BETTER SOCIETY CAPITAL

Annual Report and Financial Statements

31 December 2025

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BETTER SOCIETY CAPITAL

Company Information

Company Information

Board of Directors

A list of Directors who served on our Board throughout the year, including Committee memberships to date, is set out below. Full biography information for all our Directors can be found on our company website here: https://bettersocietycapital.com/about-us/governance/

Robin Hindle Fisher OBE[1]
(Chair)

Alison Evans[4, 2]
from February 2026 (Senior Independent Director)

Choong Fai Chan[2]
(known as Stan Chan, Chair of the Board Audit, Risk and Compliance Committee from November 2025)

Chris Wright[1, 2, 4]
(until end 2025),[5] (from beginning 2026)

David Hunter[2]
(until November 2025),[4] (until end 2025),[5] (from beginning 2026) (Chair of the Board Audit, Risk and Compliance Committee until November 2025, Chair of the Board Valuation Committee from January 2026)

Fiona Miller-Smith[5]
(from beginning 2026) (appointed 14 February 2025)

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

John Bromley[3]
(appointed 2 October 2025)

Michelle Ashworth[3]
(appointed 2 October 2025)

Rosie Ginday MBE[1]
(Chair of People Committee)

Stephen Muers[3, 4]
(until end 2025) (CEO)

Alan Giddins
(resigned 25 September 2025)

Christina McComb OBE
(resigned 31 October 2025)

Kieron Boyle OBE
(resigned 14 June 2025)

Lesley-Anne Alexander CBE[1]
(resigned 31 January 2026)

Secretary

Katie Hall-May

Independent auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Banker

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Registered office

Better Society Capital Limited
Script
44 Featherstone Street
London
EC1Y 8RN

Registered number

07599565

Regulatory authorisation

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

[1] Member of the Board People Committee
[2] Member of the Board Audit, Risk and Compliance Committee
[3] Member of the Investment Committee (an Executive Committee)
[4] Member of the Valuation and Performance Committee (an Executive Committee) which was disbanded 31 December 2025
[5] Member of the Board Valuation Committee (active from January 2026)

An introduction from our Chair

It is my pleasure to present Better Society Capital Limited's (BSC) Annual Report and Financial Statements for 2025.

BSC's overarching mission is to grow the amount of money invested in tackling social issues and inequalities in the UK. We do this by investing ourselves and by supporting others to invest for social impact alongside us.

2025 was the final year of our 2021-2025 strategy. Although there is much further work for us to do, I am pleased to report that significant progress was made against all the system change goals we set for ourselves for the past five years. A number of specific achievements made in 2025 are highlighted in the introduction from our CEO, Stephen Muers, below.

In the fourth quarter of 2025, we finalised and agreed a new strategy for the next five years. Over that period, we are aiming to build on what has been achieved to date, and believe that with the support of current and future partners we can channel significant capital towards tackling inequalities in the UK.

Our strategy for 2026 to 2030 aims to bring greater focus to four key areas of social challenge where we believe our actions can have the most effect – access to housing, the social implications of the transition to a carbon-neutral economy, access to healthcare and access to economic opportunity. You can read more about our new strategy on our website and via the link in our CEO's introduction overleaf.

The Quadrennial Review of BSC, commissioned by The Oversight Trust – Assets for the Common Good (the Oversight Trust) in 2024 and published in early 2025, provided us with some valuable feedback from a selection of our external stakeholders. Our Board and Executive Team both devoted considerable time to considering the Review's recommendations, and created a detailed action plan to respond to each of the key points identified. Some of the actions agreed were completed in 2025, but a proportion of the points raised will take time to address, and the Board will continue to monitor our progress. We are particularly mindful of the need to continue to improve the effectiveness of our engagement with our stakeholders across all sectors. This will remain an area of focus, and we will seek to provide increased clarity, simplicity and proportionality of information to each of our diverse stakeholder groups. I am grateful to all our stakeholders for their help in this process, in responding to surveys, meeting team members or providing other feedback to help us understand key issues.

In early 2025 we commissioned an independent external review of our Board's effectiveness. While celebrating the positive findings, we also gave full consideration to the areas of enhancement identified, and will strive to ensure that we provide the best possible oversight, challenge and support to the business in fulfilling its mission.

Board rotation provides opportunities to bring new and different perspectives to the organisation. 2025 saw the departure of three long-standing members of our Board – Kieron Boyle, Christina McComb and Alan Giddins – all of whom made outstanding contributions to BSC over their tenures. Our Board has benefited deeply from their expertise, wisdom and generosity of spirit.

In 2025 we had the pleasure of welcoming Michelle Ashworth and John Bromley as new Non-Executive members of our Board, and as members of our Investment Committee, in which roles they are already bringing valuable insights and experience to our discussions. You can read more about Michelle and John on our website at https://bettersocietycapital.com/about-us/governance/

As ever, the achievements and progress we made in 2025 were possible only because of the talent, dedication and hard work of the outstanding team we have at BSC. On behalf of the Board, I would like to express our appreciation and gratitude for the exceptional efforts of everyone in the organisation. Thank you.

Robin Hindle Fisher

Robin Hindle Fisher

An introduction from our CEO

Better Society Capital's mission remains as set out in our original mandate. First, to work with others to increase the size, impact and profile of the social investment market. Second, to deliver financial returns to ensure our own sustainability (ultimately leading to more capital to invest in future opportunities).

There will always be potential tensions in delivering market growth alongside our own sustainability. We seek to address this in part by working with partners who play different roles. For example we do not give grants, or fund charities and social enterprises directly, but work with others who do so, such as Access – the Foundation for Social Investment. I believe our record in 2025 shows the progress we are making on both growing the market and our own sustainability, and I am proud of our achievements here.

I would particularly like to highlight the launch of the Government's £500 million Better Futures Fund, which provides a major opportunity for social impact investment to contribute to better outcomes for children, young people and families in the UK. We are hugely encouraged by this bringing together of Government, local communities, impact investors and philanthropists, to collaborate on scaling proven approaches that will improve thousands of lives. We have worked, and continue to work, closely with Government on the detail of the design and delivery of this fund. More broadly, we were pleased to see the creation of a new Office for the Impact Economy in the Cabinet Office, which will unlock further opportunities for collaboration.

In respect of our own financial sustainability, I am pleased to report on our positive financial returns in 2025, which bring us closer to achieving this. Please see the section on Demonstrating financial sustainability within this report for further detail.

A key aspiration in our strategy from 2020 to 2025 was for Better Society Capital to contribute to at least doubling the size of the social impact investment market in that period. In 2025 our annual market-sizing exercise showed an estimated £11.2 billion invested in social impact investment markets, an increase of 7% from 2023. Five years ago, the total was £5.1 billion, so we are pleased with progress against that overall aim. We also reached the milestone of having invested over £1 billion of Better Society Capital's own funds into the social investment market since our inception, representing over one and a half times our share capital, and an additional £3.9 billion from our co-investors.

Our latest Impact Report[1] sets out more detail on how our own investments have contributed to social change and positive impacts across the UK. We are working on enhancing our impact reporting in response to feedback and market norms, and expect to implement a mix between live impact-related data on our website and deep-dive insight reports. In 2026 we expect to share our key lessons from our 2021-2025 strategy.

We seek to continue to grow the social impact investment market in a way that addresses important challenges facing the UK, and throughout 2025 we developed and agreed our new medium-term strategy for 2026 to 2030. You can read more about our new strategy here.[2] We believe it will bring greater focus to the four key areas of social challenge that we feel are both the most urgent and where we have the potential to make the greatest difference. Our strategy formulation sought to balance our response to the Oversight Trust's independent Quadrennial Review, published in January 2025, with insights we gained from discussion with partners, and discussion and feedback from both intermediaries and end-users.

Looking ahead, I am conscious of the growing macro-economic uncertainty, and the challenges it may present to us, to partner and investee organisations, and to individuals. We will be monitoring the situation and its potential outcomes closely, with a view to being ready to change where needed to meet changing priorities and needs.

I never fail to be impressed by the passion, quality and generosity of efforts by all our staff at BSC. Without their dedication and expertise, we would not get close to delivering the highlights outlined above and elsewhere in this report. I would also thank our partners, the Oversight Trust, Robin and the rest of our Board for their positive and insightful challenge, wisdom and willingness to engage.

Stephen Muers

[1] https://bettersocietycapital.com/impact-report-2024/
[2] https://bettersocietycapital.com/latest/our-2030-strategy/

Strategic Report

Our Strategy

The Directors present their Strategic Report for the year ended 31 December 2025.

Our mission

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

Our strategic approach

Working with expert partners, we seek to understand people's needs first. Then, using our knowledge and capital, we collaborate and invest with fund managers who also want to create a better, sustainable future. They, and the social enterprises and charities they invest in, create the impact. Our role is to bring the most relevant experts from our network to the table, generating ideas and connecting capital to where it's most needed, rather than investing directly in frontline organisations.

We use three impact dimensions to help define the change we want to see:

- **Impact on people:** Specifically, the individuals who use the services and products created by social enterprises and charities that have received investment from the fund managers or social banks we invest in. We use the Impact Frontier's Five Dimensions of Impact[4] to define the expected impact on people.
- **Financial sustainability:** All our investments are made with the aim of developing financially sustainable structures and enterprises. This ensures the social impact continues to be generated, even after the investment has been repaid with a return. We aim for positive and competitive financial returns that will have the greatest chance of attracting other investors and ultimately achieving the greatest social impact.
- **Impact on the system (or 'systems change'):** This refers to the impact our investments and other market-building activities have on the broader investment ecosystem – including investors, policy-makers, fund managers and intermediaries – to ultimately increase the quantity and quality of capital and support to enterprises and charities that improve people's lives in the UK.

To help lay the foundations for a thriving social impact investment market, we focused on four key areas for investment into UK social issues, as part of our strategy to the end of 2025: social and affordable housing (social property); social lending; impact venture; and social outcomes contracts. We referred to these areas as 'market systems'.

- **Social and affordable housing (social property):** Our goal is to increase the supply of good-quality, safe and secure social and affordable homes using private impact capital. We invest in the models that we believe work fairly for all stakeholders, and we select fund managers who understand the social issues involved, who can work with the best partners, and who can be instrumental in growing the market with transparency and integrity. This is a growing area, and we believe that private impact capital has a significant role to play in solving the UK's housing crisis.
- **Social lending:** We aim to supply capital to a diverse range of impact-led social enterprises and charities, to enable them to build resilience in the current economic environment, and access pathways to growth. As part of our strategy to 2025, we aim to ensure that at least 50% of organisations that take on social lending are from, or are working with, under-represented communities. We also aim to invest at least 60% of our Social Lending Portfolio in the areas of the UK that are represented by the top two quintiles in the Index of Multiple Deprivation (IMD)[5]. We work with partners to understand key areas we may be missing, and identify where we must go further.

[3] An explanation of social impact investment and our approach can be found on the Better Society Capital website: https://bettersocietycapital.com/our-approach/
[4] https://impactfrontiers.org/norms/five-dimensions-of-impact/
[5] https://data.cdrc.ac.uk/dataset/index-multiple-deprivation-imd

- **Impact venture:** Our key goal in this area is to support the development of an investing ecosystem that nurtures and scales innovative ways of tackling social problems. To achieve this, we invest our capital with pioneering, impact-dedicated fund managers, and also with top-tier venture managers who align with our values and are looking to enhance their impact practice. We seek to develop leadership in this area by initiating new tools, systems and processes to enhance impact practice, engaging key market players, and building the movement towards impact in venture – including through the ImpactVC[6] community.
- **Social outcomes contracts:** These are a form of public service commissioning, whereby the Government commissions based on achieving positive outcomes for specific groups of individuals. Our objective here is to enhance and develop an environment that supports the delivery of outcomes contracts at scale, in a broad range of policy areas. We aim for this to be supported with appropriate funding, delivery and management expertise. To achieve this, we work with stakeholders across the market to share lessons learned, while ensuring that there is enough socially motivated capital in the market to service outcomes projects, including investing our own capital.

Looking to the future

In 2025, we concluded planning for our next strategy, which will cover the period 2026 to 2030. We have demonstrated that social investment can deliver in many areas. We now need to accelerate that success. Our new strategy outlines an ambitious goal of mobilising £20-30 billion to tackle four major social and environmental challenges, being housing, economic opportunity, health, and social implications of the transition to a carbon-neutral economy. As outlined in our Chair and CEO introductory statements, these were chosen because they are areas where we see the greatest potential, and where we feel BSC is best placed to have an impact.

[6] https://www.impactvc.co/

Our Business Model

Our operating model

Our operating model is based on the following principles:

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

Since inception, BSC (either alone or with investors alongside us) has made investments totalling £4.9 billion of new capital available to organisations with a social mission. We aim to identify sustainable business models that will create impact and improve people's lives, as well as achieving positive investment returns. We focus on those models that can attract other investors, as ultimately these will provide the opportunity to scale and have greater impact. We seek to be a market builder for social impact investment, by encouraging other organisations to engage with the market, developing and publishing research that builds understanding, improving the measurement of social impact, and advocating for an appropriate policy environment.

Our capital

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

At its launch, the equity capital base of Better Society Capital Limited was set at £600 million, of which the Oversight Trust's portion was £400 million. Subsequent injections of additional equity totalling £33 million from dormant bank accounts were made in 2018 and 2023. We have also received £200 million in total from our shareholder banks (Barclays, HSBC, Lloyds Banking Group and NatWest Group) for investment across the UK, which represents their maximum commitment. Approximately one and a half times this total capital from dormant bank accounts and the shareholder banks has now been committed to social impact investments by Better Society Capital Limited, to generate social impact across the UK.

Our approach to impact investment, management and measurement

We consider both impact on people and wider systems change alongside financial sustainability, before we make a decision to progress a potential investment. The investment then proceeds through a 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 our investment's potential for impact and create a measurement plan to validate them post-investment. Impact and systems change considerations are then presented to our Investment Committee with equal (or at times greater) prominence as traditional financial considerations.

Once an investment has been made, we continue to monitor impact and system change performance through regular impact reporting and engagement with investees, including holding Annual Impact Conversations. Our investments' impact and system change performance at portfolio level was then reviewed annually, until end 2025, by our Valuation and Performance Committee. (From January 2026 we have changed our governance structure so that performance is considered by our new Investment and Performance Committee, as opposed to within the Valuation Committee, as outlined in our Corporate Governance Report.)

Better Society Capital Limited is a signatory to the Operating Principles for Impact Management, a framework for best practice in impact management. Our 2025 Disclosure Statement has been published here,[7] and our latest independent verification report by BlueMark can be found here.[8] Our excellent verification results place us on BlueMark's Practice Leaderboard.[9] We published our 2024 Impact Report in February 2025, which is available on our website here.[10] Further information on the organisation's approach to impact can be found on our website here.[11]

[7] https://bsc.cdn.ngo/media/documents/OPIM_2025_disclosure_statement.pdf
[8] https://bsc.hacdn.io/media/documents/BSC_OPIM_Practice_Verification_Statement_Detailed.pdf
[9] https://www.newprivatemarkets.com/bluemark-puts-nine-new-investors-on-leaderboard/?utm_source=newsletter-weekly&utm_medium=email&utm_campaign=npm-monday-weekly-subscriber&utm_content=02-06-2025
[10] https://bettersocietycapital.com/impact-report-2024/
[11] http://www.bettersocietycapital.com/how-we-work/impact/

Our Performance in 2025

Improving lives through investment and market systems change

In 2025 we signed £54 million worth of new investments, which was within, though at the lower end of, our expected commitment range (in anticipation of our new, 2026-2030 strategy).

Social property

In 2025 we continued to deliver on our strategic focus of engaging with institutional investors and Government to increase the amount of impact-focused capital investing in social and affordable housing, through a combination of investing our own capital and market-building activities.

The social and affordable housing challenge in the UK has continued to worsen, with the effects acutely showing in the temporary accommodation crisis and growing housing waiting lists. Meanwhile, building new homes remains a challenge due to high construction costs, and the housing association sector remains under pressure to focus its resources on improving existing stock. Social investment cannot solve all these challenges, but it is an essential and growing part of a solutions toolkit.

Investing

We invested a total of £20 million across two investments in social property in 2025, with both investments set to play a pivotal role in channelling significant amounts of private impact capital into delivering more social and affordable housing in the coming years:

- **Legal & General Affordable Housing Fund:** This fund works with the Legal & General Affordable Homes business to develop and deliver thousands of new, high-quality and energy-efficient social and affordable homes for people currently on the UK housing waiting lists. Our investment in the fund has enabled us to participate as a constructive challenger on impact practice, working with the manager to further raise the bar. BSC made a £10 million investment in the fund.
- **Thriving Investments Greater Manchester Essential Worker Housing Fund:** With cities becoming increasingly unaffordable, this fund seeks to provide new high-quality, affordable homes for essential workers in Greater Manchester, allowing them to live closer to their workplaces. The fund makes use of an innovative finance structure that uses a long-term, low-cost loan to replace what would typically be a grant, enabling capital to be recycled into more homes over the life of the investment. BSC made a £10 million investment into the fund.

