BRIDGES
Fund Management

Annual Report
2022-2023

Contents

About us

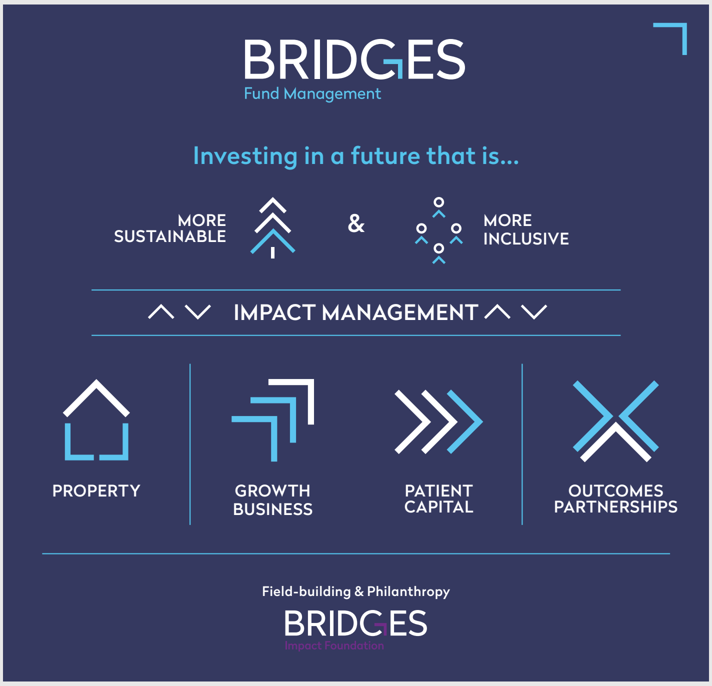
Bridges specialises in sustainable and impact investment.

It's our conviction that building a more sustainable, more inclusive world is not just a moral and ecological imperative. It's also a unique opportunity to create and preserve economic value.

Since 2002, we have developed a platform of private markets strategies to invest in solutions that support this transition. Within our two broad themes, we identify target environmental and social outcomes linked to key global mega-trends (*cf. p.10*).

Supported by in-house impact management specialists, our investment teams seek out opportunities where there is a clear potential lockstep between financial and impact performance. This enables us to achieve better outcomes for people and planet, and attractive financial returns for our investors.

We are also committed to supporting the growth of sustainable and impact-driven investing through our not-for-profit field-building work and philanthropy (the Bridges Impact Foundation; *p.38*).



Cover photo by Ana Pereira, Unsplash

The year in numbers

23
investments across the platform

£214m
committed to new investments

8
realisations or pre-sales

£143m
gross proceeds from realisations/ pre-sales

£3.5bn
GDV of Bridges' property investments to date

5.7m sq.ft
logistics space developed/ under development

13
countries now invested in to date

241
total Bridges investments since 2002

*April 2022 - Sept 2023

Introduction

We are living through an uncertain, turbulent age.

Macro-level shocks continue to convulse the global economy: notably the war in Ukraine, which has heightened geopolitical tensions and caused significant resource shortages, resulting in inflation, rising interest rates and a cost-of-living crisis; and more recently the terrible events in Israel and Palestine. Technological challenges loom large, not least the remarkable pace of progress in Artificial Intelligence – which has so much potential for transformative impact, but so many associated risks. And politics seems to be in chaos; particularly here in Britain, where we've had three prime ministers in rapid succession (and may have another in a year's time), even as public health and education systems creak at the seams.

Not surprisingly, this has had a damaging effect on private markets activity. Capital deployment, exits and fundraising have all slumped over the last year, according to Bain & Company.

Meanwhile the social and environmental challenges we face are becoming increasingly urgent. We're now half-way through the allotted time period for the Sustainable Development Goals, and we are lagging behind target in almost every area (a challenge we have been exploring in our series 20/30 Visions; *p. 36*). According to a McKinsey analysis of nature-based thresholds – i.e. the safe operating space for the planet – we're already at least 100% beyond the threshold in four of the nine

categories. The share of energy from renewables only increased from 8% to 12% in the decade to 2021. Not one of the IPCC forecast scenarios has us staying within the 1.5°C warming limit. Yet politicians seem to be slowing the pace of change, not accelerating it. Public discourse has become so ill-tempered that the prospect of sensible, coordinated global responses to these imperatives seems ever more distant.

The good news is that appetite for sustainable and impact investment continues to grow, and seems to be holding up much better than the market as a whole. A survey by Rede Partners found that sustainability and healthcare were two of the only areas to which investors plan to increase their allocations in 2023. About $270bn was raised for ESG/

PHILIP NEWBOROUGH
CO-CEO

MICHELE GIDDENS
CO-CEO

impact funds in 2022, according to McKinsey – three times as much as the equivalent amount in 2019. In fact, climate investments are one of the only areas to show growth.

We believe there's a simple reason for this: the transition to a more sustainable and inclusive economy is both essential and inevitable. Getting to net zero; improving health outcomes; creating fit-for-purpose housing: these are not just social and ecological imperatives. They're also powerful long-term growth trends.

At Bridges, we continue to see the benefits of investing in this transition. Dealflow has remained strong despite the challenging market, allowing us to deploy over £200m across the platform since last April, while generating over £140m of proceeds for our investors.

Within our property funds, we continue to focus on three resilient, needs-driven sectors that are underpinned by long-term growth trends: sustainable logistics, lower-cost and affordable housing, and healthcare accommodation. Over the last five years we have developed market-leading expertise in these areas, allowing us to develop innovative solutions and making us a partner of choice for specialist operators. We're now starting to look at how we can apply some of that expertise beyond the UK, completing our first investment in Dublin.

Our Sustainable Growth Funds completed three exciting new platform investments during the year. Notably, this included our first investment in Germany: Hycube, which provides renewable home energy systems (*p. 22*). We're also excited about Evora (*p. 20*), which provides advisory services and technology to help real estate investors manage their carbon footprint – and as such, is a great example of how our property and growth capital expertise can complement each other.

> Dealflow has remained strong despite the challenging market, allowing us to deploy over £200m across the platform since last April, while generating over £140m of proceeds for our investors

Indeed, this complementarity is increasingly apparent across the portfolio. Another good example is New Reflexions, a business supported by our patient capital vehicle Bridges Evergreen: it is also benefiting from our real estate experience as it continues to expand its portfolio of schools, which are working with some of the most disadvantaged young people in the country (*p. 26*).

Meanwhile our specialist impact team continues to blaze a trail, working across the platform to identify value-creation opportunities, improve reporting and transparency (*p. 8*), and ultimately enhance our positive contribution.

Elsewhere across the Bridges platform, there was a significant development for our Outcomes team: the official launch of a new initiative to support outcomes-focused projects in low- and middle-income countries. SDG Outcomes has been raised in tandem with the UBS Optimus Foundation – testament to the power of partnerships, and to the world-leading expertise that our team has developed through its ongoing work in the UK (*p. 34*).

