

Annual review 2021



Contents

3 Our mission

4 Message from CEO

6 Launching our strategy to 2025

- Impact venture
- Social lending
- Social outcomes
- Social property

16 Market building

- Building market awareness
- Engaging social enterprises
- Engaging investors
- Engaging government
- Widening access

22 Operating as a responsible business

23 Equality, diversity and inclusion

24 2021 investments

- Supporting fund managers

30 Our finances

- Profit and loss

Our mission

We exist to improve the lives of people in the UK through social impact investing.

Across the UK, people face daily challenges in housing, access to affordable financial products and services, health and wellbeing, and community resilience. We unite ideas, expertise and capital to create investment solutions for the UK's social challenges, supporting organisations that deliver both positive social impact and sustainable financial returns. Social impact investment can make a real difference in improving people's lives, by helping enterprises tackle these challenges at scale. Over the last decade, we have learned what works when ideas, investment and expertise are united.

With other investors alongside, we have helped make over £2.5 billion available to more than 2,000 social enterprises and charities that are tackling a wide range of problems, such as homelessness, mental ill health and childhood obesity.

Overall, the social impact investing market continues to grow, increasing 26% year on year to £6.4 billion at the end of December 2020.

£6.4 billion

Size of the social impact investment market

£2.5 billion+

Total amount invested by Big Society Capital with co-investors alongside

2,000+

Social enterprises, charities and social purpose organisations receiving investment from Big Society Capital



Message from CEO



Like most organisations, last year was the year we started to learn to live with Covid-19, and I am very proud of the way Big Society Capital has adapted. We certainly did not allow any Covid restrictions to slow us down, and as you'll see in this review, 2021 was as busy and productive as ever.

In 2021, we signed a total of 12 new investments (including five follow-on investments), totalling £80 million. Since we were launched, we have now committed over £820 million to reach more than 2,000 organisations addressing a wide range of social issues across the UK. This is nearly £200 million more than the original share capital of £625 million, subscribed from dormant accounts and four major UK high street banks. This means that the initial capital is now being "recycled", to reach more social enterprises and charities, improving more lives.

New strategy and market growth

2021 saw the launch of our strategy to 2025. Social impact investment has come a long way; increasing numbers of investors, investees and other partners are taking social impact investment seriously, and it is no longer a niche sector. This is reflected in the size of the market – which has increased almost eightfold to £6.4 billion. Our strategy is based on learning what has worked over the last decade, and

sets out our plans to help to more than double the size of the market from its 2020 level, to £10-£15 billion by 2025.

Our work is now focused on four investment areas – impact venture, social lending, social and affordable housing, and social outcomes contracts – where we feel there is greatest potential for scale and, therefore, where we can make the biggest difference. We have ambitious plans to grow these areas over the coming years but, at the same time, we continue our work to find the next, big investment ideas.

Collaborating with partners

In collaboration with partners across our network, 2021 saw us deliver multiple high-impact, market-building projects.

Following on from the £75 million raised at its initial public offering in December 2020, the [Schroder BSC Social Impact Trust](#) raised an additional £10.8 million of capital from existing shareholders and new investors – an important step in the growth of the Trust. Read more on page 21 (Widening Access) to find out more about the role of the Trust in increasing access to the social impact investment sector.

The Everyone In social investment pilot collaboration with Government, saw an extra £30 million of funding committed through three fund managers into five investment funds, focusing on delivering housing and support to individuals who are currently rough sleeping, and families at risk of homelessness.

We worked with partners across the sector on the campaign to extend Social Investment Tax Relief. Our collective efforts were recognised with a two-year extension to the scheme, which can be used by social enterprises and charities looking to raise patient and affordable capital.

As part of the initial response to Covid-19, we worked in partnership with Social Investment Business on the creation of the Resilience and Recovery Loan Fund. Dedicated to tackling the effects of the pandemic on charities and social enterprises, the

fund helped them to access financial support and continue to deliver vital services. Over its lifetime, the fund approved £28 million in total funding to 77 charities and social enterprises across the UK, and was awarded Social Investment Deal of the Year at the 2021 UK Social Enterprise Awards. A great example of social investors across the ecosystem working together to deliver for the social enterprise sector, and we were very proud to have been involved.

Financial performance

In 2021 we reported a net profit of £16.1 million, a significant increase on the previous year's profit of £3.7 million and representing a return of 2.6% on average capital deployed. Our net profit is largely due to some well-performing investments in our impact venture portfolio, which are as yet unrealised. These results put us on a clear track towards being the sustainable organisation we were set up to be, and are strong evidence that our investments can generate positive financial returns alongside demonstrable social impact.

Changes in leadership

On a personal note, I was delighted and honoured to take on the permanent role of CEO last year, having been interim CEO since April 2020 and part of Big Society Capital since 2016. I feel fortunate to work with such a passionate and talented team of staff, board members and wider stakeholders, and am excited about the opportunity that we have to take social impact investment to the next level.

I would like to offer heartfelt thanks to Sir Harvey McGrath, who completes his term as our Chair and steps down this year. His contribution to our growth and progress over the last eight years has been significant, and we are truly grateful for his guidance and leadership. He passes the baton to Robin Hindle Fisher, who has taken over as our new Chair. I, and the rest of the team at Big Society Capital, extend a warm welcome to Robin, and look forward to working with him to further our mission.

As always, thanks must also go to the entire team at Big Society Capital, who have worked so hard, and to the Board for their support and guidance over this busy year.