Since inception, we have made 23 fund commitments in social property totalling £271 million (representing 25% of all gross commitments in our Social Impact Investment Portfolio), helping to finance 8,912 homes across the UK, which are projected to support 24,000 people. Analysis of the social housing segment of our Portfolio highlights the reach of these investments, with 74% of our investments delivering homes in the least affordable areas, where house prices are nine times the average local salary. 75% of these homes were also in areas with the greatest homelessness pressures.

Highlights from our market-building activity in this area in 2025 included:

Promoting and shaping best-in-class impact practice and outcomes

2025 saw the completion of our three-year evaluation of the Social Investment Pilot, established during the pandemic as part of the Government's Everyone In initiative, that has used social investment to deliver support and sustainable housing for people experiencing homelessness. The evaluation was led by the Policy and Evaluation Research Unit at Manchester Metropolitan University, and reveals that the £50 million from the UK Ministry of Housing, Communities and Local Government (MHCLG) and BSC helped crowd in another £215 million of investment, to deliver 847 homes since inception, with over 80% of properties in the highest 40% of areas by incidence of homelessness. 33% of properties are in the top 10% of areas of acute need and of a higher standard than required by the Private Rented Sector, leading to high client satisfaction and sustained tenancies.

Educating and influencing investors to invest in high-impact models

We continued to engage with institutional investors, and particularly Local Government Pension Schemes (LGPS), encouraging them to invest in impact-led social and affordable housing. We have been instrumental in contributing to the growth in high-impact models through our cornerstone investments, signalling and deliberate engagement, which has helped grow LGPS co-investment from £65 million pre-2021, to £1.3 billion by 2025.

2025 also saw our first Master Trust co-investment from Now Pensions. This investment is a direct result of our engagement with the investment specialist Cardano in 2022 on the Social and Affordable Housing Request for Proposals, which is an exciting step forward in our market-building.

Influencing policy-makers and partners to help grow the market with integrity and quality

In 2025 we continued to engage with policy-makers to champion the role that private impact capital can play in delivering more affordable homes in the UK. Some important policy announcements were made during 2025, which are a culmination of engagement over the past three to four years by BSC and others, including a new ten-year rent settlement for social and affordable housing. This rent settlement will help unlock and scale in more private impact capital.

We also published a report highlighting the contribution of institutional investment in delivering affordable housing across the UK. The report was sponsored by Savills and undertaken in partnership with The Good Economy and participating fund managers. It aggregated the data for nearly 15,000 homes to show, for the first time, a holistic picture of this contribution across supply, quality and space standards, affordability and energy efficiency. This report represents an important step in building a market that has transparency at its core.

Social lending

Our overarching aim in this area has been to build a thriving social lending market that works for social purpose organisations and investors alike. In 2025, our focus expanded to laying the foundations for the future strategy, as well as how we can build on what our existing portfolio is achieving. For this reason, and because the ultimate commitment date for some new investments we were taking through our investment process moved to 2026, we did not make any new lending commitments in the year, though we did review a number of potential investment opportunities. Investments already in our process included those that were place-based, as well as those focused on enabling a transition to a carbon-neutral economy.

Another critical pillar of our work enabling access to social investment through blended finance, was confirmed in 2025 when our sister organisation, Access – The Foundation for Social Investment, was announced to be receiving a further £87.5 million in dormant assets. This will be used to unlock capital for social purpose organisations over the next four years. We were proud to support the shape of this programme through the Community Enterprise Growth Plan, and delighted to see it confirmed.[12] This additional capital will build capacity in core segments of the market, and unlock additional investments alongside. How we invest in sustaining and growing this part of the market will form a core part of our work in 2026 and beyond, learning lessons from what has worked over the past decade.

In addition, we have been encouraged by the launch of the British Business Bank's Community Enable Funding programme in late 2024. This builds on the work that has been done through the Community Investment Enterprise Funds I and II, and we look forward to continuing to support the sector's development in 2026 and beyond, alongside key partners, including Responsible Finance.

Since inception, Better Society Capital Limited has made 58 social lending investment commitments and committed £384 million of capital, representing 39% of our Portfolio.

Beyond investments, our team continues to engage in market-building activity, to develop thriving social lending markets where investors can find opportunities that align with their values, and where social purpose organisations can find the right finance at the right time to fuel their work. We have continued to explore our role committing capital to address critical societal challenges, such as the Just Transition to a climate-resilient and carbon-neutral future. This has included running a working group with partners, exploring what is needed to support key parts of the green community infrastructure, focused on renewable energy projects owned by communities. This sets up some exciting work and potential commitments in 2026 and beyond. Our work with key partners on building a wider impact community around blended finance also continued to go from strength to strength. Through the Blended Finance Collective,[13] we held a third annual event, out of which has flowed a Vision to 2045, and an initial roadmap to get there. We are particularly excited to see how this community is sharing lessons for different market contexts, and this will help our own work mature.

Impact venture

In 2025, BSC committed or approved £14 million of investment in the area of impact venture. This included:

- **Eka Ventures II**, a fund which is focused on consumer technology companies working in the areas of preventative healthcare and sustainable consumption.
- **Meridian Health Ventures I**, an NHS-anchored healthtech fund investing in medtech, digital health and enterprise.
- **Resolution Ventures**, a fund backing early-stage ventures that use technology and data to improve the lives of those in low-paid or precarious work.
- **Stream**, BSC's first direct co-investment in a venture company, which is an organisation that works to improve the financial wellbeing of frontline workers.

[12] https://access-socialinvestment.org.uk/news-and-insights/blog/dormant-assets-allocation-now-confirmed
[13] For further information please see: https://www.blendedfinancecollective.com/ and https://www.blendedfinancecollective.com/vision-2045

Since 2012, approximately £140 million has been committed by BSC to impact venture across 23 funds, reaching more than 170 impact start-ups and, through them, helping more than 16 million people. Key impact themes in the Portfolio include physical and mental health, financial inclusion and education.

In February 2025 we celebrated the two-year anniversary of ImpactVC, a community of venture capital investors coming together to learn about and raise the profile of impact in venture investments. This community now includes more than 1,000 people from more than 750 venture capital funds, representing over £70 billion in assets under management. Sparked by community interest, ImpactVC formed Chapters in Germany and the UK to bring together members in the same region, with more to be established in 2026. In 2025, the community developed two new resources: guidance and case studies on *Impact as a Driver of Business Value* as well as a Business Case and Due Diligence Tool on AI investing. In addition, we launched an *Impact Highlight* podcast in collaboration with the European Venture Capital community (EUVC) and Impact Supporters, which featured ten episodes and reached over 300,000 people. ImpactVC held events reaching over 1,200 people in 2025, and has now hosted training for over 50 venture capital investors.

Social outcomes contracts

2025 represented the culmination of a five-year strategy period for our work in social outcomes contracts, and it saw our wider market-building and public advocacy work bear fruit. The highlight of this came through our corporate engagement in the working groups of the Social Impact Investment Advisory Group. Our CEO chaired the working group on the development of a social impact investment outcomes payment vehicle, with social outcomes colleagues contributing and co-ordinating inputs from the convened sector partners.

This work directly informed the Chancellor's launch of the £500 million Better Futures Fund in July – the world's largest outcomes-based fund of its kind – supporting up to 200,000 vulnerable children and young people over ten years through social outcomes partnerships. It is the latest in a series of central outcomes payment funds, the first since the Life Chances Fund in 2016, and it represents a step-change in scale and delivery. Its announcement is testament to the market development work done by us and others over recent years, as well as to the evidence being built and the results being achieved by partners across the sector. It creates an exciting context as we enter our next strategic period (2026 to 2030).

In parallel, we made an investment into Bridges Outcomes Partnership's Better Outcomes Fund V (BOF V). Our commitment is 20% of fund size (up to a £20 million commitment). BOF V has the potential to support over 100,000 people, and create deep impact in these individuals' lives through programmes like those of Kirklees Better Outcomes Partnership,[14] which supports people at risk of homelessness to live independent and fulfilling lives. The size of this commitment reflects the wider market development, building on the lessons of the last decade, and the Government's Better Futures Fund, which aims to unleash pipeline at scale in the coming three to five years.

Since inception we have now made 14 fund and other investment commitments in social outcomes contracts, totalling £64 million, delivering outcomes for at least 70,000 people, many of whom were vulnerable individuals with complex overlapping needs.

In the wider market, to date there have been c100 social outcomes projects in the UK, through which more than 220 social sector organisations have been able to deliver vital support to people with complex needs, across the areas of homelessness, children's services, health, education and employment.

Demonstrating financial sustainability

The longer-term objective for Better Society Capital Limited is 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 (SIIP) becomes more mature, and exits from earlier investments are realised. The generation of realised financial returns, over the long term, will also support the company's operational and market-building costs and establish a dividend stream for our shareholders.

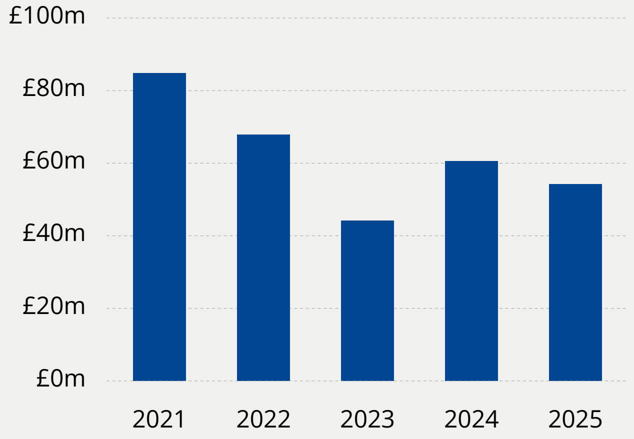
2025 results show a net profit after all expenses of £16.1 million (2024: net profit £1.1 million), driven by total net investment returns increasing to £27.6 million (2024: £11.1 million), primarily reflecting returns from the SIIP of £20.1 million and £7.5 million from the Treasury Portfolio.

The financial statements, beginning at page 53, set out Better Society Capital Limited's financial performance for the year.

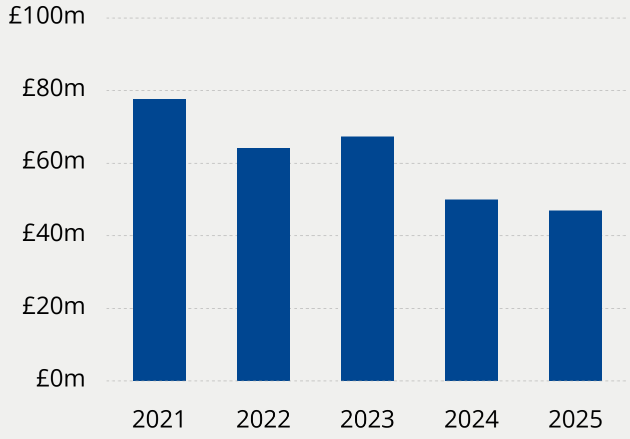
The key performance trends for our Social Impact Investment Portfolio and Treasury Portfolio are outlined in the charts and sections below.

[14] For further information, see https://www.kirkleesbetteroutcomespartnership.org/

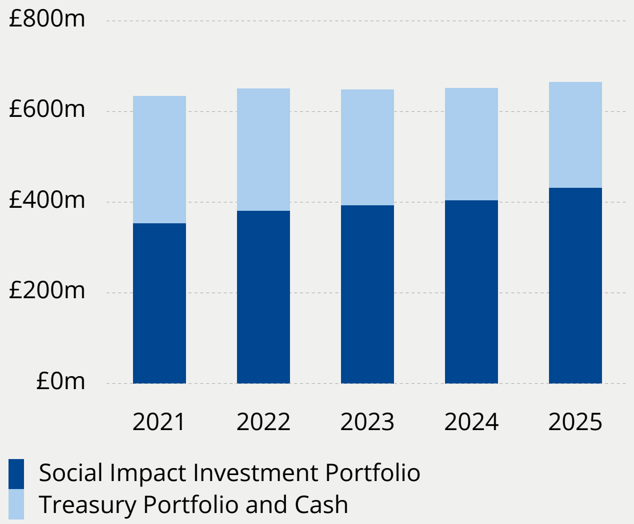
Social Impact Investment Portfolio – New Commitments – last 5 years



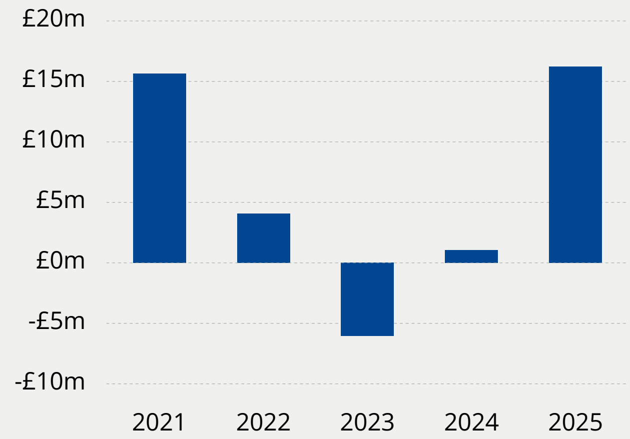
Social Impact Investment Portfolio – Drawdowns – last 5 years



Valuation of Social Impact Investment Portfolio and Treasury Portfolio



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



The Social Impact Investment Portfolio comprises investments made to meet our impact investment objectives directly. The Treasury Portfolio represents capital held before it is drawn down into social impact investment.

As demonstrated above, in 2025 we delivered within our expected new investment commitment range of £50-70 million, as we prepared for the launch of our 2026-30 strategy.

Alongside new commitments being at the lower end of our range, the macro-economic environment has led to slower drawing of capital than forecast in parts of our Portfolio; for example in social lending, drawdowns are behind plan, as many charities and social enterprises face cost pressures.

Profits increased in the year as the Portfolio matured, but are driven by some specific investments including a social bank, as referenced in the commentary below.

Social Impact Investment Portfolio

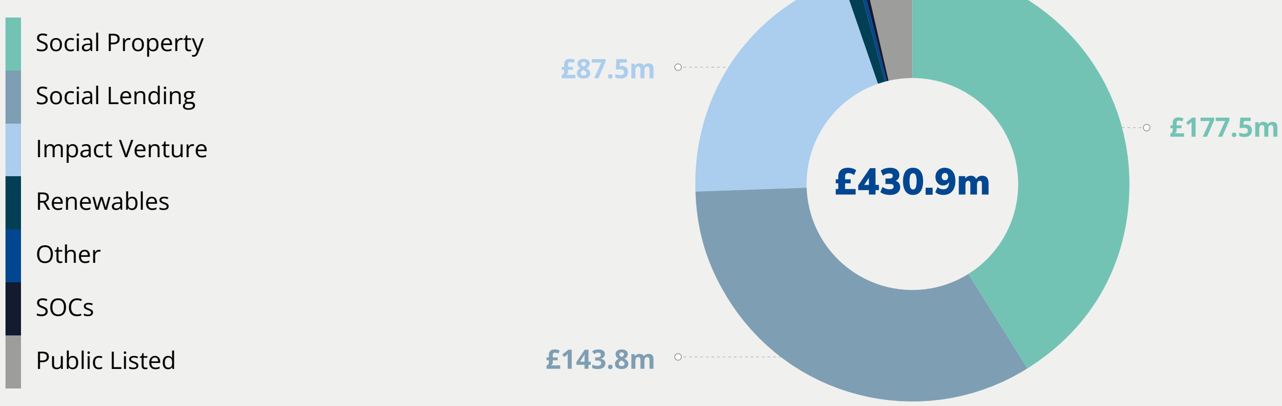
A key driver of the company's year-on-year financial performance is the extent of realised and unrealised valuation gains and losses in the SIIP, alongside income and capital distributions. Most of the Portfolio is valued in accordance with accounting standards by assessing the fair value of an asset at the measurement date, based on International Private Equity and Venture Capital Valuation Guidelines (2025 edition). As is common practice with unquoted investments, a key metric of financial success is the actual cash realised on an investment relative to its cost.