There is no doubt more turbulence ahead in the next year or two, with more political upheaval looking likely on both sides of the Atlantic. However, we continue to believe that our focus on resilient, sustainable growth sectors will continue to pay dividends – as politicians of all stripes recognise that they cannot hope to achieve their vital social and environmental priorities without the kind of long-term, patient, impact-driven capital that we provide.

HIGHLIGHTS OF THE YEAR

Bridges in 2022/23

SEPTEMBER 2022

Bridges completes a successful exit from school catering business Impact Food Group

DECEMBER 2022

Bridges invests in HYCUBE, which provides clean energy systems to German homeowners (*p. 22*)

JANUARY 2023

Renaiss Health, our new post-operative rehab property platform, launches in Richmond, London

FEBRUARY 2023

The Property Funds acquire a site in Ludgate Hill, London, for a new residential development

OCTOBER 2022

Bridges invests in Evora Global, an ESG consultancy focused on real estate investors (*p. 20*)

DECEMBER 2022

Our Outcomes team agree to support their first project in Europe – a fall prevention programme in the Netherlands

FEBRUARY 2023

Bridges secures £108m of forward-funding from Realstar to build the second phase of Latitude in Leeds (*p. 14*)

FEBRUARY 2023

AgilityEco, an Evergreen portfolio company, certifies as a B Corporation (*p. 28*)

MARCH 2023

Bridges officially certifies as Carbon Neutral, courtesy of the Carbon Trust

APRIL 2023

Michele Giddens, Bridges co-CEO, named in PE News' "Twenty Most Influential in ESG 2023" list

JULY 2023

Launch of SDG Outcomes, our joint initiative with UBS Optimus Foundation to support outcomes partnerships globally (*p. 34*)

SEPTEMBER 2023

Birchgrove, Bridges' pioneering 'assisted living for rent' platform, acquires its eighth and ninth sites

APRIL 2023

Students from the Said Business School, University of Oxford, win the Turner MIINT competition (backed by the Bridges Impact Foundation U.S.)

MAY 2023

Kyle Bentwood, Bridges' Head of Origination, is promoted to partner

SEPTEMBER 2023

Our Verda Park industrial scheme is named 'Best Investment Transaction' at the Industrial Agents Society annual awards

OCTOBER 2023

Henry Jones joins as Bridges' new Head of Value Creation, working alongside our specialist impact team

Evaluating our impact

Our revised impact valuation methodology helps us to compare different kinds of impact more easily

Since our core impact team rejoined Bridges in 2022, following a secondment to the Impact Management Project (IMP), one of our key areas of focus has been impact valuation.

Good impact management relies on collecting useful information and using it to enhance performance. Given we invest across a range of target outcomes, having a robust method of impact valuation – the process through which impact performance data is converted into a single unit, enabling easier comparison between different impacts – is critical to clear decision-making.

Some believe that this common unit should be financial (impact monetisation). At Bridges, we have been supporting industry efforts to develop this area, such as the International Foundation for Valuing Impacts. But it is still nascent and challenging; so for now, we continue to focus our efforts on impact scoring. Bridges was one of the first asset managers to develop an impact score, back in 2012. As we expanded our platform of funds, we were finding it difficult to evaluate the relative impact of different opportunities. So we constructed a data-driven, quantitative methodology to help us evaluate the relative impact of different investment opportunities within and across each fund. This produced an Impact Score we could use to manage and communicate the impact of our investments.

To date, we have used this scoring system primarily to help us assess how far the core impact thesis of each potential investment meets the fund's goals. As such, the highest points were awarded to investments that were contributing, or were likely to contribute, to solutions for underserved people or the planet (since 2017 our scores have been correlated with the B and C Impact Classes that emerged from the IMP).

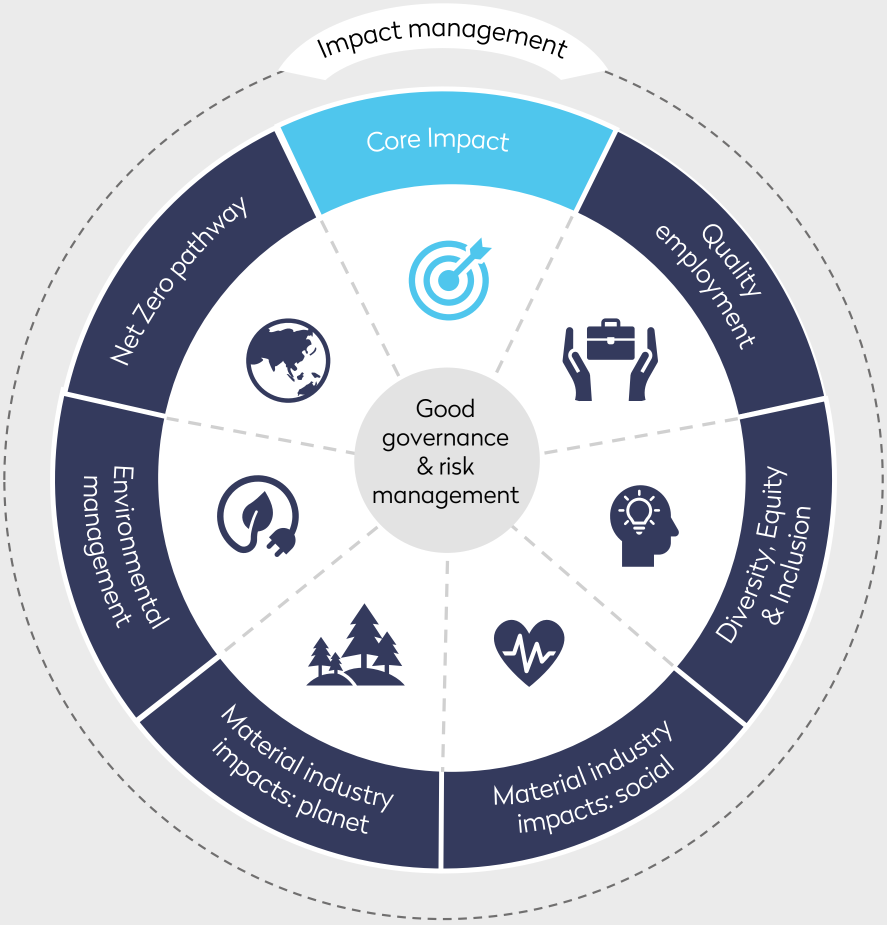
However, reflecting on what we have learned over the last decade, we wanted to evolve our score in three important ways.

First, we wanted it to better reflect the change we achieve within our portfolio. Every year we were reporting financial metrics that clearly illustrated how well the company had done year-on-year; but the impact score, because it was primarily focused on long-term factors, would remain relatively static. We wanted our impact score to better illustrate progress during our investment period, in the way our financial metrics do – not least because this would help us prioritise the areas where we as an impact team should be actively engaging.