Embedding equality, diversity and inclusion

Alongside our business strategy, we published our equality, diversity and inclusion (EDI) plan, which sets out our ambitions and plans to improve diversity among our own people and organisation, as well as throughout our investment process and market-building activities. You can read more details about our commitments and plans on page 23. I am pleased with progress we have made so far, particularly on initiatives to explore how social impact investment can better reach different areas and diverse communities that have previously found accessing finance difficult. At the same time, I recognise there is still some way to go, and we remain committed to ensuring EDI is at the heart of our work.



BIG SOCIETY CAPITAL | **TEN YEARS**

Ten years of Big Society Capital

This year marks our tenth anniversary, and our reflections and celebrations throughout 2022 provide a perfect opportunity to reflect on progress, the lessons we have learned, and the contribution we have made to the social impact investment market since our inception in 2012.

It's important to recognise the progress that has been made, however, there are still serious social issues throughout the UK where investment can help, and we will continue to work with our partners to find solutions that channel the right kind of capital to help tackle these issues.

I hope you enjoy reading this report and will take inspiration for the next ten years from all the amazing work achieved so far.



Stephen Muers
Chief Executive Officer

Launching our strategy to 2025



In September, we launched our refreshed organisational strategy, with the aim of at least doubling the UK social impact investing market over the next three years. We estimated the size of the social impact investment market to be £6.4 billion as of the end 2020, and our vision for the new strategy is to help it grow to £10-£15 billion by 2025.

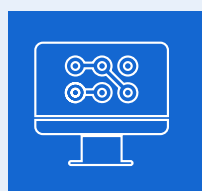
The pandemic highlighted deeply entrenched social issues and the need for significant funding to address these. The UK 2070 Commission estimates that the UK Government's "levelling up" plans carry a £1 trillion price tag,¹ while Crisis data shows the cost of ending homelessness by 2041 is over £19 billion.² With the cost of responding to Covid-19 increasing government debt and putting public finances under pressure, a combination of private and public funding is needed to invest in solutions for tackling these social issues.

Over the last decade, we have learned what works when ideas, investment and expertise are united. Together with partners, we have helped drive significant growth in key areas of the social impact investment ecosystem. Our strategy is to concentrate on what we have learned so far and put this into action. We are, therefore, focused on building four key market systems where we believe there is the greatest potential for scaling impact, and we can make the biggest difference by increasing the quantity and quality of capital flowing to the social enterprises and charities that create the impact.

Alongside this, we will also continue our innovation work with partners, collaborating with frontline organisations and investors to create new social impact investment solutions, with potential for transformational change in the future.

We recognise that we are just one part of a wider social impact investment ecosystem, made up of social investors, fund managers, advisers and frontline organisations.

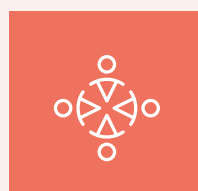
Most importantly, we realise that the only way we can achieve our goals of growing the market (within each of the four systems) is by continuing to work in partnership.



**Impact
venture**



**Social
lending**



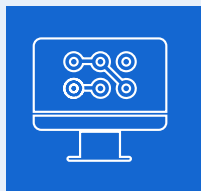
**Social
outcomes**



**Social
property**

¹ <https://www.ft.com/content/e9203af0-589f-11ea-abe5-8e03987b7b20> (Source: Financial Times, February 27th 2020)

² <https://www.crisis.org.uk/ending-homelessness/the-plan-to-end-homelessness-full-version/executive-summary/>



Impact venture

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

Our approach

We invest our capital with top-tier venture managers whose values are aligned to ours, and who are looking to enhance their impact practice, and with impact-dedicated managers who are pioneering innovative approaches.

We build our impact leadership in a venture context by pioneering new tools, systems and processes to enhance and embed impact practice – and through that to unlock impact as a driver of value. We engage with investors, venture fund managers and entrepreneurs throughout the ecosystem – seeking to grow the impact venture movement and amplify the great work that others are doing, delivering impact through technology.

Commitments from 2021

In 2021, we committed £11 million in four venture funds that deliver on these goals – bringing our current portfolio to more than a dozen live venture funds to date.

Through our portfolio we've reached more than 200 startups, and they in turn are reaching over 10 million people. During the last year, the organisation grew its "impact venture investor network" to include more than 50 investors. Our work in publicising impact venture and sharing our learnings on impact were viewed more than 175,000 times in 2021.

Who are our investments reaching?

In 2021, £400,000 was committed from Fair by Design Fund (Poverty Premium Fund), managed by Ascension Ventures, to CourtCorrect.





CourtCorrect

The legal system can be fragmented and inaccessible for many individuals without the means or capability to navigate it. This may lead to unjust outcomes and/or unnecessary expensive legal fees. CourtCorrect provides an online legal system for companies and private users to resolve disputes fairly and swiftly. Its digital, centralised nature and next-gen AI technology, have the potential to significantly transform the industry in the years ahead.

£11 million

invested in four venture funds
in 2021

200+ startups

connected to capital

10 million+

people reached

//

The team at Big Society Capital are extremely thoughtful in their approach to impact and their depth of knowledge and collaborative outlook has been instrumental as we have launched Eka over the last two years."

Jon Coker, Founding Partner, Eka Ventures



Social lending

At Big Society Capital, it is our aim to supply much-needed capital to impact-led social enterprises and charities. We want to enable these organisations to build resilience in their recovery from the pandemic, and to access pathways to growth.

