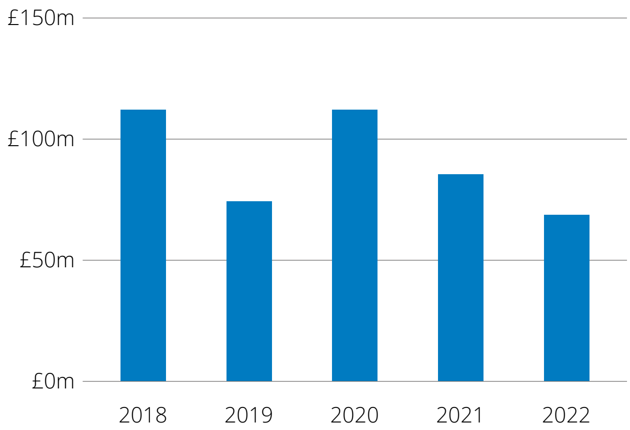
- Our communications work involves raising awareness and deepening understanding of social impact investment through informative and engaging content. One way we measure our success is through the media coverage and digital engagement we stimulate.
- Our campaign celebrating ten years of Big Society Capital and the progress of the Social Impact Investment sector, was the perfect opportunity to reach new audiences. It included two anniversary themed videos, as well as a dedicated anniversary web page, which received 1,500 unique views, and an anniversary themed newsletter, which was opened by 1,400 people (14% increase from previous edition).
- In 2022, the Big Society Capital website had 20,500 users, with 74% of visitors being first-time users (2% increase from 2021).
- In 2022, we posted a total of 31 blogs, with an increase in 23% of views per blog compared with 2021.
- We grew our newsletter subscription list by 19% to 2,800 subscribers, with an open rate of 49.5%, well above industry average of 23%.
- We grew our social media audience by nearly 10% to a total of over 41,000, and increased engagement with our social media content to 5% (over double that in 2021).
- We averaged 33 pieces of media coverage each month throughout 2022, with some notable articles in The Times and Politico.

Financial performance

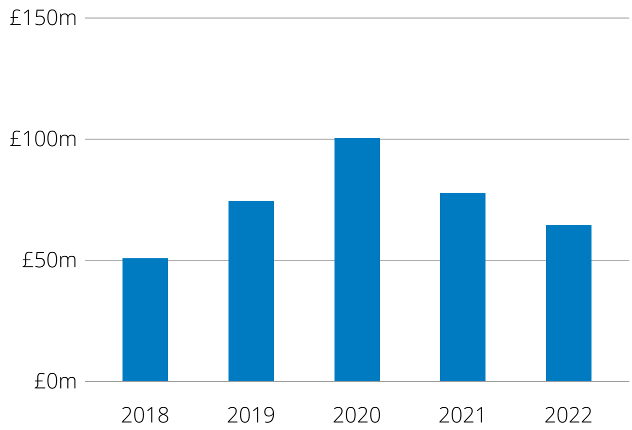
The financial statements on pages 53 to 79 outline the company's financial performance for the period.

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

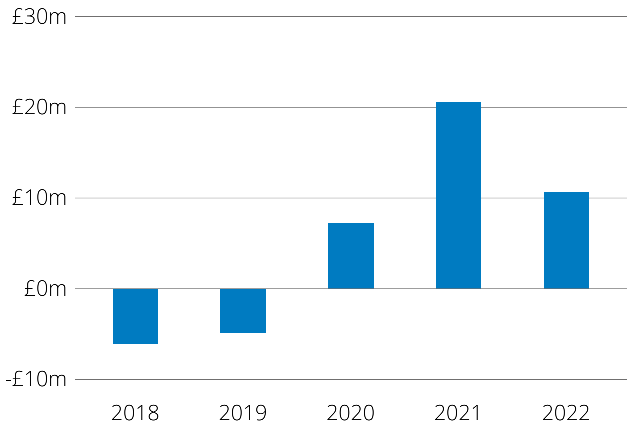
New Social Impact Investment Portfolio Commitments – last 5 years



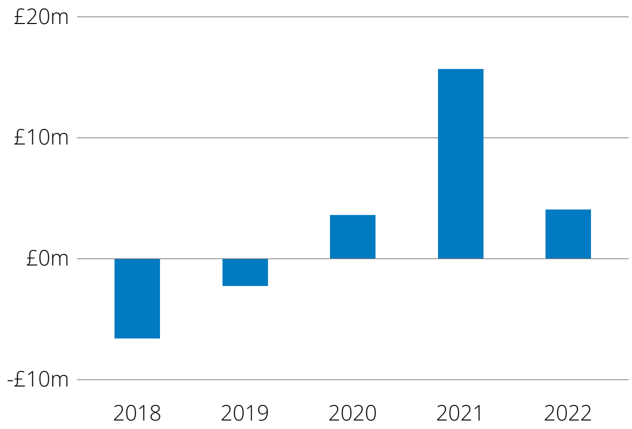
Social Impact Investment Portfolio Drawdowns – last 5 years



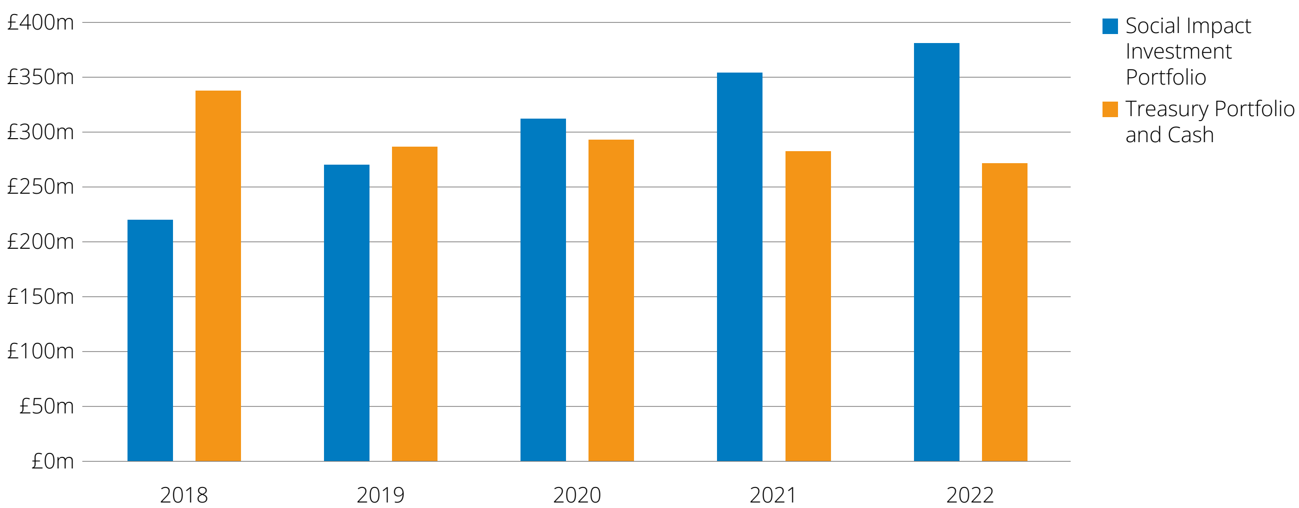
Net Social Impact Investment Portfolio Return – last 5 years



BSC Overall Net Profit before taxation – last 5 years



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



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

The company made total new commitments in 2022 of £68 million (2021: £80 million). Drawdowns in the year totalled £64 million (2021: £78 million) and cash receipts from our Social Impact Investment Portfolio totalled £48 million (2021: £53 million), both in line with expectations, receipt levels being driven by the stage of the constituents of the company's underlying investment portfolio.

The 2022 results show a reduction of in-year net profit to £4.1 million (2021: £16.1 million), driven by reduced valuations gains in the Social Impact Investment Portfolio. As noted in prior years, the company expects to see some volatility within the performance of the Social Impact Investment Portfolio, given the long-term nature and risk of the company's investments. It also expects there to be a general trend towards improved financial performance, as its overall investment approach has developed and a clearer path of returns becomes apparent.

As previously noted, 2022 was a very challenging year for investment assets overall with global bond and equity indices falling by over 10%. Notwithstanding this the Social Impact Investment Portfolio has continued to show resilience in the face of economic challenges such as high inflation, rising interest rates and increasing energy and other costs. The company will continue to closely monitor the effects of the uncertain economic and international environment on the UK economy, and its areas of investment focus in particular.

Social Impact Investment Portfolio

The net profit is driven by social impact returns, with the Social Impact Investment Portfolio generating a return in 2022 of 2.9% (2021: 6.3%). Although there has again been a positive return in 2022, upward and downward revenue volatility is likely to continue to be a feature of the company's portfolio performance in future years, with a heightened risk of revenue reductions in the short/medium term given the current levels of UK inflation and interest rates.

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

The total revenue generated by the Social Impact Investment Portfolio of £10.7 million (2021: £20.8 million) comprises:

Positive net valuation changes and net income relating to underlying investments

2022	2021
£13.2 million	£22.0 million

This includes valuation gains and/or (losses) in the Social Impact Investment Portfolio, and net income received by the funds from underlying investments.

Income (comprising interest, fees and dividends received by Big Society Capital)

2022	2021
£2.7 million	£3.8 million

A decrease arose during 2022 of £1.1 million, largely as a result of interest-bearing assets beginning repayment this year.

Management fees paid to fund managers

2022	2021
£5.2 million	£5.0 million

Management fees as a percentage of average total committed social impact investments remain consistent in 2022 at 0.94%, compared to 0.95% in 2021.

Further breakdown is available in Note 2 – Total revenue.

The decrease in net valuation changes in 2022 is largely due to reduced write-ups within the portfolio in the year coupled with limited write-downs, notwithstanding the challenging economic environment.

These unrealised valuation uplifts are primarily due to a small number of our impact venture investments (see further detail below), where we saw valuation gains in the first half of the year among early-stage, mission-driven tech companies, largely based on fundraising rounds. There was limited adjustment of these valuation gains in the latter part of the year, coupled with some exit uplifts achieved in one of the older vintage funds, contributing to the overall uplifts in this part of the portfolio.

There was also a high degree of resilience in the valuations of the social property portfolio given the more specialised nature of the investments held.

Investments in impact venture have been an established part of Big Society Capital's portfolio allocation approach for a number of years. We are interested in venture investing, because we believe in the positive impact potential of mission-driven, tech-enabled organisations

– in the right context, with the right intent, and with an aligned business model. Tech-enabled companies of this type are key contributors to the uplift we have seen in this period from our Impact Venture Portfolio – some of which have the potential to contribute significant impact in areas such as health, the future of work, and financial inclusion.