Second, we wanted to incentivise and reward truly sustainable performance. At Bridges, we use the Brundtland Commission definition of sustainability: meeting the needs of the present without compromising the ability of future generations to meet their needs, and without overshooting the Earth's ecological limits. So within our core impact thesis, we look to identify the appropriate threshold for a positive outcome; and our score now doubles when

OLIVIA PRENTICE
PARTNER &
HEAD OF IMPACT

Here's a visual representation of the component parts of the score for our Growth funds; each of these segments represents a set of underlying KPIs that come together to inform our overall score:



performance meets that threshold. This reflects the importance to us of achieving outcomes that are objectively better for people or the planet – which is critical if we want to avoid greenwashing.

Finally, we wanted to enhance the proportion of our score weighted towards other material 'ESG impacts', so we could assess impact performance more holistically. We identify these via a materiality assessment conducted during due diligence that helps us identify not only the core impact thesis, but also any other significant impacts the business has (or is likely to have) on people and the planet. These typically fall into two main groups: universal ESG impacts (or core sustainability impacts), which are common to all our investments and Bridges' own firm-level goals, and sector-specific ESG impacts. In both cases, we are not just collecting this data to manage risk or make incremental improvements; our goal is to achieve truly 'sustainable' performance for as many of the impacts as possible, through active impact management.

Through our work with the IMP, we had a clear view on industry best practice. Our new scoring methodology aligns with this in a few important ways. We assign values based on the impact experienced by stakeholders, not the strength of our intentions as investors. Our score does not 'net off' negative impacts against positive; so where negative impacts occur, we record those alongside the aggregate score to help manage our engagement priorities. And critically, the score is driven by a sub-set of the KPIs used by the business; we also help the company measure other activity and output KPIs to inform day-to-day performance management.

These scores now form part of our impact reporting to investors, which this year has been fully integrated with our financial reporting for the first time – in line with the International Sustainability Standards Board's best practice standards.

Of course, our scoring methodology will always be dynamic. It will need regular calibration as our strategies evolve, as we learn more about how to measure different types of impact, and as we spot opportunities to increase its rigour. So we have also bolstered our Impact Valuation Committee, which is tasked with stewarding the governance and application of our scoring. We look forward to reporting back on this evolution in future reports.

Outcomes-driven origination

Anchoring our origination process in our firm-level target outcomes enables us to identify more attractive opportunities

In last year's report, we announced our climate goals: to be carbon-neutral in our operations by 2023; to have our entire portfolio aligned with a 1.5°C pathway by 2030; and to be fully Net Zero by 2040.

Over the last year, we've made good progress against our baseline measurement, and we've also been working to collaborate on progress towards norms for Scope 4 emissions accounting, in collaboration with an industry initiative called Project Frame.

For some companies, climate goals may be seen as somehow incidental to or separate from the 'day job'. But for Bridges, as a specialist sustainable and impact investor, it's a different story: these goals must be fundamental to our current and future investment strategy.

To that end, we have been revising our fund-level goal-setting and origination model, to optimise alignment with these broader climate goals. Of course, this is an ongoing process, because we always want to know that we are contributing to solutions in the best possible way. But the launch of our climate goals has provided additional impetus.

The biggest element of this has been updating our outcomes research, to help us spot opportunities more easily. To do this, we review the latest global and regional data on the most important social and environmental challenges in our markets.

For example, on climate, we began with data from the World Resources Institute, showing the biggest contributors to global emissions.

From here, we gather evidence about the best ways to tackle these challenges. In the case of climate, we have used data from the SDGs, Project Drawdown and the UK Government to identify investable solutions (see graphic, p. 11). Then we think about which of our strategies is best placed to deliver the different solutions.

For example, one area of particular interest for Bridges has been around reducing energy use (and therefore emissions) from the built environment, which has led us to examine a number of different solutions.

Within our Sustainable Growth Funds, this led us to invest in Evora Global (*p. 20*), which supports real estate investors to measure, manage and reduce the emissions from their real asset portfolios. And within our Property Funds, it led us to invest in Beech Street, an unused office building in London that we are planning to convert into EPC-A, BREEAM-Excellent residential accommodation – which reduces embodied carbon relative to a new-build development.

This outcomes research ensures we continually update our internal expertise on the challenges we are trying to solve, and the available solutions. This, in turn, helps us identify and build relationships with best-in-class partners who can help to deliver these solutions.

OUR SHARED PURPOSE

MORE SUSTAINABLE

TARGET OUTCOMES

- 12.2: By 2030, achieve the sustainable management and efficient use of natural resources
- 12.3: By 2030, halve per capita global food waste and reduce food losses
- 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

- 7.1: By 2030, ensure universal access to affordable, reliable and modern energy services
- 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix
- 7.3: By 2030, double the global rate of improvement in energy efficiency

100+ SOLUTIONS REVIEWED ACROSS FOUR KEY SECTORS (VIA PROJECT DRAWDOWN)

INDUSTRY

- Industry accounts for 21% of total greenhouse gas emissions.
- How do we move from the dominant model of 'take-make-use-trash' to more efficient and circular systems?
- The Ellen MacArthur Foundation says that a circular economy could save the global economy $2 trillion per year by 2050.

FOOD, AGRICULTURE & LAND USE

- Food and agriculture contributes 24 percent of greenhouse gas emissions
- By 2050, we will need (conservatively) 50-70% more food to meet global demand
- How do we increasingly supply while better protecting land and ecosystems, and reducing waste

BUILDINGS

- Buildings are responsible for 40% of the total energy consumption in the UK/ EU
- How can we retrofit existing buildings and create new buildings to minimize energy use
- Maximizing efficiency in heating and cooling could cut global energy use by 30 to 40 percent

ELECTRICITY

- The electricity sector contributes 25 percent of total greenhouse gas emissions
- How can we generate electricity for the whole world without burning fossil fuels?
- The EU has committed to improve energy efficiency by 11.7% by 2030

BUILDING RETROFITTING

Renovating existing buildings (from the building envelope to lighting systems) to improve energy efficiency

Beech Street

DISTRICT HEATING

Centralised, renewably-powered heating systems that distribute heat through a network of insulated pipes

NET ZERO BUILDINGS

Helping asset owners and investors reduce carbon emissions from a building or portfolio of buildings

Evora Global

HEAT PUMPS

Electrical devices for heating, cooling, and ventilation that harvest latent heat from ambient sources

SOLAR PHOTOVOLTAICS

Hyper-local, clean electricity generation via rooftop solar panels or other distributed systems

Property

Our focus on three needs-driven sectors has enabled us to continue building the platform, despite the market slowdown

Although the real estate investment market has seen a considerable slow-down over the last year, Bridges' specialist property strategy continues to benefit from our clear focus on three highly resilient, needs-driven growth sectors: lower-cost housing, low- and zero-carbon logistics and healthcare.

