

BRIDGES

Fund Management



Annual Report
2019-2020

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About us

Bridges Fund Management is a specialist fund manager dedicated to sustainable and impact investment. For almost 20 years, we have been investing in solutions that help to build a more inclusive and sustainable economy. We are driven by a clear conviction: that achieving better outcomes for people and the planet will also unlock lasting economic value.

We are also committed to supporting the growth of sustainable and impact-driven investing through our not-for-profit field-building work (Bridges Insights; see p.45) and through philanthropy (the Bridges Impact Foundation; p.46).

See also 'Our approach', p. 8/9

2019/20 in numbers

20

new
investments

£125m

committed

£63m

total proceeds

6

realisations

13

standard-setters in the
IMP Structured Network

£1.1bn

raised
to date

5,000

direct jobs supported through
our property investments

19%

average increase in our growth
businesses' key impact metrics



Philip Newborough
Co-CEO



Michele Giddens
Co-CEO

WELCOME

Introduction

In preparing this 2019/20 annual report, our original aim was to show how our thematic investment approach is enabling us to achieve attractive investor returns, while also helping to build a better future for people and planet. But after the events of recent months, we can no longer talk about the future without also talking about the Covid-19 pandemic, and its seismic effect on many of the social, economic and environmental challenges we care about.

When the crisis hit, our first priority was to help our investees adjust: to safeguard staff and customers, adapt their models as best they could, and access additional financial support. But now we have worked through this phase, we have been increasingly focused on what the post-Covid world will look like, and how this might affect our own worldview.

If anything, this period has strengthened our conviction in the importance of investing in a more inclusive, more sustainable future

As an investor, our core conviction has always been that the transition to a more inclusive and sustainable economy is both a moral and economic imperative. It's the best way to unlock potential, improve resilience and build a more prosperous future - which also means we can deliver strong and sustained financial returns for our investors. That's why our four investment themes reflect four key aspects of this transition.

So for Bridges, the key question is: will the Covid-19 crisis prove to be a significant setback for this transition? On the one hand, this crisis has highlighted some of the very challenges the transition would help to address: inequality; under-investment in public health systems; the precariousness of the labour market; our unsustainable environmental impact. But it has also caused a massive global recession that will leave millions of people out of work and destroy trillions of dollars of market value. This will make many of these challenges more acute; and in the desperation to re-boot the global economy, there's a danger that long-term thinking will be in short supply.

However, to be an impact-driven investor is to be an optimist: it requires a belief in the possibility of a better future, plus a belief in the power of investment to drive these positive

outcomes. And as optimists, we see reasons to believe that rather than being a setback, this crisis can actually be a catalyst: a chance to rebuild our economy in a way that accelerates the transition.

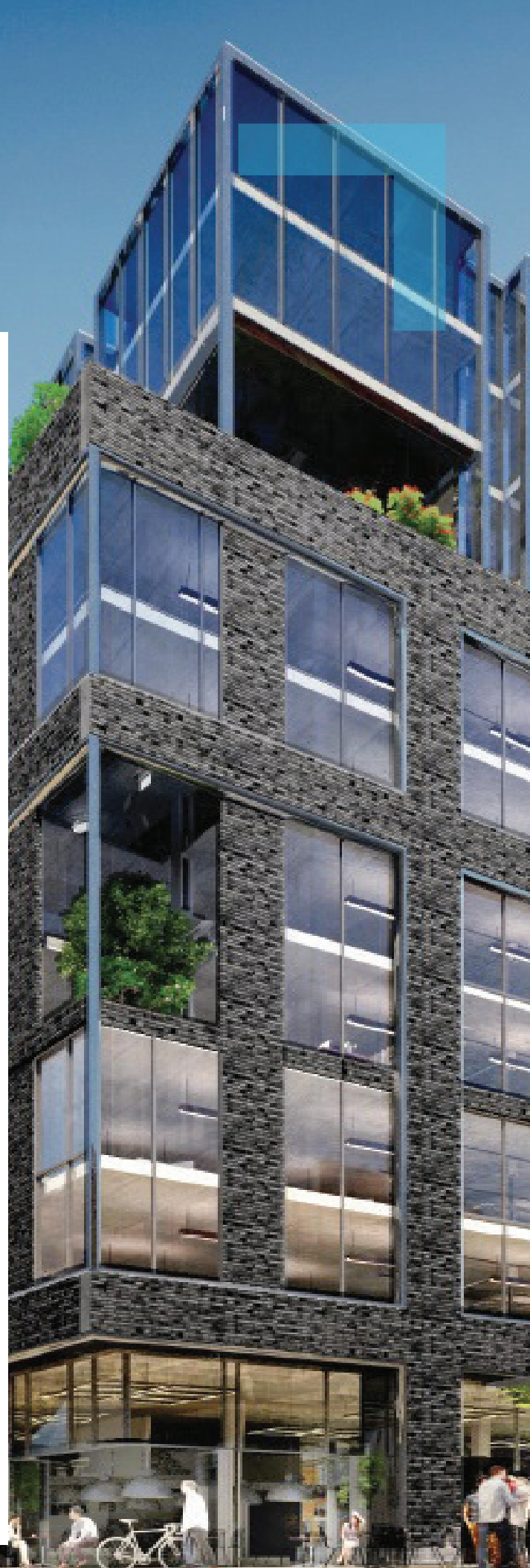
After all, it has shown us that positive change can happen quickly and at scale, in the right circumstances. In a matter of months, we've seen the entire role of Government reimagined, as politicians have made drastic interventions to prop up their economies. We've seen the private and social sectors make important contributions to the public sphere. We've seen communities come together to support the most vulnerable. We've seen incredible technology adoption, adaptation and innovation. And we've seen previously unthinkable behavioural shifts happen almost overnight.

This is significant; because the global economy still faces a raft of challenges – from climate change to inequality to resource constraints – that could lead to similarly profound social and economic shocks. They might not seem as urgent today, but in time, they will require equally drastic action.

There are also signs that this crisis could accelerate the rise of what some call stakeholder capitalism. We've always believed organisations that think about their impact on all stakeholders (not just their shareholders) will be more resilient and better-placed to succeed over time. This has informed our own response to Covid-19: there have been some inspiring examples of our investees going the extra mile to support their staff, customers and local communities (p. 44). By nurturing these relationships, they're more likely to survive the crisis and bounce back afterwards – while those organisations that act purely in their own interests are more likely to suffer the consequences. If scrutiny of corporate behaviour increases as a corollary of governments' unprecedented financial support (which seems likely), the value of this impact-driven approach will be even more apparent.

Taken together, this shows us what's possible in a post-Covid world. And it shows us that we should not simply be aspiring to go back to 'business as usual'. We need to build a more resilient, future-proofed economy; which means tackling our biggest long-term challenges, enabling partnerships between like-minded organisations, and focusing on shared value for all stakeholders.

So if anything, this period has strengthened our conviction in the importance of investing in a more inclusive, more sustainable future. In this report, we'll try to show how this is starting to influence our approach within our four key investment themes.

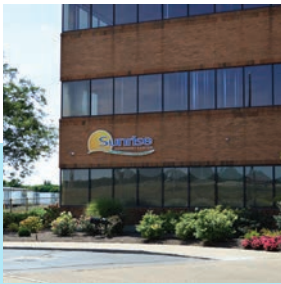


TIMELINE OF THE FINANCIAL YEAR

Key events of 2019/20

APRIL 2019

Bridges' US team invests in Sunrise, one of the leading opioid addiction treatment providers in the Midwest.



JUNE 2019

Bridges Sustainable Growth Funds invest in GEV, which repairs and maintains wind turbines.



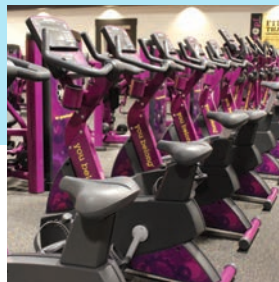
JULY 2019

The IMP – hosted by Bridges Insights – is recognised in the G7 declaration for its ongoing efforts to define a common framework for impact measurement and reporting.



MAY 2019

Final close on Bridges' second Social Outcomes Fund at £35m, after extending the hard cap to meet demand.



JULY 2019

Bridges completes a successful exit from Impact Fitness, a mission-driven low-cost gym business in the US.



JULY 2019

Bridges backs the launch of the Kirklees Better Outcomes Partnership, an outcomes-based housing and employment support programme in Yorkshire.

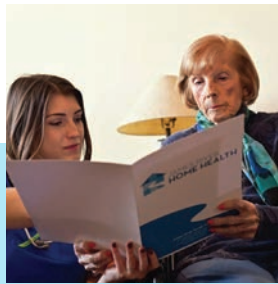
AUGUST 2019

Bridges receives the highest possible score of A+A+A+ in the PRI's annual assessment – putting it in the top rank of investment managers globally.



JANUARY 2020

Bridges US completes its third investment of the year, backing care provider James River Home Health in Virginia.



FEBRUARY 2020

Bridges Property Funds successfully sell our development site at Worship Street, East London, after securing planning consent for a highly sustainable rebuild.



NOVEMBER 2019

Bridges Evergreen invests in Agility Eco, which provides energy-efficiency services that help to reduce emissions and fuel poverty.



JANUARY 2020

Bridges is named as a Best for the World B Corporation, for scoring in the top 10% of B Corps globally.



MARCH 2020

Countries around the world impose lockdowns and travel restrictions following the outbreak of Covid-19.

BRIDGES



Property



Growth
Business



Long-term
Capital



Outcomes
Contracts



Healthier
Lives



Sustainable
Planet



Future
Skills



Stronger
Communities

Since 2002, Bridges has developed a platform of four investment strategies, all of which operate across the same four impact themes.

Through careful analysis of the key macro trends within these themes, we identify sectors and sub-sectors that can yield attractive investment opportunities. By building our domain expertise and contact networks within these areas, and then sharing this knowledge across the Bridges platform, our investment teams are able to source, select and partner with best-in-class operators.

In this section, we explain how these four themes stem from our overall investment philosophy, and we highlight some of the underlying factors informing our investment thesis within each one.