The majority of our Impact Venture Portfolio is at early stage, and the uplift in the year is predominantly driven by investee companies going on to raise further funding at Series A to Series C. Conditions in the venture market overall have become increasingly challenging through the course of 2022, with a notable decline in later stage valuations and slowing deal flow activity at every stage and in the second half of the year especially. However, the majority of our portfolio remains invested in early stage companies where valuations have been more resilient and we have continued to see high performing companies successfully raise further funding.

The current macroeconomic environment, with higher inflation and uncertain trends in interest rates and gilt yields, together with significant declines in equity and bond public markets, creates a more challenging outlook for the future performance of the wider social impact investment portfolio.

Treasury Portfolio

Total revenue from the Treasury Portfolio in 2022 was £2.5 million, 28% lower than 2021. The decrease reflects a marginally lower Treasury balance for most of the year, and mark-to-market losses on the multi-asset funds as a result of a wider market downturn in the latter part of the year. The largest portion of the Treasury Portfolio comprises low duration holdings in listed investment-grade debt securities (bonds) and is accounted for on a hold to maturity/amortised cost basis. This portion is governed by a mandate that permits only investments that have been successfully screened in accordance with a socially responsible investment process, while aiming for capital preservation. The remainder of the Treasury Portfolio is invested in multi-asset funds. The level of Treasury holdings reflects the delay between the company entering into social impact investment commitments and the drawdown of funds related to these, with most fund commitments being drawn over a three to five-year period.

During the year, a strategic review of the Treasury Portfolio was undertaken, which resulted in a multi-strategy approach whereby the largest portion continues to be focused on asset-liability matching to meet multi-year social impact investment commitments and organisational cash requirements, and the remainder in a return-seeking, multi-asset portfolio with a medium time horizon. Both portfolios are managed holistically alongside the Social Impact Investment Portfolio and managed in line with responsible investment principles.

Administrative and other expenses

Administrative costs increased by £1.2 million to £9.9 million in 2022 (2021: by £0.7 million to £8.6 million), the total representing 1.6% of average net assets (2021: 1.4%). Treasury management fees decreased to £0.3 million (2021: £0.4 million) as a result of our ongoing work to reallocate our Treasury Portfolio. The overall increase in administrative costs of 15% reflects a combination of: inflationary pressures; continued investment to support the delivery of Big Society Capital's strategy; and investment in the resilience and effectiveness of Big Society Capital, as the Social Impact Investment Portfolio continues to grow. This included a 14-person increase in average headcount in 2022, which covers 85% of the increase in expenses.

Key areas of investment expenditure in 2022 include: resourcing to support stronger delivery of our Portfolio Manager role for the Schroder BSC Social Impact Trust; development of the Impact VC product for Venture fund managers seeking to accelerate impact; and improved public affairs capability in the light of our current strategy goals. Of the total administrative expenses, it is estimated that approximately half relates to the company's social impact investment market building activities, for which the company receives no reimbursement.

The longer-term objective is for the company to generate positive financial returns and social impact on a continuing basis 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 enable the company's operational and market building costs to be more fully covered, and a dividend stream established for our shareholders.

Liquidity

As its level of overall commitments has increased to close to its available capital, Big Society Capital has developed a long-term liquidity model to assess future liquidity requirements, taking into account future expected realisations and expected drawdown profiles. In order to manage the relationship between Treasury balances and undrawn commitments, and to help ensure an appropriate balance between these, the Board has approved a policy whereby available liquidity should be at least 80% of the level of undrawn commitments. As of 31 December 2022, cash and Treasury funds totalled £270 million, or 156% of undrawn commitments.

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

Social impact investment activity and key performance indicators

Big Society Capital has a range of key performance indicators (KPIs) that it uses to evaluate both the social impact investment market and the organisation's performance. The figures below show our KPIs at 31 December 2022.

Capital available for social impact investment

Since launching, Big Society Capital has signed >120 investments.

The cumulative amount of investments signed by Big Society Capital and its co-investors is £2,881 million (2021: £2,542 million). When an investment is signed, the funds are then available for fund managers to draw down and invest in frontline investments, including social enterprises and charities.

Of this, £883 million (2021: £815 million) is Big Society Capital's own funds and £1,996 million (2021: £1,721 million) is from its co-investors.

Social Impact Investment Portfolio

In 2022, Big Society Capital signed 12 new investments totalling £68 million (including three follow-on investments) in the following entities (2021: £80 million):

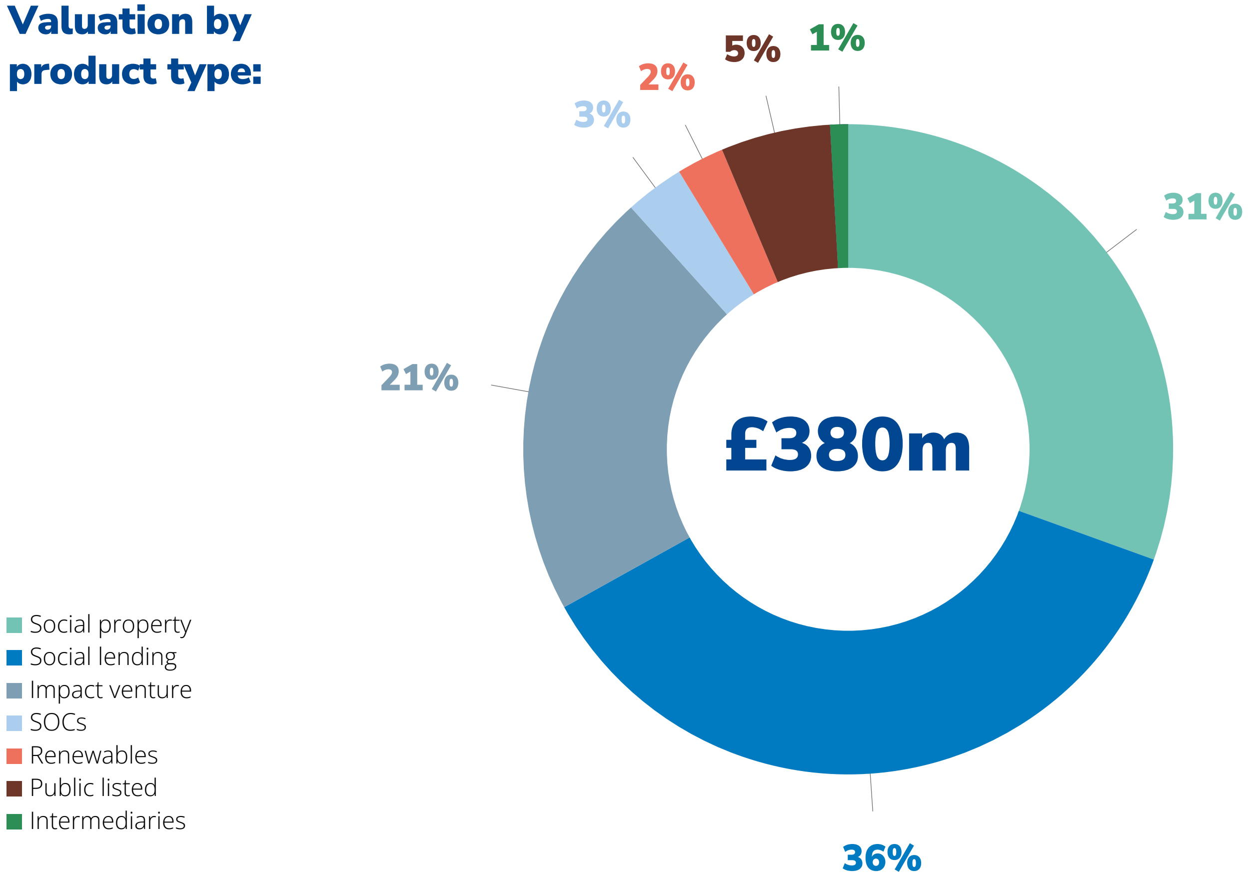
Investment Name	Market System	Commitment	Investment Summary
National Homelessness Property Fund 2 Limited Partnership	**Social and Affordable Housing**	**£20m**	Follow-on investment. £10m top-up into NHPF2 matched by £10m from DLUHC as a top-up to the social investment pilot partnership.
Man Community Housing Fund	**Social and Affordable Housing**	**£10m**	Follow-on investment. The Man Community Housing Fund is a General Needs affordable housing fund focused on bringing additional housing supply to market and then leasing the homes to high-quality Housing Association/ Local Authority Counterparties.
Social and Sustainable Housing SASH 2	**Social and Affordable Housing**	**£10m**	Follow-on fund to SASH with a focus on providing loans to charities to enable them to purchase properties. Typically, charities are serving vulnerable tenants, often with specialist support needs.
Connect Ventures IV	**Impact Venture**	**£6m**	Fund 4 from established seed-stage venture manager with focus on backing purpose-led, product-led founders of tech-enabled ventures.
Kindred Capital III*	**Impact Venture**	**£5.1m**	Kindred is a pre-seed and seed-stage venture investor with a focus on tech companies across sectors.

Investment Name	Market System	Commitment	Investment Summary
Greater Manchester – Local Access	**Social Lending**	**£4.4m**	Investment that looks to create a programme that will operate across four separate GM boroughs (Oldham, Stockport, Bolton and Wigan), which will have individual aims of improving their local social economies, but will be facilitated through some overriding cross-borough investment infrastructure delivered by GMCVO.
Key Fund Match Facility	**Social Lending**	**£3.8m**	Flexible match facility, for various carve-outs to enable KF to match programmatic opportunities that require match, and/or provide support to new and emerging community/social enterprises looking to develop or grow trading activity while they wait for their own capital funds lent out to be repaid to be recycled.
Zinc 2 VB LP	**Impact Venture**	**£3m**	Zinc 2 is a fund vehicle to invest in seven venture building programmes and selected graduates at pre-seed and seed stage. It builds on Zinc's work in mission-driven venture building since 2018, by scaling investment activity and continuing to develop a mission-led innovation ecosystem for impact in the developed world.
Ada Soc II	**Impact Venture**	**£3m**	Ada Ventures makes pre-seed and seed investments in overlooked founders and companies serving overlooked customers. Ada intends to invest in 30 pre-seed and ten seed companies, following on with seven high-growth companies to Series A. BSC invested £3m in Ada Ventures I in 2020.
Hartlepool and Redcar & Cleveland – Local Access	**Social Lending**	**£1.2m**	The LARCH programme is a £4m investment and is one of only six areas in the UK to be chosen by Access – The Foundation for Social Investment and Big Society Capital, who are the main funders of LARCH, with the support of two other partners – The Key Fund and Tees Valley Community Foundation.
The Growth Impact Fund	**Social Lending**	**£1m**	£25m blended capital fund providing patient and flexible capital to SPOs tackling inequality in the UK. Partnership between Big Issue Invest (BII), UnLtd and Shift.
BGV Social Innovation Camp Loan	**Impact Venture**	**£0.5m**	£0.5m loan to Social Innovation Camp to be repaid through distributions of Social Innovation Camp's share of BGV LLP.