We completed another five investments during the period from our latest fund, including some notable milestones. We made our first residential investment in Northern Ireland, to create lower-cost housing aimed primarily at students near the university in Belfast. In London, we teamed up again with our long-term development partner HUB to complete our first co-living investment, which will involve us converting a disused office building into shared accommodation (a trend we expect to see more of in the coming years).

We also launched a pioneering new healthcare platform, Renaiss Health, which will provide post-operative care and therapy for patients who have undergone orthopaedic surgery. There is almost no provision of this kind of care in the UK; so we believe this can be another example where our focus on needs-driven sectors enables us to identify exciting new growth opportunities well ahead of the market.

Speaking of which, our other pioneering healthcare platform Birchgrove continues to go from strength to strength. It's clear from our early sites that its innovative 'assisted living for rent' model is proving highly attractive to its target demographic. And the team continues to find exciting new expansion opportunities: we have just completed the acquisition of our eighth and ninth sites.

Elsewhere, we continue to lead the way in designing and developing some of the UK's most sustainable logistics buildings, with another three new investments completed during the year. Tenants are increasingly seeking out the kind of sustainability features that these sites offer – in part to support their own climate goals, but also because it helps them to reduce their near-term operating costs (particularly at a time when energy prices have soared dramatically). This is making our assets increasingly attractive to both corporates and investors alike, as the pre-sale of our site in Havant – a BREEAM Excellent-rated development with charging facilities for 800 electric vehicles (*p. 16*) – demonstrated during the year.

Strong early exits like this – and, indeed, the general rise in valuations across the portfolio even in this difficult market – reinforce our belief that Bridges is very well positioned to weather the current slowdown, and to benefit from the likely market recovery over the coming year.

SIMON RINGER
PARTNER & HEAD OF PROPERTY FUNDS

PORTFOLIO CASE STUDY

Latitude, Leeds

High-quality sustainable housing that can help revitalise the local community

Thesis

There is an acute shortage of new high-quality homes in England. This area of Leeds is located within one of the 18% most underserved local authorities in England, where there is strong demand for lower-cost and affordable family units.

Investment

In December 2020, Bridges Property Funds – in partnership with our long-standing joint venture partner HUB – acquired, off market, a 2.3-acre site in a major regeneration area in Leeds for £12m.

The site, which is a 10-minute walk from both the city centre and the train station, is divided into two plots. On the first (Latitude Blue), we are building 463 high-quality lower-cost residential units. In the second phase (Latitude Purple) we have received planning consent to build a further 488 homes – taking the total number of units to 951 across the site.

Outcomes

Latitude is being built on a site that was previously vacant and required extensive remediation work – all of which has been carried out according to best-practice environmental guidelines.

Thanks to Bridges and HUB, this unused plot will be transformed into a development of 951 homes that will potentially house over 2,000 people (around 5% of the units will be classed as affordable or social housing, available to lower-income families).

The scale of Latitude makes it one of the most significant housing developments in Leeds: the number of units equates to about one-third of the city's annual house-building target, per the Leeds 'Core Strategy'.

The first phase (463 units), the construction of which remains on time and on budget, had already been pre-sold to Canadian investor Realstar for £92m. During this year, we also agreed to pre-fund and pre-sell all of the Phase 2 units to Realstar, for a further £108.5m.

The Latitude project is the latest phase of our successful collaboration with HUB: we now have over 3,000 lower-cost residential units under planning, construction or completed in major cities across the UK, with a total value of over £1bn.

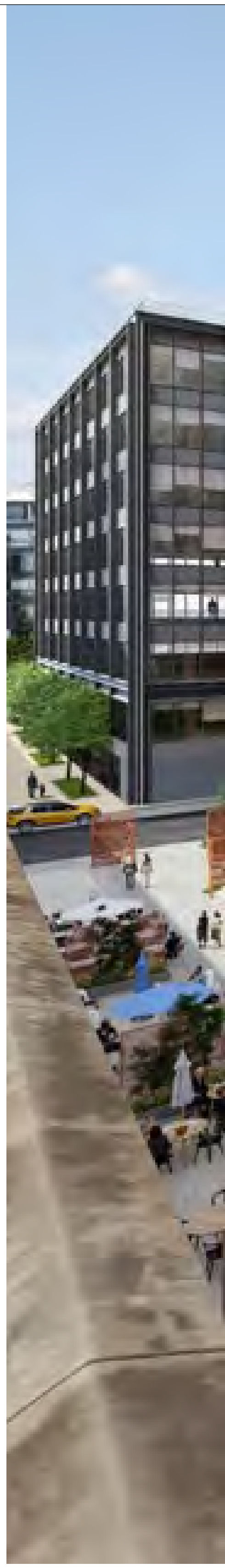
AT A GLANCE

950
housing units

c.2,150
residents

~30%
of Leeds' annual housing needs

45/45
Considerate Construction score



PORTFOLIO CASE STUDY

New Lane, Havant

Future-proofed low-carbon logistics unit that will boost local employment

Thesis

The growth in ecommerce (accelerated by Covid) has created growing demand for last-mile and urban logistics sites close to large populations. In the last year, soaring energy bills have also had a huge impact on businesses' operating costs. Bridges recognised that developing best-in-class low-carbon warehouses was a way to meet this demand – attracting occupiers keen to reduce their energy bills and achieve their sustainability goals – while also supporting the decarbonisation of the built environment.

Investment

In 2020, Bridges acquired a 16.5-acre site in Havant that had previously been owned by a major pharmaceutical company, which was relocating from the area (resulting in multiple job losses).

Having agreed a pre-let of the entire site to a global online retailer, we secured planning consent to demolish the existing bespoke buildings and build a new, highly sustainable 150,000 sq. ft. last-mile logistics facility. Construction got underway in 2022 and was completed in the first quarter of 2023.

Outcomes

The new facility has been certified as BREEAM 'Excellent' and EPC 'A' – making it one of the most sustainable industrial buildings in the country. Renewable energy technologies such as photovoltaic (PV) panels have been incorporated into the design, which also includes charging infrastructure for over 850 electric vehicles. This is expected to reduce utility costs for tenants and minimise the development's impact on the environment.

The New Lane site is expected to enable an estimated 900 jobs, providing much-needed employment opportunities in the Leigh Park area of Havant, which includes some of the most underserved wards in the country.

The investment was sold via a forward funding agreement for a price of £91m and has now been fully realised, generating very attractive financial returns for our investors.

AT A GLANCE

8 DECENT WORK AND ECONOMIC GROWTH

150k
sq. ft. of industrial space

c.900
local jobs supported

Excellent BREEAM rating

850
electric vehicles charging capacity

Growth Business

In a challenging market, the importance of impact-driven value creation is becoming ever more apparent

Over the last year, our Sustainable Growth funds have maintained their positive post-Covid momentum, highlighting the increased interest in impact-driven growth business.

In particular, we were pleased to complete three new platform investments in the latter part of 2022, all of which represented different aspects of our Sustainable Planet theme (and supporting our decarbonisation goals).