We need to re-shape our economic system so that more people can thrive and fulfil their potential, while also reducing our impact on the planet

Investing in the future

Building a better future for people and planet is both a moral imperative and an economic opportunity

In the last 40 years, global Gross Domestic Product (GDP) has quadrupled, even as the global population has doubled. This has lifted billions of people out of poverty and enabled some extraordinary advances for humankind.

Unfortunately, this progress has come at a cost. Carbon emissions have tripled since 1960. We are now consuming about 1.75 times as many natural resources in a year as the planet can possibly regenerate – which is driving land and biodiversity loss, resource shortages and climate change. This is not sustainable, especially with the global population forecast to increase by a further 50% this century. And although people are living longer, they're not always healthier or happier: there's been an increase in chronic disease, while mental health issues are also on the rise.

Nor have the benefits of this progress been distributed equally. The richest 1% of the world population owns almost half of the world's wealth. People in rich countries can expect to live 30 years longer than those in the poorest countries. Discrimination on the basis of gender, ethnicity and sexuality remains rife. In short: our life chances are still largely determined by where we're born, where we live and what we look like.

This cannot be a recipe for long-term stability and prosperity. In the last few years, the growth of movements like Extinction Rebellion, #MeToo and Black Lives Matter has highlighted a growing dissatisfaction with the status quo, particularly among the younger generation. Now that the Covid-19 pandemic has exposed and exacerbated so many of these fault-lines, the need for change is even more apparent.

At Bridges, we believe business and investment has a crucial role to play in driving this change.

This is partly a question of necessity. Achieving the Sustainable Development Goals (a good proxy for the challenges we face) will cost about \$30trn; Government and philanthropy cannot hope to fund this by themselves.

But it also makes strategic sense. In an era where more and more people want to work for, buy from and invest in organisations that share their values, organisations that are focused on driving better outcomes for people and the planet will increasingly be at a competitive advantage.

Better still, solving these challenges will also unlock lasting economic value. If we give people more access to opportunity – from education, to housing, to skills training – and improve their physical health and well-being, they are more able to participate in the economy and fulfil their potential, thereby boosting productivity. If we reduce emissions by investing in cleaner energy, or better food systems, or more efficient buildings, we can not only slow climate change but also foster new high-growth industries. Achieving the SDGs in just four areas – food and agriculture, cities, energy and materials, and health and well-being – could create an estimated \$12 trillion of new opportunities by 2030.

In short: we need to re-shape our economic system so that more people can thrive and fulfil their potential, while also reducing our impact on the planet. At Bridges, we call this 'building a more inclusive and sustainable economy', and we focus on four investment themes that we believe are central to this transition.

In the coming pages, we look at some of the key trends within each of these themes, and show how they are informing our thinking.



Sustainable Planet

Climate change is a problem that can no longer be left to a future generation



Pope Francis

WE ARE CONSUMING NATURAL RESOURCES AT AN UNSUSTAINABLE RATE

x2

Global population growth since 1970

x4

Global extraction of materials since 1970

We are now using **1.75x** as many natural resources in a year as the planet can regenerate.

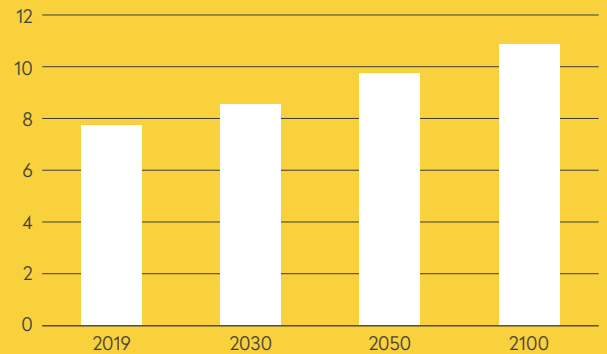
In 2019, we used up a year's worth of natural resources by **July 29**.

Source: UNEP

Source: Global Footprint Network

THE GLOBAL POPULATION IS CURRENTLY RISING BY AROUND 80 MILLION PER YEAR

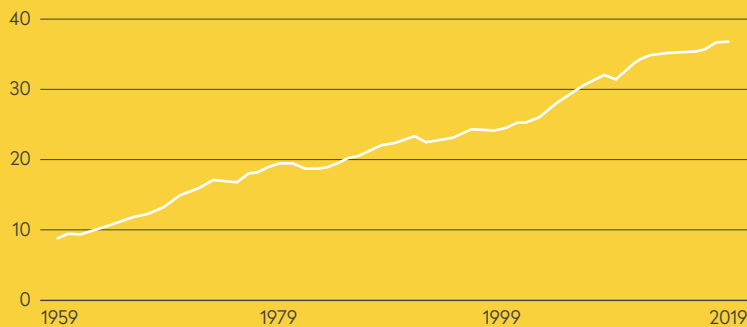
Predicted global population growth (millions)



Source: United Nations

GLOBAL CO₂ EMISSIONS CONTINUE TO RISE

Gigatonnes of carbon dioxide emitted globally in the last 60 years



Source: Global Carbon Project/CICERO

3.2°C

Predicted temperature rise based on current Paris Agreement commitments

1.5°C

Maximum possible temperature rise to avoid worst climate-related impacts

KEEPING AVERAGE TEMPERATURE RISE TO 1.5°C WILL REQUIRE DRASTIC ACTION

 **+1.5%**

Annual change in GHG emissions since 2010

 **-7.6%**

Annual change in GHG emissions required by 2030 to hit 1.5°C goal

Source: Our World in Data

ENVIRONMENTAL FACTORS ARE INCREASINGLY RECOGNISED AS CRITICAL RISKS TO OUR FUTURE PROSPERITY

In the World Economic Forum's Global Risks Report 2019, environmental factors (e.g. extreme weather and failure of climate change mitigation) accounted for:

4

Four of the six biggest risks in terms of likelihood



3

Three of the six biggest risks in terms of potential impact



The impact of Covid-19

The short-term environmental impact of Covid-19 has been broadly positive: reduced carbon emissions, cleaner air and water, a respite for land and wildlife. But even this profound shock (with all its devastating economic consequences) may only reduce emissions this year by 6-8%*. We need to do that every single year until 2030 to meet our climate change goal – and as governments desperately try to reboot their economies, some of these gains may be lost, just as they were after the global financial crisis.

*According to the World Green Building Council

Bridges invests in solutions that will help reduce emissions and decarbonise the economy

Making buildings more sustainable

Building and construction are responsible for almost 40% of all carbon emissions globally. By building more sustainably, and adapting existing buildings to make them more energy-efficient, we can reduce emissions while also reducing energy bills for tenants and residents.

Supporting the clean energy transition

The cost of clean energy is now comparable to fossil fuels, making it increasingly attractive: in Q1 2020, renewable energy sources accounted for 47% of UK power generation (a new record). With energy demand increasing, we need to invest in building capacity and increasing efficiency.

Changing the way we eat

Food production is responsible for a quarter of the world's greenhouse gas emissions – via livestock and fisheries, crop production, land use and supply chain. So we cannot meet our climate goals without radically changing how we produce, transport, consume and dispose of food.

NEW INVESTMENT

GEV Wind Power

Wind turbine repair business supporting the transition to sustainable energy

Thesis

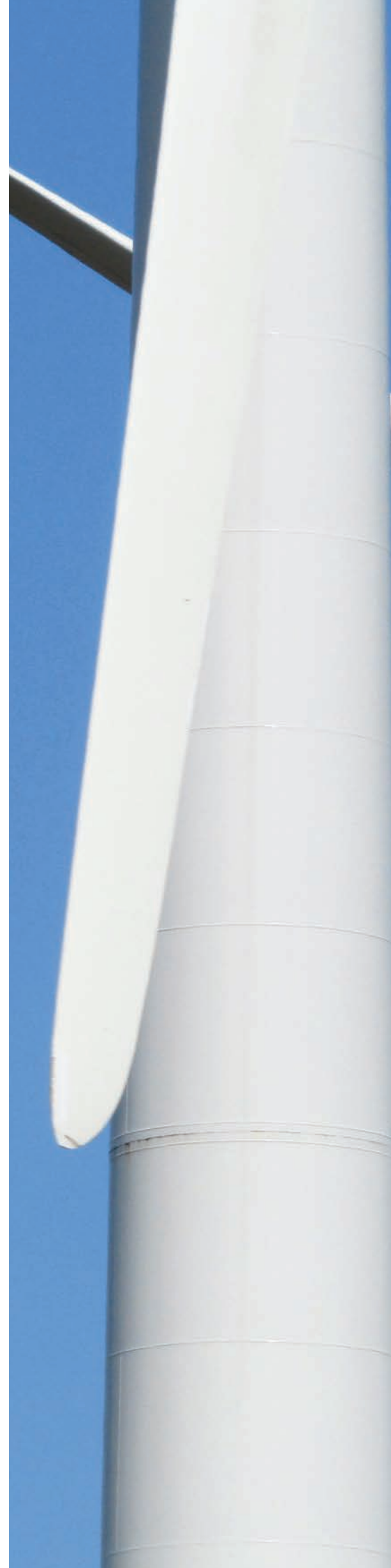
The transition to renewable energy sources is critical to reducing global carbon emissions – and the cost of wind energy production is now comparable to the cost of producing energy from fossil fuels, making it an increasingly attractive option. However, wind turbine blades are susceptible to erosion and weather damage, which affects aerodynamic efficiency and reduces their energy production (and can sometimes stop the turbine operating altogether). GEV's expert technicians provide high-value blade repair and maintenance services both onshore and offshore, helping wind farm manufacturers and operators to reduce downtime and maximise their energy production.