Extending our reach

Across the UK, thousands of organisations struggle to access the finance they need to sustain and grow their businesses due to certain key groups being overlooked, leading to under-representation. Therefore, as part of our 2025 strategy, we will work with partners to understand the key areas we may be missing, and to identify where we need to go further.

Levelling up

Small businesses play an important role in society, by creating and sustaining jobs for local people and supporting local economic activity. This is especially true in left-behind communities, which have been the hardest hit by the Covid pandemic. Yet many sustainable small businesses in these communities cannot access mainstream finance and remain underserved. Community Development Finance Institutions (CDFIs) are one solution to this problem, and have a social mission to serve these groups. The Community Investment Enterprise Facility (CIEF), managed by Social Investment Scotland (SIS), supports four CDFIs, which have now channelled £48.5 million into 686 enterprises in communities across the Midlands and Yorkshire, and continue to make impact within left-behind communities. Our £30 million commitment to this facility has been fully matched by social banks, Triodos and Unity Trust.

Resilience and recovery

In 2020, when the pandemic first hit, there was a real concern that social enterprises and charities could fall through the gaps in government support. In partnership with Social Investment Business (SIB) and other partners, we created the Resilience and Recovery Loan Fund (RRLF) in 2020. This fund was to help ensure social enterprises and charities could access the Coronavirus Business Interruption Loan Scheme (CBILS), to provide crucial working capital to help organisations maintain financial resilience, save jobs, and allow the continuation of vital services.

To date, the fund has distributed a total of £28 million to 77 social enterprises and charities, (£24.2 million in loans and £3.9 million in grants and helped secure over 9,000 jobs. At the 2021 UK Social Enterprise Awards, the fund won Social Investment Deal of the Year, with the judges commenting,



There are businesses that might not be here today without the speedy, affordable support provided by this deal."

Continuing upon the success of the RRLF, in 2021 we committed £15 million to the Recovery Loan Fund (RLF) managed by SIB, which benefits from the Government's Recovery Loan Scheme (RLS).

We have focused on other interventions and enabling activities that underpin building resilience through recovery, including investment via Resonance Community Developers, a social impact fund, which has an innovative approach to blending resources and capital to create strong assets at the heart of communities around the UK.

The Access Growth Fund

The Access Growth Fund was originated and launched by Big Society Capital, Access - The Foundation for Social Investment and The National Lottery Community Fund in 2015, with Big Society Capital providing £22.5 million of repayable capital and The National Lottery providing grant funding of £22.5 million. The fund offers unsecured loans and grants of up to £150,000 to social purpose organisations. Five years later, Ecorys, the evaluation partner, conducted an independent evaluation of the programme (using data collected up to September 2020), which included the following:

- Since 2015, 600 grants and loans have been deployed by 14 different social investors, amounting to £40.3 million.
- The grant blended with repayable investment has made it possible for smaller loans to be provided to smaller-scale organisations, compared with the rest of the social investment market.
- Organisations accessing investment from the Access Growth Fund are on average half the size (median income of £220,000) and have an eighth of the asset base of those accessing other forms of social investment.
- 26% of all investments, by number, were to social purpose organisations operating in the 10% most deprived areas in the UK.

£30 million+

committed to five social lending funds and social banks in 2021

65%

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





Social outcomes

All over the UK, the pandemic has further highlighted the need for better ways of addressing complex social issues. This is hard to do through traditionally siloed public service delivery. Local social enterprises and charities are often best placed to deliver a range of these public services through a holistic approach. They tackle many issues, from supporting people into work and improving educational attainment, to reducing re-offending and tackling addiction.

It is our objective to build an ecosystem that supports the delivery of outcomes contracts at scale, in a broad range of policy areas that are supported with appropriate funding, and delivery and management expertise.

Our approach

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.

Building the market

In 2021, we 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. We also worked within its existing investments, to support continued performance of established projects and showcase best practice. To date, the investments have supported over 45,000 people with complex needs across the areas of homelessness, children's services, health, education and employment.

Who are our investments reaching?

To date we have committed over £23 million across both of Bridges' Social Outcomes Funds. In 2021, through the second fund, Bridges created Refugee Better Outcomes Partnership (RBOP), a partnership co-ordinator that supports the development of local delivery partnerships in each area, including a mix of local authority and charity delivery teams. Many of the delivery frontline teams are former refugees themselves, who have come through the asylum process.





Refugees Better Outcomes Partnerships (RBOP)

The UK offers protection to over 13,000 refugees each year. Refugees face multiple barriers to self-sufficiency, including high levels of unemployment, lack of access to stable housing, mental health issues, low levels of English language and limited social connections. Over 80% of refugees are people who come through the asylum system. Many of these people will have waited years to receive their refugee decision, living in asylum accommodation during

this time with limited access to any support. The Refugee Better Outcomes Partnership provides one-to-one support to refugees, as they transition out of asylum accommodation and into the community.

The partnership successfully bid to the Home Office and was awarded contracts to deliver services in Plymouth and across ten local authorities in the Northeast of England.

55,000+

people with complex needs supported

220+

social sector delivery partners

90

social outcomes contracts in the UK



Social property

We want 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 that understand the social issues involved. We recognise that the volume of private capital entering the social and affordable housing market is growing, and that we have a role to play in influencing that capital to be genuinely impactful.

To tackle the UK housing crisis, we need to work with institutional investors who bring the scale of capital required to back high-impact housing opportunities, and simultaneously use our own capital to back the fund propositions that can scale.