Overall, in 2025, the Social Impact Investment Portfolio generated a positive return of £20.1 million in 2025 (IRR of 4.8% on investment portfolio), compared to a positive return of £7.6 million in 2024 (IRR of 1.9% on investment portfolio). The 2025 SIIP returns during the year are driven by:

- Impact venture segment: positive performance +£9.2 million. This segment is early in its life cycle, and most of the value currently remains unrealised.
- Lending segment: positive performance of +£8.4 million, as our broad spectrum of lending investments continues to remain resilient, with gains significantly driven by one of the social banks.
- Social property segment: positive performance of +£3.7 million, as our holdings continue to mature.
- Social outcomes contracts and other: negative performance of -£1.2 million during the year, with the biggest driver being the decline in share price for BSC's investment in the Schroder BSC Social Impact Trust.

By 31 December 2025, our Social Impact Investment Portfolio comprised investments totalling £431.1 million, in the following activities:

Social Impact Investment Portfolio Valuation by Type



Drawdowns in the Social Impact Investment Portfolio during 2025 totalled £46 million (2024: £50 million) and cash receipts totalled £40 million (2024: £46 million). Total new commitments made in 2025 were £54 million (2024: £61 million). Commitments over the last three years have been lower, in part latterly due to a planned approach to commit more in the coming years with the implementation of the 2026-2030 strategy.

Further breakdown is available in Note 3 of the financial statements.

New investments

In 2025, Better Society Capital Limited signed seven new investments, totalling £54 million (including one follow-on investment) in the following entities (2024: £61 million):

Investment name	Market system	Commitment	Investment summary
Bridges Better Outcomes Fund V	Social Outcomes Contracts	£20m	BOF5 will largely focus on delivering social outcomes contracts to support vulnerable individuals with complex needs across various social issue areas in the UK.
Eka Ventures II	Impact Venture	£8.1m	Investing in Seed and Series A stages in sustainable consumer technology companies with two thematic focus areas: consumer health and sustainable consumption.
KHP Ventures I	Impact Venture	£4m	A healthtech fund based in London, investing at Pre-Seed, Seed and Series A in three subsectors: medtech, enterprise and digital health.
LGIM Affordable Housing Fund (L&G UK Affordable Homes Fund)	Social Property	£10m	Legal & General IM (L&G) is seeking to leverage its established Affordable Homes business to seed and launch an investment fund investing in high-quality, well-managed affordable housing.
Stream	Impact Venture	£1m	By combining open banking with employment data, Stream offers a personalised set of financial services with fairer rates, terms, support and tools built specifically to serve workers.
Thriving Investments Greater Manchester Housing Fund	Social Property	£10m	New affordable homes in Greater Manchester for essential workers on low to median incomes. The fund will use a blended capital structure (low-cost public sector debt) to forward fund new developments and increase supply.
WorkerTech I – Resolution Ventures	Impact Venture	£1m	Invests at Pre-Seed and Seed stages to improve the prospects of low-to-middle-income Britain. Investing in new models that improve pay and security, new ways to reskill and upskill workers, and providing tools for organising and knowledge sharing.

Treasury Portfolio

In order to demonstrate good stewardship of our share capital from a risk/return perspective, the Treasury Portfolio is managed in two principal segments. The larger portion of the Portfolio is focused on asset-liability matching to meet multi-year social impact investment commitments and organisational cash requirements. The remainder of the Portfolio is invested in a return-seeking, multi-asset portfolio with a medium time horizon. Both segments are managed holistically alongside the SIIP and in line with our responsible investment principles.[15]

Total investment income from the Treasury Portfolio was £7.5 million in 2025 (2024: £3.5 million). Of that, £5.2 million is driven by the larger portion of the Portfolio that is focused on asset-liability matching, while £2.3 million is derived from the multi-asset portfolio with the medium time horizon. It should be noted that this part of the Portfolio has benefited from the higher interest rate environment.

Administrative expenses

Overall costs in 2025 increased during the year, with administrative costs of £12.6 million in 2025 (2024: £11.4 million). The increase during the year is mainly due to increases in total staff costs, to ensure we have the right skills and resources in place to support our strategic goals.

[15] You can find out more about our responsible investment principles through our website via our Responsible Business Principles here: https://bettersocietycapital.com/about-us/responsible-business-principles/, which contain further links to our ESG approach and Responsible Investment Policy.

Liquidity

We utilise a long-term liquidity model to assess future liquidity requirements, considering future expected realisations and expected drawdown profiles. The Board has approved a policy whereby available liquidity should be at least 80% of the level of undrawn commitments. As of 31 December 2025, cash and treasury funds totalled £235 million (2024: £246 million), or 137% (2024: 161%) of undrawn commitments. The drop in percentage is reflective of additional commitments signed during the period, but it continues to remain comfortably above our required threshold at year-end; we expect to move closer to the 80% funding rule within the current (2026-2030) strategic period.

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

Growing the social investment market

In our mission to grow the social investment market, we focus on building trusted relationships across Government, investors and the social sector, collaborating to develop long-term solutions that mobilise capital for positive impact.

We continue to raise awareness and share insights on social impact investment, while enhancing our market-building work through a new sustainable advisory service. This enables us to work more closely with major investors seeking to create social impact.

We have also intensified our support for Government, by providing targeted expertise and practical guidance, responding to increasing interest from the public sector in leveraging additional capital to address social challenges.

Supporting the public sector and engaging with Government

- Our central focus in 2025 was the Social Impact Investment Advisory Group (SIIAG), convened by the Chief Secretary to the Treasury and the Secretary of State for Culture, Media and Sport. Running from January to October, the Group – chaired by Dame Elizabeth Corley DBE – brought together senior leaders to advise Ministers on how to mobilise social impact investment and strengthen the wider impact economy.
- As previously stated, our CEO chaired the working group on the development of a social impact investment vehicle, with BSC colleagues contributing across all working groups. We also seconded our Policy Director to HM Treasury (HMT) for eight months to support HMT and cross-Government work on impact investment.
- SIIAG's recommendations also shaped the creation of the Office for the Impact Economy, launched by the Prime Minister in November as a single front door for impact investors, philanthropy and purpose-driven businesses. Impact investment and the impact economy featured prominently across major Government publications in 2025, including the Spending Review and Budget, the Industrial Strategy, the Child Poverty Strategy and the Best Start in Life Strategy.
- Alongside SIIAG, we strengthened relationships across Government on priority areas – engaging Ministers, MPs, Special Advisers, officials and think-tanks. For example, at MHCLG's request, we co-designed a ministerial roundtable on the role of social impact investment and philanthropy in tackling homelessness, and continued visible engagement at political conferences and the House of Commons with partners including Access – The Foundation for Social Investment and Pathway Fund.
- We also supported strong cross-sector collaboration through our role in the Impact Economy Collective, hosted by the London School of Economics, helping provide Government with a co-ordinated voice from impact investors, purpose-driven business and philanthropy.
- We have also been engaging with local government through mayoral combined authorities, exploring how to crowd in additional private capital to deliver their policy priorities, such as transitioning to a carbon-neutral economy.

Supporting social enterprises

- In February 2025 we launched a new Good Finance website, embedding our updated brand identity, mobile-enabled viewing, with improved accessibility features.
- Good Finance (funded in partnership with Access – The Foundation for Social Investment) celebrated the milestone of 834,000 unique website users and over 10,000 cumulative completions of our 'Is it right for us?' tool. In 2025 approximately 10,000 users demonstrated appetite for social investment, by clicking through to our investor directory, with 22% indicating real intent to use social investment by clicking through to the investor's website.
- We delivered our Good Finance Live event in London in April. This event was specifically targeted to bring organisations that are actively looking for investment in the next 12-18 months together with investors. There were 65 in-person and 47 online delegates, 30 social investors, 15 key panel speakers, and 24 bursaries were provided to support the attendance of under-represented leaders who face additional barriers to accessing social investment.

- We launched our Pay-It-Forward model, repurposing fees from delegates to fund bursaries to support participation in our CPD-accredited e-learning programmes, as part of our redressing imbalance commitment. Our e-learning programmes have supported over 450 learners from social enterprises, charities and those working in social investment, to understand more about how social investment can work for different organisations.
- Our Christmas campaign, powered through the use of AI, brought the story of Benny the Beaver[16] (based upon a real case study) to life. With over 50,000 views and impressions across our social media channels, it doubled results year on year and has enabled us to reach wider audiences through a new mode of storytelling, demonstrating how social investment can help to translate the drive to create sustainable impact into a revenue-generating business model.

Supporting investors

- The Schroder BSC Social Impact Trust (the Trust or SBSI) continued to be a key focus for our team in 2025, as an important market-building initiative. The Trust has continued to deliver resilient returns since inception, despite a highly volatile market. The Trust's Impact Report[17] published in June 2025 contains further information on the impact achieved by its investments, including financing 196 frontline organisations and benefiting 422,000 people, with at least 98% being from vulnerable and disadvantaged groups. SBSI's investments have generated a total of £238 million in social outcomes and savings for households and Government.
- In July 2025, the Board of the Social Impact Trust announced a strategic review and shareholder consultation process, in response to the entrenched discount to net asset value that the Social Impact Trust's shares have been trading at, like much of the investment company alternatives sector. Following an extensive consultation process, a majority of shareholders have expressed continued interest in the Social Impact Trust's unique social impact portfolio, while others have expressed a preference for a return of capital or nearer-term liquidity. The SBSI Board intends to make a proposal for shareholder approval, which is likely to be required to be put to shareholders at the 2026 AGM. In the meantime, our team continues to manage the existing portfolio in accordance with SBSI's investment policy (while not making new investments that would extend the maturity of the portfolio).

Supporting networks, fund managers and intermediaries

- We have a number of corporate pro bono partnerships and a resource bank of experts, who provide BSC and fund managers in our Portfolio with access to pro bono support, tools and resources to help achieve strategic objectives. BSC also manages a number of important communities. In 2025 this included:
  - The continued growth of the ImpactVC community to over 1,000 members, including the ongoing running of the UK and Germany Chapters.
  - The management of Future Impact Finance, a network for professionals new to the social investment sector. This network has over 177 members and hosted ten events over the year.

Measuring the reach of our communications

- 2025 saw BSC reach its £1 billion cumulative investment milestone, which generated significant coverage across national press including The Times and the Financial Times.
- We received over 205 mentions in the press in 2025, and the BSC LinkedIn account grew by over 4,600 followers.

[16] https://www.goodfinance.org.uk/latest/post/benny-beaver-social-investment-story
[17] https://mybrand.schroders.com/m/c6c159ce3f906e0/original/SBSI-Impact-Report-2025.pdf

Key Performance Indicators (KPIs)

We track performance against KPIs and milestones across three dimensions: 1) Investment 2) Financial performance and 3) System change.

Investment commitment KPIs

Since launching, Better Society Capital Limited has signed

>150 investments

The cumulative amount of impact investments signed by Better Society Capital Limited and co-investors as at the end of 2025 was £4.938 billion (2024: £3.992 billion). Of this, £1.041 billion (2024: £988 million) was Better Society Capital's own funds, representing over one and a half times its share capital, and £3.897 billion (2024: £2.934 billion) was from co-investors, a ratio of almost 4:1.

>3,750

Number of organisations receiving money from Better Society Capital Limited and other investors alongside us, since 2012.

>70%

Percentage of organisations operating nationally or outside London.

Financial KPIs

Our key indicators in this area are our profit/(loss) for the year (see page 16 for further detail) and the overall target for net return after costs of 1% per annum averaged over five years, as agreed with our shareholders in 2022. There will continue to be a range of rates of return for the investments within our Portfolio, but our overall return target reflects the way we balance competing objectives, including ongoing investment in market building and backing higher-risk new proposals.

The average five-year return on capital net of costs is 1% for 2025 (2024: 0.6%), which is consistent with our long-term target. Given the nature and risk profile of the Social Impact Investment Portfolio, further net profit volatility can be expected.

Systems change KPIs

We set annual goals across our market systems and wider corporate priorities. These cascade into both annual and quarterly KPIs that are tracked by teams. Our annual KPIs are reported on in our annual business planning cycle.

Within our market systems, we set KPIs under three dimensions:

1) **Scale** – which captures different measures of wider growth of the market
2) **Quality** – which captures key dimensions on quality of impact measurement and management practice in the market
3) **Reach** – key dimensions of the reach of our investment and market-building work into different communities and demographics

The following pages show a subset of our KPIs across our market systems.

Impact venture – 2025 progress against goals

	Overall goal	KPIs	2025 goal	2025 actual	RAG	2025 progress
SCALE	**More money flowing into high-quality impact venture deals**	*Overall market size of impact venture*	£900m	£815m (as at end of 2024[18])		• Impact venture market continues growing despite macro headwinds. • £187m invested into 'BSC impact' companies by funds in BSC's portfolio to date; 2.7x impact match ratio.
	Impact as a source of value as industry norm	*Number of downloads of the Founder Impact Playbook*	Not set – but tracked	3,000		• Continued momentum in ImpactVC community growth: 750+ firms are members of Impact VC community, including mainstream top-tier firms including Balderton, Atomico and impact-led firms.
QUALITY	**Impact practice is rigorous and proportionate**	*% VCs in BSC Portfolio rated green against impact roadmap progress*	70%+	50%		• 11 managers in our Portfolio using the Impact Venture Roadmap (out of 11 relevant managers). • 50% of funds in our Portfolio are rated Green on progress against the Impact roadmap. Two managers significantly below expectations.
REACH	**The venture ecosystem (VCs; founders) is more diverse**	*% VCs in BSC Portfolio that are diverse-led[19]* *– with at least 26-50% women representation in their staff teams* *– with at least 1-25% racialised representation in their staff teams*	50% 100% 100%	50% 100% 100%		• Note: EDI survey was not run with managers in 2025 (latest data available remains from 2024). • Female and racialised representation in BSC Portfolio for VC firms and underlying portfolio continues to outperform the market overall. • Continued positive progress with Portfolio building on good foundation to drive change with EDI DD framework and KPIs.

[18] From our 2024 Annual Market sizing data. 2025 market sizing will be released in Q3 2026.
[19] Defined as whether any under-represented or marginalised groups have at least 50% representation on decision-making bodies (Board or Investment Committee AND Senior Leadership).

Social lending – 2025 progress against goals

	Overall goal	KPIs	2025 goal	2025 actual	RAG	2025 progress
SCALE	**Grow the social lending market to £5bn**	*Size of market*	£5bn	£4.4bn (as at end of 2024[20])		• Continued growth in 2025 lending for social banks despite margin compression due to lower interest rate environment. • Wider negative economic backdrop has created challenges for our non-bank lending portfolio – including increased operating costs.
QUALITY	**80% of organisations to demonstrate improved resilience and growth**	*Enterprise Level Impact pilot: % reporting improved:* *– resilience* *– growth*	 80% 80%	 87%[21] 97%		• Though targets achieved, based on learning from the pilot, further Enterprise Level Impact Survey rollout not pursued in 2025.
REACH	**60% of organisations receiving investment in the most deprived areas of the UK**	*% Portfolio in IMD quintiles 1 & 2*	Maintain 60%	60%[22]		• Enabled by 1) £274m in catalytic capital committed between 2021 and 2025 through blended funds and programmes; 2) £188m of subsidy made available to the market over the same period; and 3) £232m mobilised by guarantees over same period. • Good Finance now embeds EDI as a core value across all activity; greater diversity and reach reflected in content, events and programmes. 26 bursaries awarded to Social Investment Unpicked learners; 102 to event attendees.

[20] From our 2024 Annual Market sizing data. 2025 market sizing will be released in Q3 2026.
[21] Based on 2024 survey data; survey not conducted in 2025.
[22] As at end of Q2 2025.

Social property – 2025 progress against goals

	Overall goal	KPIs	2025 goal	2025 actual	RAG	2025 progress
SCALE	**Social property market (impact-driven social and affordable housing) grows to £8bn**	*Size of the impact-driven social and affordable housing market (as measured in our Annual Sizing report[25])*	£8bn	£6bn (as at end of 2024[23])		• £271m BSC capital committed. • Targeted focus on Local Government Pension Schemes (LGPS); step change in our engagement with market has seen our LGPS co-investment data reveal an increase from £65m (2021-2022) to £1.3bn (2022-2025).
SCALE	**Deliver 10,000 homes for 15,000 people**	*Number of homes delivered*	Deliver 10,000 homes for 15,000 people	8,912 homes for 24,000		• Enabled by the above.
QUALITY	**100% of housing funds that BSC invests in adopting the minimum standard of Impact Management and Measurement (IMM) practice**	*% of housing impact funds that are adopting minimum standard of IMM practice*	100%	100%		• 100% of fund managers meet minimum standard of impact practice in BSC Portfolio.
QUALITY	**Adoption of Equity Impact Project (EIP) housing standards in the wider market**	*% of Equity Impact Project (EIP) participants reporting on standards, as an indicator of adoption of impact management and measurement standards[24]*	>60% reporting	64%[25]		• 64% of housing impact funds in the market are adopting minimum standards of IMM (as of December 2024; EIP adoption as the indicator). • Growing interest in the asset class specific standard and proven utility via the Insights Report. Aggregated demand on an ongoing basis among LGPS and other asset owners remains less clear.
REACH	**System delivering a diverse range of sustainable business models that align with need and delivery of homes in the least affordable areas and those with greatest homelessness pressure**	*% of BSC investments delivering homes in the least affordable areas* *% of BSC investments in areas where homelessness is above UK average*	Maintain or improve vs 2024 levels at 75% Maintain or improve vs 2024 levels at 75%	75% (as at 2024 data) 77% (as at 2024 data)		• Highly positive year 3 evaluation of the Social Investment Pilot completed (a longitudinal study on the impact and effectiveness of homelessness property funds) and shared with MHCLG. • Submitted proposal to MHCLG recommending a scale-up of the Social Investment Pilot.

