

BRIDGES

Impact Foundation

Bridges Impact Foundation Ltd.

Trustees' Annual Report & Accounts

For the year ended 31 March 2020

Registered Company No. 06864617. Registered Charity No. 1129756



From the Chair 7



Dear friends,

I am delighted to present the Bridges Impact Foundation's 2019/20 Annual Report & Accounts, my first since returning as chair.

I want to begin by thanking all of our Trustees, especially our new Bridges representatives Kyle and Giuseppe, who were elected (after a very competitive contest!) by the Bridges team, and our Director Barbara Storch, who has made great progress both on team engagement and strategic direction.

Although this report technically covers the year to March 2020, it would be remiss of me to ignore the profound impact of Covid-19 since the latter part of this period. This pandemic will exacerbate many of the inequalities and injustices the Foundation (and Bridges itself) was launched to address – but it has also emphasised the need for some of the solutions we are supporting.

During the year, the Foundation's venture philanthropy efforts were focused in particular on the theme of young people's mental health – which was selected after an extensive consultation process with the Bridges team. This has resulted in us supporting two outstanding charities: Shout, a 24/7 text-messaging support service that has already helped tens of thousands of (predominantly young) people who are struggling to cope; and OnSide's 'Future' Youth Zone in Dagenham, which saw no fewer than 7,000 local young people sign up in its first year of operation. We also continue to support Village Enterprise's pioneering outcomes-based programme in Kenya and Uganda, which has already helped to launch over 4,700 microbusinesses.

It has been particularly pleasing to see members of the Bridges team continue to engage with the Foundation's activities, either through fundraising activities (notably by raising £44,000 for the Brain Tumour Charity in support of former Bridges chairman Peter Englander), *pro bono* support and advice, or, in the case of Shout, by signing up to train as Crisis Volunteers.

It has also been hugely inspiring to see how some of these charities have risen to the unprecedented challenges posed by Covid-19 in recent months – often by pivoting their models and adapting their services to support those hardest-hit. We are incredibly proud of the impact they have continued to have during this period, both for vulnerable people in the UK, and for some of the poorest households in Africa.

As always, we welcome your ideas on how we can make the Foundation's work more impactful in the coming months and years, as we all try to adjust to this rapidly-changing world.



Victoria Hornby



On the cover:

The Future Youth Zone in Barking and Dagenham – of which the Foundation is a founder patron – opened its doors in May 2019 (p. 4)

About the Foundation

Objectives and Summary of Activities

The Bridges Impact Foundation was set up in 2007 with three primary objectives:

1. Protect the social mission of Bridges Fund Management
2. Incentivise Bridges' mission-driven team through social impact, engagement and philanthropy
3. Achieve impact in line with Bridges' mission through the use of philanthropic capital, supporting projects that fall outside the scope of Bridges' usual investment activity

Bridges was launched with a clear remit: to raise investment vehicles that target both societal and financial returns. To protect and safeguard this mission, the Bridges Impact Foundation (originally the Bridges Charitable Trust) was founded with an ownership stake in the management company. This effectively gives the Foundation power of veto over any change to the manager's mission.

The Foundation is funded entirely by the Bridges team, who donate 10% of all their profits from the firm's investment funds. In addition to this direct financial contribution, the team also contributes to the Foundation's success by helping to set overall strategy and, in some cases, through volunteering and pro bono support – of both the Foundation itself and some of its beneficiary organisations. Indeed, this team engagement is an essential part of the Foundation's work.

During the year, the Foundation reviewed and refined its strategy. This led to the creation of a new mission statement closely aligned with that of Bridges Fund Management: 'to provide catalytic support for innovative solutions that drive better outcomes for underserved people and the planet'. 'Catalytic support' refers to both flexible financial capital and non-financial support in the form of pro-bono work and volunteering, while 'Innovative solutions' are those that might not fit Bridges' traditional investment risk profile but have the potential to be highly effective. 'Better outcomes' implies meaningful change in a core impact area for beneficiaries that currently do not receive enough support in that area (viz. 'underserved people and the planet').

The Foundation will focus on three areas:

- > Venture Philanthropy
- > Seed-funding & Market-building
- > Family Activities

In the following pages, we outline the Foundation's key achievements in each of these three areas during the 2019/20 financial year (including the work of our sister foundation, the Bridges Impact Foundation U.S.).