Commitments from 2021

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

One of the commitments of 2021, was £10 million to the Man GPM RI Community Housing Fund, aiming to deliver 3,500 new homes by 2026, with at least 50% being affordable homes (social rent, affordable rent, key worker and shared ownership) and documented ambitions to reach 70%. Affordability is linked to local incomes, and all homes will be delivered to high environmental standards, which will also help alleviate fuel poverty.

Who are our investments reaching?

The investment portfolio continued to make new investments with high-impact housing organisations. For example, by the end of 2021, the Social and Sustainable Housing (SASH) fund managed by Social and Sustainable Capital, had invested £46 million in charities and social sector organisations.

The fund enables organisations to buy and manage their own properties, and in turn better support their vulnerable beneficiaries with shelter and support services.





Simon Community Scotland

In 2021, Social and Sustainable Housing (SASH) made a £5 million investment in Simon Community Scotland, a charity supporting people in Edinburgh through its Streetwork service. It delivers a range of help and support, including responding to people in crisis via a 24-hour helpline, providing services at its Holyrood Hub, and delivering outreach on the capital's streets.

Implementing new standards

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



£37.5 million

committed to three social and affordable housing funds in 2021

£187 million

signed by Big Society Capital in social property since 2012

4,000

homes delivered from our portfolio and 8,500+ people housed

Market building



Our overall purpose is to help build an 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, 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.

Building market awareness

According to our independent study of the social impact investment (SII) sector, the sector has become considerably more established and settled over the last two to three years. Good levels of confidence and know-how were reported among most of those involved in the investment process, and a growing sense that SII is becoming more achievable and accessible. There was also widespread recognition and agreement that the sector was making progress in achieving its aims.

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

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

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

We continue to work with our partners to further understanding and participation in social impact investment, particularly among key groups such as social sector organisations, investors and Government.

Engaging social enterprises

Awareness of social impact investment is growing, but it is still a difficult world to navigate for social enterprises and charities, and there is a pressing need for tools and resources for them. Good Finance is a [collaborative project](#) set up in 2016 with support from across the social sector and funded by Big Society Capital and [Access – The Foundation for Social Investment](#), to be an independent and trusted source of information. Its mission is to help social enterprises and charities to have a clear and simple route to understanding when and how to best utilise social impact investment, and which type would be most suitable.

In 2021, users of the Good Finance website doubled year on year, passing the milestone of 300,000 unique users, with a new cost of capital calculator, animation and resources added to the site.

Social Investment Unpicked

Social Investment Unpicked is a free online training programme for anyone who wants to deepen their knowledge of social investment. In 2021, it expanded to see more than 80 students graduate from the programme, with participants from across the ecosystem, including capacity building organisations, larger frontline social enterprises and charities, membership bodies and networks, grant funders, and current or potential investment intermediaries.

Addressing Imbalance programme

Good Finance launched the Addressing Imbalance programme with the first cohort of seven partners, including the Black South West Network, The Entrepreneurial Refugee Network and Caribbean & African Health Network, as a route to help address the barriers facing leaders from under-represented groups or communities, when trying to access finance.

Social impact

The Outcomes Matrix is a popular tool downloaded over 60,000 times, helping to support social enterprises and charities in communicating the impact they are looking to create, and to help them plan how to measure the change they make. During 2021, the tool was updated using user insight alongside feedback from expert practitioners to embed equality, diversity and inclusion throughout the tool.

Post-pandemic support

In addition to investment support, Good Finance also provided information for enterprises, to help them navigate the current challenges related to the pandemic. The Recover and Rebuild hub on the website was updated with new resources, which supported over 1,200 users. In addition, we ran 25 virtual events reaching over 1,300 individuals.



Engaging investors

We engage with investors to raise awareness and understanding of investments that help to solve some of the most pressing social issues in the UK. From individuals to large institutional investors, we help them navigate the impact investment market, sharing how investing for social impact can form part of their overall investment strategy.

Many of the investors are “impact first” investors, where social investing is just one tool for creating impact. Others want to embed impact into their overall investment strategy, giving it the same emphasis as financial returns.

We also work with organisations and individuals who have the expertise to co-develop solutions to social issues, and who may benefit from using social impact investment.

Innovation and awareness

In January 2021, we launched [Ideas for Impact](#), a call for ideas that had the potential to be turned into impact funds. We selected seven ideas to support; these received a combination of development funding and/or support from our team. In addition, we are examining how we can build on our innovation work outside this programme, and plan to talk more about this over the coming year.

In collaboration with The Beacon Collaborative, the Individual Impact Investing Commission was set up to seek a better understanding of the barriers individuals with personal wealth face, when considering investing in social impact enterprises. The Commission will make recommendations for professional wealth managers, financial advisers, Government, business angel networks and other industry bodies supporting individuals and families, to increase their impact investing.

Networks

We continued to develop existing networks across the ecosystem, including Pensions For Purpose, Social Impact Investors Group (SIIG) and the Responsible Investment Network – Universities (RINU), as well as engaging with limited partnership investors in the impact venture space and members of Toniic, a global community of asset owners seeking deeper positive net impact across the spectrum of capital.

In July, we published our first institutional investor-facing guide, Mapping the Market: UK Social and Affordable Housing Funds, designed to help investors navigate this growing and complex area of the impact investment market. We also hosted a launch webinar attended by a range of investors, to talk through key aspects of the guide and discuss areas of particular interest.



Engaging Government

2021 was an important year for our work with Government. We continued to grow awareness and deepen the understanding of social impact investment with government audiences.

We built new and deepened existing relationships with government stakeholders around key priority areas. This included engaging Ministers, MPs, Special Advisers and think-tanks through participation in Big Society Capital events, or through one-to-one meetings to discuss the potential of social outcomes partnerships in delivering more effective and cost-efficient public services.