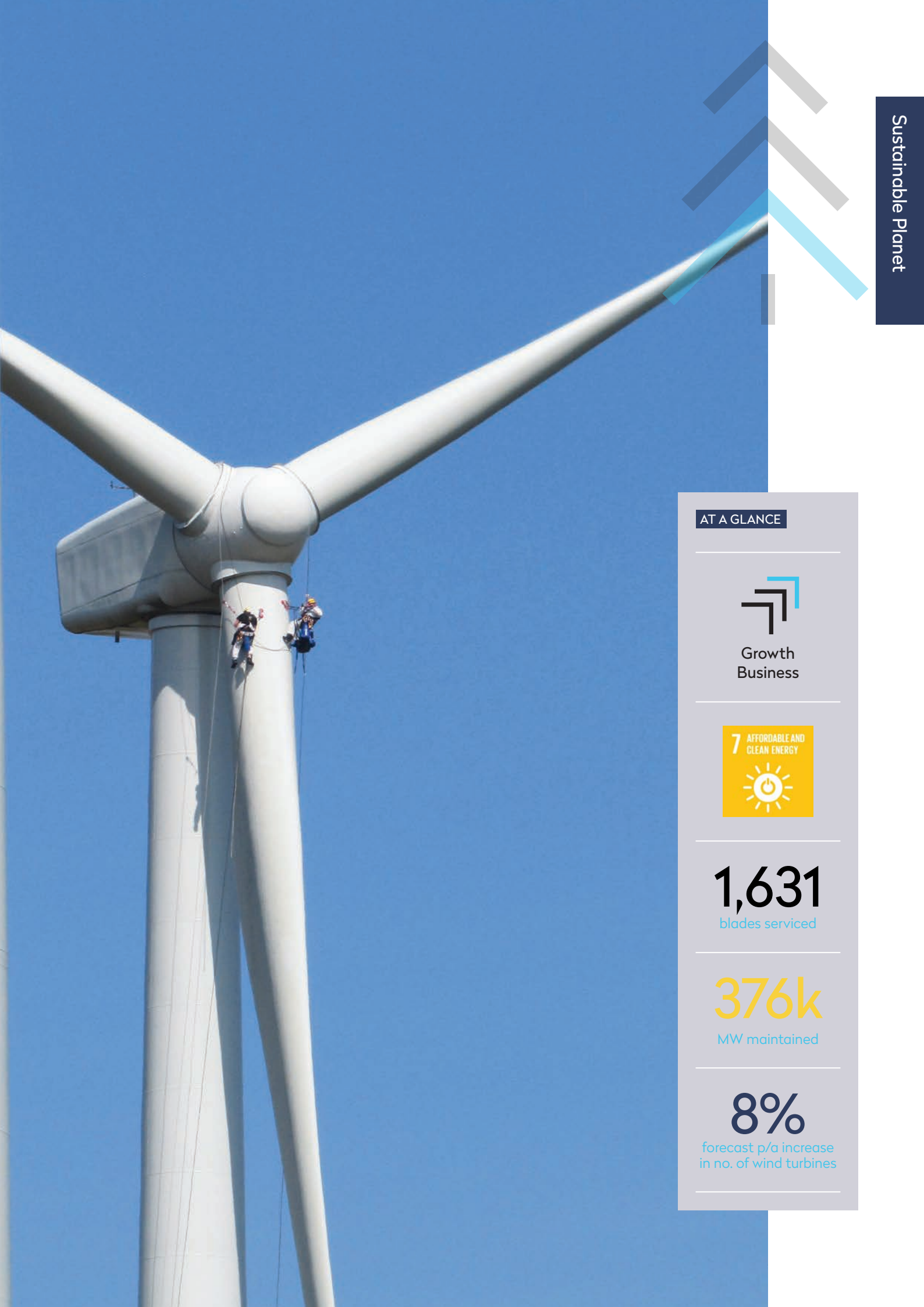
Progress

In 2019, GEV serviced over 1,600 blades, helping its clients produce an estimated 376 MW of energy that would otherwise have been lost through downtime. That's enough to power almost 350,000 households. It works with over 200 highly-skilled technicians across the UK, Europe and the U.S, and looks to support the local community around its headquarters in Hull through local recruitment, school visits and other community initiatives. It has also developed industry-leading health and safety protocols, with a dedicated health and safety lead on the senior leadership team and bespoke safety management systems across the group to minimise risk. Since our investment, the focus has been on bolstering the management team and board, enhancing business processes and diversifying the customer base, with a particular focus on exploring opportunities in the U.S.

Outlook

Although a number of GEV's projects have been delayed as a result of Covid-19, wind energy remains a sector with highly attractive fundamentals and strong long-term growth prospects. Pre-Covid, the number of wind turbines was forecast to increase by c.8% per annum over the next five years. Given the ongoing need for the UK to reduce emissions, and the increasingly attractive economics of wind energy vs traditional fossil fuels, producers of wind energy are likely to benefit from increasing demand over the next decade. As a best-in-class operator, GEV has a clear opportunity to grow as the market grows, supporting its existing clients and expanding into new geographies.





AT A GLANCE



Growth
Business

7 AFFORDABLE AND
CLEAN ENERGY



1,631
blades serviced

376k
MW maintained

8%
forecast p/a increase
in no. of wind turbines

CASE STUDY

Worship Street, Shoreditch

A highly sustainable office redevelopment in a deprived London borough

Thesis

Despite recent gentrification, the London Borough of Hackney is still one of the most deprived areas of the UK, and there is a particular shortage of high-quality business space. In October 2017, we acquired a 0.5 acre site in Shoreditch, within five minutes' walk of Liverpool Street Station and the new Crossrail station. Our business plan was to knock down the two existing dated buildings and replace them with a new highly sustainable property.

AT A GLANCE



Property



130k sq. ft of office space proposed

600 additional jobs potentially supported

51% reduced emissions vs standard new build



Progress

Working with Hobart Partners and London-based architect Make, we created a plan to redevelop the site, delivering over 130,000 sq. ft of commercial space (more than twice as much as the original site). After securing planning permission, we received an unsolicited offer for the site from HB Reavis, a leading commercial developer, and exited our investment in February 2020.

Outlook

Our impact studies suggested that once built, the new Worship Street property could support as many as 600 more jobs and reduce CO₂ emissions by more than 50% relative to the previous buildings. It also has the potential to become a landmark development within the local area, with a new pedestrianised public space incorporated following a public consultation.



PORTFOLIO CASE STUDY

World of Books

Market-leading 'circular economy' technology business that re-sells or recycles used books

Thesis

Around 50m tonnes of waste goes to landfill each year in the UK – a significant factor in national CO₂ emissions. Through analysis of the recycling and reuse sector, we identified World of Books (WOB), a market-leading 'circular economy' technology business that has pioneered the reuse and recycling of books that might otherwise go to landfill.

Progress

World of Books has been on a strong growth trajectory since our investment, with sales up more than 20% in the year. It continues to see increased volumes via its own website, reducing its reliance on the large internet retailers, and it

continues to grow its international sales, notably in the U.S. Efficiency continues to improve, with 80% of orders now fulfilled within 24 hours, and (with our help) it has introduced a carbon impact reporting model. This year it was also certified as a B Corporation, reflecting its strong commitment to balancing profit with purpose.

Outlook

Demand for books has been strong since the onset of Covid-19; and while the closure of charity shops hit supply, the growth of WOB's sourcing app Ziffit has offset this to an extent. The business has continued to make productivity gains and looks well set for continued growth post-Covid.

AT A GLANCE



Growth
Business



37k
tonnes of stock
processed

7k
tonnes net CO₂e
averted

£1.5m
income for charities



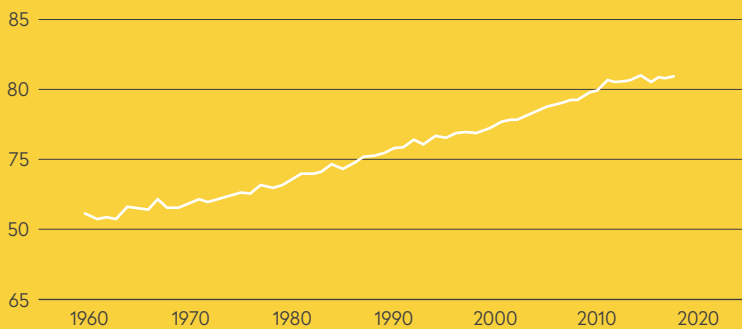
Healthier Lives

Health is the greatest gift;
contentment is the greatest wealth

Buddha

PEOPLE IN RICH COUNTRIES ARE LIVING LONGER...

United Kingdom life expectancy – 81.6 years (2017)



Source: World Bank

...BUT CHRONIC CONDITIONS ARE ON THE RISE

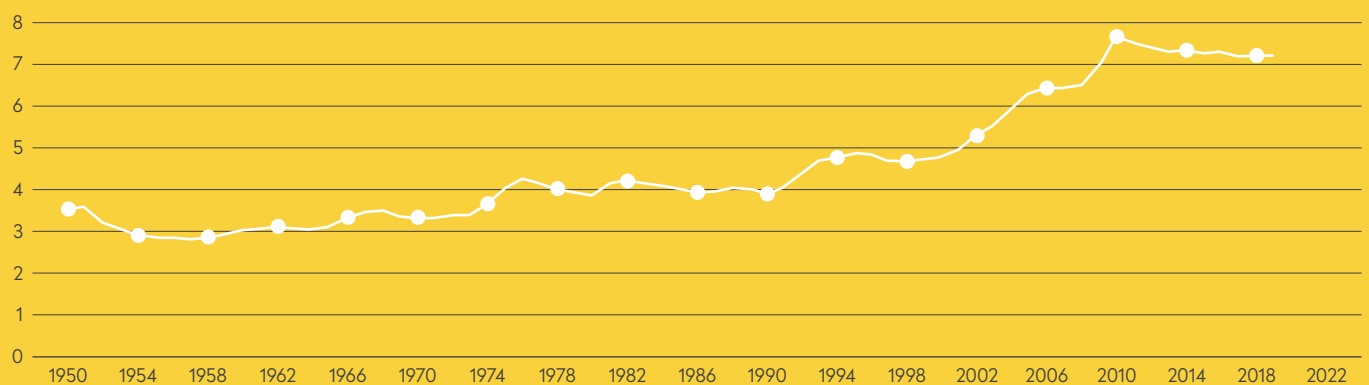
26m people have at least one long term health condition (LTC)

LTCs account for **50%** of all GP appointments...