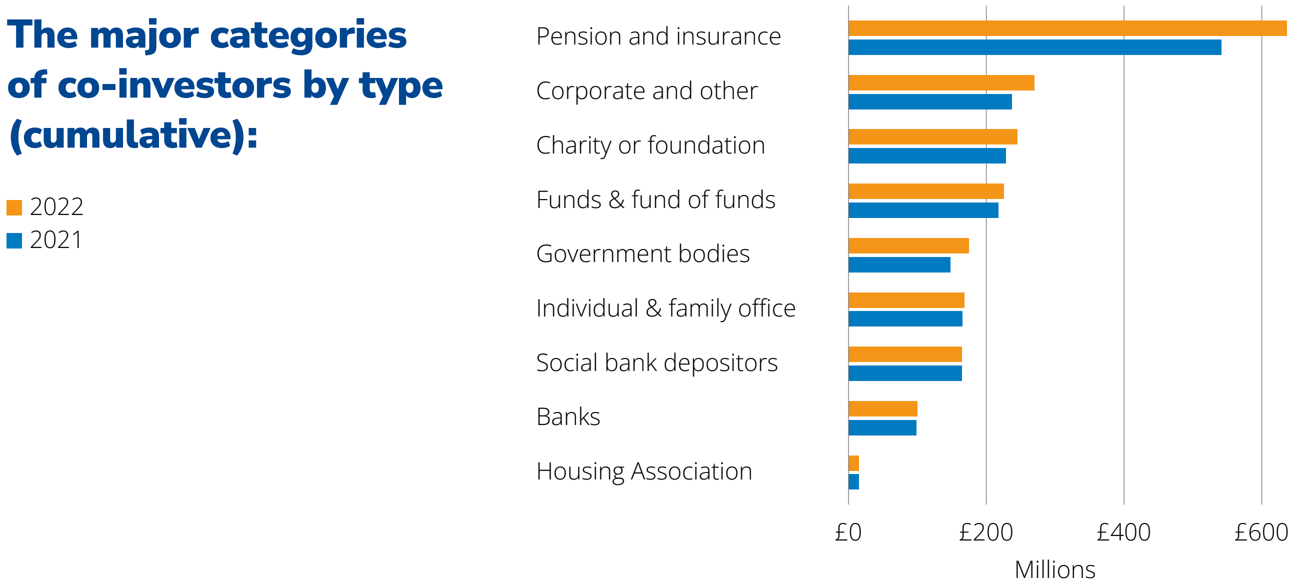
*Commitments in foreign currencies are stated in GBP-equivalent as at date of commitment.

At 31 December 2022, Big Society Capital's Social Impact Investment Portfolio comprised investments totalling £380 million, in the following activities (% of portfolio by valuation):

Valuation by product type:



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



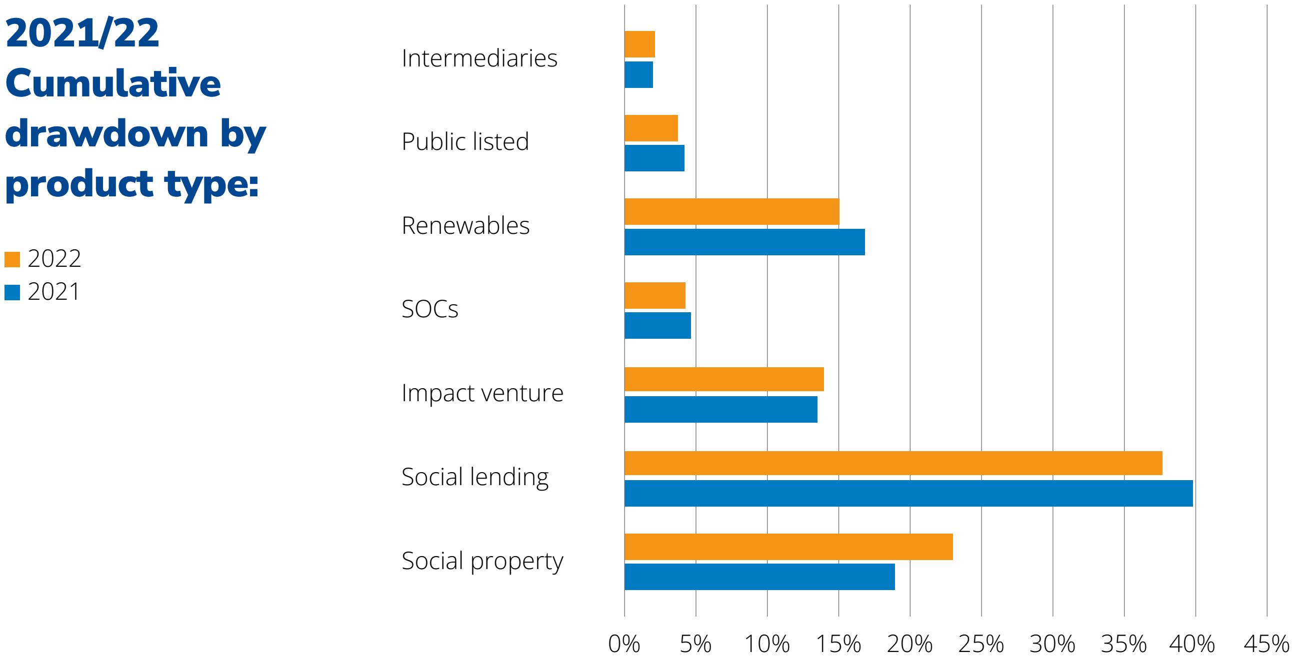
Co-investment figures are continuously updated. The Banks category relates to where banks are invested alongside Big Society Capital in funds. The Social Bank Depositors category is an estimation of the public depositors (8x Big Society Capital investment) within Unity Trust Bank and Charity Bank.

Capital deployed in social impact investments:

- The cumulative amount drawn down from Big Society Capital and its co-investors is £1,926 million (2021: £1,804 million). Big Society Capital's expectation is that the average investment will typically take between one and six years to fully draw down.
- Of this, £594 million (2021: £530 million) has come from Big Society Capital's own funds and £1,326 million (2021: £1,267 million) from its co-investors. In 2022, drawdowns by investee entities totalled £64 million (2021: £78 million).

Our drawdowns to date have been utilised as follows (based on Big Society Capital's drawdown):

2021/22 Cumulative drawdown by product type:



Subsequent events

On 18 April 2023 James Chew (HSBC) was formally appointed to the Board as a Bank nominated Director. He replaces Stuart Foster (NatWest), who will remain on the Board until June 2023 to ensure an orderly handover.

Big Society Capital as a responsible business

We seek to maximise our positive impact, and demonstrate our values as a social organisation, through how we run our operations, our People policies, our approach as an investor and our wider engagement with the social sector.

The focus of our work has historically been, and continues to be, the intentional social impact that our investments contribute to. While we recognise that social and environmental impact are intrinsically interconnected, where we have made investments into business models that create a positive environmental impact, this is typically done through the lens of the impact of such investments on people. Our approach is generally to identify the sustainable business models that will create impact and improve people's lives, while minimising the negative and maximising the positive environmental impact to the extent material in such business models. Big Society Capital is pursuing B Corp certification and is in the process of completing the required verification. Please see the Responsibility to the sector section from page 30 for a more detailed update.

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

Given the environment is a key part of improving people's lives, we recognise that environmental risks, particularly those associated with climate change, can be significantly detrimental to our mission. 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 recommended reporting framework. Big Society Capital is not required to produce a TCFD disclosure until 2024; therefore our 2021 and 2022 disclosures are voluntary disclosures to demonstrate our above-stated support.

Our analysis has identified housing-related business models in our Social Impact Investment Portfolio as being our most material source of climate-related risk; therefore, work and focus to date have been to understand in greater depth and mitigate this risk. The Social and Affordable Housing team has worked with a specialist real estate consultancy to create an ESG tool and environmental risk framework that align with how we invest in this area. In addition, a review of Net Zero commitments across the Social and Affordable Housing portfolio has been undertaken to identify each fund manager's baseline and the level of support required to reach Net Zero. Alignment with the Better Buildings Partnership Climate Commitment has also been incorporated into deal screening and due diligence.

Governance

Board oversight of climate-related risks and opportunities

Our Board has overall responsibility and accountability for climate change-related issues, to the extent they affect our strategy and operations. For example, the Board reviewed and approved an update to the organisation's Responsible Business Principles in 2022, which includes a commitment to combat climate change. The updated Principles, as well as details of how they are applied in our investment process, can be found here: https://bigsocietycapital.com/about-us/responsible-business-principles/. The Board also support our activities to become a signatory to the Principles of Responsible Investment in 2023, which it will oversee on an ongoing basis.

Big Society Capital's approach towards climate change focuses on the risks posed to its mission. Climate change is typically overseen at Board level by the Board's Audit, Risk and Compliance Committee (ARCC). In January 2022 and January 2023, ARCC was presented with an update of Big Society Capital's approach and plans towards managing ESG factors in its investment process. As with all other risks, ARCC ensures that climate-related risks are taken into account by the Board when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets and business plans, as well as setting our performance objectives, and monitoring implementation and performance.

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

ARCC and the Board are supported in their oversight of climate change risks by the management team at Big Society Capital. In particular, climate-related risks are monitored and reported to ARCC by the Chief Financial Officer, with day-to-day management by the Head of Investment Management. An ESG and EDI Manager was hired in 2022 to assist in the review of ESG risks (including climate change risk).

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

Strategy

Identification of climate-related risks and opportunities

As an investor in private, illiquid investments, Big Society Capital's time horizons range is typically seven to 12 years, during which time we expect the material climate-related risks, identified and discussed in detail below, are likely to arise. The precise definitions of short, medium and long-term in respect of these risks are in the process of being defined and will be published in subsequent disclosures.

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

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

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

We consider the impact of climate-related risks on the organisation (after taking into account existing mitigation) to be relatively low (as discussed in more detail 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 that we have updated our ESG approach, to more explicitly take into account climate-related risks when making investment decisions. This increased, and more explicit, focus has led us to commission external consultants to examine climate change issues in social property investments and hire a new ESG Manager.

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 therefore this has not been a specific priority to date, due to the challenges of consistent and quality data collection for many of our stakeholders. We continue to monitor these risks and explore how we might more efficiently collect this data across our portfolio, and our position on climate-related scenarios therefore remains under review.