Regulatory Details

Company Registration Number: 06864617
Registered Charity Number: 1129756

Directors

The Trustees who served during the year were:

- Victoria Hornby (Chair; appointed May 2019)
- Charles Mindenhall (ex-Chair; resigned Sept 2019)
- Duncan Kellaway
- Michele Giddens
- Antony Ross (appointed May 2019)
- Giuseppe Catarozzo (appointed May 2019)
- Kyle Bentwood (appointed May 2019)
- Anne-Marie Harris (resigned September 2019)
- Mila Lukic (resigned May 2019)

Director of Strategy

Barbara Storch

Secretary

Siobhán Tyrrell

Registered Office

38 Seymour Street
London W1H 7BP

Auditors

Moore Kingston Smith LLP
Devonshire House
60 Goswell Road
London
EC1M 7AD

Bankers

The Royal Bank of Scotland International Ltd.
1 Princes Street
London
EC2R 8BP

Key achievements in 2019/20

Venture Philanthropy: Supporting OnSide's high-impact Youth Zones

Following the success of OnSide's first Youth Zone in London, the Foundation has agreed to be a founder patron of another site in Hammersmith

We are a proud Founder Patron of 'Future' in Barking and Dagenham, the first London-based Youth Zone opened by the charity OnSide. Future opened its doors to local young people in May 2019, and by December it already had over 7,000 members, with an average weekly attendance of over 1,500 young people. This was a much higher number than anticipated – the business plan had estimated 4,000 members by the end of its first year – underlining the huge demand for the services it provides in the local area. Pleasingly, over 40% of its users are female, demonstrating that Future's choice of activities is successfully catering for all young people.

Future also opened the first Place2Be drop-in centre at an OnSide youth zone. Since young people's mental health is a core strategic focus for the Foundation's venture philanthropy activities, we are excited to see the value this service can potentially provide to those children and young people who need it in the coming years.

The Bridges team were able to see Future's amazing facilities first-hand in 2019, shortly after the opening, when the Youth Zone provided the venue for the team's annual Away Day. Our colleagues thoroughly enjoyed meeting some of the staff and using the facilities (during the day-time, before members arrived after school). We all had an amazing day, and left feeling very proud of and inspired by being able to support such a vital service in the community.

Unfortunately, Future was forced to close its doors to the young people in March, when the nationwide lockdown was introduced. However, the team responded impressively, pivoting swiftly to online classes and activities, as well as targeted 1-1 phone check-ins with its more vulnerable members. Onside staff also provided support for the wider local community through food delivery to vulnerable households.

Despite these challenges, we are delighted to report that we have now agreed to extend our partnership with OnSide. The Foundation will be a Founder Patron of another London Youth Zone: WEST in Hammersmith & Fulham, which will open in 2021 (and will be OnSide's fourth centre in London).

Hammersmith & Fulham is a socially and economically polarised area: 24% of households subsist on less than £20,000 p.a., and there are several areas in the borough that fall within the top 10% of the most deprived areas nationally, including major public housing estates. There are 32,700 children under the age of 16 living in the borough, around 20% of whom live in poverty. WEST's offer will be the same as that of all OnSide youth zones – a state of the art centre that provides 'somewhere to go, something to do and someone to talk to' 52 weeks of the year. Activities will include sport, arts, music, craft activities and Holiday Clubs – as well as targeted interventions for c. 25% of participants (e.g. mentoring, health and well-being, employability skills). Construction on WEST has been delayed by Covid-19, but we hope building works will kick off in early 2021.

OnSide's impact on individuals is impressive: the young people typically report that they have more confidence and a better work attitude; do more exercise, and feel better informed about drugs. For individuals who receive targeted support, 84% on their job programme move into employment, education or training. And the local community typically sees a fall in anti-social behaviour of up to 77%.

Below: Young people enjoy a cookery class at the Future Youth Zone in Dagenham



Key achievements in 2019/20

Venture Philanthropy: Backing Shout's innovative crisis text-line

The Shout model, which involves SMS-based support for anyone struggling to cope, has become even more important during the pandemic

A key part of the Foundation's mental health focus is our support for Shout, the text-messaging support service. Shout offers anonymous and confidential crisis support 24/7 to anyone who needs it, with the majority being young people: 70% of users are under 25.