...and **70%** of health and care spend

PUBLIC SPENDING ON HEALTHCARE HAS BEEN RISING AT AN UNSUSTAINABLE RATE IN THE LAST 70 YEARS

UK public health spending as a percentage of GDP, 1950-2019



Source: The Health Foundation

OBSESITY IS NOW A MAJOR PUBLIC HEALTH ISSUE

x3

Global obesity nearly tripled between 1975 and 2016

66%

of adults in the UK are overweight (BMI >25) or obese (BMI >30)

As of 2016,

39%

of adults globally were overweight, and

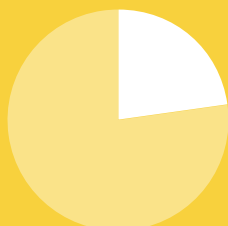
13%

were obese

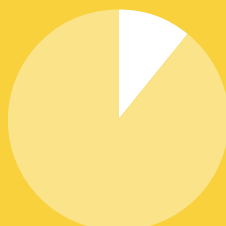
Source: World Health Organisation

AND MENTAL HEALTH IS A GROWING CONCERN

1 in 4 people will experience a mental health problem of some kind each year in England



Mental health accounts for **23%** of the NHS's time...



...but only **11%** of its budget

Source: Mind

The impact of Covid-19

This pandemic has become the biggest global public health crisis in a century, with an enormous human and economic cost. The virus has disproportionately affected vulnerable groups, while the associated lockdown has compounded social isolation and created what the charity Mind calls 'a mental health emergency'. But hopefully it will also lead to a new appreciation of properly-funded health services, the contribution of health and care workers, the social aspects of well-being, and the importance of our built environment in driving better health outcomes.

Bridges invests in **solutions** that improve physical and mental health and well-being

Supporting young people's mental health and well-being

Vulnerable young people – including those excluded from school, those with family problems and those 'looked after' by the state – are statistically more at risk of suffering poorer life outcomes in a range of areas. By helping these young people to improve their mental health and well-being, we can help them fulfil their true potential.

Tackling the lifestyle factors that lead to obesity

Poor diets and physical inactivity are two of the biggest drivers of obesity, which in turn increases the risk of disease, musculoskeletal disorders and long-term health conditions. By supporting people to improve their eating habits and take regular exercise – ideally from a young age – we can reverse this trend.

Supporting our ageing population to live independently

By 2039, there will be almost 10m people aged 75 and over in the UK. By improving access to care places and boosting the availability of supported accommodation (the supply of which is lower in the UK than elsewhere), we will reduce the demands on primary and social care (while also creating more liquidity in the housing market).

Alina Homecare

A homecare business focused on delivering high-quality care to the elderly and disabled

Thesis

The UK population of over-60s is set to rise by 20% in the next ten years, and there has been a general increase in chronic health conditions. High-quality home care and supported living can relieve some of the pressure this puts on the NHS. Alina provides homecare and specialist disability support at locations across the south of England, with a focus on improving care quality by providing staff with extra training and support. It works closely with clients, local authorities and the NHS to create better services, with a view to catalysing the much-needed integration between health and social care.

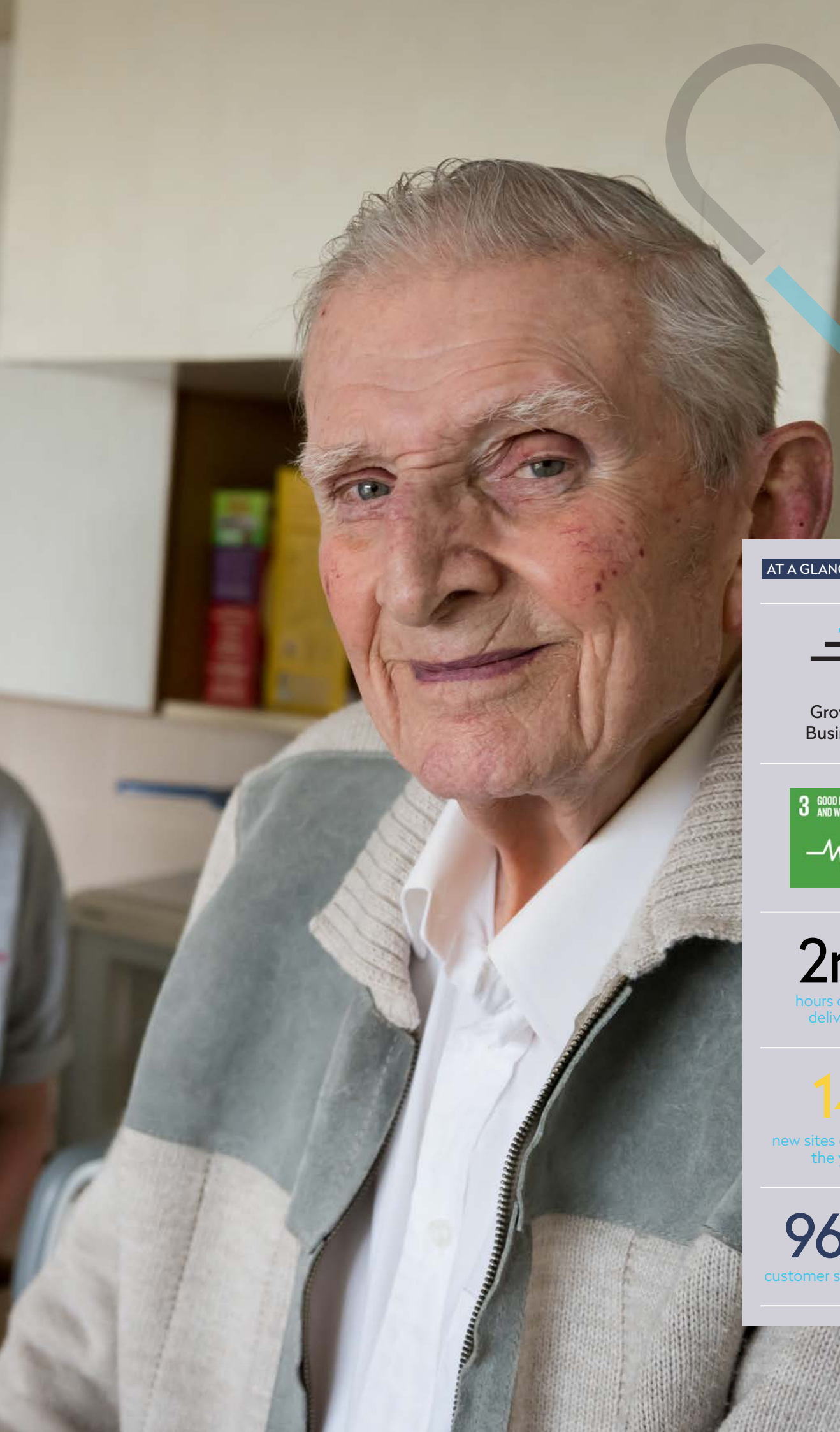
Progress

Alina has enjoyed strong growth in recent years. In the 12 months to March, it opened 14 new sites (eight 'Care at Home' and six 'Disability Support') and delivered about two million hours of care to the elderly or vulnerable. It has continued to expand and refine its training programme via its in-house 'Alina Academy', engaging new partners to deliver role-related and leadership-focused skills training. This seems to be having a positive effect: carer retention remains below industry averages, and almost all of its branches are now rated Good or Outstanding by the Quality Commission (also well above industry averages). It also boasts an average user satisfaction rating of over 95%.

Outlook

During the Covid-19 pandemic, Alina has shown great resilience in adapting to an incredibly challenging and rapidly-changing operational environment. It switched rapidly to remote working for office-based staff, successfully secured PPE even during times of shortage and introduced effective infection control measures (there were no confirmed cases of Covid among its carers). Since the end of lockdown, Alina has seen strong demand for its services, not least because the challenges faced by care homes and hospitals during the pandemic have highlighted the value of community-based care. Coupled with the favourable demographic trends in the UK, this implies a very positive market outlook for Alina in the coming years.





AT A GLANCE



Growth
Business



2m
hours of care
delivered

14

new sites opened in
the year

96%

customer satisfaction

New Reflexions

Accommodation, education and therapeutic care for vulnerable children

Thesis

The number of 'looked-after' young people has been rising steadily in the UK with a 4% rise to 78,150 in England alone during the year to March 2019. New Reflexions is a leading children's residential care provider based in Shropshire. It works specifically with young people with complex needs who are unable or unwilling to live within a family setting, providing placements that combine care, education and therapy. Its aim is to provide a stable, supportive and nurturing environment for these young people.



AT A GLANCE



Long-term
Capital



18k

days of care
delivered

49

average no. of
young people in
its care

95%

of service
rated Good or
Outstanding by
OFSTED

Progress

10 of New Reflexions' 19 services (including the school it operates) are now rated as 'Outstanding' by OFSTED, a market-leading performance in the sector. This year, it had on average about 50 young people in its care at any one time, and it delivered a total of 18,000 days of specialist care, almost 10% more than the previous year. It has also made strong progress on employee engagement and training: this has led to a decrease in carer absence and attrition rates, and an increase in the number of internal promotions.

Outlook

As New Reflexions' homes are typically quite remote, mitigating infection risk, its model is unlikely to change post-Covid. The business is currently planning to open three additional homes and a second school, which would increase its current capacity by almost 50%.



PORTFOLIO CASE STUDY

Birchgrove

New model of assisted-living accommodation to rent for the elderly population

Thesis

The UK's population is ageing: by 2039, one in 12 of the population will be over 80. However, there is a clear shortage of retirement living available to over-80s looking to downsize. Birchgrove is helping to change this, with an innovative assisted-living-for-rent model that combines attractive purpose-built private apartments with on-site care and leisure facilities – and creating a community that will combat loneliness and isolation.

Progress

Birchgrove's first site in Sidcup opened in May 2019 and is already 40% full. Construction is now underway on a second site in Woking, which is due to complete

in October 2020, while planning consent has been secured for a third site in Ewell. The Sidcup site went into lockdown with the onset of Covid-19 and couldn't market its remaining units; but staff went to great lengths to protect vulnerable residents and maintain a strong sense of community.

Outlook

Given the demographic trends in the UK, the long-term growth story for Birchgrove remains compelling. The Sidcup site has started to emerge from lockdown, with enhanced hygiene protocols; construction and marketing have resumed on the second and third sites, and two further sites have been identified since year-end.