Supportive policies

Our aim is to create supportive policies for social investment, and in 2021 this included the two-year extension of Social Investment Tax Relief (SITR), which will continue to reduce the cost of capital available to frontline organisations. The campaign to save SITR, working with key partners Social Enterprise UK, Co-operatives UK, Resonance and Social Investment Scotland, built a large coalition of nearly 50 social sector representatives and investors to jointly advocate to Government. We also helped to secure the 50 basis-point discount to the Recovery Loan Scheme for social sector lenders.

To build upon these successes, we worked with the Department for Digital, Culture, Media and Sport (DCMS) to create a research project led by the Impact Investing Institute, to inform policy development utilising key government levers in the social lending market.

Increasing funding

The allocation of dormant assets (a financial product such as a bank account, that hasn't been used for many years and which the provider hasn't been able to reunite with its owner, despite efforts aligned with industry best practice) towards social investment, is an ongoing priority area. In 2021 we were pleased to support successful calls for £20 million of dormant assets to the Access Foundation to further expand the reach of social investment, enabling smaller charities and social enterprises, often based in the most deprived communities, to access the finance they need. This year we will continue to work with partners to unlock further dormant asset funding for social enterprises and charities, connecting capital to the areas where it is needed most.

In 2021, we also helped the Impact Investing Institute, The Good Economy and Pensions For Purpose to secure a new target for local government pension funds in England to spend at least 5% of their £337 billion of combined assets in their local area.



Widening access

As part of our mission to make private market social impact investment opportunities available to a wider range of investors, we partnered with Schroders in late 2020, to launch the Schroder BSC Social Impact Trust (SBSI), the first impact investment trust to trade on a global stock exchange.

Growth of the Schroder BSC Social Impact Trust

The successful initial public offering (IPO) in December 2020, raised £75 million from a range of investors, alongside a seed portfolio acquired from Big Society Capital. An additional round of fundraising closed in November 2021, where we saw good support from the Trust's existing shareholders, as well as interest from a number of new investors, and a total of £10.8 million was raised. This brought the total capital raised since launch to over £85 million. The Trust is now fully committed, with nearly £70 million already deployed to social enterprises and charities across the UK.

We are targeting to grow the Trust over the next three years and continue our engagement with existing and potential shareholders.

Full details on the impact of the Trust can be found in its recently published [Impact Report](#).

Industry recognition

The Trust's important contribution to the development of the market for impact investments was recognised with Fund of the Year – Multi-Asset/ Other at the Environmental Finance IMPACT Awards, and Most Innovative Sustainable and ESG Fund Launch at the Investment Week Sustainable & ESG Investment Awards.

£87 million

committed to finance 160 organisations

160,000+

people provided with essential services, at least 90% from disadvantaged or vulnerable backgrounds



Operating as a responsible business

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

The focus of our work 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 where feasible.

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 in our Annual Report and Financial Statements align our reporting with the TCFD's recommended framework. Our analysis has identified housing-related business models in our Social Impact Investment Portfolio as our most material source of climate-related risk; therefore, we will continue to work to understand in greater depth and mitigate this risk.

For further detail on our governance and risk management, as well as information on our approach to being a responsible consumer, and employer, please see pages 24-30 of our [Annual Report and Financial Statements](#).



Equality, diversity and inclusion

At Big Society Capital, we aim to incorporate equality, diversity and inclusion (EDI) into everything we do. In 2021, we set our focus across our different business functions – ranging from how we make investments, engage different stakeholders, and how we can become a truly inclusive employer. A key part of our approach is to engage with initiatives across the wider social investment sector: we know that we can't make change happen on our own.

Progress

Over the last year, Big Society Capital has focused on diversity culture and processes, following an internal review.

In October, we published our [EDI action plan](#), which we see as a key part of our 2025 strategy.

Alongside our gender pay gap report, we also published our ethnicity pay gap report, meeting our commitment to transparency, measuring our progress in preventing discrimination and bias, including equal access to jobs and career progression for all.

The wider sector

We have worked to develop system tools that incorporate EDI when considering impact:

- [Outcomes Matrix](#) – a widely used online tool, which enables enterprises to plan and measure impact when considering social investment. As of 2021, the matrix now factors equality and diversity into the consideration process.
- Addressing Imbalance Project in partnership with Good Finance – an outreach programme that aims to work alongside charities, social enterprises and networks to improve access to information, knowledge and resources on social investment among diverse groups.

Looking ahead

We are conducting an audit to gauge the approach to EDI that exists within our investment process and within our portfolio management, including looking at what data we are collecting and how we report on this. Data is vital to our understanding of existing issues, and this research forms part of ongoing work with the sector-wide EDI data working group – with other foundations and social investors. The group is focused on better understanding how and what EDI data is most meaningful to collect at fund manager level and investee level, to understand where the gaps are for this, and the potential resources that might be needed to support this.

Becoming a more inclusive organisation

We now have a dedicated staff lead, who is allocating additional time to EDI, continuing existing work and leading on some positive, new initiatives. These include developing a reverse mentoring scheme internally, as well as our training offer for staff more widely to support EDI. We have recently delivered training on topics such as allyship with a training partner called The Other Box, and delivered Power & Privilege training for line managers. Other notable steps include expanding our apprenticeship scheme, which has now taken on three young apprentices from diverse backgrounds, alongside two interns through the 1000 Black Interns programme, of which we were a founding member.