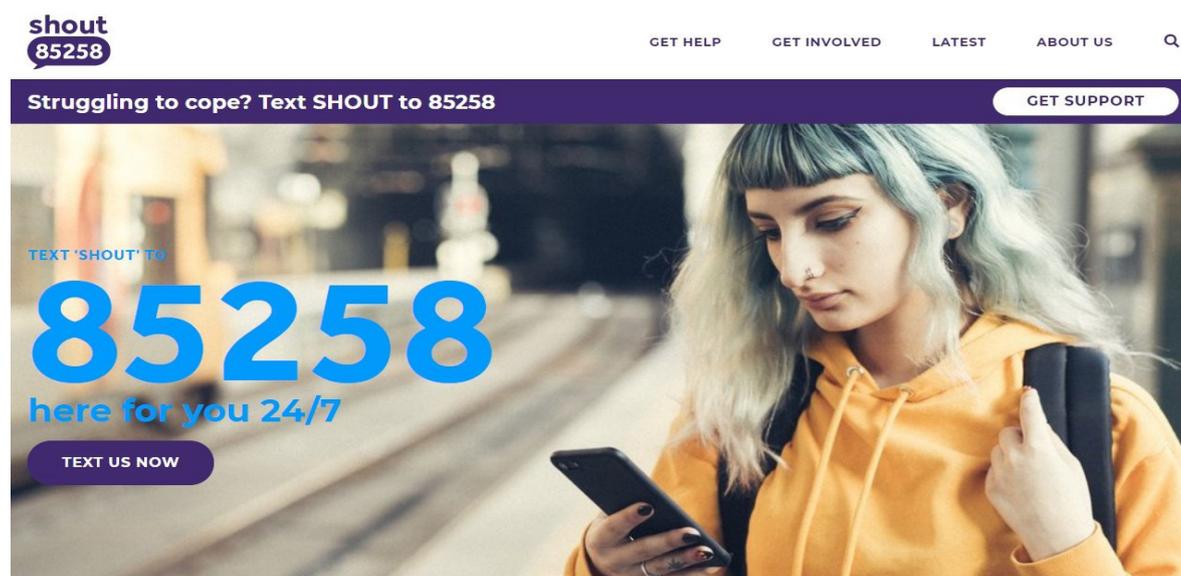
Since its official launch in May 2019, the service has seen strong growth: it continues to increase the number of people it serves, completing over 500,000 conversations to date, and now has over 2,200 trained Shout Volunteers (all of whom are supervised by qualified clinical supervisors). Critically, the model seems to be delivering good results: over 85% of service users (of the 15% of texters who respond to the post-conversation survey) report that the conversation was helpful, i.e. the user feels calmer and no longer at a crisis point.

In partnership with Imperial College, Shout continues to analyse the rich data it collects – which will inform service design and volunteer training, while also highlighting local issues and flagging general trends in mental health for the

benefit of the wider mental health community.

Aside from the Foundation's financial and pro bono support, a number of Bridges colleagues have now completed this training, and are supporting people in need by being active Shout Volunteers. Some of the conversations they participate in are very tough; but our colleagues report that they find this volunteering incredibly rewarding, and are developing skills that will also come in useful in everyday life.

As a mobile-first support service powered by remote working volunteers, Shout's model has proved to be extremely well-suited to the extraordinary challenges of the Covid-19 pandemic. The service recorded a steady increase in users during the initial lockdown period and saw an increase in conversations around anxiety and uncertainty. Shout has also started to offer a dedicated support service for NHS and other key workers – a hugely valuable tool for those operating on the front line of the pandemic response, often in extremely pressured and stressful circumstances.



Above:
Shout is a 24/7 text messaging crisis support service

In focus: Analysing Shout's impact

Incorporating the insights of the Impact Management Project

For the last few years, Bridges has hosted an initiative called the **Impact Management Project ('IMP')**, an industry-wide effort to establish a set of global standards and benchmarks for impact measurement and management.

The Foundation has been drawing on this work to help us better understand and manage the impact of our charity partners. IMP has built a consensus that impact can be understood in terms of five dimensions of performance (see *right*). Together, these five dimensions of impact guide the data we need to collect, which in turn enables us to make decisions to improve our impact, adapt our strategy, or re-set our goals.

As an example, below is a summary of our impact statement for Shout (covering operations until March 2020):



Core impact: Users

Dimension	Questions	Data category	Data
What 	What outcome(s) do business activities drive?	Description of outcome	Improving the mental health and well being of those in a crisis - a positive outcome, aligned with SDG #3 Good Health and Well-being (SDT 3.4)
	Are the outcomes positive or negative?	Outcome in period	86% users rated the service as helpful
	How important are the outcomes to the people (or planet) experiencing them?	Threshold for positive Importance	In the absence of an industry standard, rating of helpfulness of the service at least as good as previous year (85%) Shout prevents suicides and self-harm and helps to improve users' state of mind by crisis de-escalation. Secondary research shows that this type of support is highly effective in de-escalating a crisis.
Who 	Who experiences the outcome?	Stakeholder type / geography	UK-wide reach. Users are 66% under 25 year-old, 80% female and 35% identify themselves as LGBTQ+
	How underserved are the stakeholders in relation to the outcome?	Baseline	There is lack of immediate support for people in crisis, especially children and young people. Suicide is a leading cause of mortality of young people under 35, while 3 in 4 children with a diagnosable mental health condition do not get access to the support they need. Shout is currently the only service providing 24/7 support: 40% of its conversations occur between 8pm and 1am, which is outside the opening hours of most crisis helplines.
How Much 	How Much of the outcome occurs in terms of scale, depth and duration?	Scale	101,900 users supported, with 215,000 conversations
		Depth	Depth varies based on the type of support users require (crisis that requires the intervention of the emergency services vs a lighter crisis)
		Duration	Duration varies; but 89% of users are first-time users, which suggests that most do not need recurrent crisis support.
Contribution 	What is the enterprise's Contribution to what would likely happen anyway?	Contribution	Strong contribution given the uniqueness of the service Shout provides. The proprietary technology, the data and insights collected, the strong partnerships with key players and the cost-effectiveness of its training and delivery model increases sustainability outlook vs peers.
Risk 	<i>Drop-off risk:</i> Given the type of support provided (i.e. crisis-focused), there is a risk that the expected impact does not endure and/or the negative impact is no longer mitigated. However Shout's volunteers do signpost other relevant services to users if they believe they need alternative support; and if there is an immediate emergency, supervisors contact the emergency services.		
	<i>Execution risk:</i> Shout's model relies on trained volunteers to ensure support is available 24/7. Adequate training and supervision are essential, to ensure users in crisis receive the support they require. In this way Shout is reducing the probability that the activities are not delivered as planned and do not result in the desired outcomes.		