AT A GLANCE



Property

3 GOOD HEALTH AND WELL-BEING



178

units built or under construction

5

sites now secured

35%

reduced emissions vs standard new-build



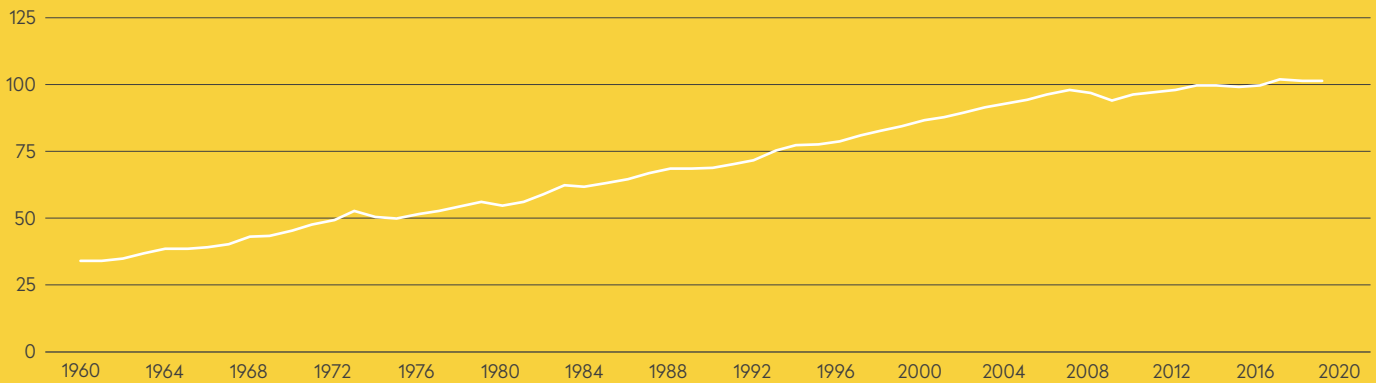
Future Skills

An investment in knowledge
pays the best interest

Benjamin Franklin

UK PRODUCTIVITY HAS FLATLINED IN THE LAST DECADE

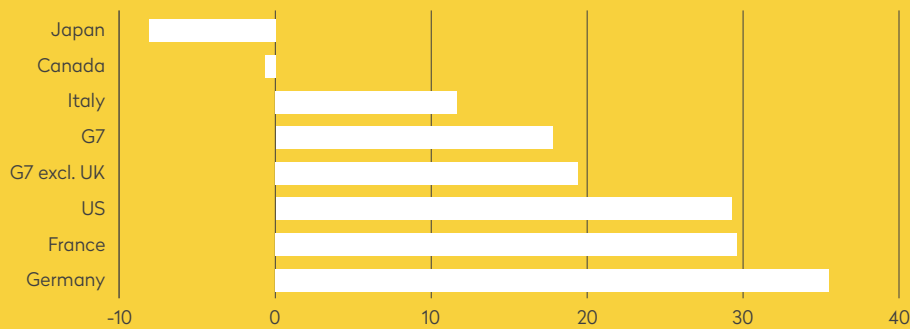
UK Output per worker (where Index 2016=100)



Source: ONS

UK PRODUCTIVITY IS NOW WEAKER THAN MOST OF THE G7

GDP per hour worked, 2016 (% above/below UK level)*



Source: ONS

MANY EMPLOYERS
BELIEVE THIS IS DUE
TO A SKILLS GAP

More than **80%**
of UK companies
think a lack of
skills is harming
the country's
competitiveness.

Source: CBI

CHANGES TO THE WORLD OF WORK OVER THE NEXT DECADE WILL EXACERBATE THOSE CHALLENGES

By 2030:

39%

of the activities that people are paid to do in the UK today could be automated

20%

of the workforce – around 7m people – are likely to be under-skilled

Source: McKinsey Global Institute

PEOPLE ARE LIVING AND WORKING LONGER – AND CHANGING CAREER MORE OFTEN

By 2025:

30

we will have fewer workers under the age of 30

50

we will have over a million more workers aged 50+

Source: McKinsey Global Institute

The impact of Covid-19

The Covid-related lockdown has disproportionately affected a number of sectors (like retail, leisure and hospitality) that tend to employ younger, lower-skilled workers. In the near term, that is likely to increase unemployment and reduce entry-level opportunities available to those joining the workforce; it may also accelerate existing trends towards different roles with different skill requirements. All of this underlines the need for high-quality re-skilling and re-training. On the plus side, the lockdown has also shown what's possible in terms of (tech-enabled) remote working: by making greater use of online/virtual delivery, it should be possible to improve the cost and accessibility of skills training.

Bridges invests in solutions that help people to up-skill and/or re-skill, enabling them to fulfil their potential and participate in the workforce of the future.

Improving basic skills and resilience in young people

Less than half the working age population in England has the numeracy level expected of primary school children, and around half lack the digital skills needed at work. We can help more young people achieve their potential by ensuring they have both the skills and the resilience they need to thrive in an ever-changing job market.

Facilitating in-work training

A vital part of up-skilling the workforce is for companies to invest in developing the skills of their own staff, so they are better-equipped to meet the evolving market need. What's more, employers who are committed to staff development usually find it easier to attract, engage and retain high-quality people.

Boosting youth employment and apprenticeships

A period of unemployment can have negative long-term outcomes, including subsequent unemployment and even poorer health. With youth unemployment likely to rise again in the wake of Covid-19 (see left) – and given the existing skills gap – it's important to back programmes that help young people access employment, apprenticeships and training.

West London Zone

Tailored mentoring and support for young people in West London schools

Thesis

West London Zone is a charity created to improve the life chances of school children most at risk of poor outcomes. A dedicated Link Worker guides the child through an intensive two-year package of support tailored to their particular skills and aspirations, drawing on resources from the local community. The aim is for the child to progress in all aspects of life – particularly well-being, confidence, relationships and academic achievement. The programme is funded via a social outcomes contract, with Bridges providing the up-front working capital, and local authorities, philanthropists, central Government and local schools paying for the outcomes.

Progress

As of March, West London Zone had worked with over 700 children across Hammersmith & Fulham, its original area of focus, and Kensington & Chelsea, which launched at the start of the 2019/20 academic year. All told, WLZ is now working with 25 schools (up from 3 originally): first-year engagement is well ahead of its 85% target (91% in Hammersmith & Fulham, and 96% in Kensington & Chelsea), and it achieved about £3.2m worth of outcomes during the year. It has been investing in better information management systems to support the Link Workers, and has begun to switch a more strength-based approach, whereby the children are encouraged to try activities they enjoy and are good at.

Outlook

Although WLZ was significantly impacted by Covid, since most of the schools in which it works were largely closed, Link Workers remained in close contact with their families via phone and video calls – actually increasing their number of touchpoints with the young people to an average of four times a week. WLZ also raised philanthropic funds to help some of the families buy essential items, and/or to provide electronic devices so children could participate in remote learning. Supporting the children and their families through these unprecedented challenges will only have strengthened WLZ's relationships with these young people, which should help drive better engagement and more positive outcomes as lockdown eases and the children return to school.





AT A GLANCE



Outcomes
Contracts

3 GOOD HEALTH
AND WELL-BEING



732

young people
supported

25

schools now
participating

96%

engagement levels in
first year of programme

Wholebake

Snack bar manufacturer providing employment and skills training in North Wales

Thesis

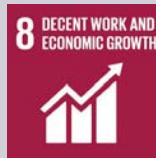
Wholebake manufactures and sells great tasting gluten-free energy bars from its factory and distribution facilities in North Wales – both under its own brand, 9BAR, and also for third-party national brands. As well as responding to the growing demand for healthier snacks – driven by the rise in obesity and food allergies – Wholebake is also providing quality jobs and training in an area of the UK where unemployment was relatively high even pre-Covid.



AT A GLANCE



Growth Business



187 employees in North Wales

87% are from underserved areas*

4 average tenure of staff in years

Progress

Since Bridges invested in Wholebake in 2014, the workforce has increased by 40% to c. 190 staff, most of whom were previously unemployed and live in underserved areas locally. In recent years, the business has focused on improving the quality of jobs it provides. By emphasising training, progression and employee engagement, Wholebake has improved job satisfaction and reduce attrition rates to below the industry average. This has helped to create a very strong food safety culture and driven manufacturing process improvements.

Outlook

Demand for snacks has fallen by about 30% since the onset of the pandemic, but this is likely to be temporary. The long-term growth outlook for the seed-, nut- and fruit-based snack segment within which Wholebake operates remains extremely positive, as consumers increasingly seek out healthier options.



PORTFOLIO CASE STUDY

Just Ask

Facilities management business that specialises in working with Housing Associations

Thesis

Just Ask is a facilities management business that works exclusively with Housing Associations (who typically house a higher proportion of vulnerable people than other housing providers). Just Ask has a clear focus on improving residents' lives, both by creating better places to live and also by offering employment and training opportunities. Since the Social Value Act favours impact-driven providers, this is helping Just Ask to win new and repeat business.

Progress

Just Ask enjoyed a strong year of growth, with revenue up c.30% year-on-year thanks to new client wins and diversification into new services like fire protection. Although some

non-essential work was postponed due to Covid-19, demand for its cleaning services increased: Housing Associations value Just Ask's ability to provide highly-trained, well-protected teams to clean high-risk areas. It employs over 200 people who live in social housing, roughly a third of its staff; about 60% have signed up to volunteer in their local communities.

Outlook

In the post-Covid world, the demand for better cleaning and hygiene is only going to increase – so Just Ask is well-positioned to support new and existing Housing Association clients to create better environments and quality jobs for residents.

AT A GLANCE



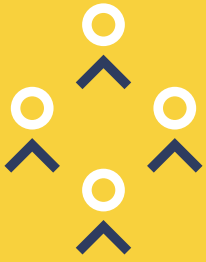
Growth Business



752 employees

30% of employees live in social housing

63% of employees volunteer in their communities



Stronger Communities

Coming together is a beginning; keeping together is progress; working together is success.

Henry Ford

PEOPLE'S LIFE CHANCES ARE HUGELY AFFECTED BY WHERE THEY HAPPEN TO BE BORN

Children born in the richest countries will:

- Live **1.6x** longer
- Spend **5.7x** longer at school
- Earn **172x** more

than children in the poorest countries.

Source: Our World in Data

WEALTH IS UNEVENLY DISTRIBUTED

Globally, the world's richest **1%** own **44%** of the world's wealth.