2021 investments

We make investments that create an impact on people, generate returns for investors, and change the system.

£80 million

commitments to fund managers and social banks in 2021

£319 million

further co-investment alongside us in 2021

£821 million

total amount of signed Big Society Capital investments since 2012

£2.5 billion+

total amount of signed investments including co-investment



In 2021 we made 12 new commitments totalling £80 million. This, alongside more than £319 million from co-investment, means a total of nearly £400 million of committed investment to funds across our market system areas in the year.

Investment Name	Market System	Commitment	Investment Summary
CBRE UK Affordable Housing Fund	Social and affordable housing	£20m	Follow-on investment – Affordable Housing Fund (AHF) aims to provide equity-like financing for registered providers to deliver affordable and social rental housing in the UK. CBRE Global Investors (CBRE GI) is seeking to raise £250 million for its launch.
Recovery Loan Fund	Social lending	£15m	Structured match commitment to lend to special-purpose vehicle set up by Social Investment Business, designed to leverage the Government's Recovery Loan Scheme Guarantees to deliver loans to the social sector.
Charity Bank Co-investment Facility	Social lending	£10m	Follow-on investment of co-investment facility, to enable Charity Bank to make larger loans to a wide range of charities and social enterprises.
Man Community Housing Fund	Social and affordable housing	£10m	Community housing fund to work with local authorities and housing associations to provide and deliver affordable housing.
Resonance Everyone In Fund	Social and affordable housing	£7.5m	Property fund to acquire homes for people at risk of homelessness in London, in partnership with Greater London Authority and National Association for the Care and Resettlement of Offenders (Nacro).
Balderton Growth Capital*	Impact venture	£5.1m	Late-stage venture fund seeking to support UK and European startups with global ambition to further their Sustainable Future Goals.

* Commitments in foreign currencies are stated in GBP equivalent

Investment Name	Market System	Commitment	Investment Summary
Resonance Community Developers Fund	Social lending	£5m	Blended finance fund, focused on supporting community groups to develop and own assets, particularly with a focus on housing and sports.
Ananda Social Venture Fund IV*	Impact venture	£3.5m	Early-stage venture capital fund, focused on scaling UK and European impact-driven for-profit enterprises.
Balderton VIII*	Impact venture	£1.5m	Early-stage venture fund seeking to support UK and European start-ups with global ambition.
Charity Bank	Social lending	£1m	Follow-on equity investment to provide additional regulatory capital, to enable Charity Bank to grow its existing loan book.
Fair by Design (Poverty Premium Fund)	Impact venture	£1m	Follow-on investment into a fund for the development of an ecosystem to eliminate the poverty premium in the UK.
Northern Impact Fund – Key Fund (Access)	Social lending	£0.3m	Development of the Northern Impact Fund, which offers blended loan/grant capital.

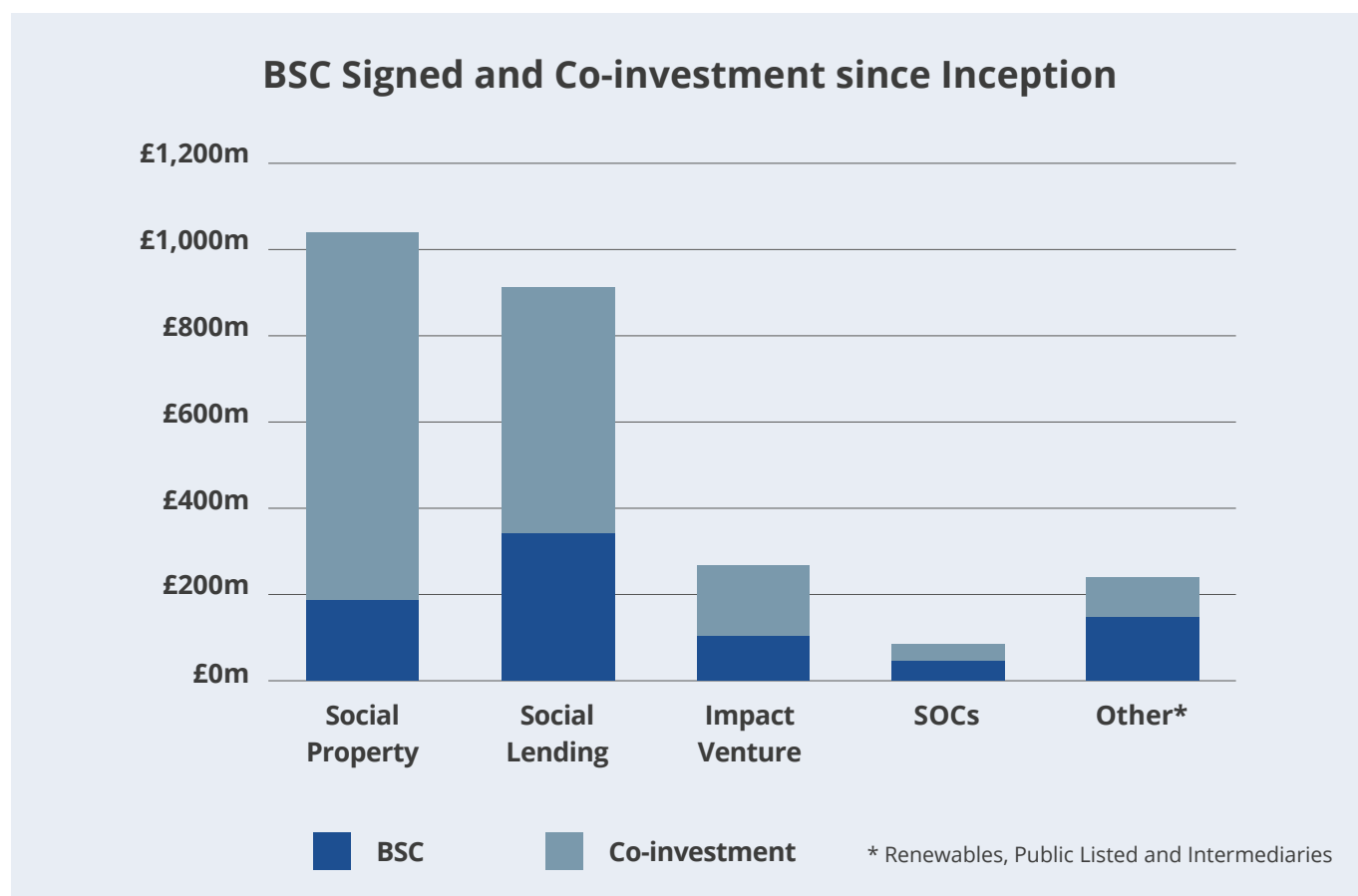
* Commitments in foreign currencies are stated in GBP equivalent