Key achievements in 2019/20

Venture Philanthropy: Tackling poverty in Africa via Village Enterprise

Village Enterprise's innovative DIB-backed poverty reduction programme has already helped to launch 4,700 microbusinesses in Kenya and Uganda

Village Enterprise works to reduce extreme poverty in rural sub-Saharan Africa, by providing first-time entrepreneurs with cash grants, training and mentoring. Extensive evidence from randomised trials suggests this is one of the most cost-effective ways of alleviating poverty in the developing world.

To date, Village Enterprise has already started 43,000 businesses and impacted the lives of nearly one million people. With this programme, it is expanding its proven model in rural Kenya and Uganda – using an outcomes-based approach that will enhance its focus on learning and constantly improving delivery. Its original aim was to launch more than 4,600 small sustainable businesses by 2021; and if it succeeds in improving business owners' income levels, Village Enterprise will receive up to \$4.3m in outcomes payments from the United States Agency for International Development and the U.K. Department for International Development (plus an anonymous funder). As part of this structure – known as a Development Impact Bond (DIB) – the Foundation is one of nine investors providing the \$3.5m of working capital needed to deliver the programme. The Bridges team also provided *pro bono* support and advice during the project planning and fundraising process.

Since the start of the DIB, over 4,700 small businesses have already been created. Results from the various cohorts have been hugely promising, with evidence of increased household savings and food consumption: according to Village Enterprise's preliminary assessments of earlier cohorts, the households involved saw monthly per capita consumption increase by an average of 113%, while asset stocks more than doubled.

Bridges colleagues are actively working with Village Enterprise in the DIB working group. And lessons learned from the initial delivery phase have already resulted in a number of operational changes (a key benefit of the flexible DIB model): Village Enterprise increased the focus on performance and impact at every level in the organisation; it improved its training curriculum and mentoring; it strengthened its organisational systems and procedures; and it implemented more efficient processes, such as

mobile disbursements of the seed capital. The collaboration between the various stakeholders – outcome payers, trustees, project manager, investors and evaluators – has become much tighter (another benefit of the DIB structure).

Moreover, Village Enterprise has also been able to increase its visibility and thought leadership through multiple speaking engagements and case studies written about the project (notably by the GO Lab at Oxford University). The team at Bridges also had the pleasure of hearing from Dianne Calvi, CEO of Village Enterprise, and Winnie Auma, Programme President, during one of our (pre-pandemic) team seminars: they talked about how the DIB was going, and its importance to Village Enterprise as an organisation.

When Covid-19 hit Kenya and Uganda in March, both countries instantly instituted strict country-wide lockdowns. Village Enterprise was still able to conduct seed capital disbursements, and mentors have continued to provide mentoring by phone to the DIB-backed businesses, helping business owners adjust and adapt during the pandemic. While some business owners are facing challenges due to market closures and local restrictions, they are innovating and adapting: for example, by pivoting their business models to produce new products that address urgent needs in their communities, such as facemasks or soap.



Above: A microbusiness supported by Village Enterprise in Kenya

Key achievements in 2019/20

Venture Philanthropy: Tackling poverty in Africa via Village Enterprise (cont.)

Village Enterprise's grants can have a transformative effect on the lives of African entrepreneurs and their families. This is the story of Agness Aleppo, from Uganda

Much-kneaded dough for Agness

Two years ago, Agness Aleppo had to close her bakery after she was robbed and everything she needed to run her business was stolen. But now, due to Covid-19, she regained the courage to utilise her baking skills and start afresh with Village Enterprise.

A few months ago, Agness and her two business partners had invested their Village Enterprise grant into starting a peanut retail business, and even found a way to sell their nuts in produce stores in Soroti. They were doing well; but then Uganda instituted a country-wide lockdown. To prevent the spread of Covid-19, the Ugandan government banned gatherings, shut down public transportation, closed major markets for all non-essential businesses, and implemented social distancing.

Overnight, Agness and her business partners saw their country come to a standstill. But they did not give up. Together they discussed their options and remembered Agness's skills as a baker. So they invested their remaining money in ingredients and opened a bakery in their rural community instead.

Their community is now more populated than ever due to all the people who moved home to shelter-in-place during the global pandemic. This relocation created an opportune market for Agness and her business partners, and their bakery quickly earned more than triple their initial investment cost. They now make \$11 a day, an amount that was inconceivable before the virus.