Source: Credit Suisse Global Wealth Report

In the UK, the richest **10%** of households hold **44%** of all wealth

Source: ONS

PEOPLE IN MORE DEPRIVED AREAS ARE STATISTICALLY MORE LIKELY TO EXPERIENCE POOR LIFE OUTCOMES

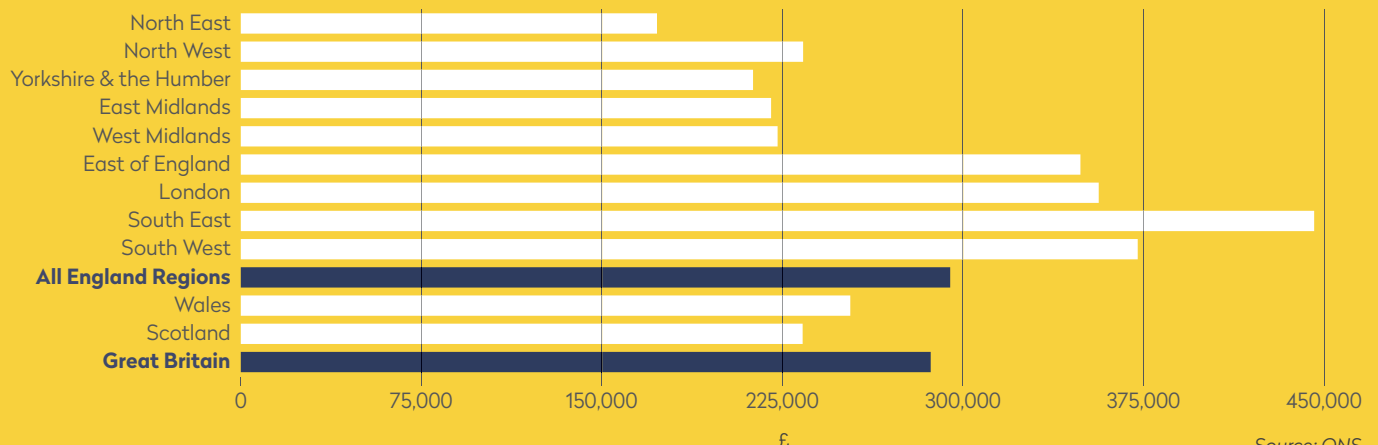
In the most deprived decile of neighbourhoods:

33% of the population are income deprived (on a low income) and **25%** are employment-deprived (want to work but can't)

Source: MCHLG

THERE ARE SIGNIFICANT WEALTH DISPARITIES BETWEEN DIFFERENT UK REGIONS

Median total household wealth by region, Great Britain, April 2016 to March 2018



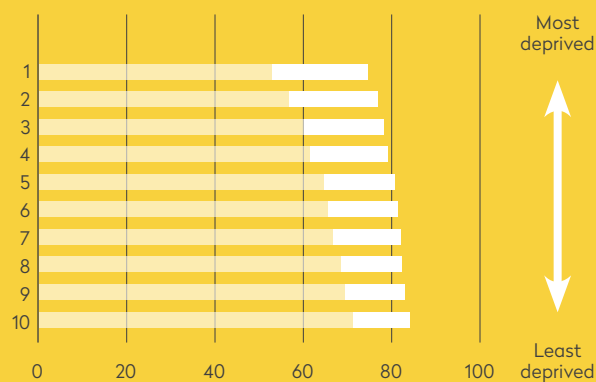
Source: ONS

PEOPLE IN LESS DEPRIVED AREAS TEND TO LIVE LONGER, HEALTHIER LIVES

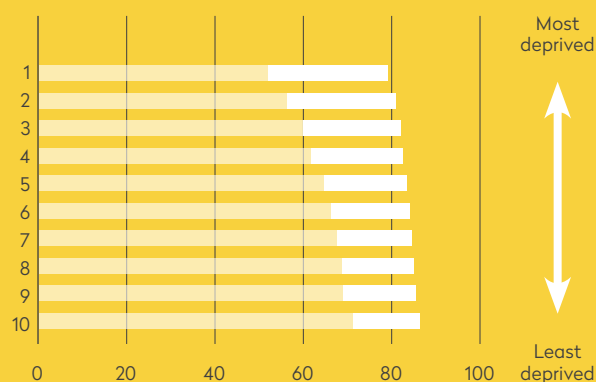
Life expectancy and healthy life expectancy by deprivation decile in England, for babies born 2016-2018

- Remaining years expected to live in good health
- Remaining years expected to live in poorer health

Male:



Female:



Source ONS

The impact of Covid-19

The pandemic and associated lockdown have had a disproportionate impact on those living in underserved communities. On average, they are likely to have had less inside and outside space in which to self-isolate, less secure jobs and less access to food, household goods and technology (to facilitate online shopping, learning, etc.) It will also put even more pressure on local services, which have in many cases already been reduced significantly in recent years.

Bridges invests in solutions that improve access to quality goods, services and opportunities

Improving access to quality lower-cost housing

Access to good housing is fundamental to well-being: it can drive better outcomes in a range of areas, from health, to education, to employment. However, we have not been building enough new homes to house our growing population – creating a chronic shortage of decent and affordable housing in many areas of the country. Developing new housing and improving existing homes can help to address this challenge.

Contributing to regeneration by developing commercial buildings

Communities that have suffered from chronic underinvestment can end up with a surfeit of derelict land or disused property, which can aggravate social, economic and environmental problems. Bringing these sites back into economic use, for instance by transforming them into industrial buildings or SME workspaces, can help to create jobs, improve the environment and revitalise the local economy.

Tackling fuel poverty through energy efficiency

More than 10% of all households in the UK live in fuel poverty; that's more than 2.5m homes forced to make unacceptable choices between 'heating or eating'. A key issue is that much of our existing building stock is not energy-efficient. By making these buildings more efficient, we can substantially reduce bills and cut fuel poverty, while also helping to achieve the UK's ambitious emissions target.

NEW INVESTMENT

AgilityEco

A leading provider of fuel poverty, energy-efficiency and low-carbon services

Thesis

More than 10% of households in the UK live in fuel poverty – with unmanageable fuel costs, inefficient housing stock and rising household debt forcing too many people to choose between ‘heating or eating’. AgilityEco is a leading UK provider of fuel poverty, energy-efficiency and low carbon services, helping to tackle the challenge of fuel poverty primarily via two Government-backed schemes. It helps energy providers to meet their obligations under the Energy Company Obligation scheme (to reduce lifetime fuel bills of fuel-poor homes by over £8bn) by arranging the installation of measures such as better insulation and more efficient boilers. And it works closely with over 150 Local Authorities to identify households eligible for the Warm Home Discount, a separate scheme for those in particular need.

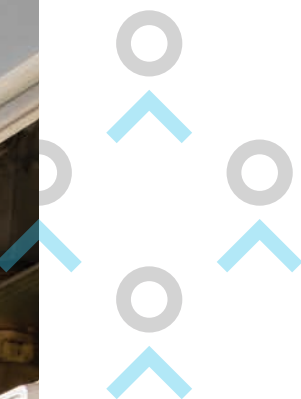
Progress

Last year AgilityEco supported almost 48,000 households (c. 115,000 people), reducing their fuel bills by an average of £425 per year (the average ‘fuel poverty gap’ in the UK is thought to be about £340). Following Bridges’ investment last year – via Bridges Evergreen Holdings, our long-term capital vehicle – the business performed well in the period to March. There was positive progress made in terms of strengthening the team, including the appointment of a new chair and CFO; and stakeholder communication was significantly enhanced by the introduction of bespoke impact reports, which give AgilityEco’s key energy company customers a clearer sense of the impact these services have on vulnerable households. Operations have been somewhat affected by the Covid-19 lockdown: the AgilityEco model typically involves home visits, which were inevitably curtailed during lockdown (other than emergency boiler repairs). However, the business has shown great resilience: it was able to switch to telephone-based delivery for a number of its services, enabling it to continue supporting vulnerable people.

Outlook

If the UK is to have any hope of reaching its mandated emissions reduction goals, improving the energy-efficiency of existing domestic properties is essential. This should drive strong demand for AgilityEco’s services in the coming years, allowing it to help more people out of fuel poverty.





AT A GLANCE



Long-term
Capital



48k
households
served

123k
energy-efficiency
measures

£425
average annual saving
per household



Wembley Link

Delivering much-needed lower-cost housing and regeneration in North London

Thesis

There is a pressing need for more lower-cost and affordable housing in London; the capital needs 65,000 new homes per year to house its growing population, but the current average is less than a third of that. In 2017, Bridges and our development partner HUB acquired a 3.3-acre site in the Wembley Link Regeneration area of North London, to deliver a residential development that would support the ongoing regeneration of the Wembley area.

AT A GLANCE



Property



256

new homes being built

50

affordable units

30%

reduced emissions vs standard new build



Progress

Following extensive consultations with the local community and local government officials, Bridges and HUB secured planning consent from Brent Council to develop 256 residential units at the site across two blocks, 50 of which will be classed as 'affordable housing'. Our intention is to deliver a high-quality modern development with accessible green roofs, cycle parking, communal areas and landscaped public areas in the vicinity. It will also have a small commercial workspace to encourage local enterprise and employment.

Outlook

Although construction is not likely to be completed before 2023, we have already received inbound interest from a number of institutions and Housing Associations on the basis of the planning consent, reflecting the potential significance of this development to the local area.



NEW INVESTMENT

Kirklees Better Outcomes Partnership

Supporting people at risk of homelessness in Kirklees to live independent and fulfilling lives in their own homes

Thesis

In Kirklees, as in many parts of the UK, funding for preventative services has been falling over recent years, contributing to an 80% increase in homelessness over the last three years. KBOP is an outcomes-based programme of tailored support that helps those using the service to secure or maintain suitable accommodation, improve their health and well-being, and develop the skills they need to live independently.

Progress

Since launching in September, KBOP has supported over 1,200 vulnerable people, achieving almost 1,000 outcomes – including employment, sustained accommodation and

engagement with Drug and Alcohol services. It is also evolving towards an 'asset-based' delivery model, a strengths-based approach whereby service participants are supported and encouraged to build on their interests and hobbies. In recent months, KBOP has also launched a Covid-specific support service to help Kirklees Council manage the impact of the crisis.