[23] From our 2024 Annual Market sizing data. 2025 market sizing will be released in Q3 2026.
[24] Based on 20 funds that are EIP participants.
[25] As at December 2025.

Social outcomes contracts (SOCs) – 2025 progress against goals

	Overall goal	KPIs	2025	RAG	2025 progress
SCALE	**£250m committed to the funding of outcome-based contracts**	*Same as the goal*	£715m		• Targeted and extensive engagement with Government over several years, culminating in chairing the Social Impact Investment Advisory Group (SIIAG) in 2025, resulted in the announcement of the Better Futures Fund, a £500m commitment to outcomes-based commissioning over the next decade. • BSC committed 20% of fund size (up to £20m) into the first close of Bridges Better Outcomes Fund V, with future potential to support over 100,000 people.
QUALITY	**75,000 individuals with complex needs achieving positive outcomes through outcomes contracts**	*Same as the goal*	c92,000		• c92,000 individuals with complex needs, across issue areas such as homelessness, long-term health issues and children on the edge of care.
REACH	**200 commissioners across central and local government using outcomes contracts**	*Same as goal*	180		• 180 commissioners consisting of central Government departments, local authorities, clinical commissioning groups and private foundations. • Note: This is unchanged from 2024. All new projects in 2025 were extensions of previous contracts involving existing commissioners.

Our Business Environment – Trends and Key Factors

As previously explained in the introduction from our CEO and earlier in our Strategic Report, an important development in our wider environment in 2025 was the stronger commitment from the UK Government to the value of social impact investment, as demonstrated by the creation of the Social Impact Investment Advisory Group followed up by the establishment of a new Office for the Impact Economy.

The economic environment continued to pose challenges for some areas that we invest in, especially where charities and other businesses were exposed to rising labour costs, while others showed stronger progress as shown by the overall growth in the size of our market.

Climate-related Reporting (formerly TCFD)

BSC recognises that environmental risks, particularly those associated with climate change, can be significantly detrimental to its mission. The organisation's Responsible Business Principles, which are applied to our investment process, include a commitment to combat climate change and can be found here.[26] We are therefore supportive of the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD), and the below section is intended to align with the TCFD's recommendations on a voluntary basis.

Better Society Capital continues to hold mostly the same view and therefore processes as previously reported in the 2024 Annual Report and Financial Statements. Our analysis has identified our social property business models in our Social Impact Investment Portfolio (SIIP) as our most material source of climate-related risk; therefore, our work to date has focused on this area. This has involved working with a specialist real estate consultancy to create an ESG tool and environmental risk framework that support our analysis for specific investments to align with our judgement on the most material risks. Last year, we expanded the measurement of greenhouse gas (GHG) emissions to cover all our Social Property Portfolio, as well as housing business models in our Lending Portfolio, with the support of climate expert, Flotilla, where data was available.

Governance

Board oversight of climate-related risks and opportunities

Please see the TCFD section in the 2024 Annual Report and Financial Statements[27] for information on this section.

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

Please see the TCFD section in the 2024 Annual Report and Financial Statements for information on this section.

[26] https://bettersocietycapital.com/about-us/responsible-business-principles/
[27] https://bsc.hacdn.io/media/documents/BSC_Financial_Report_2024_FINAL_typeset_2.pdf

Strategy

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

As an investor in private, illiquid investments, BSC's investment time horizon is typically seven to 12 years, during which time it expects that material climate-related risks, identified and discussed in detail below, are likely to arise. Materiality at BSC is determined by reference to the extent to which an issue affects:

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

Following an internal review of the organisation's underlying business models in the Portfolio, we consider the impact of climate-related risks, after taking into account existing mitigation, on the organisation to be relatively low (as discussed in the Risk management section below).

While the impact of climate-related risks to BSC is low, we recognise that the organisation still has an impact on the environment and climate change through its operations and Portfolio, and has a role in supporting global ambitions to limit global warming. As a result, BSC has developed a climate action plan covering a portion of its operational emissions and financed emissions. The plan will be published on our website following approval by the Board in 2026.

We will also continue focusing on climate-related opportunities in our next five-year strategy, which focuses on four challenges where we believe we can deliver the most significant impact over the next decade: Climate and Energy, Housing, Economic Opportunity, and Health. Within Climate and Energy, investment focused on supporting these communities to drive change is the quickest, most effective way to a resilient, low-carbon society that works for everyone. We will focus on scaling the community-owned renewable energy market, so communities can own and profit from clean-energy projects, keeping wealth local and building energy democracy.

Different climate-related scenarios

Please see the TCFD section in the 2024 Annual Report and Financial Statements for information on this section. We will review this as we finalise our Climate Action Plan in 2026.

Risk management

Processes for identifying, assessing and managing climate-related risks

BSC has identified the following climate-related risks, which are rated above a 'Low' risk, and the following mitigants and management measurements. Please see the TCFD section in the 2024 Annual Report and Financial Statements for more information on the methodology applied for this risk assessment.

Risk area	Extreme weather events and temperature
Sub-category	• Risk of extreme weather events 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. This risk has increased over recent years, with 2025 being the warmest year on record in the UK. Extreme rainfall events are becoming more frequent. The UK will experience warmer and wetter winters – raising flood risk for properties and infrastructure. Drier and hotter summers will increase the intensity of summer heatwaves and droughts, with rising risks of surface water flooding when rainfall does occur.
Impact	**Medium**
Likelihood	**Medium**
Risk RAG pre-mitigants	**Medium**
Mitigants and management measures	• Geographical spread across the UK, which limits the impact for a location-specific extreme weather event (eg flooding). • BSC's new strategy and Climate Action Plan will contribute to climate change mitigation and wider efforts to limit the severity of extreme weather events by aiming to reduce its own carbon footprint and investing in business models that contribute to the transition to a carbon-neutral economy.
Risk RAG post-mitigants	**Low to Medium**

Risk area	Failures of climate change mitigation and adaptation
Sub-category	• Risk of construction and energy efficiency standards tightening to meet sustainable regulation resulting in unanticipated increased costs for social property investments, leading to potential loss of value in BSC Portfolio.
Assessment	• Construction standards are already relatively robust in the UK, however there is a move to further improve the energy efficiency of socially rented homes with the Government consulting on potential regulation in Q3 2025. This may lead to higher costs for social property investments, but the Social Property Team is already assessing energy efficiency in all new proposals and maintains a watching brief on new regulation.
Impact	**Low**
Likelihood	**Medium**
Risk RAG pre-mitigants	**Low to Medium**
Mitigants and management measures	• Fund managers' ESG approach assessed during due diligence and monitored during Portfolio management. This will include the extent to which the manager assesses and monitors compliance with existing regulations. • Within the social and affordable housing market system, a fund's approach to sustainability is a core area of consideration. • Government programme through the Warm Homes Plan will support low-income households and social housing to upgrade homes for energy efficiency, providing a sectoral tailwind for the social and affordable housing assets in the Portfolio.
Risk RAG post-mitigants	**Low**

Integrating climate-related risks into overall risk management

Please see the TCFD section in the 2024 Annual Report and Financial Statements for information on this section.

Metrics and targets

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

Please see the TCFD section in the 2024 Annual Report and Financial Statements for information on this section.

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

BSC's operational emissions as of 31 December 2024 were 496tCO2e.[28] While this figure increased compared to the 2022 baseline of 418tCO2e in terms of absolute emissions, our carbon footprint by intensity decreased, with intensity metrics of tCO2e/£m of turnover dropping from 32 to 25 from 2022 to 2024. Despite higher reported emissions, the results reflect a more complete dataset and encouraging progress toward decoupling growth from carbon impact. We will address this area further as part of finalising our Climate Action Plan in 2026.

In 2025, we expanded measurement of financed emissions to include housing business models in BSC's Social Impact Investment Portfolio, in addition to our Schroder BSC Social Impact Trust (SBSI) portfolio. The total financed emissions for the 28 funds assessed are 34,001tCO2e. This was calculated by collecting actual greenhouse gas emissions data from fund managers and calculating estimates following the Partnership for Carbon Accounting Financials (PCAF) methodology. The measurement of greenhouse gas (GHG) emissions across the investment portfolio more generally involves several challenges with respect to data quality and consistency across Better Society Capital's underlying investments. Data coverage varied across the Portfolio, with SBSI having 92% of portfolio coverage and the SIIP having 34% of portfolio coverage, due to limited data availability.

[28] Our emissions reports are compiled using an external agency. The timeline for reporting means that each year we can report to the end of the previous period. Therefore this reporting is as at 31 December 2024 and next year's will be as at 31 December 2025.

Responsibility as a Consumer

In July 2023, Better Society Capital Limited became a Certified B Corp and joined the global movement of businesses striving for an inclusive, equitable and regenerative economy. We are proud to have scored 137 points out of a possible 200, significantly surpassing the minimum threshold of 80. This score is derived from assessing our practices and outputs across five categories: governance, workers, community, the environment and customers. There are some areas where we scored particularly well, such as governance and workers, and others where we have room for improvement, such as our measurement and management of our direct impact on the environment. We formed an internal working group to take forward recommendations for areas of improvement, such as the work around our environmental impact mentioned above, and intend to share our continued learning along the way. We are currently preparing for recertification in 2026.

At an organisational level, we continually seek to reduce our environmental impact as far as possible. Notable progress during 2025 included moving our office operations to new premises that offered enhanced environmental benefits (certified Excellent under BREEAM) and procuring 100% carbon-free, REGO-backed electricity.

As part of procurement at Better Society Capital, we continually seek, where possible, to source goods and services from impact-led suppliers including social enterprises, charities and not-for-profit organisations that align with our overall mission, in line with our Responsible Procurement Policy.

Responsibility to the Sector

BSC promotes the use of impact-led suppliers both as part of our business supply chain and by individual employees. At the end of 2025, we had 104 (2024: 101) charities, not-for-profits, social enterprises and B Corps in our supply chain, covering a range of areas including office supplies, catering, cleaning, plant maintenance, stationery, staff training, team-building events, event seminars and venue hire.

We encourage staff to undertake trustee and other governance roles in social enterprises and charities, outside their work commitments and on a voluntary basis. Many of our staff undertake a variety of voluntary roles with charities and social enterprises, and over 2,250 hours were spent by staff last year supporting charitable organisations in this way. Over 370 of those hours were during working hours, thanks to staff making use of our volunteering policy, and 73 organisations benefited from staff volunteering.

Responsibility as an Employer

BSC seeks to be a responsible, inclusive and values-led employer. We recognise that our ability to deliver long-term social impact depends on creating an environment where people feel psychologically safe, supported and able to contribute fully.

During 2025 we developed our People approach to support the next phase of BSC's organisational strategy. This is underpinned by a commitment to a high-performing, inclusive and values-led culture that enables our people to grow, thrive and deliver positive social impact.

As part of this work, we reviewed our organisational values, to ensure they remain relevant and reflective of who we are and our ambitions. The values are supported by a set of expected behaviours and will inform the updated approach to line management and leadership, known as the BSC Way. A key aspect of the BSC Way concept is a clear and consistent approach to line management and leadership that integrates performance, development and wellbeing, and embeds EDI principles in practices. The refreshed values will be launched in 2026.

Employee retention remained strong in 2025, with turnover at 9% for permanent employees. This reflects our ongoing focus on flexible working, career development, inclusive culture and psychological safety.

Investment in L&D remained a priority throughout the year, with key areas focusing on EDI capability building and AI upskilling, alongside facilitated awareness sessions and learning events.

Employee wellbeing remained central to our approach as an employer. In 2025, BSC was shortlisted as a finalist in the Working Families Best Practice Awards for Mental Health and Wellbeing, recognising our flexible and family-friendly culture and wellbeing initiatives. We also secured the 2025 Parenting Policies Award at the Working Dads Employer Awards, reflecting our commitments to progressive and inclusive support for parents and carers.

During the year we also moved into our new office, and as part of our ongoing commitment to valuing employee wellbeing, we introduced two dedicated wellbeing spaces, offering discrete spaces to step away from the main office and decompress, pray etc.

One part of our EDI activity during the year focused on social mobility, recognising its importance in building a more inclusive and representative organisation. We created space for open and honest dialogue through our Asking for a Friend series, where colleagues shared their lived experiences, helping to deepen understanding and challenge assumptions. These conversations informed our thinking and reinforced the value of listening to employee voices. Alongside this, we began collating social mobility data across BSC, laying the foundations for more informed action and long-term progress.

We further strengthened employees' connection to our mission through team away-days, which included engagement with social purpose organisations. Wherever possible we used and profiled social purpose, helping to build a stronger sense of shared purpose.

We continue to support entry-level routes into the sector through paid internships and placement programmes targeted at individuals from under-represented backgrounds, all paid at or above the London Living Wage. In 2025 we took on four paid interns.

Our total reward approach continues to go beyond salary, and includes both financial and non-financial benefits. We continue to ensure our remuneration policy is fair and consistent through the use of clear and transparent salary bands, and by paying no lower than the London Living Wage.

Our apprenticeship programme, which helps young people enter the workplace and develop their skills in a real-life work environment, continues to flourish. In 2025, we took on three apprentices and hired two on a permanent contract. We are also members of Show the Salary, Ban the Box, Disability Confident and a Living Wage Employer.

Equity, Diversity and Inclusion (EDI)

Better Society Capital Limited recognises that equity, diversity and inclusion are fundamental aspects of achieving our mission. We are here to reduce inequality and to build a fairer society, through the use of our capital, building the market and through our people.

Governance

Board oversight of EDI risks and opportunities

Our Board has overall responsibility and accountability for equity, diversity and inclusion issues that might affect our organisation. Our approach towards EDI addresses BSC's own practices, attracting investment and removing barriers for those who wish to deploy it, and in playing a role in shaping the market through leading by example. EDI-related issues and our approach to these are typically overseen at Board level by the Board's People Committee. We report on EDI formally on an annual basis to the full Board, with additional focused reporting within the annual cycle. The People Committee ensures that EDI is considered by the Board when reviewing and guiding the organisation's culture, strategy, major plans of action, risk management policies, annual budgets and business plans, and performance objectives.

Management's role in assessing and managing EDI risks and opportunities

Our CEO is responsible for equity, diversity and inclusion at Better Society Capital. This is supported by leadership, with a Senior Management Team member, Mel Mills, acting as the organisational champion to co-ordinate and help prioritisation of our four strands of activity: organisation and governance; people and culture; investment and portfolio; and market building and engagement. The EDI Action and Steering Groups shape the delivery of our EDI strategy, and more information on this, and our approach and priorities, is shared on our website here.[29]

Strategy

Identification and impact of equity, diversity and inclusion risks and opportunities for Better Society Capital

The three principles which guide our EDI work are as follows:

- **Intention:** We seek continual improvement to make progress towards our goals.
- **Transparency:** We share what progress we are making and what challenges we have encountered.
- **Building capacity:** We will learn from others and support our own staff; we recognise that this is work in progress and that we do not have all the answers.

Our Equity, Diversity and Inclusion Policy goes beyond simply meeting statutory requirements, and reflects our commitment to embedding EDI principles into every aspect of our work, ensuring that inclusivity is not only a priority but a core part of our culture and operations.

In 2025 we launched our mandatory e-learning programme, Navigating Equity, Diversity, Inclusion and Beyond, to support the growth of both skills and confidence of all our colleagues, with over 60% of colleagues having completed this at year-end.

In 2025 we also co-created and finalised our EDI Theory of Change, using this to inform the KPIs we have set around the EDI performance and progress we want to see, and that can bring about the maximum impact in delivering on our mission. We have published these KPIs on our website and are committed to transparency in updating and sharing these goals with our stakeholders. We shared regular updates both externally via our website and LinkedIn posts, and internally via the BSC intranet and other communication channels.