Our commitments for 2021 are in line with the long-term trend, although lower than 2020, which saw a number of specific Covid-19 commitments.



Our commitments in each market system, alongside the total committed by us with co-investors.



Supporting fund managers

We work with fund managers, social banks and other intermediaries who also want to create a better, sustainable future to connect capital to the organisations improving people's lives. These are impact fund managers and other intermediaries looking to scale, as well as more mainstream managers looking to move towards investing with more impact.

We invest through these intermediaries and support them to raise more capital, deliver more investments and create more impact.

£77.6 million

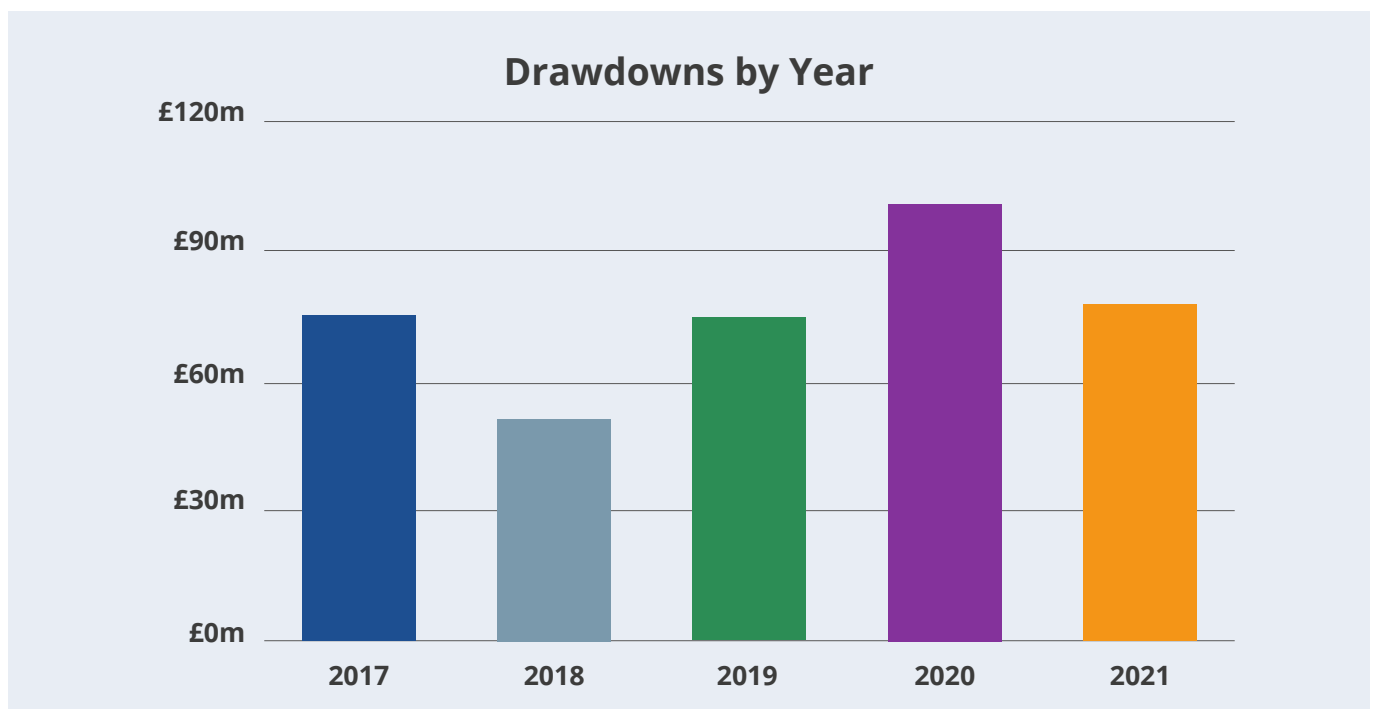
drawdown by 29 fund managers
in 2021

(£101 million in 2020)

£348 million

drawdown with matched
co-investment in 2021

(£255 million in 2020)



Total amount of drawdowns was lower than the previous year, mainly due to the increased activity in 2020 as part of the emergency Covid-19 response.

After an investment is made, we support fund managers to measure and manage social impact and financial performance, and help them to develop strong, sustainable business models.