Outlook

Although the programme is still in its early stages, there is already a strong central team in place, a robust referral process, and clear buy-in across the delivery partners. With the UK facing a Covid-induced recession, there will be no shortage of demand for its services in the coming months.

AT A GLANCE



Outcomes Contracts



80%

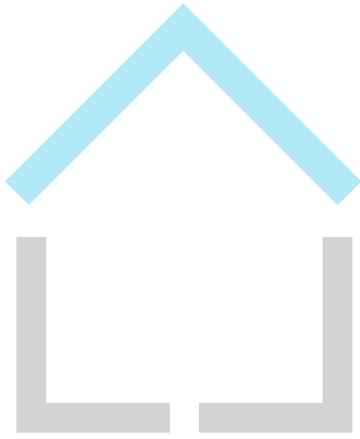
rise in homelessness since 2017 in Kirklees

9

delivery partners in the consortium

1,203

people supported to date



Property

Our long-term focus is continuing to drive strong dealflow and exits, even post-Covid

Our focus on sustainability and needs-driven sectors creates assets that are highly attractive to institutions looking for long-term, future-proofed income



2019/20 was another strong year of progress for Bridges' property investment portfolio, driven by a number of successful exits – such as CONNEQT, an industrial development in Cannock on the site of a former open-cast coal mine, and Worship Street in East London, where we had secured planning consent for a sustainable refurbishment of two dated office blocks (see p. 14).

As these exits show, our focus on sustainability and needs-driven sectors continues to create assets that are highly attractive to institutions looking for long-term, future-proofed income.

In recent months, the Covid-19 pandemic has clearly had a significant effect on transaction activity across the broader property sector. However, our portfolio has proven pleasingly resilient to date: rent collection has been running at 80-90% for most of our assets (well above the industry average), and because most of our deals involve little or no debt, there has been no need for additional cash injections. And despite some Covid-related delays, our current developments – including our lower-cost housing and assisted living sites – are still on course to be delivered on time and on budget.

What's more, while some sectors have been hit hard by the lockdown (particularly retail), other sectors – notably industrial/ logistics – have continued to perform well. As a result, we've been able to complete a number of new transactions since the year-end, both independently and in tandem with our joint venture partners. This includes new industrial developments in Coventry, Wallingford, Havant and Harrogate, and two new sites for Birchgrove, our assisted living venture.

This strong dealflow is a function of our focus on sectors where economic, social and demographic shifts will continue to drive increased demand over time. We also expect to see an increased focus on sustainability in the coming years, as the UK attempts to make progress towards its ambitious net zero emissions target. That leaves specialist operators like us well-placed to succeed in the post-Covid world.



Simon Ringer
Partner





Outcomes Contracts

Our projects are driving more flexibility, more collaboration and more accountability in the delivery of vital public services



This year, we were delighted to close Bridges' second fund dedicated to social outcomes contracts with £35m of commitments, well ahead of our original target. This is testament to the success of our pioneering first fund* which enabled more than 50 local and central Government commissioners to deliver over 40 high-impact outcomes-based programmes.

Over the last eight years, what we've found is that the best of these programmes differ from traditional Government contracts in three important ways. Delivery partners have more flexibility to adjust their programme to meet the specific needs of the people they work with, rather than sticking to a rigid service specification. There's more collaboration between delivery partners, local communities and different branches of Government. And there's clearer accountability for genuinely improving people's lives.

More and more social sector organisations are embracing this new way of working, because they see that it enables more effective services that genuinely improve lives. Thanks to their extraordinary efforts, the projects we support are achieving some remarkable impact – from helping children on the edge of the care system to remain with their families, to supporting those at risk of homelessness, to tackling the social determinants of debilitating long-term health conditions.

There is a growing number of far-sighted commissioners who recognise the value of using social outcomes contracts to achieve this, which is helping us to scale up a number of our successful projects – including West London Zone (p. 24), which helps struggling schoolchildren to fulfil their potential by connecting them to community resources, to SHPS, which supports single people at risk of homelessness in London.

For many of the vulnerable people we work with, the Covid-19 pandemic has both exacerbated existing challenges and created new ones. But it's also highlighted the benefits of this model, in that our brilliant delivery partners have been able to keep adjusting their services so they can keep improving people's lives. As the fallout continues in the coming years, we believe the work these organisations do will become even more important – and the value of this approach will become increasingly clear.

**We originally funded these outcomes contracts via the Bridges Social Entrepreneurs Fund, before raising our first specialist vehicle*



More and more social sector organisations are embracing this new way of working, because they see that it enables more effective services that genuinely improve lives



Mila Lukic
Partner



Growth Businesses

Purposeful businesses that focus on all their stakeholders are well-positioned to tap into long-term growth markets

In general, the 2019/20 financial year was a very positive one for the Bridges Sustainable Growth Funds portfolio, with strong progress in both our growth and impact metrics.

Viva, our low-cost Iberian gym business, opened 16 new gyms in the year (a new record for the group), and saw membership numbers top the 300,000 mark. Impact Food Group, which provides healthy school lunches, also continued to see strong growth, serving 160,000 pupils across 220 different schools by the turn of the year. World of Books, which re-sells and recycles second-hand books, processed 37,000 tonnes of stock, averting over 7,000 tonnes of carbon emissions; plant-based food supplier Vegetarian Express was serving over 4,500 chef customers (up 17%); and Alina Homecare opened another 14 greenfield sites.

In the final month of the year, the trading environment was significantly disrupted by the Covid-19 pandemic, which at time of writing, is expected to shrink the UK economy by about 10% year-on-year in 2020* – an extraordinary and unprecedented slump. During the lockdown period, many thriving businesses saw most of their revenues disappear almost overnight, through no fault of their own.

Inevitably, we have seen the impact in our own portfolio – with the likes of Viva, IFG and Vegetarian Express all affected. However, some of our businesses have continued to trade well through lockdown: notably Alina, which has seen demand for its critical services increase, and World of Books, which has benefited from the shift to online retail.

More broadly, we have been working hard with our partners not only to protect our people and maintain business continuity, but also to support those hardest hit (see p. 44). We believe this broader stakeholder focus – a common trait of all impact-driven businesses – will make these companies more resilient amidst the current challenges and better able to adjust their model to the 'new normal'.

If anything, recent months have only underlined the scale of the challenges we face, and the role business can play in tackling them. So despite this disruption, it is still our strong conviction that companies like these are best-placed to tap into growth markets, attract great people and generally thrive in the coming years.

**Based on an average of various independent GDP forecasts compiled by the UK Treasury, August 2020*

If anything, recent months have only underlined the scale of the challenges we face, and the role business can play in tackling them



James Hurrell
Partner







Long-term Capital

Evergreen helps mission-driven entrepreneurs to scale their business and their impact

This was another strong year of progress for Bridges Evergreen Holdings, which invests long-term capital to support the growth of mission-led businesses and social sector organisations that deliver positive social impact through sustainable and scalable business models.

AgilityEco, our fourth investment (completed in November see p. 30), is a great example of this. The business helps to reduce fuel poverty by improving the fabric of fuel-inefficient homes; and when the founders were looking for a long-term investment partner, Evergreen's strong mission-alignment was a key differentiator.

Within the existing portfolio, The Ethical Housing Company – our portfolio of affordable rental housing in Teesside – ended the year with 50 properties, having completed a 27-home portfolio acquisition early in the period. Now that the business has provided clear proof of concept, we have been building out the team with a view to scaling the business towards 1,000+ properties in the coming years. New Reflexions also enjoyed a strong year. Half of its English homes (and its school) are now rated as 'outstanding' by OFSTED, a real testament to the quality of the team and the care they deliver to some of our country's most vulnerable young people.

In recent months, Evergreen's portfolio businesses have all faced significant operational challenges as a result of Covid-19. However, our management teams have responded well, adapting their delivery models and continuing to deliver powerful impact for vulnerable people. We were also pleased that despite the challenges faced by care home operators in recent months, Shaw healthcare has been able to complete its transition to majority employee ownership – a change we have been championing since we invested. As a result of this change, we expect our Shaw investment to be redeemed in the current year.

All told we have been delighted by the resilience of the portfolio this year, and the social impact our partners have continued to deliver. Despite the recent disruption, we anticipate a year of profitable and successful growth in the portfolio during 2020/21, while the team are in active discussions on further impactful investments. Evergreen was able to deliver an income yield of 4% in the year to March, and we expect to surpass that figure in the current financial year.



We have been delighted by the resilience of the portfolio this year, and the social impact our partners have continued to deliver.



Scott Greenhalgh
Chair



SUNRISE TREATMENT CENTER

Opioid addiction in the U.S. continues to rise, putting a growing segment of the population in a cycle of dependence and pain. In Ohio, the rate of drug overdose deaths involving opioids is 169% above the national average – and there isn't enough treatment available to meet the current need. Sunrise is a substance abuse treatment provider that now operates seven clinics in Ohio, providing MAT and behavioural counselling to individuals suffering from opioid use disorder. Last year, it managed about 50,000 visits across its clinics, mostly supporting patients with Medicaid coverage.



Elizabeth Burgess
Partner

BEYOND THE UK

Bridges U.S.

Our U.S. team completed three exciting new investments and a successful exit in the year

2019/20 was, overall, a year of outstanding progress for the Bridges U.S. Sustainable Growth Fund, which invests in high-growth, high-impact U.S. lower middle-market companies.

In July, we successfully exited our investment in Impact Fitness, a low-cost gym business based in Michigan. During our period of ownership, it doubled its number of locations from 13 to 26 and surpassed all its growth targets. In line with Bridges' other low-cost gym investments in Europe, it also had a strong focus on improving accessibility, creating a number of programmes specifically for first-time gym users. Indeed, this mission-driven approach was one of the key attractions for the eventual buyer.

During the year, we also completed three new investments in exciting and impactful growth businesses, as the efforts we have put into building the Bridges brand in the US middle-market over the last few years really began to bear fruit. In April we invested in Sunrise Treatment Center (left), a specialist substance abuse treatment provider based in Ohio – a state that has been particularly badly hit by the opioid addiction crisis. This was followed in August by an investment in Jump City, an operator of five indoor trampoline parks in New England, which offers healthy and affordable recreation while generating employment and skill development for young adults. And our third investment of the period came in early 2020: James River Home Health provides home health and hospice care to meet the needs of ageing individuals in Richmond, Virginia, helping them to age in place with dignity and improve their quality of life.