Risk management

Identifying, assessing and managing climate-related risks

As part of the Environmental Risk deep-dive presented to ARCC, our Head of Investment Management reviewed the material environmental risks faced by the organisation. This review considered both:

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

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

This review first considered the nature of the business models that make up 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 will typically have low greenhouse gas emissions and be restricted to the use of an office (Scope 1); choice of energy provider (Scope 2); and employee travel and third-party service providers (Scope 3). We aim to encourage these organisations to protect the environment and help combat climate change through our Responsible Business Principles, and 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 (c31% of the portfolio at the end of 2022 was in Social and Affordable Housing). Community assets are prevalent in Social Lending either for standard loans (three to five years) or via long-dated mortgages in the bank lending product area. We have limited exposure by value to transport-specific business models, however, many social enterprises will use vehicles to deliver their business models, for example transporting beneficiaries, travelling to deliver services, or delivering products. In the case of the latter business models, the vehicles are an enabler rather than driver of the business model and revenue streams, so are not deemed material within the portfolio.

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. We also participate in asset class-wide initiatives, for example, the Equity Impact Project with respect to housing funds, and as a member of the LP Steering Group with the VentureESG consortium.

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. Over 2023, we will consider how to better integrate this risk review alongside our overall investment and portfolio risks.

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 products that developers and organisations may hold, often as a requirement of financing. The extent that a fund manager considers this is 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 and Affordable Housing investments, leading to potential loss of value in our portfolio.
Assessment	Construction standards are already relatively robust in the UK, however there is a move to further improve the sustainability of construction standards to mitigate the effects of climate change. There is a reasonable likelihood of tighter regulation, which may lead to higher costs. These are being considered by the Social and Affordable Housing market system and sustainability is assessed in all new proposals.
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 our portfolio.
Assessment	There may be a requirement to retrofit existing building stock for certain housing business models and other asset-based models. This may lead to unexpected costs that affect fund performance and/or an organisation's ability to repay.
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 risks, 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 in risk management

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

Treasury Portfolio

In 2022, management of more than 70% of our Treasury Portfolio by value has been outsourced to a specialist investment manager, who follows a strategy of investing predominantly into short and medium-duration listed bonds with a clear ESG framework, in line with our Treasury Policy, approved annually by the Board. During 2021, we reviewed the manager's approach to responsible investments/ESG/climate and concluded that it is sufficiently robust and aligned with best practice. In particular, the manager's exclusion lists, ESG framework and stewardship approach stand up to scrutiny and more than align with our ESG approach for our Social Impact Investment Portfolio. A modified approach to Treasury Portfolio management was agreed by our Board in 2022, to increase the diversity of investments in this portfolio, which will be transitioned in 2023. ESG, particularly climate and environment risk, will be a key assessment criterion for new investments and ongoing management.

Metrics and targets

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

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

We commissioned an external consultancy to support us in developing an environmental risk framework and ESG module specifically for our housing investments, and a broader paper on the pathway to Net Zero. Over time, this work will inform our own approach to environmental and climate change risks, including measurement, and KPIs. We also aim for this work to influence the wider sector by linking it to the Equity Impact Project, a collaboration between Big Society Capital, The Good Economy and a group of 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, Big Society Capital was also 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 (GHG) emissions
The measurement of greenhouse gas (GHG) emissions at Big Society Capital and across the investment portfolio more generally, involves several challenges with respect to data quality and consistency for the organisation's stakeholders. Therefore, given that we consider the materiality of the risk posed to be relatively low at present, and in the interests of taking a proportionate approach, we do not currently monitor GHG emissions. Please see above for the measurement of GHG emissions in the social property investments. Big Society Capital will continue to keep this position under review and explore more efficient methods of collecting GHG emissions data.

B Corp
Following the filing of the required amendment to our Articles of Association, effective as of 21 January 2022, we have formally submitted our application to become B Corp certified. Progress in verifying our application has been slow due to a long queue of applications, however in December 2022 we were notified that the final stages of our application will be progressed in the first quarter of 2023.

Responsibility as a consumer

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

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. To further support and expand this work we have joined a pilot procurement programme, Social Procurement Connect, led by Social Enterprise UK – the UK's leading membership body of social enterprises – which will help us develop and implement our organisational social procurement plan, channelling more of our procurement to impact-led organisations.

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 2022, we had 74 (2021: 41) charities, not-for-profit and social enterprises in our supply chain, including providers of catering, stationery, staff care packages, 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. More than a quarter of staff undertake a variety of voluntary roles with charities and social enterprises, and more than 450 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 in 2022 took part in the Mind Wellbeing Index and was awarded Silver status. This means that, as an organisation, we have made demonstrable achievements in promoting staff mental health, acting across a number of key areas and demonstrating progress and impact over time. We have also acted upon recommendations from Mind, and trained line managers to recognise and support staff experiencing mental ill health. The organisation has been increasing awareness of critical issues such as managing the menopause, through all-staff panel events and launching support toolkits.

Big Society Capital completed a benefits review in 2022, and we have implemented a number of benefits that reflect the needs of a diverse workforce. For example, enhancing parental leave entitlements, offering a more generous Time off Work policy including for study leave, and flexibility around when religious holidays can be taken. We also offer three volunteering days per employee each year, benefiting both staff wellbeing and the wider community. In addition to this, we have introduced two Wellbeing Hours per employee per month, to allow employees to relieve stress and to take dedicated time to focus on their wellbeing.

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. Along with inflationary pay increases, we gave staff a one-off payment of £850 at the end of 2022 in response to current cost-of-living pressures.

Big Society Capital's apprenticeship programme, which helps young people enter the workplace and develop their skills in real-life work environment, continues to flourish. In 2022, two of our apprentices secured permanent roles in our Finance and Communications teams, with another securing a role externally. The success of the scheme means that there are plans to bring in more apprenticeships in 2023.

Equality, Diversity and Inclusion (EDI)

Throughout 2022, we have continued to implement the actions identified in our Equality, Diversity and Inclusion (EDI) action plan, created in 2020. 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: internal standards; the investment strategy and processes; managing and reporting on the portfolio; and work as a market builder.

We published our EDI plan in 2021 as a public document, outlining our approach and what we will be looking to do on this, in line with our 2025 strategy. Further details are available on our website here.[9]

Some of the highlights of what we have achieved across our three business areas, in relation to our broader EDI plan are:

- **People and Talent:** We have continued to improve our language on job advertisements to be more inclusive, and to offer better guidance and transparency throughout the interview process, so that candidates from all backgrounds feel encouraged to apply. Virtual Open Hours have been introduced where prospective candidates can ask questions of the line manager and People and Talent team, before applying for a role. All recruitment partners are required to sign an EDI Policy, which ensures they align with our commitments, eg in respect of Disability Confident and Ban the Box. We are furthering our use of the Applied system, which is designed to reduce bias in recruitment, to collect better data on candidate diversity throughout each hiring process. We also continue to support and take part in initiatives that widen access to the sector, such as 10,000 Black Interns and apprenticeships.
- **Equal Pay:** In 2022, we appointed a remuneration specialist to conduct an equal pay review. The review focused on gender and ethnicity, and also part-time and full-time working. Recommendations from the audit have been implemented, including an Equal Pay Statement being added to the Remuneration Policy, and additional steps added to the pay and promotion process, whereby senior management are included in the moderation session, to ensure closer collaboration with managers who are accountable for managing people. For further details on equal pay please see page 45.
- **Social Sector Engagement:** We have been exploring ways in which social impact investment can better reach different geographies, people and communities who experience additional barriers in accessing finance. Addressing Imbalance is an established programme of support for networks that work with leaders and organisations experiencing marginalisation. The programme enables them to better understand and engage with social investment and social investors. In addition, a new programme of work, Investment Committees of the Future, has been launched. This e-learning and peer support programme is designed to increase the numbers of individuals with lived experience on Investment Committees, bringing improved diversity to investment decision making.
- **External Comms:** The comms team published an EDI series in 2022 with Pioneers Post (the magazine for social enterprises), which explored the topic of inclusivity within the sector. The team also produced a style guide to help our staff embed inclusivity within their external communications, including language and accessibility.
- **Investment:** The team has focused on how we embed EDI practices into our investment process, including collecting data and developing investment strategies that take an equalities impact approach. We have worked closely with sector initiatives such as the Equality Impact Investing Project, the Diversity Forum, The Social Investment Consultancy (TSIC) and the Social Investment Forum EDI Working Group, as well as using the relationships we have with fund managers to bring about better practice in this area. Over the last year, we have built in EDI considerations across our investment strategy, process, portfolio management and reporting for our four market systems, and developed EDI goals for each market system. We also collected data across our fund managers and published our results.

[9] https://bigsocietycapital.fra1.cdn.digitaloceanspaces.com/media/documents/Big_Society_Capital_EDI_plan_Oct_2021.pdf

Board decision-making and stakeholder considerations (s172 report)

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

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

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

(a) Long-term decisions

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

Key issues and actions taken in 2022

Our strategy to 2025 is based on systems change, as outlined earlier in this report. In 2022, the Board reviewed progress against each of our key system change goals, with a view to ensuring that our strategic investments are contributing effectively towards our objectives. The Board also held a dedicated strategy session in November, in which it considered not only Big Society Capital's immediate strategy, but our longer-term direction. Having celebrated our ten-year anniversary in 2022, the Board discussed its vision and aspirations for the company over the next ten years.

(b) Interest of the company's employees

Stakeholders

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

How the Board engages

The Board has a committed and active Nominations and Remuneration Committee which spends a sizeable proportion of its time discussing people issues, HR strategic plans, remuneration policies and the results of staff surveys. Our Senior Director, People and Talent, is a standing attendee and reports to each meeting, and in early 2023 the Board agreed to rename the Nominations and Remuneration Committee as the People Committee (incorporating the Nominations and Remuneration Committee) to further underline this focus (hereinafter referred to as the People Committee).

In addition to the People Committee, the Board's Audit, Risk and Compliance Committee (ARCC) meets quarterly and discusses top risks. 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 ARCC members discuss and monitor key risks as a standing agenda item in all of their meetings.

Our Board takes an active and consistent interest in people matters, and considers our People Strategy at least once a year, along with the results of our annual staff survey. A CEO report is also provided to every quarterly meeting, which includes updates on items such as turnover figures, staff survey results and EDI issues, as appropriate throughout the year.

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

After each Board meeting, our CEO then provides feedback to staff where appropriate, giving a flavour of the discussions and topics covered, so that those people who did not have the opportunity to attend are fully briefed on the interests and concerns of the Board.

Key issues and actions taken in 2022

A key challenge in 2022 was the rising inflation rates and the emerging economic crisis and the effect of these on our staff. Appropriate measures that could be taken which would mitigate this impact were discussed at length in several forums, including seeking input from the Advisory Board and Staff Council, as well as the Executive Committee, ahead of discussions in both the People Committee and the Board.

The ARCC continued to monitor turnover figures, which stabilised during 2022, and a deep-dive discussion was held in the July ARCC meeting, to discuss the company's approach to talent acquisition, retention and development, as well as organisational design.