Agness also protects the health and safety of her community by ensuring the area around her bakery stall is safe.

In order to enforce social distancing measures, she installed a rope divider which curves around the stall. Agness also established a handwashing facility. Her conscientiousness has caused even more customers to come to buy her products.

Thanks to the success of her bakery, Agness has renewed confidence, not to mention improved health thanks to the exercise she gets from bicycling nearly 30 kilometres a day to purchase her ingredients. Agness' advice is for everyone to take care of themselves with physical exercise and for women to take action by finding a way to earn money during the pandemic and help their households.



Key achievements in 2019/20

Seed funding & Market-building: The Bridges Social Entrepreneurs Fund

This pioneering fund has extended its term to 2021 so it can continue to deliver powerful impact for vulnerable children and adults

The Bridges Social Entrepreneurs Fund (SEF) was launched in 2009 to address the critical funding gap often faced by ambitious social sector organisations with aspirations to grow. SEF was the first of its kind in the UK: an institutional closed-ended fund designed to provide these organisations with access to quasi-equity, plus strategic and operational support.

SEF's investment period ended in 2016, and its term was due to expire in 2019. However, during the year, the necessary consents were obtained from investors to extend this term to August 2021. This extension has enabled Bridges to continue driving impact and financial value in the remaining assets.

During the year, the Fund completed an exit from Commonweal Housing, which sold its three remaining properties to Thames Reach in September 2019, repaying the Fund's loan balance in full plus a share of the property appreciation. Commonweal has housed over 100 tenants via its Peer Landlord scheme, while also providing positive employment, education and training outcomes for many of the tenants.

SEF retains one other enterprise investment, in London Early Years Foundation (LEYF), an award-winning social enterprise that operates 39 nurseries and pre-schools across London. LEYF was performing well for most of the year,

with occupancy at over 70%; and although its operations have been significantly affected by the Covid-19 crisis, it hopes to bounce back in the current year.

SEF was also one of the first funds in the world to invest in social impact bonds (also called social outcomes contracts). This allowed Bridges to develop a knowledge and skills base in this emerging field, which ultimately led to the Manager raising a dedicated Bridges Social Impact Bond Fund – the first of its type anywhere in the world. In total, SEF invested in 13 of these projects, initially directly and later through a co-investment arrangement with the Social Impact Bond Fund. Moreover, the success of that fund has now enabled Bridges to raise a second dedicated fund, Social Outcomes Fund II, which closed this year with £35m of commitments.

As such, the Foundation's initial investment in SEF has helped to catalyse over £50m of funding for these innovative projects, which have supported almost 20,000 vulnerable people and have the potential to transform service delivery in a number of key policy areas. This is an excellent example of how the Foundation's support can have a broader systemic impact, in addition to achieving meaningful change in the lives of vulnerable people.

Below: LEYF, a Bridges Social Entrepreneurs Fund investment



Key achievements in 2019/20

Seed funding & Market-building: Bridges Evergreen Holdings

Bridges' pioneering long-term capital vehicle held a second fundraising during the period and completed its fourth investment

The Foundation's other major seed investment was in Bridges Evergreen Holdings, a long-term capital vehicle that provides flexible, values-aligned finance for mission-driven businesses looking to scale over time.

This year, the BEH portfolio has continued to perform well and deliver powerful social impact, despite the effects of Covid-19 in the latter part of this reporting period and beyond.

Evergreen completed its fourth investment in November of this period: into AgilityEco, a fuel poverty solutions provider. The business was performing very well in the first few months after Evergreen's investment, with excellent engagement between management and the Evergreen team on strategy and impact. While trading has been affected by the Covid-19 crisis (which has effectively ruled out visits to vulnerable households) the business has pivoted to a more remote model and is currently ahead of budget for the year. Last year, AgilityEco supported almost 48,000 households (over 100,000 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).

Evergreen's first investment, New Reflexions, a Shropshire-based business that provides specialist residential care for children with complex needs, continues to perform well. 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.

Evergreen is also supporting The Ethical Housing Company (TEHC), which is accumulating a portfolio of decent, affordable homes to rent on Teesside. TEHC ended the year with 50 properties, after completing a 27-home portfolio acquisition early in the period. Now the business has provided clear proof of concept, the aspiration is to scale towards 1,000+ properties across Teesside. Given the scale of the challenge in the private rented sector, there is also clear potential to replicate this model in other parts of the UK.

Evergreen has also made notable progress in supporting Shaw healthcare, a care home operator, towards its goal of greater employee ownership. This process completed shortly after the end of this reporting period, with an Employee Ownership Trust becoming the majority shareholder in the business. Following this change, Evergreen has now exited its investment.

All told, Evergreen continues to achieve measurable social impact while also delivering an attractive yield to investors. The Foundation is delighted to have played a role in catalysing this pioneering investment vehicle, which has clear potential to attract new investors into the field of impact-seeking investment.