[29] https://bettersocietycapital.com/about-us/equity-diversity-inclusion/#edi-action-plan

We are conscious that EDI is a wide field covering many topics and perspectives, and is informed by a constantly evolving landscape from both a statutory and a social perspective. We also acknowledge that we do not have all the answers or expertise required; to supplement and support our learning we conducted the first of our Peer Learning Exchanges in collaboration with Unlimited, to share best practice, challenges and mutual peer support.

Metrics and targets

Metrics and targets used to assess and manage EDI risks and opportunities

We are an active member and signatory of the Diversity Forum Manifesto.[30] To benchmark our current EDI practice and performance and set future goals, in December 2024 we commissioned an independent review of our current EDI performance against the Global Equity, Diversity and Inclusion Benchmarks Framework covering 15 areas of our practice. A summary of these results has been shared as part of our updated 2025 EDI Plan.[31] This work has been used to help us set clear and measurable KPIs for our EDI work, with targets for continual improvement to which the Board can hold us to account. In addition to statutory protected characteristics, we have introduced measurement of social mobility within our workforce alongside the using the Progress Together[32] metric.

Equity, diversity and inclusion in the wider sector

We are a signatory to the Diversity Forum Manifesto, a member of the Equality Impact Investing Project, Investing in Women Code, and a Women in Finance Charter holder.

We are also a member of the Taskforce on Inequality and Social-related Financial Disclosures (TISFD).

We launched our Navigating Equity, Diversity, Inclusion and Beyond e-learning programme internally, and we plan to make this available as a resource for other social investment intermediaries. In 2025 we partnered with the Diversity Forum to enable a series of webinars covering Beyond Resistance: Building Consistent EDI Practices in Social Investment and Advancing Social Mobility in the Social Investment Sector, to enable peer-led learning.

As mentioned in the Responsibility as an Employer section above, we also participated in the 10,000 Black Interns initiative addressing socio-economic barriers to working within the investment industry, and continued to develop our apprenticeship roles to enable entry-level opportunities across a range of departments including Finance, IT, and Communications and Marketing.

Risk management

Processes for identifying, assessing and managing EDI-related risks

Our risk management strategy is further informed by input from our Staff Council, staff survey results, EDI portfolio survey data, sector-led initiatives and wider macro factors. We received clear and strong internal feedback on our application of our equity, diversity and inclusion intention around leadership and decision-making. An external and independent review has been commissioned to prioritise leadership improvements and implementation of a resulting change plan.

Equal pay

BSC remains committed to fair and transparent practice. In line with our remuneration policy, we conducted an equal pay audit in 2025, which found no evidence of unequal pay for equal work.

We aim to be one of the most equitable, diverse and inclusive employers in the social investment sector, by creating a culture that supports employees to bring as much of their whole selves to work as they wish. We voluntarily disclose both our gender pay gap and ethnicity pay gap, as we recognise using both gender and ethnicity data can help us achieve our aim, and use the snapshot of 5 April along with Government guidance.

[30] https://www.diversityforum.org.uk/manifesto
[31] https://bsc.hacdn.io/media/documents/EDI_Action_Plan_2025_04-07-25.pdf
[32] https://www.progresstogether.co.uk/

For the 2025 reporting cycle, we have updated our pay gap calculations to reflect gross pay after salary sacrifice, in line with current Government-endorsed ACAS guidance. This change provides a more accurate representation of employees' actual earnings and financial outcomes, especially following the change of pension contributions via salary sacrifice in 2023. While this brings us in line with standard practice and enhances the transparency of our reporting, it does mean that direct year-on-year comparisons with previous reports (which were based on pre-salary sacrifice figures) are not straightforward.

To assess the impact of this methodological change, we ran the gender pay gap calculations using both the previous (pre-salary sacrifice) and updated (post-salary sacrifice) approaches. This confirmed that the difference was minimal — just 0.1 percentage points for the mean pay gap and 1.6 percentage points for the median pay gap.

Our gender pay gap saw notable strides in narrowing the gap from 2019 to 2024, with a cumulative reduction of 18%; however, 2025 data shows a reversal, with the mean gap widening to 16%. This increase suggests a shift in workforce composition and pay progression dynamics. We monitor this closely, recognising that in an organisation of around 100 employees, relatively small changes at either end of the salary scale can have a significant impact on the pay gap.

Year-on-year view:

Year	Mean gender pay gap	Year-on-year variance
2019	28%	n/a
2020	21%	-7%
2021	17%	-4%
2022	15%	-2%
2023	12%	-3%
2024	10%	-2%
2025	16%	6%

We have reported for the last five years on our ethnicity pay gap, which now stands at 23%, down from 28.5% in the previous year. This improvement is positive, but the persistence of a gap this size highlights the need for continued focused intervention.

Year-on-year view:

Year	Mean ethnicity pay gap	Year-on-year variance	Median ethnicity pay gap	Year-on-year variance
2021	14%	n/a	15%	n/a
2022	16%	2%	19%	4%
2023	21%	5%	24%	5%
2024	28.5%	7.5%	28%	4%
2025	23%	-5.5	16%	-12%

Principal Risks and Uncertainties

Risk management framework

In order to achieve our mission, we are required to take risks from a strategic, financial return and social impact perspective. We have established a risk framework and a related set of policies that provide oversight and accountability for the identification, assessment and management of risks across the organisation.

Our Board, supported by our Audit, Risk and Compliance Committee (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 Leadership 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 BSC's risk management framework, which are overseen by the Board and ARCC, include:

- setting of annual and longer-term corporate objectives (as agreed with the Board) and quarterly reporting against agreed KPIs;
- a Risk Appetite Statement approved annually by the Board, together with key indices that are monitored quarterly;
- a quarterly review by the Executive Leadership 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 varied programme of external assurance in respect of compliance, key controls and processes.

In 2025 there has been ongoing focus on the assessment of cyber-related risks, including risks stemming from AI, and BSC has performed a comprehensive review of business continuity measures.

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.

Better Society Capital Limited 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, there were some upward adjustments to the level of risk appetite in a portion of our Treasury Portfolio. With better visibility of our longer-term liquidity position, our Board has concluded that assuming a greater degree of investment, asset and duration risk in approximately 50% of the Treasury Portfolio is appropriate.

BSC's overall risk appetite is set in the light of its principal risks and their impact on the ability of BSC to meet its strategic objectives. The higher level of risk appetite in respect of our core investment activity, how we achieve social impact and our strategic focus, together with the policy risks to which a number of BSC investments are exposed, is balanced by a more cautious approach to risk in other areas. In particular the Board has a low risk appetite in respect of cyber security, key financial and operational controls, governance, regulatory requirements and the implementation of our Responsible Investment Policy.

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

Our Board sets risk appetite for the most material risks, to help ensure we are well placed to meet our priorities and longer-term strategic goals. During 2025 there were no material changes to the Risk Appetite Statement.

An assessment of the extent to which actual risk profile is within agreed risk appetite is reported regularly to the Board and Senior Management, using a broad set of key risk indicators that help provide clarity on the scale and types of activity that can be undertaken.

Principal risks

BSC'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.

Key:

↑ Increasing risk area since the last report

→ Risk level broadly unchanged since the last report

↓ Decreasing risk area since the last report

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

Risk	Definition and examples	Example mitigants	Trend
Performance/ Investment Risks **Risk Appetite:** High/Medium	The risks of financial and social impact losses as a result of loss of value of social impact investments, or failure of a counterparty to meet its obligations in accordance with agreed terms. Alongside these financial risks there are related risks of desired social impact not achieved, and the risk of reduced mobilisation of co-investment. Risks associated with future liquidity and achievement of investment exits become more significant as our Social Impact Investment Portfolio grows. For the Treasury Portfolio we apply a combination of lower risk appetite to the listed investment-grade debt securities segment, and a medium risk appetite to the longer-duration multi-asset segment. A higher risk appetite is applied to fund manager partners, underpinned by concentration thresholds, while a low risk appetite is considered appropriate for operational counterparties.	These risks are mitigated through the Investment 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 Better Society Capital Limited's undrawn social impact investment commitments, together with thresholds for exposure to higher-risk, longer-duration, multi-asset Treasury Portfolio investments. Further detail on the key financial risks we face and the steps taken to manage them are outlined in Note 16 – Financial risk management and financial instruments.	→
External Risks **Risk Appetite:** High – re policy and macro-economic risks; Low – re climate and environmental risks	The risk of Government policy, regulatory changes, adverse macro-economic trends and other external factors such as inflation and climate change impacting the performance of our Social Impact Investment Portfolio and its pipeline. Such risks are often outside our direct control; however, we are willing to accept a high level of risk in these areas (with the exception of climate change) – though do not actively seek it.	Mitigation of these risks is achieved through the diversified nature of our Portfolio and the low correlation of elements of the Portfolio with wider market performance factors. Assessment of key climate risks faced by Better Society Capital Limited is now a key element of the overall risk framework process. See page 27 onwards for further information on this.	→
Operational/ Preventable Risks **Risk Appetite:** Low	Better Society Capital Limited is exposed to a range of operational risks, including cyber risks, resulting from inadequate or failed internal processes (including implementation of major change programmes) and key systems and risks associated with the operational delivery of client mandates. We also face risks that we do not create a working environment and culture to attract, develop, motivate and retain sufficient people resource to meet our objectives.	These types of risk are mitigated by having policies, processes, controls and procedures in place, together with suitably qualified and experienced staff in place to oversee these. In order to provide a stronger level of external assurance in respect of the adequacy and effectiveness of key internal controls, a rolling programme of internal audit reviews by a specialist external provider is in place. To mitigate our people risks, we have developed a comprehensive People Strategy to support attraction and retention of talent, with particular focus on staff development, onboarding, wellbeing and development of a supportive and enabling culture.	↑

Board Decision-making and Stakeholder Considerations (s172 Report)

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

The likely consequences of any decision in the long term	Our goal is not only to invest in the short term, but to ensure our own sustainability and reputation, and act as a catalyst to the development and growth of the wider social impact investment market. In line with this, our governance framework, and the way in which we report to our majority shareholder, are designed to ensure that we focus on a long-term mission of market development. Our Board therefore seeks always to make decisions that will have long-term impact outside Better Society Capital Limited itself, maturing and deepening the wider market, including its investment decisions, which are always made with a view to the longer term. In 2025 the Board made a decision to adjust our governance framework, to change our Investment Committee to an Investment and Performance Committee, with a view to ensuring that decisions made in respect of new investments were made alongside learnings from the impact or financial performance of similar previous investments. We finalised and approved our next medium-term strategy to 2030 during the year. Within it we identified four key social challenges as areas of focus, based on a triangulation of areas of social need and areas in which we feel the organisation could make the most difference. Our investments often have, by their nature, a longer-term trajectory for financial and/or impact outcomes, and our asset allocation process seeks to balance long and short-term liquidity needs alongside impact performance. The Board was very conscious of the need to continue to service our existing legacy investments, to bring them to maturity over the longer term, alongside delivery of the new strategy. The Board agrees detailed budgets and business plans for the next year every December, to align with our five-year strategy framework. Our key change goals and outcomes for the five-year strategy to end 2025 are set out on page 9 onwards. Goals and KPIs for the next medium-term strategy from 2026 will be set out in more detail in our 2026 report, but you can find an overview of our ambitions and high-level goals for the new strategy on our website here.[33]

[33] https://bettersocietycapital.com/latest/our-2030-strategy/

The interests of BSC's employees	Our People Committee (incorporating the Nominations and Remuneration Committee) spends a sizeable proportion of its time discussing people issues, HR strategic plans, remuneration policies and the results of staff surveys. People risk is always considered to be a key risk for BSC in recognition of the importance of staff to our success, and the members of our Audit, Risk and Compliance Committee regularly discuss this, monitoring our staff turnover rates, and any themes arising from exit interviews. Our Staff Council also provides input on key issues and projects. See page 40 for our Corporate Governance Report for more details on each of these bodies and how they engage with staff. Our Board considers our People Strategy at least once a year, along with the results of our annual staff survey, staff turnover figures and EDI issues, as appropriate throughout the year. A key area of focus for both the People Committee and Board throughout the year, and continuing into 2026, was on addressing employee feedback as to clarity of decision-making process throughout the various levels of the organisation, and the People Committee considered this with the CEO at its 2026 Q1 meeting, including the outcome of external advice. In 2025, our Board and People Committee held a number of detailed discussions in respect of our employee experience, and our Chair of the People Committee attended discussions with both the Staff Council and the EDI Working Group. In particular, the Board has been heavily engaged with the results of the Staff Survey, and with staff sentiment in respect of equality of employee experience as between different teams, genders and racialised backgrounds. The People Committee and Board received annual updates on progress against the company-level EDI Action Plan. The Board EDI Action Plan includes within it the monitoring of progress against three key areas within the company-level plan. See page 30 onwards for further information on the wider company's approach to employee welfare and EDI. The People Committee brought a proposal to the Board in mid-2025 in respect of how best to involve employees in the recruitment process for new Non-Executive Directors. After discussion, a potential process was agreed which we plan to roll out in our next recruitment phase. The Board continues to place emphasis on staff engagement, including regular Board and staff lunches, attendance at selected meetings of the Staff Council or EDI Working Group and, agreed in Q4 2025, to arrange smaller group lunches with the Board and Senior Executives, to further foster deeper working relationships.

The need to foster the company's business relationships with suppliers, customers and others	Our stakeholders include suppliers, shareholders, fund managers, social banks and other intermediaries, frontline organisations receiving investment and, ultimately, the end-users of those frontline social enterprises and charities. We rely on good relationships with our partners to achieve our long-term aim to build and sustain the social impact investment market, and on establishing strong relationships with all our stakeholders, particularly shareholders and Government bodies, to continue to sustain us as an organisation, and preserve and strengthen our reputation and that of social impact investment as a whole. We also rely on experts and advisers to appropriately target our investment areas, and on the frontline charities and social enterprises to deliver the intended impact for their respective beneficiaries. *Shareholders, Fund Managers and Investors* Our Investment and Performance Committee reviews our Social Impact Investment Portfolio, from both an impact and a performance perspective, and we aim not only to hold fund managers to account for their impact and financial goals, but to work alongside them to find solutions in challenging areas. As mentioned later in this section, we maintain regular and close contact with our four shareholder banks as well as with the Oversight Trust, in its capacity as an oversight body to ensure we remain true to our mission. *Suppliers, Frontline Organisations and their Beneficiaries* In addition to our responsible procurement policy in respect of suppliers, as set out in our Responsibility to the Sector on page 29, the Board also met key fund managers and social enterprises in Liverpool in July 2025. All catering and activities were sourced from social enterprises and the event proved inspiring for all concerned, allowing opportunities for the Board to speak directly to people working in the front line of our investments, form closer connections and learn together. A similar event is planned for the Board to visit Kent in 2026. *Government Bodies* Better Society Capital Limited works closely with various Government and policy-making bodies to seek lasting change wherever possible, and to engage with key individuals and departments to seek potential solutions to social problems. In 2025 we worked closely with Government on the design and delivery of the Better Futures Fund, as outlined previously. *Quadrennial Review* The Quadrennial Review, commissioned by the Oversight Trust and published in 2025, was a valuable source of feedback in respect of the perceptions and responses of stakeholders to work done by and with Better Society Capital Limited. An action plan has been established to address key findings, and the Board will continue to monitor progress against that. Further details of both the report and our responses are available on our and the Oversight Trust's websites respectively here[34] and here.[35]

[34] https://bettersocietycapital.com/about-us/governance/key-documents/
[35] https://www.oversighttrust.org/publications

The impact of our operations on the community and environment	The need to have a positive effect on community and environment underpins BSC's overall purpose and each of our market focus areas. Our portfolio of underlying investments numbers over 2,000 individual charities and social enterprises located across England, Wales and Scotland, covering both rural and urban areas. In addition to reports covering activities and impact across all our investments, the Board is also updated as to any key operational changes that may impact the business's environmental footprint, as well as any material new initiatives to help limit the organisation's carbon usage and promote good practice across the market. As part of our EDI considerations, the Board reviews annually a report on the demographic spread of our investment choices, as well as a similar report on investments through an environmental and climate lens. We are also mindful of our aim to influence the market, and the Board considers the ways in which our external engagement practices and messaging match up to our aspirational goals to model and drive positive behaviours in the wider social impact sector. In 2025, as part of its annual visit to some of the social enterprises in which we invest, the Board visited Farm Urban, an organisation that operates Liverpool's first vertical farm, seeking to produce affordable and environmentally sustainable fruit and vegetables, which also delivers a range of educational and outreach programmes. You can read more about Farm Urban and read its Impact Report on the Farm Urban website here.[36]
The desirability of the company maintaining a reputation for high standards of business conduct	We believe it is crucial that we act at all times with the highest possible standards of conduct, and we take this very seriously as being critical to our mission. Better Society Capital Limited is party to a Governance Agreement with its majority shareholder, requiring BSC to adhere to a comprehensive set of Principles in respect of Investment, Responsible Business, Appointments and Remuneration. We seek to uphold best practice standards in all areas, and to respond quickly and positively to stakeholders.
The need to act fairly as between members of the company	The Chair of our Board liaises regularly with the Chair of the Oversight Trust, our majority shareholder, and regularly provides it with key reports as agreed within our Governance Agreement. We also regularly meet our minority shareholders (the shareholder banks), and our Board includes one bank-nominated Non-Executive Director to represent their interests. Further details on both of these relationships are set out in our Corporate Governance Report on page 40.