At the instigation of the People Committee, a Board-level EDI Action Plan, to complement the organisation-level plan already in existence, was discussed in both People Committee and Board meetings and finally approved and adopted by the Board in early 2023. Our Board Diversity Policy (available on our website) was also discussed in both these forums throughout the year, with significant time and thought being dedicated to ensuring that Big Society Capital held itself to appropriate standards and that Board composition was reflective of our diverse stakeholders.

Particularly in the context of decisions to take on or expand projects, the Board continues to take care to consider the impact on staff wellbeing and workloads, ensuring that we can meet realistic resource requirements, and encouraging management to confirm that the spread and timing of competing deadlines remain achievable. This was a key facet of discussions in December, when the Board considered our business plan for 2023.

(c) Relationships with suppliers, customers and others

Stakeholders

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 a strong reputation among all stakeholders, particularly shareholders and Government bodies, to continue to sustain Big Society Capital as an organisation and preserve and strengthen its reputation. 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, to allow us to achieve our overall purpose (to improve the lives of people in the UK).

How the Board engages

Intermediaries and Investors:

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

The Schroder BSC Social Impact Trust (the Trust): In 2020, we entered into a contract to provide portfolio management services to Schroder Unit Trusts Limited, which acts as the Alternative Investment Fund Manager to SBSI. Big Society Capital provides quarterly reports to the SBSI Board, and we have established a SBSI-specific Investment Committee, whose composition includes non-voting representatives from Schroders. Reports on the progress and performance of the Trust were provided to ARCC on at least a twice annually basis through 2022, and, from a strategy perspective, material updates are included within the CEO report to the Board in each meeting.

Frontline Organisations and their Beneficiaries:

Impact Reporting and Media: Every alternate meeting of the Valuation and Performance Committee focuses on performance, including impact performance, of the underlying investments, using a set of detailed impact reporting dashboards that are also shared with our Board. A media round-up is produced and circulated to the Board on a regular basis, providing an overview of media representation and feedback from the social sector. Discussions are held at Board level following any significant media reports or where we have pre-knowledge of them, and may also be discussed in depth by ARCC, where necessary.

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

Sourcing of Supplies and Services: As outlined previously in this report, Big Society Capital has a policy of sourcing goods and services wherever possible in a way that aligns with its overall objective, and continues to expand the number of social enterprises within its supply chain. Where this is not possible or appropriate, the company remains committed to seeking ethical, environmentally or socially sound services as far as possible. See the responsible business section on page 26 for further information.

Government Bodies:

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

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

Key issues and actions taken

Following the Quadrennial Review of the company in 2020, commissioned by The Oversight Trust – Assets for the Common Good, and which comprised feedback from a range of stakeholders, an action plan was established, and progress against this continued to be monitored by our Board throughout 2022.

The Board held a deep-dive discussion in June 2022 on Big Society Capital's engagement specifically with the social sector, in addition to a review of the engagement strategy for the wider stakeholder group. It also considered, in September 2022, our strategy for investor engagement, and there was a key focus throughout the year on how we engage with policymakers and public bodies.

Specifically, the Board discussed and approved a letter to our bank shareholders in respect of our returns target, with the aim to balance the diverse interests of our stakeholders.

It also spent time considering the findings of the Adebowale Commission on Social Investment, to ensure that its suggestions and implications were fully and openly considered and an appropriate response and set of actions agreed.

(d) Impact on community and environment

Stakeholders

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.

How the Board engages

Full details of how we engage with our community and environment as a user of resources are included within the responsible business section on page 26, and the Board retains an interest in this approach. 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' environmental footprint, as well as any material new initiatives to help limit the organisation's carbon usage and promote good practice across the market.

Key issues and actions taken

The Board has taken a specific interest in how Big Society Capital takes responsibility in respect of climate risk, and the ARCC held a deep-dive discussion in early 2022 on this matter. The Board met for an additional meeting in 2022 to consider the ways in which ESG and climate risks could be considered, particularly across our Social and Affordable Housing investments. When reviewing the content of our Treasury Portfolio, the Board and ARCC requested that consideration and visibility be given to the ESG balance of the portfolio, to ensure that Big Society Capital was investing in a sustainable way.

(e) High standards of business conduct

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

In 2022, an externally facilitated Board evaluation concluded and was reported to the Board. While the results were largely positive, actions for improvement were agreed, and these were reviewed again on appointment of our new Chair in June 2022, to ensure that the Board continues to operate to the highest possible standards and effectiveness.

(f) Acting fairly between members

The Oversight Trust

The Chair of our Board liaises regularly with the Chair of the Oversight Trust, which is Big Society Capital's majority shareholder and is charged with an oversight role over the business. Under the terms of our Governance Agreement, we deliver quarterly reports to the Board of the Oversight Trust covering financial performance, activities and strategic plans, and refer to the Oversight Trust on certain decisions, such as changes to remuneration policy, appointments to the Board or any change in CEO. In addition to attendance by at least one Board representative at quarterly meetings of the Oversight Trust, our Board Chair and CEO, as well as relevant Chairs of our other Board Committees, attend one dedicated meeting of the Oversight Trust a year (the Annual Governance Review meeting), to discuss matters relating to strategy, governance and performance.

In 2022 there was also increased liaison between the Chair of N&RC and the Chair of the Oversight Trust in respect of Board recruitment processes, to ensure transparency and openness of communication.

Shareholder banks

We also regularly meet our minority shareholders (the shareholder banks) to provide similar updates. Our Board includes one non-executive director nominated by the four shareholder banks, and all shareholders receive copies of our Board papers.

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. Big Society Capital has established a risk framework and a related set of policies that provide oversight and accountability for the identification, assessment and management of risks across the organisation.

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 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 programme of external assurance in respect of compliance, key controls and processes.

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.

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 our investments are exposed, is balanced by a more cautious approach to risk in other areas. The Board considers our appetite for risks across a number of areas, including investment strategy, liquidity, financial performance, social impact, operational, regulatory and other external factors. Our overall risk appetite is set in the light of our principal risks and their impact on our ability to meet our strategic objectives.

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.

The 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. In late 2022, the Board agreed some modifications to the Risk Appetite Statement, to better explain our investment risk appetite for continued growth of the Social Impact Investment Portfolio in a more challenging macroeconomic environment. The Statement also now refers to the agreed shift in risk appetite in respect of a portion of the Treasury Portfolio.

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.

Enhancements to Big Society Capital's risk framework in 2022

Following significant enhancements to our risk framework in 2021, the principal activity during the year has been an internal audit review of the risk framework and associated processes by a third-party specialist firm, together with the continuation of the rolling programme of internal audit reviews, which commenced in 2021. Overall, the review concluded that the risk framework was appropriate for the size of organisation and the types of risk that it faces. The review also made a small number of recommendations for improvements, which are in the process of being implemented.

During the year we also undertook an exercise to confirm counterparty strength of our social property partners in the light of developments in certain parts of the wider social housing sector. In 2023 this approach will be extended to consider a broader set of counterparty risks that BSC faces and assess the extent of the mitigants in place.

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
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.
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.	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	The risk of Government policy, regulatory changes, adverse macroeconomic 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 – 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. During 2022, an assessment of key climate risks faced by Big Society Capital has been undertaken, together with more detailed work to consider the effect of climate change and possible mitigants in respect of our housing investments. See page 26 onwards for further information on this.

Risk	Definition and examples	Example mitigants
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. 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 commenced in 2021. 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.

This report was approved by the Board on 20 April 2023 and signed on its behalf on 26 April 2023.

Stephen Muers
Executive Director and CEO

Corporate Governance Report

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

Big Society Capital

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

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

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

The Board meets at least five times a year, and there is an annual review of 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, with an independent evaluation most recently undertaken for 2021, which was reported to and discussed by the Board in March 2022.

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

- The People Committee (incorporating the Nominations and Remuneration Committee) 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) is responsible for overseeing management processes and other arrangements to ensure the appropriateness and effectiveness of systems and controls, including risk management. The ARCC also considers the arrangements made by management to ensure compliance with external regulatory requirements and standards. It oversees the internal audit programme and reviews the annual accounts with the external auditors. It also advises the Board on our overall current and future risk appetite and strategy, assisting the Board in overseeing the implementation of that strategy by senior management.

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

Big Society Capital has three other operational committees:

- The Executive Committee is chaired by 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 comprises both Board and Executive Committee members, as well as external co-opted Committee members (currently Lisa Hilder and shortly to be joined by 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 also require approval by the Board. The Investment Committee is chaired by our CEO or delegated to an alternative member of the Committee (normally the Deputy Chair of the Investment Committee). All our 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 SBSI.
- The Valuation and Performance Committee also comprises both Board and Executive Committee members. Its role is to agree the valuation of social impact investments made by the company (Valuation) and to review how Big Society Capital's portfolio of investments is performing against the original investment thesis from an overall, financial, impact on people and systems change perspective (Performance). This includes identifying key risks and issues within our investment portfolio. It is chaired by our CFO (who is not a member of the Investment Committee). Members of ARCC and the company auditors have an open invitation to observe meetings of the Valuation and Performance Committee. The Committee also meets at least twice yearly, for a separate, closed session to discuss the valuation of assets within the Trust portfolio.

The Oversight Trust – Assets for the Common Good

The Oversight Trust is the majority shareholder in Big Society Capital, established in 2011 to ensure that we remain true to our mission. Reflecting its strategic remit, the Oversight Trust Board comprises individuals with a balance of relevant skills and experience, and includes a nominee of the Department of Digital, Culture, Media & Sport (DCMS) and a nominee of the National Lottery Community Fund (NLCF).

The Oversight Trust has subsequently taken on oversight responsibilities for three new entities that receive funding (designated for expenditure in England) under the Dormant Assets Act 2022, which has superseded the Dormant Bank and Building Society Accounts Act 2008. In addition to being the majority shareholder of Big Society Capital, the Oversight Trust has responsibilities as the sole corporate member of: Access – The Foundation for Social Investment, Fair4All Finance and Youth Futures Foundation.

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

The Oversight Trust Board meets formally at least five times a year. Information about Big Society Capital, in respect of its financial standing, portfolio, strategy, Board composition and performance, is provided to each regular quarterly meeting. The Oversight Trust Board focuses one meeting a year specifically on developments at Big Society Capital. There is also an Annual Governance meeting with the Oversight Trust and representatives of our Board, to discuss governance issues. In addition to these formal procedures, we maintain an ongoing open and transparent relationship with the Oversight Trust, in particular between the respective Chairs, and in respect of issues relating to the recruitment and remuneration of non-executive directors and 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 objects as set out in its governance documents. 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.[10]

Shareholder banks

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

The banks can vote at shareholders' meetings. Their votes are in proportion to their shareholding, but each is capped at 5% of the overall voting rights. The banks together have the right to nominate one director to the Big Society Capital Board (currently Stuart Foster). In addition to information provided to them by that director, the banks receive all our Board papers and quarterly and half-yearly reports. In certain circumstances the banks have the right to request a formal meeting with senior management to discuss our performance, however the CFO also maintains regular informal contact with all shareholder banks' representatives.