The first, Evora Global, is particularly exciting as it highlights the complementarity between our private equity and property platforms. Evora (*p. 20*) provides technology, data and consulting services that help real estate investors better understand and manage their carbon footprint. Bridges' direct experience as a real estate investor – coupled with our track record in helping high-impact technology-driven business to scale – was critical in Evora's founders choosing to partner with us (in what was a very competitive process). We're looking forward to working with the Evora team over the next few years, both to help them maximise their own compelling growth opportunity, and also to examine how we can better achieve our own climate goals.

We also invested in Storetec, a business based in the North-West that helps organisations to safely and securely digitise and manage their data – an increasingly significant ESG risk in today's digital economy. And we completed our first ever investment in Germany, backing a company called Hycube (*p. 22*). Hycube provides clean energy systems to homeowners – everything from the solar panel on the roof, to the energy management system, to the electric vehicle charging point. In light of the growing concerns about energy security and price volatility, it's no mystery why we think Hycube's offering has enormous potential to scale, both in Germany and beyond.

Elsewhere, we made three successful exits – most notably from Impact Food Group, a school catering company that is focused on serving more children better food, now operating in over 300 schools across the UK.

Clearly 2023 has seen a significant fall in deal activity across the private equity universe, and Bridges has not been immune to this.

However, we have been working hard to identify value creation opportunities within our existing portfolio – supplementing the ongoing efforts of our specialist impact team with the appointment of Henry Jones, an experienced business leader and operator, as our new Head of Value Creation.

And we remain clear in our conviction that the sectors in which we want to operate are underpinned by powerful macro growth trends – like Evora's mission to support the (all-too-necessary) decarbonisation of the built environment. This makes our investments more resilient, and gives us confidence that we are well-placed to benefit from the likely upturn in the market over the coming year.

KYLE BENTWOOD
PARTNER & HEAD
OF ORIGINATION

PORTFOLIO CASE STUDY

Evora Global

Helping real estate investors to measure, manage and reduce their environmental impact

AT A GLANCE

£141bn

total AUM of funds advised

~9,350

tCO_2e annual emissions reductions

57%

women in SLT

103

impact score

Thesis

Building construction and operations account for about 40% of the UK's GHG emissions. So decarbonising our built environment is an absolutely critical part of the path to Net Zero. Investors clearly have a huge role to play in this – and are also increasingly under pressure to mitigate climate-related risks and create more sustainable, more resilient real estate assets.

Investment

Evora combines consulting services with a proprietary ESG data management platform to help clients collect, measure, track and report on the environmental impact of their assets. Its data-driven insights enable real estate investors to create and execute fund-level ESG strategies and Net Zero Carbon pathways, manage GHG emissions, and assess climate risk across their portfolios.

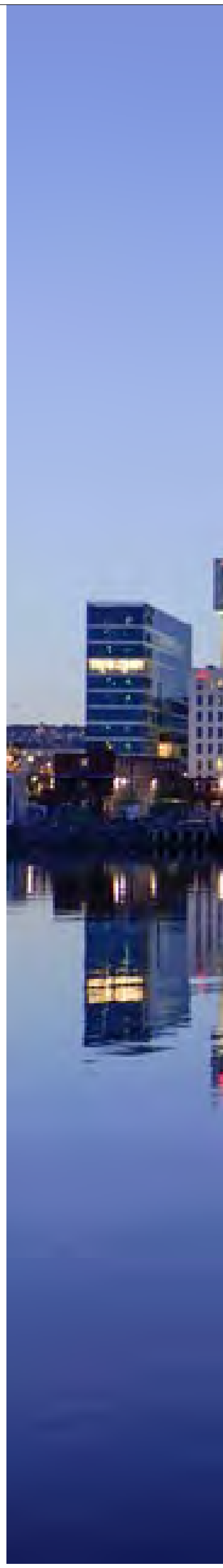
Bridges was selected as Evora's preferred investment partner in a highly competitive process, thanks to our strong impact- and values-alignment with the company's founders, our extensive sustainable real estate investment experience, and our proven ability to help management teams scale their growth and impact.

Outcomes

Last year, Evora supported investors with a combined AUM of c. £140bn. Assuming a 5% emissions reduction pathway, we estimate that this enabled clients to avert approximately 9,350 tCO_2e in the year.

Since our investment, co-founder and CEO Chris Bennett has moved into a senior advisory role, focused on key client relationships; so a new CEO has been recruited, who brings substantial experience as a technology leader. We are investing heavily in the SIERA software platform. We have opened Evora's first US office, in New York. And we have been supporting the team to enhance its value proposition to employees, a critical differentiator in the increasingly competitive market for sustainability professionals.

Our specialist impact team has also been working closely with Evora to identify and establish key impact metrics that will support business growth, for example by helping Evora better articulate its impact to new customers. Evora already has its Planet Mark certification, evidencing its commitment to sustainability; we expect to build on this in the coming months as we develop its Net Zero strategy.



PORTFOLIO CASE STUDY

Hycube Technologies

Providing greater energy independence and sustainability through clean energy

Thesis

The switch from fossil fuels to renewable energy sources is a vital element of the Net Zero transition – and after recent events, energy security and stability are high on the political agenda. But although huge amounts of progress have been made, there are still challenges to overcome. Often these energy sources are intermittent, and there is insufficient grid capacity to cope with increased demand (e.g. from electric vehicles). This creates a need for better local energy generation and storage.

Investment

Hycube provides 'complete' home energy systems to the German residential market – from solar photovoltaics, to battery storage technology, to energy management software, to EV wallboxes. This end-to-end solution – anchored around its proprietary software and battery technology – is a clear differentiator for Hycube in the market.

Bridges was able to complete this acquisition off-market, due to our strong impact alignment with management and our shared vision for Hycube's future growth. The residential solar PV and battery storage market is already worth €5bn in Germany, and is forecast to grow at a CAGR of 16% between now and 2028. This creates a substantial opportunity for Hycube in the coming years.

Outcomes

Hycube is committed to playing a key role in the transition to a low-carbon economy. Last year, it helped customers avert an estimated 2,011 tonnes CO_2e of GHG emissions.

It continues to enjoy a very positive market backdrop: the German government has now cut VAT on residential solar PV from 19% to zero, and the recent surge in energy prices has made its offering more attractive from both an economic and energy security perspective.

In the coming year, we plan to support the business in thinking more holistically about impact management, potentially to include a Net Zero strategy. Hycube has already switched its fleet to electric vehicles, to better reflect its brand and ethos, while a key focus will be to develop a strategy for responsible sourcing, to manage impact risk in its supply chain.

AT A GLANCE

2,011

tonnes of CO_2e averted

5.3m

kWh energy consumption across systems

16%

estimated CAGR of German market

0%

new VAT rate on solar PV in Germany

Bridges Evergreen

Our patient, long-term capital has enabled our partners to provide valuable support to underserved groups this year

Evergreen is a patient capital vehicle, created by Bridges in 2016 to support the growth of mission-led businesses that deliver positive social or environmental impact as well as commercial success.