Subsequent events

The Directors have considered events after the reporting date and confirm that there are no events requiring adjustment to, or disclosure in, these financial statements.

This report (on pages 8 to 39) was reviewed by the Board on 22 April 2026 and Stephen Muers was authorised to approve and sign on its behalf on 23 April 2026, in his capacity as an Executive Director of the Board.

Stephen Muers
Executive Director and CEO
Dated 23 April 2026

[36] https://www.farmurban.co.uk/

Corporate Governance Report

Better Society Capital Limited Board

Our Board is made up of a combination of Directors with financial services and social sector expertise, in order to reflect our purpose. It comprises a majority of Non-Executive Directors, including one Director who is appointed by our bank shareholders, and with one Executive Director, being the company CEO.

The Board meets at least five times a year, and there is an annual review of its effectiveness (including the Senior Independent Director providing feedback on the Chair's performance). To ensure that 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 every three years. The last external evaluation took place in 2025, covering both Board and Board Committees. The results were discussed at length by both the Board and Executive Team. Overall the Board was pleased with the positive findings, and agreed an action plan to address the areas where improvement could be made. Results of the evaluation and actions agreed were also shared with the Board of the Oversight Trust.

Board Committees

The People Committee (incorporating the Nominations and Remuneration Committee), exclusively comprising Non-Executive Directors, is responsible for making recommendations concerning the appointment and development of Directors. Specific considerations include ensuring an appropriate depth and breadth of skills and experience in the Board composition, that the Board benefits from a diversity of membership, and that there is an even balance of expertise in both the financial services and social sectors. It also has responsibility for setting levels of Senior Executive and Non-Executive remuneration, and monitors activities related to our People Strategy, including (but not limited to) EDI considerations, development and retention of staff, key employee policies and management responses to feedback received through staff surveys.

The Audit, Risk and Compliance Committee (ARCC) comprises Non-Executive Directors. It is responsible for overseeing management processes and other arrangements to ensure the appropriateness and effectiveness of systems and controls, including risk management and compliance with applicable legal and regulatory standards. It oversees the internal audit programme, and reviews the Annual Report and Financial Statements with the independent auditors. It also advises the Board on our overall current and future risk appetite and strategy, assisting the Board in overseeing the implementation of that strategy by Senior Management.

The Board Valuation Committee is a new Committee, which has been running since January 2026. Historically and in 2025 we agreed valuations via an Executive Committee (the Valuation and Performance Committee outlined below), though both ARCC and the Board reviewed them as part of the Annual Report and Financial Statements sign-off process. From 2026 we have been running a separate Board Valuation Committee, comprising solely Non-Executive Directors, with responsibility derived from the Board to review and sign off on all asset valuations. The change was initiated partly to respond to the recent FCA review on private market valuation practices, and also in recognition of the growing size and complexity of our business. It ensures that our governance processes are fully independent of management, and that conflicts of interest are recognised.

The responsibilities for reviewing the performance of investments that were previously assumed by the Executive-level Valuation and Performance Committee were given to the Investment Committee from January 2026, with a view to Investment Committee members being cognisant of the performance (both financial and impact) of similar previous investments when considering new ones. The Investment Committee has therefore become the Investment and Performance Committee from 2026.

Key Executive and Operational Committees

The Executive Committee is chaired by our CEO and is responsible for the day-to-day running of the business. In addition to the CEO, the members of the Executive Committee are: Andrew Yuill (Chief Financial and Operating Officer (CFOO)), James Westhead (Head of Engagement), and Anna Shiel and Jeremy Rogers (Joint Chief Investment Officers (CIOs)).

The Investment Committee (which became the Investment and Performance Committee from early 2026) is also chaired by our CEO and comprises both Board Non-Executive Directors and Executive Committee members, as well as external co-opted Committee members (currently Lisa Hilder and Patricia Hamzahee), who bring additional external and sector expertise. It also includes one senior adviser (Keith Starling). It is responsible for reviewing and, if thought fit, approving investments, and for monitoring the performance of our Treasury Portfolio. All investments over £10 million for Social Impact Investment Portfolio investments, and £30 million for Treasury Portfolio investments, require approval by the Board, and Board members have a standing invitation to observe the Investment Committee. There is a separate Investment Committee established purely in respect of the portfolio management role we undertake for the Schroder BSC Social Impact Trust, chaired by Keith Starling.

The Valuation and Performance Committee was replaced by a Board-level Committee from 2026, as part of the governance changes set out above. In 2025, as per previous years, this was chaired by our CFOO (who is a member of our Investment Committee only in respect of Treasury Portfolio investment matters) and comprised both Board and Executive Committee members, along with one internal independent adviser. Its role was to agree the valuation of social impact investments made by the company (Valuation) and to review how our Social Impact Investment Portfolio is performing against the original investment thesis from an overall, financial, impact on people and systems change perspective (Performance). This included identifying key risks and issues within our investment portfolio. Members of ARCC and the independent auditors had an open invitation to observe meetings of this Committee. The Committee also met quarterly, for a separate, closed session to discuss the valuation of assets specifically within the Schroder BSC Social Impact Trust portfolio. In 2026 this was done by a separate Committee comprising a majority of Executives who are not part of the investment team.

The Better Society Capital Limited Advisory Board has been established by our CEO to advise on aspects of our strategy and activities. The Advisory Board is made up of individuals with specific interest and involvement in social impact investment, including prominent practitioners from the sector. The Advisory Board is a consultative committee with no decision-making powers, although its input is used to inform projects or decisions, which the CEO may then take to our Board.

The Better Society Capital Limited Staff Council is a representative group of staff from across the business, which meets quarterly to consider important issues facing our organisation, including reviewing and contributing views on certain key items before they go to our Board. Key points from these discussions are reported to our Better Society Capital Board at each meeting, through the CEO Report. Board and People Committee members are invited to join discussions on specific relevant topics, such as the results of the annual staff survey.

Shareholders

Better Society Capital Limited obtained its capital from two sources: dormant bank accounts – in accordance with the Dormant Assets Acts 2008 to 2022, invested via the Oversight Trust, which holds A shares; and four major UK high street banks: Barclays, HSBC, Lloyds Banking Group and NatWest Group, which hold B shares.

The Oversight Trust – Assets for the Common Good

The Oversight Trust (registered office: Script, 44 Featherstone Street, London EC1Y 8RN) has a controlling interest (as a majority shareholder and with 80% of the voting rights) in Better Society Capital Limited, and provides oversight with the aim of ensuring that we remain true to our object of promoting and developing social investment and the social impact investment market in the United Kingdom. Further information on the Oversight Trust Board, its responsibilities, and details of its Board and its subsidiaries are available via its website at https://www.oversighttrust.org/

Information about Better Society Capital Limited, in respect of our financial standing, Portfolio, strategy, Board composition and performance, is provided to each regular quarterly meeting of the Oversight Trust (alongside similar updates from each of the companies for which the Oversight Trust is responsible). At one of these quarterly meetings each year there is specific deep-dive focus on BSC. There is also an Annual Governance meeting with the Oversight Trust and representatives of our Board, to discuss governance issues. The Chair of BSC provides an annual written Statement of Assurance to the Oversight Trust, confirming that it remains in compliance with the terms of the Governance Agreement in place between Better Society Capital Limited and the Oversight Trust, and remains in a position to appropriately carry out its duties. We enjoy an ongoing open and transparent relationship with the Oversight Trust, but it is not involved in making investment decisions or other operational issues.

The Oversight Trust commissions an independent Quadrennial Review on a rotational basis, to examine the effectiveness of each of its subsidiary companies in delivering against its objectives. In 2025, the second of these reviews for Better Society Capital Limited was published. The report, along with BSC's and the Oversight Trust's responses, is available on the Oversight Trust's website here.[37] Over the intervening years until the next report is due, we will publish updates in respect of our progress against key actions arising from this review, which is a valuable insight into our stakeholder perceptions and expectations of our business.

Shareholder banks

Each of the shareholder banks (Barclays, HSBC, Lloyds Banking Group and NatWest Group) has subscribed for £50 million of Better Society Capital Limited's shares. The banks hold voting rights in proportion to their shareholding, but each is capped at 5% of the overall voting rights. The banks together have the right to nominate one Director to our Board (currently James Chew). The banks receive all our Board papers, and the CFOO maintains regular contact with all shareholder banks' representatives. In certain circumstances the banks also have the right to request a formal meeting with Senior Management to discuss our performance.

[37] https://www.oversighttrust.org/publications

Remuneration Report

Remuneration Report (unaudited)

This report covers the 12 months ended 31 December 2025, and sets out our policy and disclosures in relation to the remuneration of the employees and Directors of Better Society Capital Limited.

The People Committee, as set out on page 40 in the Corporate Governance Report, is appointed by our Board to be responsible for establishing a formal and transparent procedure for setting the remuneration policy, and for determining the remuneration packages of Senior Management and any others classed as Material Risk Takers. It also leads the process for setting Non-Executive Directors' fees. The People Committee's responsibilities regarding remuneration are to:

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

Principles for Executive remuneration

- Executive Directors and Senior Management remuneration packages are benchmarked to persons engaged in similar positions in the public or not-for-profit sectors, as appropriate.
- The Senior Executive Team is not paid any bonuses.

Principles for Non-Executive remuneration

- Non-Executive Directors are offered an equivalent sum paid by other comparable public bodies and not-for-profit organisations.
- In 2025, the amounts were £9,274 (2024: £9,048) per annum for serving as a Non-Executive Director, £3,997.50 (2024: £3,900) per annum for chairing a Board Committee, £3,997.50 (2024: £3,900) per annum for the Senior Independent Director and £2,025.40 (2024: £1,976) per annum for acting as a non-chair member of a Committee (including the Valuation and Performance Committee). The Chair of the Board was paid £33,738.90 per annum (2024: £32,916). In addition, £7,576 (2024: £5,928) per annum was offered to a Non-Executive Director who acts as a member of the Investment Committee. The People Committee reviews these amounts annually in the light of inflation, and Non-Executive remuneration levels at comparable organisations. In April 2025 there was an uplift in these fees of 2.5% in line with CPI inflation levels as at December 2024, which was the same percentage uplift as applied to staff remuneration. Investment Committee Membership fees received a further uplift on top of this of £1,500, following a review by the People Committee with respect to time commitment and responsibility levels for this work, in line with comparable organisations.
- Total Non-Executive Directors' fees in 2025 were £165,635 (2024: £154,191). This increase was driven by the inflationary and Investment Committee fee uplift as set out above, the creation of a new Board Committee alongside the addition of certain Directors to existing Committees, and the fact that our newest Directors joined the Board part way through the year in 2025, with some overlap with outgoing Directors.

Higher-paid employees

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

	2025 £'000	2024 £'000
£60,000 – £69,999	16	16
£70,000 – £79,999	9	10
£80,000 – £89,999	10	7
£90,000 – £99,999	7	8
£100,000 – £109,999	5	5
£110,000 – £119,999	2	0
£120,000 – £129,999	1	0
£130,000 – £139,999	2	4
£140,000 – 149,999	2	0
£150,000 – £159,999	0	0
£160,000 – £169,999	0	0
£170,000 – £179,999	1	1

Of these employees, 51 (2024: 50) 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 2025 was 110; this equates to a total number of full-time employees of 102.18 of which 87.1% are on permanent contracts and 15.1% on fixed-term contracts. The total number of employees on 31 December 2024 was 109, which equated to a total number of full-time employees of 97.06, of which 86.6% were on permanent contracts and 13.4% on fixed-term contracts.

The ratio of highest salary to lowest salary is 6.2 to 1 (2024: 6.5 to 1).

Directors' Report

Directors' Report

The Directors present their report and audited financial statements for the year ended 31 December 2025.

Directors

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

- Robin Hindle Fisher OBE (Chair)
- Alison Evans (Senior Independent Director)
- Choong Fai Chan (known as Stan Chan) (Chair of Board Audit, Risk and Compliance Committee)
- Chris Wright
- David Hunter (Chair of Board Valuation Committee)
- Fiona Miller-Smith (appointed 14 February 2025)
- James Chew (Director nominated by the shareholder banks)
- John Bromley (appointed 2 October 2025)
- Michelle Ashworth (appointed 2 October 2025)
- Kieron Boyle OBE (resigned 14 June 2025)
- Rosie Ginday MBE (Chair of People Committee)
- Stephen Muers (CEO)
- Alan Giddins (resigned 25 September 2025)
- Christina McComb OBE (resigned 31 October 2025)
- Lesley-Anne Alexander CBE (resigned 31 January 2026)

Please note Committee memberships and Chairships changed in January 2026 as part of the changes to our governance framework from 2026, as set out in our Corporate Governance Report above.

Dividends

The Directors do not recommend the payment of a dividend for the year (2024: £nil). See the Liquidity risk section on page 73 for information on exposure to risk in respect of cash flows.

Directors' indemnity

Directors' and officers' insurance cover has been established for all Directors to provide appropriate cover for their reasonable actions on our behalf. Since inception, our Articles of Association have included a clause indemnifying each of the Directors of the company and/or its subsidiaries as a supplement to the directors' and officers' insurance cover. The indemnities, which constitute a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, were in force during the 2025 financial year and remain in force for all our current and past Directors.

Greenhouse gas emissions

In 2025, BSC measured its operational carbon footprint in line with the Greenhouse Gas Protocol for the second time with the support of climate expert, Flotilla.

For the baseline year of 2022, the operational carbon footprint was 418tCO2e. This consisted of 0 Scope 1 emissions, while Scope 2 and 3 emissions accounted for 3% and 97% of our operational emissions respectively (14tCO2e and 404tCO2e, respectively). BSC's intensity ratio of average tCO2e per employee was 4.1, lower than the average of 5.1 for businesses of a similar size based on Flotilla's benchmark.

As of 31 December 2024, BSC's operational emissions were 496 tCO2e.[38] While this figure has increased compared to the 2022 baseline of 418 tCO2e in terms of absolute emissions, our carbon footprint by intensity has decreased, with intensity metrics of tCO2e/£m of turnover dropping from 32 to 25 from 2022 to 2024. Despite higher reported emissions, the results reflect a more complete dataset and encouraging progress toward decoupling growth from carbon impact. These emissions differ from those reported in the Oversight Trust's SECR report, because the Oversight Trust's report includes only business travel and purchased water in its Scope 3 emissions.

[38] Our emissions reports are compiled using an external agency. The timeline for reporting means that each year we can report to the end of the previous period. Therefore this reporting is as at 31 December 2024 and next year's will be as at 31 December 2025.

In terms of methodology, the operational carbon footprint was calculated using non-financial business data, financial data and an employee survey with about 70% coverage, to capture the full impact of business operations. Flotilla's methodology is aligned with the Greenhouse Gas Protocol. Both activity data and spend data are converted to emissions of carbon dioxide equivalent using relevant emission factors such that: Emissions = Business Data x Emission factor. The primary source of activity emission factors is the annual UK Government factors; additional data collected from ONS and Defra is utilised. The footprint calculated by Flotilla may omit specific operations when the Defra footprint is immaterial (<5% of the total footprint).

Investment Firms Prudential Regime (IFPR) disclosures

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

Future developments

Please see our Strategic Report on page 8 for further details of our strategic approach and future plans.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Directors' confirmations

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

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

This report (from page 46) was reviewed by the Board on 22 April 2026 and Stephen Muers was authorised to approve and sign on its behalf on 23 April 2026, in his capacity as an Executive Director of the Board.