Big Society Capital Advisory Board

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

Advisory Board members as at 31 December 2022

Danyal Sattar, Big Issue Invest
David Hutchison, previous CEO of Social Finance UK, Chair of 3i
Gail Cunningham, Association of Charitable Foundations
Mark Simms, P3 Charity
Natascha Engel, former Member of Parliament, Consultant
Nick Temple, Social Investment Business
Richard Brass, Berenberg, IVUK, Arts Impact Fund
Sara Llewellin, Barrow Cadbury Trust
Whitni Thomas, Triodos

The Big Society Capital Staff Council

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

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

Remuneration Report

Remuneration Report

This report covers the 12 months ended 31 December 2022, and sets out the policy and disclosures in relation to the remuneration of the employees and directors of Big Society Capital.

The People Committee (incorporating the Nominations and Remuneration Committee) is appointed by the Big Society Capital Board.

The People Committee is responsible for establishing a formal and transparent procedure for setting the remuneration policy for the senior management and material risk takers of the company, and for determining their remuneration packages. It also leads the process for setting non-executive directors' fees.

The People Committee's responsibilities regarding remuneration are to:

- make recommendations to the Board in relation to the identity and terms of appointment of independent consultants for the conduct of an independent salary survey, at least once every five years (the most recent of which was conducted in 2021);
- establish the benchmark for remuneration packages for persons engaged in similar positions in the public, not-for-profit or charity sectors;
- review the appropriateness and relevance of remuneration, pensions and employment benefits policies and oversee any major changes in the nature of employment benefits provided;
- determine the total individual remuneration package of senior management and material risk takers in consultation with the Chair and/or CEO as appropriate;
- review on an annual basis the remuneration of non-executive directors;
- ensure that contractual terms on termination, and any payments made, are fair to the individual and the company;
- approve the Annual Remuneration Code Assessment;
- agree any changes to the policy for authorising claims for expenses from the directors; and
- on an annual basis, review the results of a central and independent internal review of the company's implementation of its remuneration policies and practices.

Principles for executive remuneration

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

Principles for non-executive remuneration

- Non-executive directors will be offered an equivalent sum paid by other comparable public bodies and not-for-profit organisations, such as Housing Associations and NHS Trusts.
- In 2022, the amounts were £8,250 (2021: £8,250) per annum for the service of acting as a non-executive director, £3,550 (2021: £3,550) per annum for chairing a Board Committee and £1,800 (2021: £1,800) per annum for acting as a non-chair member of a Committee (including the Valuation and Performance Committee). In addition, £5,400 (2021: £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 £30,000 per annum (2021: not remunerated). These amounts are reviewed annually in the light of inflation and non-executive remuneration levels at comparable organisations. The majority of these fees were unchanged from 2021 due to the outcome of the benchmarking exercise in December 2021, which confirmed the amounts.
- Total non-executive directors' fees in 2022 were £109,772 (2021: £94,264).

Higher-paid employees

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

Annual remuneration	2022 £'000	2021 £'000
£60,000 – £69,999	13	12
£70,000 – £79,999	11	9
£80,000 – £89,999	8	5
£90,000 – £99,999	3	0
£100,000 – £109,999	0	1
£110,000 – £119,999	0	1
£120,000 – £129,999	4	2
£150,000 – £159,999	1	1

Of these employees, 37 (2021: 29) 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 2022 was 93 and at 31 December 2021 was 82.

The ratio of highest salary to lowest salary is 6.93 (2021: 7.14).

Equal pay

We recognise the importance of transparency and published our pay gap report[11] on our website in winter 2022.

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 15% in 2022. 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 16%, from 14% in the previous year. Activity is under way to improve the diversity of staff from ethnic minority backgrounds, particularly in the most senior roles within Big Society Capital.

[11] https://bigsocietycapital.fra1.cdn.digitaloceanspaces.com/media/documents/BSC_PAY_GAP_REPORT_2022_08_1_FINAL.pdf

Directors' Report

Directors' Report

The directors present their report and financial statements for the year ended 31 December 2022.

Directors

The following persons served as directors during the year:

- Robin Hindle Fisher (Chair) – appointed to the Board on 22 June 2022
- Sir Harvey McGrath (Chair) – resigned on 24 June 2022
- Lesley-Anne Alexander CBE
- Kieron Boyle
- Chris Wright
- Fiona Ellis
- Stuart Foster
- Alan Giddins
- David Hunter
- Christina McComb OBE
- Anne Wade – resigned on 22 June 2022
- Stephen Muers
- Stan Chan – appointed to the Board on 1 December 2022

Dividends

The directors do not recommend the payment of a dividend for the year (2021: £nil).

Directors' indemnity

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

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, we have set out in fuller detail our evolving approach to Climate disclosures on page 26 and our plans to improve our only office's environmental assessment under the Responsibility as a consumer section on page 30.

Pillar III and 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 Strategic Report, the Directors' Report and the financial statements

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Disclosure of information to auditors

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

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

This report was approved by the Board on 20 April 2023 and signed on its behalf on 26 April 2023.

Stephen Muers
Executive Director and CEO

Auditor's Report

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

Opinion

We have audited the financial statements of Big Society Capital Limited ("the Company") for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other information

The directors are responsible for the strategic report, corporate governance report, remuneration report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 47, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

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

Chartered Accountants
15 Canada Square
London E14 5GL

26 April 2023

Financial Statements

Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Income		6,868	6,185
Investment gains		6,281	18,079
Total revenue	2	**13,149**	**24,264**
Other income	3	1,134	713
Administrative and other expenses	4	(10,201)	(9,016)
Operating profit		**4,082**	**15,961**
Profit on ordinary activities before taxation		**4,082**	**15,961**
Tax credit on gain on ordinary activities	6	115	164
Profit for the financial year		**4,197**	**16,125**
Other comprehensive income		–	–
Total comprehensive profit for the year		**4,197**	**16,125**

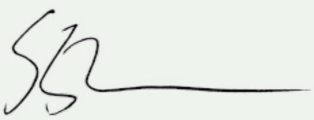
The results above relate to continuing operations.
The notes on pages 59 to 79 form part of these financial statements.

Statement of Financial Position

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	7	3	7
Tangible assets	8	49	67
Investments	9	380,269	354,026
		380,321	**354,100**
Current assets			
Debtors	10	1,758	2,357
Investments	11	248,016	230,243
Cash at bank and in hand		22,759	51,343
		272,533	**283,943**
Creditors: amounts falling due within one year	12	(4,465)	(2,598)
Net current assets		**268,068**	**281,345**
Total assets less current liabilities		**648,389**	**635,445**
Creditors: amounts falling due after more than one year			
Deferred income		(23,581)	(14,831)
Provisions for liabilities			
Deferred taxation	13	(8)	(11)
		624,800	**620,603**
Capital and reserves			
Called-up share capital	16	626,345	626,345
Profit and loss account	17	(1,545)	(5,742)
Total equity		**624,800**	**620,603**

The notes on pages 59 to 79 form part of these financial statements.
Approved by the Board on 20 April 2023 and signed on its behalf on 26 April 2023.



Stephen Muers
Director

Company registration number: 07599565

Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2021	626,345			(21,867)	604,478
Profit for the financial year	–	–	–	16,125	16,125
At 31 December 2021	**626,345**	**–**	**–**	**(5,742)**	**620,603**
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**

The notes on pages 59 to 79 form part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Operating profit		4,197	16,125
Adjustments for:			
Depreciation and amortisation		57	69
		4,254	**16,194**
Increase/(decrease) in debtors		599	(942)
Increase in creditors		10,617	15,802
		15,470	**31,054**
Returns on fixed asset investments		(10,110)	(17,860)
Returns on current asset investments		154	(3,197)
Foreign exchange losses (gains)		(1,404)	1,998
Corporation tax received		–	–
Net cash from operating activities		**4,110**	**11,995**
Cash flows from investing activities			
Payments to acquire tangible and intangible fixed assets		(35)	(31)
Payments to acquire fixed asset investments		(63,990)	(77,562)
Proceeds received from sale and yield on fixed asset investments		48,214	52,880
Payments to acquire current asset investments		(118,778)	(51,313)
Amounts from sale of current asset investments		100,459	42,925
Net cash from investing activities		**(34,130)**	**(33,101)**
Cash flow from financing activities			
Proceeds from the issue of shares		–	–
Net cash from financing activities		**–**	**–**
Net (decrease) in cash and cash equivalents		**(30,020)**	**(21,106)**
Cash and cash equivalents at 1 January		66,343	87,449
Cash and cash equivalents at 31 December	18	**36,323**	**66,343**
Cash and cash equivalents comprise:			
Cash at bank		22,759	51,343
Current asset investments (maturity less than three months from the date of acquisition)		13,564	15,000
	18	**36,323**	**66,343**

The notes on pages 59 to 79 form part of these financial statements.

Notes to the Financial Statements

Notes to the Financial Statements

For the year ended 31 December 2022

1. Summary of significant accounting policies

a. Basis of preparation

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

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

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

b. Use of judgements and estimates

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

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

c. Going concern

The financial statements have been prepared on the going concern basis. The company has incurred cumulative losses since inception of £1.5 million and is reporting a profit this year of £4.1 million. The company had cash and current asset Treasury investments of £270.8 million at the year end, having been capitalised with £626.3 million of equity investment since inception. The directors have reviewed the company's future liquidity projections in the light of the current macroeconomic uncertainty, higher inflation and rising 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 7. For this reason, the directors have adopted the going concern basis in preparing these financial statements.

d. Revenue

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

e. Other income

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

Government grants

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

Management fees

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

f. Foreign currency

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

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

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

h. Interest

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

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

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

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

j. Basic financial instruments

Recognition and initial measurement

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

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

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

Classification

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

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

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

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

Financial liabilities at fair value through profit or loss
Derivative financial instruments.

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

Fair value measurement

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

In determining a fair value using Level 3 valuation techniques, the company applies the principles included in the International Private Equity and Venture Capital Valuation Guidelines (2022 edition):

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

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

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

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

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

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

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

Derivative financial instruments
The company holds derivative financial instruments to manage its exchange risk exposure from its 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, e.g. for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss.

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

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

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

Software development	Over 3 years

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

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

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

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

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

Deferred tax is provided on timing differences 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%.