Our portfolio companies have continued to provide much-needed services to support vulnerable populations in the last year, despite the challenges faced by all UK businesses this year – notably cost inflation, labour shortages, and broader economic uncertainty.

New Reflexions, for example, which provides education, therapy and care to some of the most underserved young people in the country, continues to grow and increase the number of children in its care. A major recent milestone was the opening of its specialist school, Fitzroy Academy, on a site that we helped the business to acquire in 2021. Fitzroy has now welcomed its first students, and continues to expand its capacity on what is an incredibly impressive site for a school of this sort.

AgilityEco also continues to do essential work. As energy bills soared to unprecedented levels (as a proportion of incomes), thousands of households were threatened with fuel poverty. So the services provided by AgilityEco that help to reduce home energy bills – such as facilitating the fitting of insulation, replacement boilers, solar panels and heat pumps – have never been more important. Its energy-saving measures have now delivered nearly £75m of savings for fuel-poor households, while also helping to reduce emissions from inefficient homes.

After a lull in activity following the end of the third Energy Company Obligation scheme (ECO3), one of the Government's previous support packages for these measures, the new scheme ECO4 is now in full effect until 2026, and AgilityEco is successfully deploying it to deliver home decarbonisation and energy bill savings for vulnerable households nationwide. And its recent investment in Alto Energy, a heat pumps business, also gives it an important foothold in that growing market.

With a total return to date of 1.5x (as of March 2023), Evergreen continues to demonstrate that highly impactful businesses like these can still enjoy commercial success. Our experience suggests that these businesses often struggle to find a patient, aligned investment partner – which is why Evergreen's differentiated proposition continues to resonate powerfully with management teams.

Some of the biggest challenges we face as a society – particularly in regulated sectors like energy, education and healthcare – will not be fixed overnight. We need patient, long-term solutions; and scaling these solutions will require capital with a similarly patient, long-term view. That's the role we believe Evergreen can play in the coming years.

TOM BIDDLE
PARTNER & HEAD OF EVERGREEN

PORTFOLIO CASE STUDY

New Reflexions

Accommodation, education and therapeutic care for children with learning or acute emotional difficulties

AT A GLANCE

86%
Oftsed Excellent/ Good ratings

33
locations supporting young people

100%
of children have acute needs

116
impact score

Thesis

The number of children 'looked after' by the state continues to rise. For children with the highest level of need, residential placements are often more appropriate than foster placements – but there is a real shortage of provision that combines education, therapy and care. Done well, this can help these young people to improve their resilience and skills, easing their transition into adulthood.

Investment

Bridges invested in New Reflexions in 2017, as an off-market transaction. Based in Shropshire, New Reflexions offers residential placements and specialist education to young people with complex needs – often as a result of Adverse Childhood Experiences (ACE). New Reflexions provides these children with short-, medium- and long-term placements that combine care, education, and therapy. It operates 29 small children's homes, and four specialist residential schools.

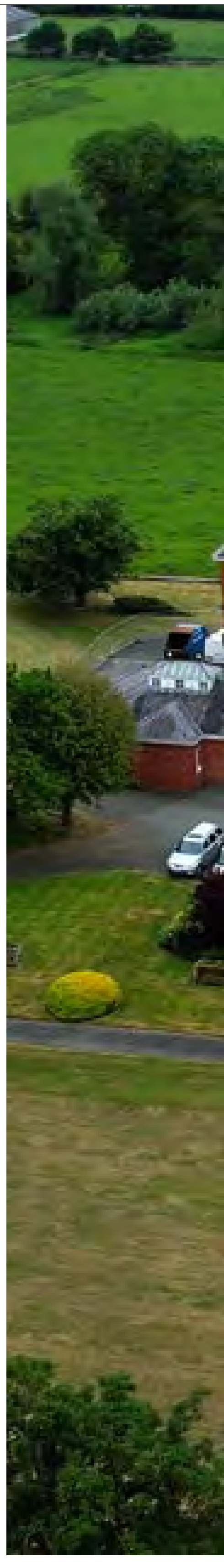
Outcomes

New Reflexions offers a much-needed service to some of the most underserved young people in the country. It continues to steadily increase the number of young people in its care – notably this year through the opening of The Fitzroy Academy and Longridge, new schools that provide integrated education, therapy and care for children with severe learning disabilities.

We continue to look for opportunities to add additional properties to the New Reflexions portfolio, either organically or via acquisition, and expect to add steadily to the estate over the coming years.

Recruitment and retention remain a significant challenge for the sector as a whole. However, New Reflexions has made significant progress in reducing staff attrition – which spiked post-Covid – and it continues to actively invest in initiatives that can enhance its reputation as a best-in-class employer.

Impact governance is a real strength of New Reflexions: management continues to show an impressively relentless focus on maintaining and improving quality of care for the children it works with.



PORTFOLIO CASE STUDY

AgilityEco

A leading provider of energy-efficiency and low-carbon services across the UK

Thesis

More than 10% of households in the UK live in fuel poverty. This problem has been exacerbated by the recent surge in energy costs and cost-of-living squeeze. But it's also a function of the UK's housing stock, which is amongst the least energy-efficient in Europe: around 15m homes currently have an EPC rating lower than C. Getting to Net Zero by 2050 will require virtually eliminating domestic carbon emissions – so significant investment is inevitable.

Investment

AgilityEco is a leading provider of fuel poverty, energy efficiency and low-carbon services to vulnerable households across the UK. Much of this work is funded via Government schemes such as the Energy Company Obligation (ECO), which requires licensed energy providers to reduce lifetime fuel bills for fuel-poor households, starting with the most vulnerable; the current ECO scheme (ECO4) will run until 2026 and provides an investment of over £1bn per annum. AgilityEco also carries out work through various other Government, local authority and National Grid programmes.

Outcomes

Since its launch in 2013, AgilityEco has supported nearly 37,000 households, providing about 95,000 energy-saving measures that have resulted in lifetime energy bill savings of almost £75m. That's enough to lift the average household out of fuel poverty. They have also had a significant environmental impact, abating around 113,000 tonnes of carbon emissions.

Over the last year, AgilityEco's founders have stepped back from their day-to-day responsibilities, and we have been building a new senior team under CEO Sharon Johnson, who was appointed in 2022 and has brought a renewed people focus throughout the organisation.

AgilityEco's 2022 investment in heat pump business Alto Energy is working out well: it has helped AgilityEco support more vulnerable households while supporting the transition from fossil fuels to renewables. AgilityEco is now evaluating various other bolt-on acquisition opportunities.

A notable milestone this year was AgilityEco's official certification as a B Corporation – just reward for its ongoing commitment to sustainability and impact.