In recent months, Jump City has been hit hardest by the Covid-19 crisis: it had to close all its trampoline parks and delay some planned bolt-on acquisitions. However, as our other investments all provide front-line health services, they have performed very resiliently. Sunrise has continued to progress new site openings, while our existing investment Medwood has actually seen an increase in patient 'visits' after switching to a 'telehealth' model. We continue to work closely with our partners to manage the impact of the crisis and support the most vulnerable, from sourcing PPE to assisting with access to Government financing schemes, and remain confident that their impact-driven ethos will stand them in good stead in a post-Covid world.

BEYOND THE UK

Bridges Israel

Our Israeli affiliate continues to deploy capital after closing its oversubscribed fund

Bridges Israel held a final close on its debut fund in September 2019, with \$77m of commitments. This was well above its original target, a strong endorsement of the fund's impact-driven strategy and the perceived opportunity in this market. During the year, we continued to see excellent dealflow in both our investment strategies: Impact Growth (backing companies serving the socio-economic periphery); and Impact Tech (funding start-up tech companies with the potential to generate global impact).

After completing four investments in our first year of operation, we were able to complete a further three during the year to March. XRHealth is an extended reality technology that combines medical applications with advanced data analytics; the product is already installed in clinics and hospitals in Israel and the US, and is well-suited to telehealth services, which should underpin strong growth in the coming years. We also supported Viridix, a precision irrigation system that enables farmers to improve the efficiency of their water usage and increase crop yield; and Nazid Impact Food, a high-impact school catering business that not only provides healthy meals to schools across Israel, but also focuses on providing fair employment for Bedouin men and women.

In recent months, we have been engaging intensively with our portfolio companies to help them navigate the Covid-19 crisis, with a focus on protecting staff, maintaining business continuity, reducing costs and carefully managing cash. Although Abraham Hostels has been affected by the collapse of tourism, the portfolio as a whole has proven very resilient. In fact, some of our companies (notably XRHealth, Kando and Viridix) have actually seen some positive effects, and most have a cash runway of at least 12 months.

We have even been continued to deploy capital, leading a \$5m funding round for ECONcrete. This Israeli 'blue tech' startup makes a new kind of concrete for use around coastlines, which is stronger than standard concrete but actually supports marine life. Selected as one of TIME Magazine's 100 best inventions of 2019, and in Fast Company's list of the world's most innovative companies, we think this is a business with huge potential.



N-DRIP

Over 80% of the world's available land is irrigated using flood systems, which typically results in half the water being lost (through evaporation, run-off, etc). But more targeted micro-irrigation systems are too expensive for most farmers. N-Drip has developed a new gravity-based drip irrigation system that creates much-needed irrigation efficiency gains at a significantly lower price point. This should enable a broader range of farmers to produce more crops, while using less water and fertiliser – thus helping to tackle the growing global threat of food insecurity and water scarcity.



Ran, Sandrine & Gal
Bridges Israel

Responding to Covid-19

How our portfolio has innovated and adapted in the face of a unique challenge

The Covid-19 pandemic has had a profound effect on social and economic life in the UK (and beyond). For our portfolio partners, this period has thrown up some unique and unprecedented challenges – but they have risen to these challenges remarkably, working closely with Bridges’ investment teams (and our dedicated Covid-19 taskforce) to safeguard their people, adapt their business models, and support those hardest-hit.

As an impact-driven investment manager, we believe this ‘impact innovation’ – which has been in evidence across the Bridges platform – isn’t just the right thing to do; it also helps to build the kind of stakeholder relationships that will be necessary in order to come through this crisis and succeed in the post-Covid world.



The Vet

The Vet (Bridges Sustainable Growth Funds), a low-cost veterinary services business, launched a new telemedicine offering, so pets could get a check-up during lockdown. This innovation could be a long-term opportunity: by delivering more services virtually, The Vet can potentially drive down consultation costs for pet owners still further.

KBOP

Kirklees Better Outcomes Partnership (Bridges Social Outcomes Contracts), a community support service for vulnerable people in West Yorkshire, launched a dedicated Covid-19 service to help out the Local Authority. This service provides ongoing advice and emergency support (like food parcels), and central coordination for services like foodbanks.



Vegetarian Express

With many of its catering sector clients forced to close during lockdown, plant-based ingredient supplier VE (Bridges Sustainable Growth Funds) launched a direct to consumer offering within just a few weeks, creating a new revenue

stream and helping consumers at a time when ingredients were in short supply.

Bridges et al.

We introduced an initiative to procure PPE (Personal Protective Equipment) at a portfolio level so we could order in bulk, driving down costs and increasing security of supply. Our first order consisted of 34,000 face masks, which were then distributed to a number of our partners across the platform.

Impact Food Group

Impact Food Group (Bridges Sustainable Growth Funds) had to stop most of its school services, but it still supported its local communities by converting its canteens into mini-markets, by providing lunches to local children eligible for free school meals, and by supplying food to front-line NHS staff.



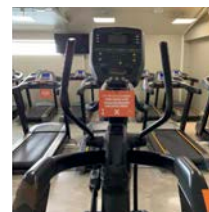
Birchgrove

To combat loneliness and isolation, assisted living business Birchgrove (Bridges Property Funds) used tablets to make sure residents ‘check in’ twice a day, and ran virtual events like quizzes and ‘DIY supper clubs’. It has

also introduced measures like UV air purifiers and electrostatic spray technology to minimise infection risks.

West London Zone

As well as switching to a virtual delivery model, West London Zone (Bridges Social Outcomes Contracts) raised about £35,000 via its ‘Bridging the Gap’ fundraising appeal to support hard-hit families. This money was used to buy food and other essentials, to provide additional language resource, or to buy tablets and other materials to help children struggling to home-school.



Viva Gym

Viva (Bridges Sustainable Growth Funds) our low-cost gym business in Spain and Portugal, started offering online training sessions to help members stay fit; these sessions were so successful that it may become a

permanent offering. Viva also offered members the option to keep paying fees on the basis that 50% of the proceeds would go to staff.

Bridges Insights

This was another year of remarkable progress for the Impact Management Project

Bridges Insights is our not-for-profit field-building practice. It works to advance the market for sustainable and impact-driven investing through proprietary research, knowledge-sharing and sector-wide collaborations.

Currently, Insights' primary role is hosting the Impact Management Project, a forum for building global consensus on how to measure, manage and report on impacts. In its first two years, the IMP brought together over 2,000 organisations to agree on shared norms, such as five dimensions of impact that enable enterprises and investors to assess and compare their impacts on people and the planet.

A large number of companies and asset managers (including Bridges) have already incorporated these norms into their impact analysis and reporting, and there are some promising initiatives underway to facilitate broader adoption. For instance, the Insights team has been contributing to a public good technology initiative called the Impact Classification System, which uses the 'impact classes' developed through the IMP (a useful shorthand for summarising types of performance across the five dimensions of impact) to help investors assess and compare the impact of various investments across their portfolio.

Since 2018, the IMP has been working towards an even more ambitious goal. Through its 'Structured Network', it is facilitating a collaboration between 16 of the world's leading standard-setters – including UN agencies, the OECD, and leading corporate reporting initiatives – to explain the overall system of standards for managing and disclosing impacts on sustainability. The IMP's view is that supporting coherence and connectivity between these standards is fundamental to the development of this market: it will make it easier for companies and investors to take action and can also provide the clarity required to achieve global legitimacy through regulatory mandates or other recognition by policy makers.

This year, IMP facilitated all five Members of the Structured Network focused on sustainability and integrated reporting to come together and publish a *joint statement of intent*. The statement, which articulates a shared vision of the standards needed for comprehensive corporate reporting and a commitment to work together to achieve it, is a good example of the progress that the Structured Network model is designed to support. This promising momentum suggests that an overall system of standards that work together is now a very real prospect for the first time.

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Clara Barby
CEO, IMP & Partner, Bridges

BRIDGES
Insights

PHILANTHROPY

The Bridges Impact Foundation

The Foundation continues to amplify the team's charity fundraising activities, whilst also expanding its venture philanthropy



Barbara Storch
Director

BRIDGES
Impact Foundation

The Bridges Impact Foundation provides catalytic support for innovative solutions that drive better outcomes for underserved people and the planet. It is funded largely by the Bridges team, who donate 10% of any carried interest they earn from the Bridges funds.

One of the Foundation's goals is to amplify the philanthropic activities of the Bridges' team. A notable example came in October, when a Bridges team ran the Royal Parks Half Marathon in support of our former chairman Peter Englander. Thanks to matched funding from the Foundation, the team raised almost £45,000 for the Brain Tumour Charity.

The Foundation has always played a key role in supporting the growth of the broader impact investing market. A recent example of this is its support for Village Enterprise's programme to help people move out of poverty in Uganda and Kenya, via a 'development impact bond' (drawing on Bridges' experience of outcomes-based contracts in the UK). If this programme is successful, it could help to catalyse the growth of DIBs internationally.

However, in recent years, the Foundation's key focus has been the development of a venture philanthropy programme, focused on supporting vulnerable children.

The OnSide 'Future' Youth Zone we support in Barking & Dagenham, which opened in May 2019, attracted over 7,000 members in its first year (nearly twice as many as expected). And while it had to close its doors during lockdown, it continued to provide online classes and activities, as well as regular telephone check-ins. The Foundation has now committed to being a founding patron of a second OnSide Youth Zone in Hammersmith, which should open in 2021.

The Foundation's other key partnership is with Shout, a crisis text line service. Launched in May 2019, Shout saw strong growth in its first year of operation: it has already trained about 2,000 remote Volunteers – including some of the Bridges team – and conducted over 250,000 conversations. Its users are often young people in crisis: 70% of texters are under 25, while 40% have suicidal thoughts. And given its remote model, it has been able to play an important role during Covid-19: roughly one in five of all its conversations over the summer was related to the pandemic, and it began offering support services for NHS and front-line workers.



ACKNOWLEDGEMENTS

Thank you

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Bridges Fund Management, 2020