AgilityEco, a Bridges Evergreen Holdings investment



Key achievements in 2019/20

Seed funding & Market-building: The Impact Management Project

Thanks to the support of the Foundation and others, the IMP continues its vital work to build consensus on how to measure, manage and report impact

The Foundation has also supported the development of sustainable and impact investing, both in the UK and globally, by funding a number of thought leadership initiatives and publications – most notably in recent years with its support for The Impact Management Project (IMP).

Facilitated by the team at Bridges Insights, Bridges' non-profit field-building practice, the IMP is a forum to build 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 planet.

A 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 policymakers.

This year, IMP facilitated a collaboration between all five Members of the Structured Network focused on sustainability and integrated reporting, culminating in the publication of a joint statement of intent to work together towards the overall system of standards needed for comprehensive corporate reporting. This promising momentum underlines the Foundation's conviction that its support for the Impact Management Project will ultimately have far-reaching implications for the development of this field.

Below: CEO Clara Barby talks about the market-building work of the IMP at the GSG Impact Summit 2019



Key achievements in 2019/20

Seed funding & Market-building: The MIINT

The U.S.-based experiential impact investing course for graduate schools continues to go from strength to strength

The Foundation has regular updates with its sister organisation in the US, as we look to align our efforts and engagement opportunities.

The MIINT programme

The MIINT (MBA Impact Investing Networking and Training) programme, which is run by the Bridges Impact Foundation U.S. in partnership with the Wharton Social Impact Initiative, is an experiential training course designed to give students a hands-on education in investing for impact. It takes place each academic year and involves top business and graduate schools from around the world.

The Foundation's US arm supports the MIINT through financial assistance and *pro bono* support from the wider Bridges team.

The programme was recently renamed as the Turner MIINT, in recognition of a generous £2.5m donation from philanthropists Bobby & Lauren Turner.

Below: Students from over 30 graduate schools now contest the MIINT



Key achievements in 2019/20

Bridges Family Activities

A highlight of the Bridges team's philanthropic activities last year was raising almost £45,000 for the Brain Tumour Charity

The Foundation's Family Activities supplement our other work by encouraging and rewarding Bridges' colleagues' philanthropic activities, and by providing financial support in cases of financial hardship to close stakeholders.

The Matched Giving Facility

The initiative was started in 2014 with an allocation of £60,000, of which £38,591 has been spent to date. It encourages Bridges employees in their own philanthropic activities by matching their fundraising contributions to the cause of their choice by up to £1,000.

In October 2019, a Bridges team joined forces with the family of Peter Englander, Bridges' former chairman, to enter a team for the Royal Parks Half Marathon. 'Peter's Park Pounders' were raising funds for the Brain Tumour Charity, in support of Peter, who has been diagnosed with the condition. The team fared magnificently in the competition (fielding the fourth fastest male team for example) and – following the match-funding from the Foundation – managed to raise a remarkable £44,159 for this excellent cause.

Since the end of the period, as part of Bridges' Covid-19 response, we have also launched CharityBegins@Home – a fundraising initiative to support various charities that work with

those hardest hit by this pandemic. Every month a different team has been selecting a particular charity and trying to raise funds for it, while also keeping the team entertained through a series of related challenges. We have been encouraging our colleagues to make a regular donation, given that many of us have seen our financial outgoings reduce as a result of working from home.

The Benevolent Fund

The Foundation's Benevolent Fund was launched to provide short-term financial support grants to members of the broader Bridges network (such as portfolio company employees) who find themselves in difficult circumstances. £20,000 has been allocated to this fund. To date, over £4,000 has been spent. There were no requests made during the period.

The Donor-advised Pool

The Foundation has established a Donor-Advised Pool, a pool of funds capped at 20% of Bridges' carry whereby the carry holders can make a request to the Trustees on how to allocate this portion of the funds. In total, 15 requests were made during the year, totalling over £16,000. (2019: £26,000).

Below: Peter's Park Pounders at the Royal Parks Half-Marathon



The impact of Covid-19 ⁷

Responding to an unprecedented challenge

Since the Covid-19 crisis hit, the Bridges group has been working hard to safeguard its people and protect value for the Foundation and its other key stakeholders

As of 31 March 2020, Bridges Impact Foundation had net financial assets of £4.7m. Its Balance Sheet is robust, flexible and substantially liquid.

Since the Foundation is substantially reliant on the broader Bridges Fund Management group, both as a source of funding and *pro bono* support, and as the manager of its existing fund commitments, the ability of this broader group to navigate the unprecedented challenges of the Covid-19 crisis is clearly intrinsic to the Foundation's future success.

Since the crisis hit, the Bridges group has benefited from an extremely strong operational infrastructure, with close to 100% of employees globally switching to home-working within days, with minimal operational issues. The Bridges team also worked hard to mitigate the impact on the portfolio and protect value for the Foundation and its other investors, whilst also making sure that the group's assets are well-positioned for the post-COVID recovery.

When the crisis hit, the group quickly created a cross-strategy taskforce to share best practice and coordinate the response across the platform. The initial focus was on safeguarding the Bridges team and other stakeholders, and on maintaining business or service continuity.