AT A GLANCE

>10%

UK households in fuel poverty

113,000

cubic tonnes of CO_2e averted

37k

households supported to date

£75m

lifetime energy bills savings

Outcomes Partnerships

Since 2012, Bridges has been fortunate to work with pioneers in the public, social investment and social sectors to develop a new model for the design and delivery of complex human services

In these 'outcomes partnerships', the funder only pays for meaningful milestones achieved by a project – rather than the traditional approach of paying for a specified set of inputs – which we have found can lead to more collaborative, more flexible, more accountable delivery.

However, it also creates an up-front working capital need for the delivery organisations. Working through Bridges Outcomes Partnerships, a not-for-profit subsidiary, our role is to source, pool, and coordinate the project finance and support necessary for the programme to succeed. If it does, the social investors' capital can then be repaid via outcomes payments.

Our main focus recently, particularly in the UK, has been on extending or expanding a number of our existing projects – including family therapy delivery across Norfolk and Suffolk, homeless prevention services across London, support for vulnerable mothers across the UK, and Thrive, a social prescribing programme in North-East Lincolnshire. It's particularly encouraging for us that public officials who try this way of working usually want to do more.

We are also continuing to launch new projects: notably 'Standing Strong', a programme aiming to reduce falls for senior citizens in the Netherlands (*p. 32*). This is the first time our UK-outcomes fund has supported a project outside the UK (via an agreed carve-out); it will draw heavily on our experience in UK community healthcare over the last five years.

This year also saw the public launch of the SDG Outcomes initiative, in partnership with UBS and UBS Optimus Foundation, which will support outcomes-based programmes in low- and middle-income countries. Again, we hope to use our previous experience to help design and deliver impactful projects in areas like education, health, the environment, and economic empowerment (*see p. 34*).

All told, the projects we have supported to date have collectively achieved £129m of outcomes for almost 50,000 people. But that almost certainly understates their true value. A report by Big Society Capital suggested that every £1 spent on outcomes partnerships in the UK has generated £10.20 of public value. On that basis, Bridges' funds have already delivered well over £1bn of value to Government.

As well as directly improving thousands of lives, this work is supporting the growth of a whole new model of personalised, strength-based public service delivery – which is growing in popularity both in the UK and beyond. This year we published a document called 'People-Powered Partnerships' to try and share some of what we have learned. We hope this proves useful in helping to inform the public policy agenda and grow this important movement, which can transform how human services and Just Transition initiatives are managed around the world.

MILA LUKIC
PARTNER & HEAD OF BRIDGES OUTCOMES PARTNERSHIPS

PORTFOLIO CASE STUDY

Standing Strong

AT A GLANCE

1st
non-UK programme

40k
seniors in North Limburg

29k
falls each year

2.5k
target no. of people supported

Fall prevention programme for 70+ year olds in the Netherlands, which aims to improve quality of life through increased mobility

Thesis

As people age, they tend to lose physical strength and mobility. This leads to falls, which can cause severe injuries that become steadily harder to recover from. This has a significant negative impact on the quality of life of the senior population – and creates additional healthcare costs. By taking preventative action to reduce falls, we can mitigate this.

Programme

North Limburg is a rural, deprived and elderly region of the Netherlands: it is home to about 40,000 seniors, who collectively experience ~29,000 falls every year. This has a huge impact on their quality of life – and since about 10% of these falls result in hospitalisation, it also represents a significant cost for the local health system.

The healthcare board of North Limburg (comprised of policy experts, government representatives and health & insurance sector representatives) identified a solution to this problem: an outcomes-based programme that aims to prevent falls by improving seniors' strength, flexibility and mobility. Potential participants attend a 'vitality session', where a comprehensive 'risk of falling' assessment will take place. They will then attend the intervention courses for 10-14 weeks, and/or be signposted onto further support (e.g. medical assessments or home improvements) as required.

Outcomes

The Standing Strong programme will run to 2029, and is aiming to help 2,500 people aged over 70 to reduce their risk of falling. The target outcomes are focused around reducing fall accidents and associated hospital admissions, along with greater mobility and better quality of life for participants.

The programme is still in its very early stages, but of those who have been referred to the programme so far, around 25% were over 80 years old (we expect this to increase to 40%), and about 80% were women (most elderly people who go to A&E as a result of a fall are women).

This programme has been created collaboratively by local authorities, insurance providers, and long-term care providers, while potential participants, expert researchers and physiotherapists have also been involved in the design. That means the programme is well-adapted to local needs, and has strong buy-in both from delivery partners (physiotherapists) and participants (local senior citizens).

PORTFOLIO CASE STUDY

Thrive.NEL

Creating sustained lifestyle changes and improved self-care for people living with long-term health conditions

Thesis

Over 15 million people in the UK suffer from long-term health conditions (LTCs), such as diabetes, asthma and heart disease, with most experiencing poorer health outcomes and reduced quality of life as a result. They are also proportionally higher users of health services: 70% of national NHS spend is on patients with LTCs.

Programme

Thrive in North-East Lincolnshire is a strengths-based social prescribing model, which focuses on addressing social and environmental factors to support individuals' health & well-being.

Our delivery partner, Centre4, manages link workers who build a relationship with participants, formulate an action plan and support participants in engaging with activities and creating new social groups. This new engagement with the community supports people in developing an improved attitude towards challenges, accessing specialist services, and improving their lifestyle.

Outcomes

Over 1,500 people have now started the Thrive programme since its launch in August 2018 (of whom half come from the 10% most underserved areas in the UK).

Participants on the programme have experienced positive change: from taking part in low-impact exercise and seeing improved physical health, to experiencing a reduction in isolation and loneliness, making friends and achieving a sense of belonging, and receiving education and training. 92% reported improved well-being after 12 months in the programme, increasing to 99% after two years.

Analysis of local care services shows that Thrive is also helping to reduce the burden on the NHS: participants' secondary care costs are 35% lower than those of a comparison cohort.

Thrive's success – founded on a comprehensive dataset combining outcomes from individuals with NHS usage data – has provided vital lessons for the local Integrated Care System and the national Social Prescribing model. The programme has now been recommissioned for another five years.

AT A GLANCE

3 GOOD HEALTH AND WELL-BEING

1.5k
people have started the programme

92%
report improved well-being after 12 months

35%
reduced secondary care costs for NHS

5
year extension now agreed

SDG Outcomes

Since 2021, Bridges has been working with the UBS Optimus Foundation on a new strategy dedicated to achieving better social and environmental outcomes for those in the greatest need – thereby contributing towards the UN Sustainable Development Goals (SDGs)

Our SDG Outcomes initiative is the first vehicle of its kind: it will support outcomes-based partnerships and models in lower and middle-income countries globally, enabling projects focused on health, education, women's economic empowerment and the environment.

British International Investment (BII), the UK's development finance institution, and its U.S. counterpart the International Development Finance Corporation (DFC) are key backers of the initiative, alongside foundations, family offices, and high-net-worth individuals.

Our goal is, first and foremost, to have a direct impact on people's lives, resulting in successful outcomes payments of over $250m across our key themes.