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

2. Total revenue

	2022 £'000	2021 £'000
Total revenue	**13,149**	**24,264**
Represented by:		
Income		
Social Impact Investment Portfolio	2,611	3,736
Treasury Portfolio	4,257	2,449
	6,868	**6,185**
Investment gains/(losses)		
Social Impact Investment Portfolio	8,080	17,117
Treasury Portfolio	(1,799)	962
	6,281	**18,079**

2a Total revenue – Social Impact Investment Portfolio

	2022 £'000	2021 £'000
Total revenue	**10,691**	**20,853**
Represented by:		
Income		
Interest income on financial assets designated as fair value	1,798	3,016
Interest income on financial assets carried at amortised cost	395	442
Dividend income from financial assets designated as fair value	400	224
Fees received	18	54
	2,611	**3,736**
Investment gains/(losses)		
Net gains/(losses) from financial assets designated at fair value		
Realised	3,992	3,290
Unrealised	4,058	13,695
Net gains/(losses) from financial assets carried at amortised cost		
Realised	13	(2)
Unrealised	(340)	295
Net foreign exchange gains/(losses) from financial assets designated as fair value		
Unrealised	357	(161)
	8,080	**17,117**
Further analysis of Investment gains/(losses)		
Net gains/(losses) from financial assets designated at fair value		
Management fees paid to fund manager	(5,170)	(5,058)
Valuation changes and net income relating to underlying investments	13,220	22,043
Net foreign exchange losses from financial assets	358	(161)
Net gains/(losses) from financial assets carried at amortised cost		
Valuation changes and income relating to underlying investments	(328)	293
	8,080	**17,117**

2b Total revenue – Treasury Portfolio

	2022 £'000	2021 £'000
Total revenue	**2,458**	**3,411**
Represented by:		
Income		
Interest income on financial assets designated at amortised cost	3,851	2,449
Interest income on financial assets carried at fair value	406	–
	4,257	**2,449**
Investment gains/(losses)		
Net gains/(losses) from financial assets designated at fair value		
Realised	450	499
Unrealised	(2,535)	220
Net gains/(losses) from financial assets carried at amortised cost		
Realised	(180)	97
Net gains/(losses) on currency forward derivatives		
Realised	(2,794)	1,610
Unrealised	(1,584)	(64)
Net foreign exchange gains/(losses) from financial assets carried at amortised cost		
Realised	2,213	377
Unrealised	2,631	(1,777)
	(1,799)	**962**

Total revenue decreased significantly in 2022, primarily as result of lower but still positive write-ups within the Social Impact Investment Portfolio. As described in the Strategic Report on pages 7 to 39 the income and valuation movements on the Social Impact Investment Portfolio reflect the continued growth of the portfolio and the current stage of the company's social impact investments, as these move to a more mature, fully invested position, as well as the expected volatility due to the long-term nature of the investments and the use of fair value accounting to value them. As described in Note 15 – Valuation of financial instruments, one of the valuation techniques applied is to value the investments on the basis of their Net Asset Valuation. This results in the recognition of set-up costs, management fees and other expenses paid to fund managers, as they are incurred by the investee.

The management fees paid to fund managers allow them to employ high-quality teams to deliver the social and financial returns required. In this way, the fees represent the cost of delivering the company's investment objectives and of building the capacity of the social impact investment sector to deliver returns for all social investors. Management fees as a percentage of total average committed social impact investments were 0.94% in 2022 (2021: 0.95%).

During 2022, the company made 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 2022 the exchange gain on foreign currency denominated debt securities was £4.8 million (2021: loss of £1.4 million), which was offset by a loss on the currency forward derivatives in 2022 of £4.4 million (2021: gain of £1.5 million), resulting in a net foreign exchange gain of £0.5 million (2021: £0.1 million).

3. Other income

	2022 £'000	2021 £'000
Government grants received	710	394
Management fees generated	304	221
Other income	120	98
	1,134	**713**

On 8 June 2022, BSC signed an Amendment 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 will be 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 (from grant funding date to 12 March 2051). £24,674,980 remains in deferred income as at 31 December 2022.

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

4. Administrative and other expenses

	2022 £'000	2021 £'000
Wages and salaries	5,155	4,359
Non-executive directors' fees	110	94
Social security costs	637	506
Pension costs	463	389
Staff-related costs, including recruitment, training and travel	729	546
Premises	772	716
General and administrative expenses	608	536
Consultancy	480	519
Marketing, including events, sponsorship and website	301	248
Amounts receivable by the company's auditor (see below)	166	131
Other professional costs	213	269
Depreciation of owned fixed assets	53	61
Amortisation of intangible assets	4	8
Investment-related expenses, including legal fees	195	228
Total administrative expenses	**9,886**	**8,610**
Treasury management fees	315	406
Total other expenses	**315**	**406**
Total administrative and other expenses	**10,201**	**9,016**

Amounts receivable by the company's auditor and its associates in respect of:		
Auditors' remuneration for audit services	138	94
Other assurance services	16	14
Taxation compliance services	12	23
	166	**131**

Average number of employees during the year

	2022 Number	2021 Number
Investment	30	29
Senior management	3	3
Communications	8	7
Operations	22	17
Social and finance sector engagement	15	10
On Purpose Scheme and 2027 interns	4	2
	82	**68**

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 44.

5. Directors' and key management personnel emoluments

	2022 £'000	2021 £'000
Directors' emoluments*		
Emoluments	267	153
Company contributions to money purchase pension schemes	17	6
	284	**159**
Highest-paid director		
Emoluments	157	59
Company contributions to money purchase pension schemes	17	6
	174	**65**
Number of directors to whom retirement benefits accrued		
Money purchase schemes	1	1
Key management personnel emoluments**		
Emoluments	734	708
Company contributions to money purchase pension schemes	77	74
	811	**782**

* Prior-year directors' emoluments include remuneration in respect of the highest paid executive director for only part of that year, the current year includes a full year's emoluments.

**Key management personnel include the only executive director as detailed above.

6. Taxation

	2022 £'000	2021 £'000
Analysis of charge in period		
Current tax:		
Adjustments in respect of previous periods	(112)	(156)
	(112)	**(156)**
Deferred tax:		
Origination and reversal of timing differences	(3)	(8)
	(3)	**(8)**
Tax credit on profit on ordinary activities	**(115)**	**(164)**

Factors affecting tax charge for period

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

	2022 £'000	2021 £'000
Profit on ordinary activities before tax	4,082	15,961
Standard rate of corporation tax in the UK	19%	19%
Profit on ordinary activities multiplied by the standard rate of corporation tax	776	3,033
Effects of:		
Income not taxable and expenses not allowable for tax purposes	(1,236)	(3,163)
Capital allowances for period in excess of depreciation	1	5
Utilisation of tax losses	459	125
Adjustments to tax charge in respect of previous periods	(112)	(156)
Deferred tax – origination and reversal of timing differences	(3)	(8)
Current tax credit for period	**(115)**	**(164)**

7. Intangible fixed assets

	Software development £'000
Cost	
At 1 January 2022	73
Additions	–
At 31 December 2022	**73**
Amortisation	
At 1 January 2022	66
Provided during the year	4
At 31 December 2022	**70**
Carrying amount	
At 31 December 2022	**3**
At 31 December 2021	7

8. Tangible fixed assets

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 January 2022	330	458	788
Additions	–	35	35
At 31 December 2022	**330**	**493**	**823**
Depreciation			
At 1 January 2022	330	391	721
Charge for the year	–	53	53
At 31 December 2022	**330**	**444**	**774**
Carrying amount			
At 31 December 2022	**–**	**49**	**49**
At 31 December 2021	–	67	67

9. Fixed asset investments

Social Impact Investment Portfolio	Total £'000
At 1 January 2022	354,026
Additions	63,990
Sale proceeds	(40,924)
Income distributions	(7,290)
Income accrued	2,387
Investment gains	8,080
At 31 December 2022	**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 2022	Aggregate capital and reserves of the entity[2] £'000	Aggregate profit/(loss) for the year of the entity[2] £'000
Ada Ventures Soc I LP	Humphreys Law Ltd, 5 Merchant Square, London W2 1AY, UK	Partnership interest	100.00	2,525	529
Ada Ventures Soc II LP	Humphreys Law Ltd, 5 Merchant Square, London W2 1AY, UK	Partnership interest	100.00	N/A[3]	N/A[3]
Bethnal Green Ventures LLP	First Floor, 27 Cursitor Street, London EC4A 1LT, UK	Partnership interest	35.35	1,186	(341)
Big Issue Invest Outcomes Investment Fund LP	113-115 Fonthill Road, Finsbury Park, London N4 3HH, UK	Partnership interest	85.00	6,740	139
Big Issue Invest Social Enterprise Investment Fund II LP	113-115 Fonthill Road, Finsbury Park, London N4 3HH, UK	Partnership interest	62.98	12,815	72
Bridges Evergreen BSC Housing Co-Investment LP	38 Seymour Street, London W1H 7BP, UK	Partnership interest	100.00	354	(21)
Bridges Evergreen Capital Limited Partnership	38 Seymour Street, London W1H 7BP, UK	Partnership interest	37.65	Holding less than 50%, no public filing required	
Bridges Social Impact Bond Fund LP	38 Seymour Street, London W1H 7BP, UK	Partnership interest	44.44	Holding less than 50%, no public filing required	
Bridges Social Interim LP	38 Seymour Street, London W1H 7BP, UK	Partnership interest	99.98	(29)	(3)
Cheyne Social and Affordable Housing High Impact (I) LP	94 Solaris Avenue Camana Bay 1348, Grand Cayman, Ky1-1108, Cayman Islands	Partnership interest	100.00	918	6
City Funds LP	Narrow Quay House, Narrow Quay, Bristol BS1 4QA, UK	Partnership interest	50.00	5,699	(26)
Community Owned Renewable Energy LLP	W106 Vox Studios, 1-45 Durham Street, London SE11 5JH, UK	Partnership interest	50.00	18,898	700
CT UK Residential Real Estate FCP-RAIF	49, JF Kennedy Avenue, L-1855 Luxembourg	Registered shares	33.33	Holding less than 50%, no public filing required	
Eka Ventures 1 LP	Flat 1, Knaresborough House, 5-7 Knaresborough Place, London SW5 0TN, UK	Partnership interest	99.25	3,776	1,743
Fair By Design Venture Limited Partnership	The Council House, Victoria Square, Birmingham, West Midlands B1 1BB, UK	Partnership interest	36.75	Holding less than 50%, no public filing required	
Funding Affordable Homes SICAV SIF S.A.	18 Savile Row, London W1S 3PW	Registered shares	26.04	Holding less than 50%, no public filing required	
Impact Ventures SA, SICAV-SIF	9, Allée Scheffer L-2520 Luxembourg	Registered shares	41.58	Holding less than 50%, no public filing required	
National Homelessness Property Fund 2 Limited Partnership	The Great Barn, 5 Scarne Court, Hurdon Road, Launceston, Cornwall PL15 9LR, UK	Partnership interest	38.46	Holding less than 50%, no public filing required	
National Homelessness Property Fund Limited Partnership	The Great Barn, 5 Scarne Court, Hurdon Road, Launceston, Cornwall PL15 9LR, UK	Partnership interest	35.52	Holding less than 50%, no public filing required	
Nesta Impact Investments 1 Limited Partnership	58 Victoria Embankment, London EC4Y 0DS, UK	Partnership interest	45.46	Holding less than 50%, no public filing required	