From a portfolio perspective, this included the drawing-down of available credit facilities; the provision of careful and frequent updates to debt providers; cash flow modelling for all assets; analysis of downside scenarios; and working with management teams to apply for tax extensions and explore the use of available government support schemes. This all helped to protect the value of the Foundation's assets.

From a reporting and compliance perspective, the Bridges group has continued to meet all its regulatory filing deadlines, and there is every expectation that this will continue to be the case.

In addition, the Foundation continues to closely monitor its current and forecast commitments, ensuring that it will at all times have sufficient headroom above the requirements. Furthermore, it has in place a comprehensive risk and control framework: this is reviewed on an ongoing basis and amended where appropriate in response to changes in the Foundation's activities or developments in the external regulatory environment.

Below: A floral tribute to key workers outside the (Bridges-backed) Hub Pharmacy in Warrington



Future Plans

The Foundation will continue to focus on its core areas in the coming year:

- > **Venture Philanthropy**
- > **Seed-funding & Market-building**
- > **Bridges Family Activities**

The Foundation is currently in the process of reviewing its strategy, based on a detailed assessment of our activities and engagement to date, and the input of our Bridges colleagues. As part of this, we will re-visit our Venture Philanthropy focus area, and refine our strategy for our seed funding/ social investing and market-building activities.

In the meantime, the Foundation has identified its next target for its mental health focus area: we will be looking to support a programme that focuses on young people excluded from school. Our research has shown that a main driver for school exclusion is poor behaviour; and the underlying causes for behavioural issues are very often linked to challenging circumstances, including lack of well-being and mental health conditions.

We have looked at a number of programmes working in Alternative Provision and Pupil Referral Units, and we are in the process of finalising a new funding partnership with a charity called The Difference. This unique programme, set up by ex-Teach First entrepreneurs, is seeking a new solution to the spiralling exclusion situation. We believe its outstanding teacher training programme, together with its best practice and policy focus, has real potential to drive systemic change within the education sector.

Below: Teachers on The Difference's specialist training programme



Financial Review

Fundraising

During the year, a number of the funds managed by Bridges Fund Management Limited were able to achieve a profit and therefore make a payment of carried interest ('carry') to the Bridges Fund Management team.

The Bridges Fund Management team, both existing and those that have now moved on to other workplaces, have committed to donate a portion of their carry to benefit the Impact Foundation. This resulted in the Foundation receiving donations totalling £153,849 (2019: £61,669) during the period.

Gift Aid of £22,135 has also been claimed on donations.

As more of the Bridges funds enter the realisation phase, and particularly as some of the larger investments in the Bridges portfolio start to be exited, the Foundation expects this arrangement to create a steady funding stream for the Foundation – and one that is likely to rise over time. This should allow the Foundation to expand its activities further in the coming years.

Investments

The Foundation made contributions in the period to Bridges Social Entrepreneurs Fund ("SEF") from its restricted funds, totalling £31,003 (2019: £28,284) and received total distributions of £629,496 (2019: £244,017).

SEF distributed £1.75m to investors in the year, increasing total distributions by the year-end to £8.65m which equates to 80% of the capital and loan drawn down (£10.85m). The gross value of SEF at the year-end was £8.74m.

In relation to its commitment to Bridges Evergreen Holdings ("BEH"), the Foundation made contributions from its restricted funds totalling £690,397 (2019: £90,191) and distributions have been received of £77,232 in the year to March 2020 (2019: £46,257) in the form of a dividend payment.

As at 31 March 2020, £34.6m had been drawn down from investors since the commencement of BEH on 6 July 2016. This represents 68% of

current commitments, and has been used to fund investments into New Reflexions, Shaw Healthcare, the Ethical Housing Company, and AgilityEco, as well as Priority Profit Share and other Fund expenses.

In the year, BEH distributed £870k to investors. This represents a yield of c.4% of commitments drawn (excluding amounts drawn for Agility Eco and a short-term liquidity facility provided to New Reflexions).

Governance costs for the Foundation were higher than the previous year, at £22,756 (2019: £9,214). Administration and investment services are performed by Bridges Fund Management Limited on a *pro bono* basis. It is not possible to quantify the value of this work.

Public benefit

The Trustees have complied with the duty in section 17 of the Charities Act 2011 to have due regard to the Charity Commission's published general and relevant sub-sector guidance concerning the operation of the public benefit requirement under that Act, including the guidance 'public benefit: running a charity (PB2)'.

The Trustees consider that the activities of the charity provide significant public benefit, in a number of important ways.

By acting as the original cornerstone investor in the Bridges Social Entrepreneurs Fund, which in turn co-invests alongside the Bridges Social Impact Bond Fund, and more recently by investing in Bridges Evergreen Holdings, the Foundation has helped to channel capital to innovative and ambitious social sector organisations looking to create long-term, sustainable impact at scale.