But we also want to have a broader, systemic impact. We firmly believe that an outcomes-based approach can help to catalyse new models of service delivery and improve the effectiveness of aid spending, leading to better life outcomes for vulnerable people and better value for governments and donors.

These partnerships enable like-minded partners to come together around a shared vision; and by removing rigid specifications and budgets, they allow freedom to innovate in both design and delivery. Delivery organisations are actively encouraged to personalise their service for each individual, adapt it to the local environment, and make constant improvements as they learn.

So far, we have launched two programmes in Sierra Leone and Ghana intended to increase children's access to education and improve their learning outcomes.

In Nigeria, we are working with Unilever and Wecyclers, a local social enterprise, on a programme to reduce plastic waste – our first combined social and environmental programme (*right*).

We are partnering with a local non-profit in Kenya to deliver sexual health and HIV services to adolescent girls.

And in Turkey, we have just launched a programme designed to create employment opportunities in the ICT sector for long-term unemployed young adults.

The Bridges Outcomes team's world-leading experience in this area (we have supported more than 70 of these partnerships over the last decade) has been instrumental in establishing strong relationships with various potential outcomes funders and delivery partners. This, in turn, is helping to mobilise outcomes-based approaches around the world.

PORTFOLIO CASE STUDY

Wecyclers

In 2023, SDG Outcomes launched our first ever combined environmental and social outcomes programme, in partnership with Unilever Nigeria and Nigerian social enterprise Wecyclers.

The aim of the programme is to collect 34,000 tonnes of plastic waste over the next five years, while also creating 780 jobs within collection and recycling franchises and improving the wages of workers in the waste economy.

Since its launch in the summer, the programme has already supported 12 social entrepreneurs to develop collection franchises in communities across Nigeria.

INSIGHTS

20/30 Visions

In Bridges' exclusive interview series, we wanted to explore the question: how do we build a more sustainable and inclusive economy by 2030?

Last year, Bridges celebrated our 20th anniversary. But it also marked an important milestone for the wider world. The Sustainable Development Goals – an ambitious global development agenda designed to help us tackle some of the biggest challenges facing people and planet – were launched under the aegis of the United Nations in 2015, with a target date of 2030. So 2022 represented the half-way mark; an obvious point to gauge how far we've come.

Unfortunately, it's increasingly clear that the answer is: not far enough. In fact, for all the positive progress that has been made, we continue to lag behind on almost every metric (particularly in the developing world). So if we are to have any hope of achieving the SDGs by 2030, there is only one possible course of action. We must go further, faster.

Of course, this is easier said than done. How exactly do we go about accelerating progress? Where should we be focusing our attention? What are the practical steps we must take today, tomorrow and the next day?

The occasion of Bridges' 20th birthday felt like the perfect time to explore some of these questions. So we launched a new series called 20/30 Visions. We spoke to 20 experts from around the world, from a variety of different fields, and asked them: what needs to change in the current decade if we want to build a more sustainable and inclusive world by 2030?

Our approach was deliberately broad. Our guests were drawn from five different continents; their expertise spans Government, investment, philanthropy, policy, innovation, technology and campaigning, amongst other things. We wanted new ideas, fresh perspectives, different ways of thinking about the challenges we face.

We've given you a brief flavour of the interviews on these pages. But please do visit **www.bridgesfundmanagement.com/2030visions**, and watch/listen to them all in full. We hope this is just the start of the conversation.

"What we're trying to do is increase the intelligence and capabilities we have, in order to make huge breakthroughs in science."

DOROTHY CHOU
ON AI AS A FORCE FOR GOOD

"We've been part of a group that has moved about £1.3 trillion into sustainable investment in the last couple of years"

RICHARD CURTIS
ON THE $50TRN PENSIONS OPPORTUNITY

"We've got some fantastic models of international cooperation now; but they're still the exception rather than the norm"

THE RT HON NICK HURD
ON THE ROLE OF GOVERNMENT

"Analysis suggests that the Just Transition could increase economic value globally by $26 to $30 trillion"

LAURIE SPENGLER
ON THE JUST TRANSITION

"The current refurbishment rate for commercial buildings is about 1-2% per year. To get to Net Zero, that rate has to double"

EMMA HOSKYN ON THE RETROFITTING IMPERATIVE

"Innovation is hard: it's a fundamentally interdependent process that requires lots of different actors to do different things"

RAVI GURUMURTHY
ON FOSTERING INNOVATION

The Bridges Impact Foundation

The Foundation advances Bridges' mission through venture philanthropy, social investment and charity

The Bridges Impact Foundation, which is funded largely by the Bridges team, provides catalytic support for innovative solutions that drive better outcomes for underserved people and the planet.

Our venture philanthropy work focuses on specific causes that are important to the Bridges team.

In the last few years, our focus has been 'young people and mental health'. We were a founder-patron of the charity OnSide's 'Future' youth zone in Barking & Dagenham, and are providing the same support for WEST, its new centre in Hammersmith – an area where child poverty can be as high as 53%. After Covid-related delays, WEST is due to open in spring 2024.

Since 2020, we have also been providing funding support to Shout, a 24/7 text message counselling service primarily aimed at young people. Its tech-enabled, volunteer-driven model is proving hugely scalable: last year it completed over 1 million conversations, up from 167,000 three years ago. A number of the Bridges team will continue to volunteer as Shout 'crisis counsellors'.

The third charity we support in this area is The Difference, which aims to reduce the number of students being excluded from schools via specialised teacher training; it has just recruited its fifth cohort.

A key development for the Foundation this year was the selection (again by the Bridges team) of a second focus area: tackling gender-based violence. The first organisation we are supporting is Rising Sun, which provides specialist support to women, children and others affected by domestic abuse, helping them to recover from the life-shattering impact and begin to thrive again. We're also looking to identify a school-focused gender-based violence prevention programme.

Outside venture philanthropy, another key part of the Foundation's mission is building the market for impact investing via social investment. To that end, we supported a new initiative managed by the Bridges team to support outcomes-based projects in low- and middle-income countries (*p. 34*) – with the aim of catalysing additional investment from others.

Finally, the Foundation continues to support charitable causes that are close to the heart of the Bridges team. This year, for example, we made donations to charities that support refugees from Ukraine and Afghanistan, and to The Brain Tumour Charity, in memory of Peter Englander (*right*).

Former England captain Steph Houghton visits OnSide's Future Youth Zone

In loving memory

Peter Englander

In February 2023, our former chairman Peter Englander sadly passed away, following a long illness. Peter was involved with Bridges from the very beginning, and his contribution as an advisor, a mentor and a friend was beyond measure; he did so much to help build Bridges during our first 20 years. He will be very sorely missed.

We are grateful for the continued support of our Board,
Advisory Board and the trustees of the Bridges Impact Foundation.

We also want to thank our management teams,
our partners, and the investors in the funds we manage,
without whom none of this would be possible.

BRIDGES
Fund Management

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