Investment name	Registered office address/ principal place of business[1]	Class of shares held	BSC % as at 31 December 2022	Aggregate capital and reserves of the entity[2] £'000	Aggregate profit/(loss) for the year of the entity[2] £'000
North East Social Investment Fund Limited Partnership	5th Floor, 27-35 Grainger Street, Newcastle upon Tyne, Tyne and Wear NE1 5JE, UK	Partnership interest	48.75	3,404	(351)
Public Services Lab LLP	Queens Insurance Building Suite 3a, 24 Queen Avenue, Liverpool L2 4TZ, UK	Partnership interest	28.28	141	(66)
Resonance Everyone In Limited Partnership	The Great Barn, 5 Scarne Court, Hurdon Road, Launceston, Cornwall PL15 9LR, UK	Partnership interest	43.15	Holding less than 50%, no public filing required	
Resonance Supported Homes Fund Limited Partnership	The Great Barn, 5 Scarne Court, Hurdon Road, Launceston, Cornwall PL15 9LR, UK	Partnership interest	32.81	Holding less than 50%, no public filing required	
SASH Sidecar LP	4th Floor Reading Bridge House, George Street, Reading, Berkshire RG1 8LS, UK	Partnership interest	100.00	3,928	(6)
Schroder BSC Social Impact Trust	1 London Wall Place, London EC2Y 5AU, UK	Ordinary	26.28	89,916	1,443
Shared Lives Investments LP	131-151 Great Titchfield Street, London W1W 5BB, UK	Partnership interest	37.93	Holding less than 50%, no public filing required	
Social Finance Care and Wellbeing Investments LLP	C/o Social Finance Limited, 87 Vauxhall Walk, London SE11 5HJ, UK	Partnership interest	50.00	3,037	(694)
Social Growth Fund 2 LLP	6 Broughton Street Lane, Edinburgh, Midlothian EH1 3LY, UK	Partnership interest	46.15	4,062	(556)
Social Growth Fund LLP	6 Broughton Street Lane, Edinburgh, Midlothian EH1 3LY, UK	Partnership interest	50.00	5,325	63
The Charity Bank Limited	Fosse House, 182 High Street, Tonbridge, Kent TN9 1BE, UK	Ordinary	51.93	26,748	944
The Community Investment Fund L.P.	4th Floor, Reading Bridge House, George Street, Reading, Berkshire RG1 8LS, UK	Partnership interest	53.65	13,351	354
The Good Food Ventures LP	4th Floor, 20 Air Street, London W1B 5DL, UK	Partnership interest	29.92	Holding less than 50%, no public filing required	
The Third Sector Investment Fund LLP	4th Floor, Reading Bridge House, George Street, Reading, Berkshire RG1 8LS, UK	Partnership interest	91.91	8,916	(100)
Women in Safe Homes Limited Partnership	The Great Barn, 5 Scarne Court, Hurdon Road, Launceston, Cornwall PL15 9LR, UK	Partnership interest	34.31	Holding less than 50%, no public filing required	
Zamo Capital 1 Limited Partnership	12 Constance Road, London E16 2DQ, UK	Partnership interest	100.00	2,310	(495)

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 2022.

10. Debtors

	2022 £'000	2021 £'000
Prepayments	417	446
Accrued income on Treasury Portfolio	195	39
Accrued income on Social Impact Investment Portfolio	699	187
Accrued income on SBSI management fees earned	164	221
Accrued income on derivative financial instruments	–	760
Corporation tax	112	186
Other debtors	171	518
	1,758	**2,357**

11. Investments held as current assets

	2022 £'000	2021 £'000
Treasury Portfolio – debt securities	177,869	197,600
Treasury Portfolio – multi-asset funds	70,147	32,643
	248,016	**230,243**

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

Listed debt securities include items with a fair value of £660,000 (2021: £370,000), which have been pledged as collateral for a contingent liability on foreign exchange forward contracts. The collateral is adjusted daily to reflect any contingent liability arising as at the prior day close of business and is subject to a minimum transfer threshold of £250,000. The collateral can be replaced by a range of agreed alternative financial assets. The company retains the risks and rewards of ownership.

12. Creditors: Amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	193	261
Other taxes and social security costs	199	153
Other creditors	1,537	831
Accruals	598	823
Accruals on derivative financial instruments	824	–
Deferred income	1,114	530
	4,465	**2,598**

13. Deferred taxation

	2022 £'000	2021 £'000
Accelerated capital allowances	8	11
Adjustment in respect of prior period	(478)	529
Tax losses carried forward	(1,819)	(1,836)
Tax losses not recognised as a deferred tax asset	2,297	1,307
Provision for deferred tax	**8**	**11**

Provision for liabilities

At 1 January 2022	11	19
Credited to the profit and loss account	(3)	(8)
At 31 December 2022	**8**	**11**

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 7, the company's investment portfolio comprises a Social Impact Investment Portfolio and a Treasury Portfolio.

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

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

Categories of financial instrument

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

2022

	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	–	–	1,758	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	–	(28,046)	–	(28,046)
Deferred taxation	–	–	(8)	(8)
	433,768	**189,230**	**1,802**	**624,800**

2021

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

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

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

2022

	Financial assets measured at fair value through profit or loss £'000	Financial derivatives measured at fair value £'000	Financial assets measured at amortised cost £'000	Other income and expenses £'000	Total £'000
Interest income	2,204	–	4,246	–	6,450
Fee and dividend income	418	–	–	–	418
Investment gains/(losses)	6,322	(4,378)	4,337	–	6,281
Other income	–	–	–	1,134	1,134
Administrative and other expenses	–	–	–	(10,201)	(10,201)
Tax on profit	–	–	–	115	115
	8,944	**(4,378)**	**8,583**	**(8,952)**	**4,197**

2021

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

Credit risk

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

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

Within the Treasury Portfolio, the company has set a maximum exposure limit for each 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, with the exception of listed debt securities designated as at amortised cost, for which the credit exposure and the carrying value are shown below. The carrying value includes amortisation of the premium at purchase and does not include any market revaluation, and therefore does not represent the current credit risk.

The company uses foreign exchange forward contracts to manage its exchange risk exposure from holdings of non-GBP denominated 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:

	2022 £'000	2021 £'000
Fixed asset investments	380,269	354,026
Other debtors	171	1,278
Accrued income	1,058	447
Multi-asset funds – Investments held as current assets	70,147	32,643
Debt securities*	162,055	196,524
Cash deposits – Cash at bank and in hand	22,759	51,343
Maximum exposure to credit risk as at the Statement of Financial Position date	**636,459**	**636,261**

*** Included within listed debt securities:**

	Credit risk exposure £'000	Carrying value £'000
Debt securities designated as at amortised cost	162,055	177,869
	162,055	**177,869**

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

	Rating	2022 £'000	2021 £'000
Multi-asset funds investments	Not rated	70,147	32,643
Debt securities	AAA	8,395	17,789
Debt securities	AA	26,228	37,900
Debt securities	A	67,313	87,268
Debt securities	BBB	54,832	46,486
Debt securities	Not rated	4,628	7,081
Cash deposits – Cash at bank and in hand	A-1	22,759	51,343
		254,302	**280,510**

Liquidity risk

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

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

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

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

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

2022

	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000
Creditors: amounts falling due within one year	4,465	4,465	4,465
Creditors: amounts falling due after more than one year	23,581	23,581	–
	28,046	**28,046**	**4,465**

2021

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

Market risk

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

The company has interest rate exposure. The company currently has £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 £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.

Regulatory risk

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

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

15. Valuation of financial instruments

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

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

Level 1
The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2
Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3
Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

In determining a fair value using Level 3 valuation techniques, the company applies the principles included in the International Private Equity and Venture Capital Valuation Guidelines (2022 Edition):

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

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

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

	2022 £'000	2021 £'000
Level 1		
Investments held as current assets	70,147	32,643
Fixed asset investments	20,743	23,434
Level 2		
Investments held as current assets	–	–
Derivative financial instruments	–	760
Level 3		
Fixed asset investments	342,878	313,019
	433,768	**369,856**

	Financial assets held at fair value through profit or loss £'000
Balance at 1 January 2022	313,019
Purchases	59,740
Sales	11,151
Total investment returns	(41,032)
Balance at 31 December 2022	**342,878**

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

16. Share capital

	Nominal value	2022 number	2022 £'000	2021 £'000
Allotted, called up and fully paid:				
Ordinary A shares	£1 each	426,345	426,345	426,345
Ordinary B shares	£1 each	200,000	200,000	200,000
			626,345	**626,345**

17. Profit and loss account

	2022 £'000	2021 £'000
At 1 January 2022	(5,742)	(21,867)
Profit for the financial year	4,197	16,125
At 31 December 2022	**(1,545)**	**(5,742)**

18. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash at bank	22,759	51,343
Current asset investments (maturity less than three months from the date of acquisition)	13,564	15,000
Cash and cash equivalents per cash flow statement	**36,323**	**66,343**

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

	2022 £'000	2021 £'000
Debt securities (maturity less than three months from the date of acquisition)	13,564	15,000
Debt securities (maturity greater than three months from the date of acquisition)	164,305	182,600
Multi-asset fund investments	70,147	32,643
Investments held as current assets per Statement of Financial Position	**248,016**	**230,243**

19. Events after the reporting date

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

20. Capital commitments

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

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

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

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

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

	2022 £'000	2021 £'000
Commitments contracted, undrawn fully or partially and not provided in the Financial Statements	181,940	182,491

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

	2022 £'000	2021 £'000
In-principle commitments (approved by the Investment Committee, subject to legal documentation)	3,000	6,000

21. Other financial commitments

	Land and buildings 2022 £'000	Land and buildings 2021 £'000
Falling due:		
Within one year	366	366
Within two to five years	459	825
In over five years	–	–
	825	**1,191**

22. Related party transactions

During 2022, The Oversight Trust – Assets for the Common Good, being the parent company, purchased £nil (2021: £nil) of £1 Ordinary A shares in Big Society Capital Limited. During 2022, Big Society Capital Limited incurred £7,900 of costs (2021: £23,000) on behalf of the Oversight Trust for which it was reimbursed. The amount outstanding was £7,900 at 31 December 2022 (31 December 2021: £nil) and was paid in full in February 2023.

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 (2021: £78,400) to Big Society Capital, in respect of a licence fee for the use of its offices. Additionally during 2022 Big Society Capital Limited incurred £nil of costs (2021: £2,000) on behalf of Access, for which it was reimbursed. As at 31 December 2022 there was an outstanding balance of £6,500 (31 December 2021: £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 44.

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

www.bigsocietycapital.com
Registered number 07599565