

CHAIRMAN'S STATEMENT

For the year ended 31 March 2019

In January 2019 I took over as Chairman of Social Investment Scotland from Nick Kuenssberg, who completed a full six-year term in office. Over those six years, with the support of a committed group of exceptional trustees, Nick provided dedicated leadership to the organisation overseeing the development of two ambitious strategic frameworks with significant achievements under each. I am enormously grateful to Nick for the contribution he made to SIS over his tenure. He leaves it in rude health with a fantastic team of people and in a great position to leverage the opportunities that now exist as social enterprise becomes a much bigger part of the economy. I am also grateful for the support he gave me in my time as Vice Chair. In recognition of his unique contribution to SIS, I was delighted to ask Nick to become a Patron. The Patrons are a small group of individuals who have made a unique contribution to the SIS journey. At this juncture I'd also like to acknowledge the contribution of Mark Adderley who has chaired the remuneration, nominations and appointments committee for number of years. He too completed a 6-year term earlier this year and stood down as a Trustee in March 2019. He has made a very significant contribution to SIS over the past 6 years and I am grateful to him for everything he has done. Mark was succeeded by Carol-Ann Boyer who joined the board in January 2019.

On the foundations of the progress made over the past several years, SIS has now commenced a strategic refresh process. Recognising the organisation's unique potential, and the pace of change in our operating and strategic environment, it is likely that this will be a longer-term strategy, supported by a series of shorter action plans. The Board and staff teams look forward to sharing more on this process over the course of this year.

During the last financial year, SIS has continued to make significant progress in making social investment available to communities and this financial year has surpassed the significant milestone of having provided funding in excess of £70m. In the year to March 2019, from both the continued deployment of existing funds and the establishment of new fund management arrangements, SIS have made investments from its various funds totaling £9.5m. This includes the following:

- £2m of new loans from SIS (Community Finance), more than we have seen for many years. This fund is supported by investments from the SIS founding banks, later joined by Triodos bank. The majority of these loans continued to be smaller, straightforward investments with an average loan value, of those deployed in the year to March, of £57k.
- £2.6m of investments from the Social Growth Fund, providing larger investments to growing charities and social enterprises across Scotland. In May 2019, SIS launched the Scottish Social Growth Fund, a £17m follow-on fund including investment from the Scottish Government, Big Society Capital and the University of Edinburgh.
- £4.2m from the Community Enterprise Investment Facility (CEIF), a new fund taken on by SIS in 2017. The CEIF, backed by Big Society Capital, makes investments in social enterprise lenders who provide financial support to small and medium sized enterprises in disadvantaged communities.

During the year, SIS continued to make investments from the remaining funds available from the historic relationship with Asda (investing proceeds raised from the single use carrier bag levy); and took on the management of the Social Impact Accelerator fund (with assets of £2.7m) from another fund manager. Management of the Affordable Credit Fund (including investment from the Carnegie UK Trust and the Scottish Government) and fundraising for SIS Ventures (the SIS Group's FCA subsidiary, raising investment from individual investors) have continued during the year.

Despite this increase in investment activity, slower than expected deployment in the earlier part of the year, combined with the investment in capacity required to support expanded activity have resulted in

a deficit of £72k for the year to 31 March 2019. This investment in capacity does, however, strengthen the operational foundations of the organisation's evolving strategic plan.

SIS continues to meet its objectives with the support of an increasingly diverse group of partners and this approach will remain a feature. The support of a committed board of trustees, as well as members of our various fund boards and committees, remains crucial and is truly valued by me and the leadership team. The passion and dedication of the entire team at SIS seems to know no bounds and I know they want to continue to lead and grow SIS's market leading activity in pursuit of our mission - to make a real, measurable and sustainable impact upon people's lives. I am grateful to every one of them.

A handwritten signature in black ink, which appears to read 'K Barclay', is written over the typed name and title.

Kenneth Barclay
Chair
4th September 2019