Stephen Muers
Chief Executive Officer

Auditors' Report

Independent Auditors' Report to the Members of Better Society Capital Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2025 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise:

- the Statement of Financial Position as at 31 December 2025;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Kevin Strauther
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

23 April 2026

Financial Statements

Statement of Comprehensive Income

For the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Revenue		19,433	20,081
Investment gains/(losses)		8,176	(8,960)
Net investment income	3	**27,609**	**11,121**
Administrative expenses	4	(12,863)	(11,685)
Other operating income	6	1,531	1,579
Operating profit		**16,277**	**1,015**
Profit before taxation		**16,277**	**1,015**
Tax on profit	7	(152)	74
Profit for the financial year		**16,125**	**1,089**
Other comprehensive income		–	–
Total comprehensive profit for the financial year		**16,125**	**1,089**

The results above relate to continuing operations.
The notes on pages 58 to 77 form part of these financial statements.

Statement of Financial Position

As at 31 December 2025

	Note	2025 £'000	2024 £'000
Fixed assets			
Intangible assets	8	–	–
Tangible assets	9	199	201
Investments	10	431,126	404,717
		431,325	**404,918**
Current assets			
Debtors	11	811	649
Investments	12	161,184	205,066
Cash at bank and in hand	13	74,157	41,080
		236,152	**246,795**
Creditors: amounts falling due within one year	14	(2,873)	(2,066)
Net current assets		**233,279**	**244,729**
Total assets less current liabilities		**664,604**	**649,647**
Creditors: amounts falling due after more than one year	14	(20,560)	(21,756)
Provisions for liabilities			
Deferred taxation	15	(48)	(20)
Net assets		**643,996**	**627,871**
Capital and reserves			
Called-up share capital	18	634,345	634,345
Profit and loss account	19	9,651	(6,474)
Total equity		**643,996**	**627,871**

The notes on pages 58 to 77 form part of these financial statements.
The financial statements on pages 54 to 57 were approved by the Board on 22 April 2026 and signed on its behalf on 23 April 2026.

Stephen Muers
Director

Company registration number: 07599565

Statement of Changes in Equity

For the year ended 31 December 2025

	Share capital £'000	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2024	634,345	–	–	(7,563)	626,782
Profit for the financial year	–	–	–	1,089	1,089
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	1,089	1,089
Shares issued	–	–	–	–	–
At 31 December 2024	**634,345**	**–**	**–**	**(6,474)**	**627,871**
At 1 January 2025	634,345	–	–	(6,474)	627,871
Profit for the financial year	–	–	–	16,125	16,125
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	16,125	16,125
Shares issued	–	–	–	–	–
At 31 December 2025	**634,345**	**–**	**–**	**9,651**	**643,996**

The notes on pages 58 to 77 form part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Cash flows from operating activities			
Profit for the financial year		16,125	1,089
Adjustments for:			
Taxation		41	60
Depreciation and amortisation		110	55
		16,276	**1,204**
(Increase)/decrease in debtors		(201)	967
Decrease in creditors		(361)	(1,156)
		15,714	**1,015**
Returns on fixed asset investments		(9,855)	4,254
Returns on current asset investments		1,659	4,755
Payments to acquire fixed asset investments		(46,657)	(50,105)
Proceeds from disposals of fixed asset investments		29,809	34,567
Payments to acquire current asset investments		(230,974)	(50,692)
Proceeds from sale of current asset investments		258,539	70,949
Foreign exchange losses		143	431
Net cash generated from operating activities		**18,378**	**15,174**
Cash flows from investing activities			
Payments to acquire tangible and intangible fixed assets		(108)	(171)
Net cash used in investing activities		**(108)**	**(171)**
Cash flow from financing activities			
Proceeds from the issue of shares		–	–
Net cash generated from financing activities		**–**	**–**
Net increase in cash and cash equivalents		**18,270**	**15,003**
Cash and cash equivalents at 1 January		55,887	40,884
Cash and cash equivalents at 31 December	13	**74,157**	**55,887**
Cash and cash equivalents comprise:			
Cash at bank		74,157	41,080
Current asset investments (maturity less than three months from the date of acquisition)		–	14,807
	13	**74,157**	**55,887**

The notes on pages 58 to 77 form part of these financial statements.

Notes to the Financial Statements

Notes to the Financial Statements

For the year ended 31 December 2025

1 General information

Better Society Capital Limited is a limited company incorporated in England, United Kingdom. The company's principal place of business and registered office is: Script, 44 Featherstone Street, London EC1Y 8RN.

2 Summary of significant accounting policies

a. Basis of preparation

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and the Companies Act 2006.

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

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

b. Use of judgements and estimates

The preparation of the financial statements conforms with applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102), which requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

The most significant area of estimation is the determination of fair values for investments. This is discussed below, in the accounting policy, Basic financial instruments – Fair value measurement. Aside from the determination of fair values for investment estimates, the Directors do not consider there to be any individual judgements made in applying the accounting policies that have a significant effect on the amounts recognised in the financial statements.

c. Going concern

The financial statements have been prepared on the going concern basis. The company has made cumulative gains since inception of £9.7 million (2024: losses of £6.5 million) and is reporting a profit this year of £16.1 million (2024: profit of £1.1 million). The company had cash and current asset treasury investments of £235.3 million (2024: £246.1 million) at the year end, having been capitalised with £634.3 million (2024: £634.3 million) of equity investment – which is enough to cover its outstanding commitments at year end. The Directors have reviewed the company's future liquidity projections in the light of prolonged macro-economic uncertainty, continuing inflation risks and resulting impact on 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. For this reason, the Directors have adopted the going concern basis in preparing these financial statements.

d. Investment income

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

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

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

e. Other operating income

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

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

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

f. Foreign currency

Transactions in foreign currencies are translated to the company's functional currency (pounds Sterling) 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 at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

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

The company has investments that may be regarded as subsidiary or associated undertakings, which might require these to be consolidated using the equity method of accounting. As these investments are held as part of an investment portfolio, they have not been consolidated in the accounts of the company, and are measured at fair value with changes in fair value recognised in profit or loss in accordance with FRS 102 sections 9.9C(a), 14.4(c) [see p85] and 15.9(c).

h. Basic financial instruments

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

The company recognises its investments within the Statement of Financial Position, on the date on which investments are signed and drawn down.

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

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

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

Financial assets at amortised cost
Debt investments meeting the conditions set out in FRS 102 sections 11.8-11.11, cash at bank and in hand, cash deposits (included in investments held as current assets), and other debtors.

Financial liabilities at amortised cost
Trade creditors, other creditors, cost accruals and accrued investment drawdowns.

Financial liabilities at fair value through profit or loss
Derivative financial instruments. Note 16 – 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 17 – Valuation of financial instruments, the company uses a three-level hierarchy for fair value measurement disclosure. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The company's investment portfolio is held through a variety of fund and other structures, including Limited Partnerships, Limited Liability Partnerships and Limited Companies among others. In determining a fair value using Level 3 valuation techniques, the company applies the principles included in the International Private Equity and Venture Capital Valuation Guidelines (IPEV) (2025 edition).

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

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

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

Impairment

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

Derivative financial instruments

The company holds derivative financial instruments to manage its exchange risk exposure from its managed treasury assets (debt securities), denominated in USD and EUR. Derivatives are recognised initially at fair value, with any attributable transaction costs recognised in the Statement of Comprehensive Income as incurred. After initial recognition derivatives are measured at fair value and changes recognised in the Statement of Comprehensive Income as incurred, the fair value reflecting 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 FRS 102, eg for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss.

i. Investments held as current assets

In the Statement of Financial Position investments (cash deposits or other debt securities) that cannot be readily realised within 24 hours, but can be realised within 12 months, are included in current assets.

j. Intangible fixed assets

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

k. Tangible fixed assets

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

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

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

l. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income 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 ended 31 December 2025 was 25%.

m. Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the Statement of Comprehensive Income as they become payable in accordance with the rules of the scheme.

n. Leased assets

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

o. Standards issued but not yet effective

Amendments to FRS 102 issued by the FRC in March 2024 introduce revised requirements for lease accounting under Section 20, effective for accounting periods beginning on or after 1 January 2026. The amendments require lessees to recognise a right-of-use asset and a corresponding lease liability for most leases previously classified as operating leases. These amendments have not been applied in these financial statements. The company is assessing the impact of the amendments, which is expected to result in the recognition of right-of-use assets and lease liabilities, primarily relating to the company's office lease.

3 Net investment income

	2025 £'000	2024 £'000
Total net investment income	**27,609**	**11,121**
Represented by:		
Revenue		
Social Impact Investment Portfolio	11,291	11,441
Treasury Portfolio	8,142	8,640
	19,433	**20,081**
Investment gains/(losses)		
Social Impact Investment Portfolio	8,859	(3,814)
Treasury Portfolio	(683)	(5,146)
	8,176	**(8,960)**

3a Net investment income – Social Impact Investment Portfolio

	2025 £'000	2024 £'000
Net investment income	**20,150**	**7,627**
Represented by:		
Revenue		
Income distributions from investment vehicles	5,743	6,731
Interest income on financial assets designated at fair value	2,841	2,164
Interest income on financial assets carried at amortised cost	530	418
Dividend income from financial assets designated as fair value	2,055	1,997
Fees received	122	131
	11,291	**11,441**
Investment (losses)/gains		
Net (losses)/gains from financial assets designated at fair value		
– Realised	(79)	(70)
– Unrealised	9,708	(3,717)
Net gains/(losses) from financial assets carried at amortised cost		
– Realised	198	–
– Unrealised	(674)	28
Net foreign exchange losses from financial assets designated as fair value		
– Unrealised	(294)	(55)
	8,859	**(3,814)**

3b Net investment income – Treasury Portfolio

	2025 £'000	2024 £'000
Net investment income	**7,459**	**3,494**
Represented by:		
Revenue		
Interest income on financial assets designated at amortised cost	4,364	3,546
Interest income on financial assets carried at fair value	3,778	5,094
	8,142	**8,640**
Investment gains/(losses)		
Net gains/(losses) from financial assets designated at fair value		
– Realised	2,584	458
– Unrealised	(4,113)	(5,449)
Net gains/(losses) from financial assets carried at amortised cost		
– Realised	706	(327)
Net (losses)/gains on currency forward derivatives		
– Realised	(55)	696
– Unrealised	158	55
Net foreign exchange gains/(losses) from financial assets carried at amortised cost		
– Realised	44	(148)
– Unrealised	(7)	(431)
	(683)	**(5,146)**

During 2025, the company held investments in foreign currency denominated assets. As outlined in Note 16 – Financial risk management and financial instruments, the foreign exchange risk of our managed Treasury assets (debt securities) is managed using 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 2025 the exchange gain on foreign currency denominated debt securities was £nil (2024: loss of £0.6 million), with a gain on the currency forward derivatives in 2025 of £0.1 million (2024: gain of £0.8 million), resulting in a net foreign exchange gain of £0.1 million (2024: £0.2 million).

4 Administrative expenses

	2025 £'000	2024 £'000
Wages and salaries	6,839	6,314
Non-Executive Directors' fees	166	154
Social security costs	877	733
Other pension costs	618	552
Other staff-related costs, including recruitment, training and travel	881	743
Premises	1,022	869
General and administrative expenses	595	455
Consultancy	589	514
Marketing, including events, sponsorship and website	329	369
Amounts receivable by the company's auditors (see below)	149	145
Other professional costs	291	266
Depreciation of owned fixed assets	110	55
Amortisation of intangible assets	–	–
Investment-related expenses, including legal fees	118	232
Total administrative expenses	**12,584**	**11,401**
Treasury management fees	279	284
Total other expenses	**279**	**284**
Total administrative and other expenses	**12,863**	**11,685**
Amounts receivable by the company's auditors and their associates in respect of:		
Auditors' remuneration for audit services	130	127
Other assurance services	19	18
Taxation compliance services	–	–
	149	**145**

The Directors have agreed with the company's auditors that the auditors' liability to damages for breach of duty in relation to the audit of the company's financial statements for the year to 31 December 2025 will be limited to the greater of £5 million or five times the auditors' fees for the statutory audit and that, in any event, the auditors' liability for damages will be limited to that part of any loss suffered by the company as is just and equitable having regard to the extent to which the auditors, the company and any third parties are responsible for the loss in question. The shareholders approved this limited liability agreement, as required by the Companies Act 2006, by a resolution dated 18 June 2025.

Average monthly number of employees during the year

	2025 Number	2024 Number
Investment	41	33
Senior Management	3	4
Communications	10	10
Operations	30	29
Social and finance sector engagement	13	15
On Purpose Scheme and 2027 interns	2	2
	99	**93**

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

5 Directors' and key management personnel emoluments

	2025 £'000	2024 £'000
Directors' emoluments		
Emoluments	348	331
Company contributions to money purchase pension schemes	20	19
	368	**350**
Highest-paid Director		
Emoluments	182	177
Company contributions to money purchase pension schemes	20	19
	202	**196**

	2025 Number	2024 Number
Number of Directors to whom retirement benefits accrued		
Money purchase schemes	1	1

	2025 £'000	2024 £'000
Key management personnel emoluments[39]		
Emoluments	728	681
Company contributions to money purchase pension schemes	76	70
	804	**751**

6 Other operating income

	2025 £'000	2024 £'000
Government grants recognised	989	1,047
Management fees generated	268	311
Other operating income	274	221
	1,531	**1,579**

Government grants recognised relates to the amortisation of £25.75 million of grant funding received from the Ministry of Housing, Communities and Local Government (MHCLG), formerly the Department for Levelling Up, Housing and Communities (DLUHC). The initial £15.75 million grant funding was received in 2021, with a follow-up of £10 million in 2022. 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. £21,807,861 remains in deferred income at 31 December 2025 (2024: £22,783,395).

During the financial year, Better Society Capital Limited also generated management fees for its role as Portfolio Manager of Schroder BSC Social Impact Trust plc of £268,422 (2024: £310,906).

Other operating income is £273,643 (2024: £221,345) and comprises recharges for office use and accounting services, training and sponsorship services, and recoverable VAT.

[39] Key management personnel are the Executive Management team, which includes the CEO who is also an Executive Director.

7 Tax on profit

	2025 £'000	2024 £'000
Analysis of tax charge in year		
Current tax:		
– UK corporation tax on profits for the year	145	–
– Adjustments in respect of previous years	(21)	(79)
	124	**(79)**
Deferred tax:		
– Origination and reversal of timing differences	28	5
	28	**5**
Tax on profit/(loss) on ordinary activities	**152**	**(74)**

Factors affecting tax charge for year

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

	2025 £'000	2024 £'000
Profit before tax	16,277	1,015
Standard rate of corporation tax in the UK	25%	25%
Profit before tax on ordinary activities multiplied by the standard rate of corporation tax	4,069	254
Effects of:		
Income not taxable and expenses not allowable for tax purposes	(2,530)	(1,402)
Utilisation of tax losses brought forward	(1,450)	–
Capital allowances for year in excess of depreciation	8	(42)
Unrecognised tax losses to carry forward	–	1,238
Adjustments to tax charge in respect of previous years	(21)	(79)
Deferred tax – origination and reversal of timing differences	28	5
Total tax charge/(credit) for year	**152**	**(74)**

The current corporation tax provision has been prepared on the basis of available fund reporting as at the balance sheet date. Detailed tax allocation statements from underlying investments were not yet available at the date of approval of these financial statements. The final tax position may differ materially from the amounts recognised, including the possibility that no corporation tax may ultimately be payable for the period.