We supported our fund managers in 2021 through a range of activities, including:

- Assisting with the recruitment of 17 non-executive directors for Big Society Capital's partnered fund managers and frontline organisations, through our partnership with EquityChair.
- Providing access to the expertise of Zamo Capital, which worked with several partnered fund managers to think through the key steps needed for scale and transformational growth.
- Running a fundraising workshop mini-series, and impact management training for fund managers, with over 40 participants.

- Extending training sessions on professional development for our staff, to members of staff from fund managers in our portfolio.
- Running a three-part impact management workshop series, focused on helping fund managers improve their impact methodology and reporting.
- Running the third cohort of the Aspire Leadership programme, designed specifically for senior staff members from Big Society Capital and its fund managers, as well as the second cohort of the Inspire Leadership programme for CEOs.

In 2021, as part of our work to formulate our strategy to 2025, we undertook a review of our portfolio management approach, to understand how best to support the fund managers and intermediaries we work with. As a result of the review, 2022 will see the roll-out of our revised approach to fund manager support. This will include the establishment of an Investment Network, to provide fund managers with access to expertise and resources to help them achieve their strategic goals.



Our finances

Big Society Capital's long-term objective is to generate positive financial returns alongside demonstrable social impact. 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.

Profit and loss

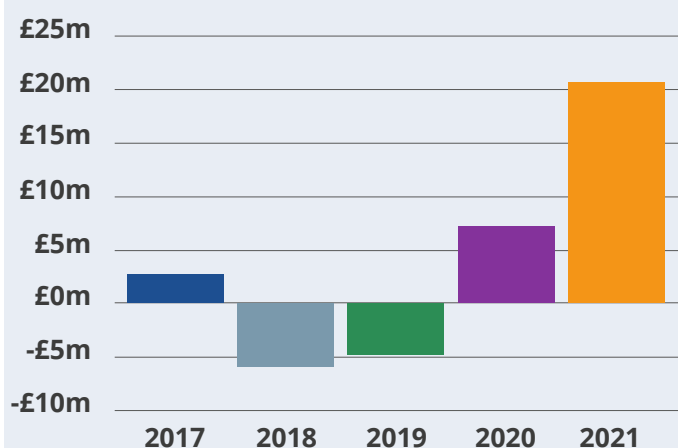
In 2021 we reported a net profit of £16.1 million, which represents a significant uplift from the profits and losses reported in previous years, and a 2.6% return on average capital employed. Balanced against cumulative brought forward losses from previous years, this result puts us on a clear track towards operating on a sustainable basis in line with our mandate, and will enable us to achieve further social impact, by making investments to address social issues aimed at improving lives in the UK.

This year's net profit is largely due to unrealised valuation gains in some of our impact venture

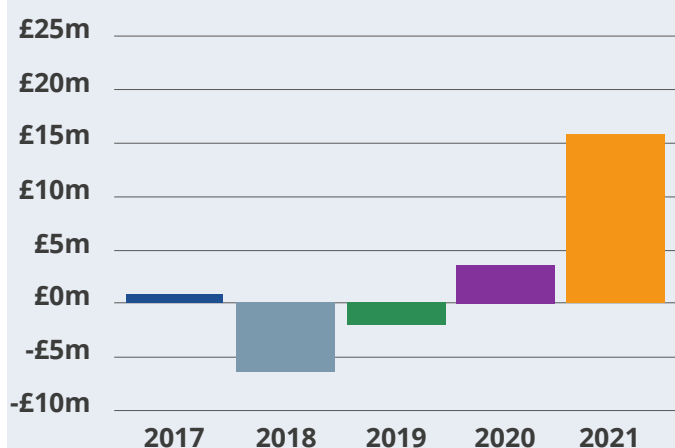
investments; tech-enabled start-ups whose business models have scaled significantly during the past year, and who have the potential to contribute significant impact in areas such as financial inclusion, health and the future of work.

The generation of financial returns enables our operational and market building costs to be covered, and supports delivering returns for our shareholders.

Social Impact Investment Portfolio Performance by Year



Net Profit Before Taxation by Year



Our full audited Report and Financial Statements for the year ended 31 December 2021 are available [here](#). Summary financial data is shown below.

Profit and loss for the year ended 31 December 2021	2021 £000	2020 £000
Social Impact Investment Portfolio¹		
Interest, fee and dividend income	3,736	4,511
Fair value adjustments on investments:		
– Valuation changes and income relating to underlying investments	22,043	9,170
– Management fees and expenses paid to fund managers	(5,058)	(6,494)
Other valuation changes	132	(17)
	20,853	7,170
Treasury Portfolio²		
Interest income	2,449	2,997
Fair value adjustments on investments	962	1,682
	3,411	4,679
Other income	713	115
Staff costs and other expenses ³	(9,016)	(8,339)
Profit on ordinary activities before taxation	15,961	3,625
Taxation	164	62
Profit for the financial year	16,125	3,687

¹ Our Social Impact Investment Portfolio represents investments made to meet our objectives.

² Our Treasury Portfolio comprises funds held before they are drawn down into social investments. We deploy our Treasury Portfolio proactively, to create social impact alongside our objectives to preserve capital, maintain liquidity and generate returns on investment. The reduction in net income for the year compared to 2020 is due to a marginally lower average treasury balance and lower, but still positive, market-to-market increases on the social bond, equity and multi-asset funds as a result of

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

³ Operating costs have risen in line with expectations. The overall increase in administrative costs reflects continued investment to support the delivery of our strategy, and enables investment in our resilience and effectiveness, as the Social I Investment Portfolio continues to grow.



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