8 Intangible assets

	Software development £'000
Cost	
At 1 January 2025	73
Disposals	(73)
At 31 December 2025	**0**
Accumulated amortisation	
At 1 January 2025	73
Provided during the year	(73)
At 31 December 2025	**0**
Carrying amount	
At 31 December 2025	**–**
At 31 December 2024	–

9 Tangible assets

	Fixtures, fittings and equipment £'000
Cost	
At 1 January 2025	397
Additions	108
Disposals	(83)
At 31 December 2025	**422**
Accumulated depreciation	
At 1 January 2025	196
Charge for the year	110
Disposals	(83)
At 31 December 2025	**223**
Carrying amount	
At 31 December 2025	**199**
At 31 December 2024	201

10 Investments

	2025 £'000	2024 £'000
Social Impact Investment Portfolio		
At 1 January	404,717	393,488
Additions	46,657	50,105
Sale proceeds	(29,809)	(34,567)
Income distributions	(10,589)	(11,936)
Income accrued	11,291	4,710
Investment gains	8,859	2,917
At 31 December	**431,126**	**404,717**

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

Investment name	Registered office address/principal place of business[1]	Class of shares held	BSC % as at 31 December 2025	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	United House, 9 Pembridge Road, London W11 3JY	Partnership interest	100.00	2,667	24
Ada Ventures Soc II LP	United House, 9 Pembridge Road, London W11 3JY	Partnership interest	100.00	808	(122)
BBRC Homes Limited	Desklodge House, 2 Redcliffe Way, Bristol BS1 6NL	Partnership interest	20.00	(180)	(680)
Bethnal Green Ventures LLP	63/66 Hatton Garden, Fifth Floor, Suite 23, London EC1N 8LE	Partnership interest	35.35	6,311	(1,016)
BGV II (BGV Birdcage LP)	Techspace Goswell Road, 140 Goswell Road, London EC1V 7DY	Partnership interest	80.00	155	(83)
Big Issue Invest IV LP	113-115 Fonthill Road, London N4 3HH	Partnership interest	30.00	2,809	(170)
BII Outcomes Investment Fund LP	113-115 Fonthill Road, London N4 3HH	Partnership interest	85.00	1,010	479
BII Social Enterprise Investment Fund 2 LP	113-115 Fonthill Road, London N4 3HH	Partnership interest	62.98	8,141	(463)
Bridges Evergreen BSC housing co-investment LP	38 Seymour Street, London W1H 7BP	Partnership interest	100.00	383	(8)
Bridges Evergreen Capital Limited Partnership	38 Seymour Street, London W1H 7BP	Partnership interest	30.45	30,234	675
City Funds LP	Desklodge House, 2 Redcliffe Way, Bristol BS1 6NL	Partnership interest	50.00	7,334	(286)
CT UK Residential Real Estate FCP-RAIF	C/o Aztec Financial Services (UK) Limited, Forum 4, Solent Business Park, Parkway South, Whiteley, Fareham, Hampshire PO15 7AD	Registered shares	22.90	64,066	926
Eka Ventures 1 LP	Cinema House, 93 Wardour Street, London W1F 0UE	Partnership interest	99.25	7,275	(534)
Fair By Design Venture Limited Partnership	10 Orange Street, Haymarket, London WC2H 7DQ	Partnership interest	40.86	15,846	(2,013)
National Homelessness Property Fund	The Great Barn, 5 Scarne Court, Hurdon Road, Launceston, Cornwall PL15 9LR	Partnership interest	34.30	43,744	1,874
Nesta Impact Investments 1 Limited Partnership	58 Victoria Embankment, London EC4Y 0DS	Partnership interest	45.46	272	(1,628)
North East Social Investment Fund Limited Partnership	5th Floor, 27-35 Grainger Street, Newcastle Upon Tyne NE1 5JE	Partnership interest	57.35	3,468	25
Public Services Lab LLP (Capacity)	Queens Insurance Building Suite 3a, 24 Queen Avenue, Liverpool L2 4TZ	Partnership interest	28.48	–	184
Resonance Everyone In Limited Partnership (REIF)	The Great Barn, 5 Scarne Court, Hurdon Road, Launceston, Cornwall PL15 9LR	Partnership interest	44.72	14,677	1,006
Resonance Supported Homes Fund Limited Partnership	The Great Barn, 5 Scarne Court, Hurdon Road, Launceston, Cornwall PL15 9LR	Partnership interest	32.81	12,811	(2,004)
SASH side-car LP	1st Floor, 80 Coombe Road, New Malden, Surrey KT3 4QS	Partnership interest	100.00	3,856	113

Investment name	Registered office address/principal place of business[1]	Class of shares held	BSC % as at 31 December 2025	Aggregate capital and reserves of the entity[2] £'000	Aggregate profit/(loss) for the year of the entity[2] £'000
Schroder BSC Social Impact Trust	1 London Wall Place, London EC2Y 5AU	Ordinary	28.30	83,487	922
Social and Sustainable Housing II LP (SASH 2)	1st Floor, 80 Coombe Road, New Malden, Surrey KT3 4QS	Partnership interest	39.93	12,662	(416)
Social Finance Care and Wellbeing Investments LLP	C/o Social Finance Limited, 3rd Floor, Colechurch House, London Bridge Walk, London SE1 2SX	Partnership interest	50.00	1,711	(55)
Social Growth Fund 2 LLP	3rd Floor 27 George Street, Edinburgh EH2 2PA	Partnership interest	46.15	10,342	176
The Charity Bank Limited	Fosse House, 182 High Street, Tonbridge, Kent TN9 1BE	Ordinary	51.06	445,667	4,941
The Community Investment Fund L.P.	1st Floor, 80 Coombe Road, New Malden, Surrey KT3 4QS	Partnership interest	54.93	12,418	331
The Good Food Ventures LP	10 Orange Street, Haymarket, London WC2H 7DQ	Partnership interest	29.92	1,118	(32)
The Third Sector Investment Fund LLP (TSIF)	1st Floor, 80 Coombe Road, New Malden, Surrey KT3 4QS	Partnership interest	90.78	9,374	942
Women in Safe Homes Limited Partnership (WISH)	The Great Barn, 5 Scarne Court, Hurdon Road, Launceston, Cornwall PL15 9LR	Partnership interest	34.61	27,783	(295)
Zinc 2 VB LP	24 Old Bond Street, London W1S 4AP	Partnership interest	50.44	3,251	(485)

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.

11 Debtors

	2025 £'000	2024 £'000
Prepayments	445	375
Accrued income on SBSI management fees earned	176	153
Accrued income on derivative financial instruments	118	–
Corporation tax	33	72
Other debtors	39	49
	811	**649**

12 Investments held as current assets

	2025 £'000	2024 £'000
Treasury Portfolio – debt securities	107,406	119,284
Treasury Portfolio – multi-asset investments	53,778	85,782
	161,184	**205,066**

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

13 Cash at bank and in hand

	2025 £'000	2024 £'000
Cash at bank	74,157	41,080
Current asset investments (maturity less than three months from the date of acquisition)	–	14,807
Cash and cash equivalents per Statement of Cash Flows	**74,157**	**55,887**

As described in Note 12 – Investments held as current assets, investments held as current assets can be realised within one year, but not within 24 hours. For cash flow purposes those investments that have a maturity or period of notice of less than three months from the date of acquisition are included as cash and cash equivalents. A breakdown of investments held as current assets on this basis is provided below:

	2025 £'000	2024 £'000
Debt securities (maturity less than three months from the date of acquisition)	–	14,807
Debt securities (maturity greater than three months from the date of acquisition)	107,406	104,477
Multi-asset investments	53,778	85,782
Investments held as current assets per Statement of Financial Position	**161,184**	**205,066**

14 Creditors

	2025 £'000	2024 £'000
Amounts falling due within one year		
Trade creditors	120	226
Taxation and social security costs	384	209
Other creditors	640	110
Accruals	462	445
Accruals on derivative financial instruments	–	38
Deferred income	1,267	1,038
	2,873	**2,066**
Amounts falling due after more than one year		
Deferred income	20,560	21,756
	20,560	**21,756**

Deferred income includes Government grants of £21,807,861 (2024: £22,783,395).

15 Deferred taxation

	2025 £'000	2024 £'000
Accelerated capital allowances	48	20
Provision for deferred tax	**48**	**20**
Provision for liabilities		
At 1 January	20	15
Debited to the profit and loss account	28	5
At 31 December	**48**	**20**

The company currently does not recognise a deferred tax asset on the tax losses carried forward, as there is no certainty of recovery. The tax loss carried forward is estimated at £5 million at 31 December 2025 (2024: £10 million).

16 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 8, the company's investments comprise a Social Impact Investment Portfolio and a Treasury Portfolio.

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

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

Categories of financial instrument

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

2025	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	–	–	199	199
Fixed asset investments	416,570	14,556	–	431,126
Debtors	118	176	517	811
Investments held as current assets	53,778	107,406	–	161,184
Cash at bank and in hand	–	74,157	–	74,157
Liabilities				
Creditors	–	(1,222)	(22,211)	(23,433)
Deferred taxation	–	–	(48)	(48)
	470,466	**195,073**	**(21,543)**	**643,996**

2024	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	–	–	201	201
Fixed asset investments	390,837	13,880	–	404,717
Debtors	–	153	496	649
Investments held as current assets	85,782	119,284	–	205,066
Cash at bank and in hand	–	41,080	–	41,080
Liabilities				
Creditors	–	(819)	(23,003)	(23,822)
Deferred taxation	–	–	(20)	(20)
	476,619	**173,578**	**(22,326)**	**627,871**

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

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

2025	Financial assets measured at fair value through profit or loss £'000	Financial derivatives measured at fair value £'000	Financial assets measured at amortised cost £'000	Other income and expenses £'000	Total £'000
Income distributions from investment vehicles	5,743	–	–	–	5,743
Interest income	6,619	–	4,894	–	11,513
Fee and dividend income	2,177	–	–	–	2,177
Investment gains	7,807	103	266	–	8,176
Other income	–	–	–	1,531	1,531
Administrative expenses	–	–	–	(12,863)	(12,863)
Tax on profit	–	–	–	(152)	(152)
	22,346	**103**	**5,160**	**(11,484)**	**16,125**

2024	Financial assets measured at fair value through profit or loss £'000	Financial derivatives measured at fair value £'000	Financial assets measured at amortised cost £'000	Other income and expenses £'000	Total £'000
Income distributions from investment vehicles	6,731	–	–	–	6,731
Interest income	7,258	–	3,964	–	11,222
Fee and dividend income	2,128	–	–	–	2,128
Investment (losses)/gains	(8,833)	751	(878)	–	(8,960)
Other income	–	–	–	1,579	1,579
Administrative expenses	–	–	–	(11,685)	(11,685)
Tax on profit	–	–	–	74	74
	7,284	**751**	**3,086**	**(10,032)**	**1,089**

Credit risk

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

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

Within the listed debt securities section of the Treasury Portfolio, the company has set a maximum exposure limit for each issuer. The Treasury Policy seeks to control the exposure to issuers with perceived higher risk of default (where relevant) by specifying a minimum average credit rating for the underlying Treasury 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 Treasury 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.

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:

	2025 £'000	2024 £'000
Fixed asset investments	431,126	404,717
Other debtors	157	49
Accrued income	176	153
Multi-asset investments – Investments held as current assets	53,778	85,782
Debt securities	107,406	119,284
Cash deposits – Cash at bank and in hand	74,157	41,080
Maximum exposure to credit risk as at the Statement of Financial Position date	**666,800**	**651,065**

As at 31 December 2025, 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	2025 £'000	2024 £'000
Multi-asset investments	Not rated	53,778	85,782
Debt securities	AAA	2,638	4,805
Debt securities	AA	4,768	26,308
Debt securities	A	57,294	41,807
Debt securities	BBB	37,801	40,700
Debt securities	Not rated	1,798	–
Cash deposits – Cash at bank and in hand	A-1	74,157	41,080
		232,234	**240,482**

Liquidity risk

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

The company's financial assets include loans, unlisted equity investments, investments in unlisted partnerships and other private asset vehicles, which are generally illiquid.

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

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

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

2025	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000
Creditors: amounts falling due within one year	1,222	1,222	1,222
Creditors: amounts falling due after more than one year	–	–	–
	1,222	**1,222**	**1,222**

2024	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000
Creditors: amounts falling due within one year	819	819	819
Creditors: amounts falling due after more than one year	–	–	–
	819	**819**	**819**

Market risk

Market risk is the risk that changes in market prices, such as interest rates and credit spreads (not relating to changes in the issuer's credit standing), will affect the company's income or the fair value of its holdings of financial instruments. A theoretical fluctuation in asset prices of +/- 10% would result in a movement in returns of +/- £48.5 million (2024: £49.0 million).

The company has interest rate exposure. The company currently has £254.7 million (2024: £258.5 million) in cash, current and fixed asset investments that earn interest at variable rates. Any reduction in interest rates will reduce the interest income on these deposits and investments. A reduction of interest rates by 1% would result in a reduction in returns of £2.0 million (2024: £2.1 million).

Foreign exchange risk

The company is exposed to foreign currency risks on assets and liabilities as a result of changes in exchange rates. The company invests in foreign currency denominated listed debt securities (bonds) through its Treasury Portfolio and a small number of foreign currency denominated funds in the Social Impact Investment Portfolio, and so has foreign currency risk exposure on those assets. The company mitigates the risk on the bonds by putting in place matching currency forward derivative contracts. When a foreign currency denominated bond is purchased, a spot trade and a forward are executed, and these are rolled forward every three months. The spot trade buys foreign currency and sells GBP (originally to fund the bond purchase) and a new forward contract is then executed to sell foreign currency and buy GBP, creating a foreign currency liability that offsets the investment. Currently the size of the company's investments in the foreign currency denominated funds in the Social Impact Investment Portfolio is too low for a similar process to be cost-effective due to the associated fees; the funds also hold GBP-denominated assets, which partially mitigate the exposure. The exposure continues to be monitored and the company has the ability to implement a similar procedure to the bonds when/if required. A 10% movement in foreign exchange rates would result in a £1.7 million movement in returns (2024: £1.5 million).

Regulatory risk

The company is authorised and regulated by the FCA. It is required to assess regularly 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.

17 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 2 – Summary of significant accounting policies, Basic financial instruments – Fair value measurement. The company uses a three-level hierarchy for fair value measurement disclosure, as follows:

Level 1

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

Level 2

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

Level 3

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

In determining a fair value using Level 3 valuation techniques, the company applies the principles included in the International Private Equity and Venture Capital Valuation Guidelines (2025 edition). A variety of valuation techniques are utilised as set out in the accounting policy Note 2h – Basic financial instruments.

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

	2025 £'000	2024 £'000
Level 1		
Investments held as current assets	53,778	85,782
Fixed asset investments	22,927	26,665
Level 2		
Investments held as current assets	–	–
Derivative financial instruments	118	–
Level 3		
Fixed asset investments	393,645	364,173
	470,468	**476,620**

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

	2025 £'000	2024 £'000
Balance at 1 January	364,173	349,917
Purchases	43,645	46,212
Sales	(36,773)	(40,424)
Total investment returns	22,600	8,468
Balance at 31 December	**393,645**	**364,173**

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

18 Called-up share capital

	Nominal value	2025 number of shares	2024 number of shares	2025 £'000	2024 £'000
Allotted, called-up and fully paid:					
Ordinary A shares	£1 each	434,345,315	434,345,315	434,345	434,345
Ordinary B shares	£1 each	200,000,000	200,000,000	200,000	200,000
				634,345	**634,345**

As described in the Corporate Governance Report on page 40, voting rights for both share classes are proportional to the shareholding but, for each of the shareholder banks (B shareholders), are capped at 5% of the overall voting rights, with the A shareholder (the Oversight Trust) holding 80% of the voting rights. For the avoidance of doubt, Better Society Capital Limited is a private company limited by shares incorporated in England and Wales.

19 Profit and loss account

	2025 £'000	2024 £'000
At 1 January	(6,474)	(7,563)
Profit/(Loss) for the financial year	16,125	1,089
At 31 December	**9,651**	**(6,474)**

20 Capital commitments

The company identifies investment commitments at two distinct stages of the investment process:

i. Investments signed, commitments outstanding

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

ii. In-principle commitments not yet signed

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

On the above bases, capital commitments as at 31 December were as follows:

	2025 £'000	2024 £'000
Investments signed, commitments outstanding	147,769	152,222
In-principle commitments not yet signed	23,500	22,000
	171,269	**174,222**

21 Other financial commitments

	Land and buildings 2025 £'000	Land and buildings 2024 £'000
Falling due:		
– Not later than one year	508	–
– Later than one year and not later than five years	2,031	–
– Later than five years	2,539	–
	5,078	**–**

Other financial commitments relate to a lease for office premises signed on 11 February 2025, as BSC relocated to a new office.

22 Related party transactions

During 2025, Better Society Capital Limited provided £12,000 of accounting services (2024: £12,000) to the Oversight Trust for which it was reimbursed. The amount outstanding from the Oversight Trust was £12,000 at 31 December 2025 (31 December 2024: £12,000).

During the year, Access – The Foundation for Social Investment, being a member of The Oversight Trust – Assets for the Common Good group, paid £92,652 (20244: £78,400) to Better Society Capital Limited, in respect of a licence fee for the use of its offices. During 2025, Better Society Capital Limited accrued other income of £1,800 (2024: £nil) from Access, and also recharged £967 (2024: £nil) of costs incurred on behalf of Access, for which Better Society Capital Limited was reimbursed in full. As at 31 December 2025 there was an outstanding balance due from Access of £1,800 (31 December 2024: £6,500).

During the period, Fair4All Finance, being a member of The Oversight Trust – Assets for the Common Good group, paid £31,000 (2024: £nil) to Better Society Capital, in respect of secondments, where a total of £55,150 was booked as income for the year. As at 31 December 2025, there was a receivable of £24,150 (31 December 2024: £nil) on the balance sheet.

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 43.

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

	2025 £'000	2024 £'000
Amounts invested	13,263	25,749
Amounts distributed	14,409	24,220
Investment valuation	203,402	198,813

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.

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