The ongoing work of the Bridges Social Impact Bond Fund team to build capacity in the social impact bond market also has significant potential to improve public sector services, both in the UK and beyond, by delivering better outcomes and better value for the public purse.

The Matched Giving facility amplifies and thus incentivises individual charitable fundraising by members of the Bridges team.

To ensure best practise in the operation of the Trustee board, in 2018 the Trustees reviewed the Charity Governance Code in line with current practice and will continue to do so.

The Foundation does not engage in fundraising activities and no donations are sought from the public. The Foundation does not use third-parties to assist with fundraising and the charity received no complaints in this year regarding its fundraising practices.

Relationship with other entities

Bridges Capital Limited (previously Bridges Ventures Limited) and Bridges Fund Management Limited

The incorporated charitable company Bridges Impact Foundation was connected to Bridges Capital Ltd by virtue of the fact that it held B shares in the company. The Foundation did not exercise control or significant influence over Bridges Capital Ltd as the B shares are non-voting shares. Bridges Capital Ltd was dissolved on April 9th 2019 via voluntary strike off.

Bridges Impact Foundation is connected to Bridges Fund Management Limited (“BFM Ltd”) by virtue of the fact that it holds B ordinary shares in the company. The Foundation does not exercise significant control or influence over BFM Ltd, as the B ordinary shares are non-voting shares, except in certain situations governing a

change of the mission of the company. Under the terms of BFM Ltd’s Articles of Association, it has no right to any of the profits or losses of the company even in the event of a sale or liquidation (only to capital).

The Foundation occupies office space and shares management personnel with BFM Ltd. In addition, BFM Ltd provides fund management services to the Foundation in connection with its funds.

At the year end, Trustees Michele Giddens and Antony Ross were directors of BFM Ltd. In addition, Kyle Bentwood and Giuseppe Catarozzo were employees of BFM Ltd.

Bridges Social Entrepreneurs Fund LP

Bridges Social Entrepreneurs Fund LP is constituted under a Limited Partnership Agreement and attracts funding which is invested in social enterprise initiatives that have strong potential philanthropic benefit.

The general and controlling partner of Bridges Social Entrepreneurs Fund LP is Bridges Social Entrepreneurs Fund (General Partner) Ltd, a wholly-owned subsidiary of Bridges Fund

Management Ltd. The investments of Bridges Social Entrepreneurs Fund LP are managed by Bridges Fund Management Ltd.

The investors in the Bridges Social Entrepreneurs Fund, including the Bridges Impact Foundation, are members of the Fund’s advisory board, where the Manager updates the investors on progress to date and future plans for the Fund.

Bridges Evergreen Capital LP

Bridges Evergreen Capital is constituted under a Limited Partnership Agreement and attracts funding which is invested in social enterprise initiatives that have strong potential philanthropic benefit.

The general and controlling partner of Bridges Evergreen Capital is Bridges Evergreen Holdings (General Partner) Ltd, a wholly-owned subsidiary of Bridges Fund Management Ltd.

The investments of Bridges Evergreen Holdings are managed by Bridges Fund Management Ltd.

The investors in Bridges Evergreen Capital, including the Bridges Impact Foundation, are members of the Fund’s advisory board where the Manager updates the investors on progress to date and future plans for the Fund.

Bridges Impact Foundation U.S.

Our sister Foundation in the U.S. is a 501(c)3 nonprofit organisation. The Foundation has regular updates with this entity, as we look to align our strategy and engagement efforts.

Organisation and appointment of Trustees

The Bridges Impact Foundation is administered by the Board of Trustees. There must be at least three Trustees and no more than nine in office at any given time.

The Foundation's current Board is comprised of two elected employee representatives from Bridges Fund Management, two senior Bridges partners, and two independent trustees.

The Trustees ensure that the Foundation is carrying out its purposes for the public benefit, that it manages its resources responsibly, and that it is fully accountable and compliant with law.

This past year, Victoria Hornby has taken over the Chairperson role from Charles Mindenhall. The Foundation is lucky to benefit from her not-for-profit experience and expertise. Her support, challenge and guidance are invaluable, and ensure the effective and smooth running of the Foundation's Board.

Following a competitive election process, Giuseppe Catarozzo and Kyle Brentwood have joined the Board as employee representatives. Giuseppe is Bridges' Financial Operations and Legal Director, while Kyle is Head of Origination. Antony Ross has also joined the Board as senior Bridges partner (to join Michele Giddens). Their commitment and insights have already contributed significantly to the development of the Foundation's operations and strategy; the Foundation is lucky to have them all.

Along with Victoria Hornby, Duncan Kellaway is our other Independent Trustee. Independent Trustees are appointed by a resolution of the Board of Trustees and serve for three years, at which point they can be reappointed for a further three year term. We are seeking to add another one or two independent trustees to the Board in the coming year.

Trustee Induction and Training

New Trustees of the Bridges Impact Foundation take part in a mandatory induction meeting to understand their legal obligations as a Trustee under charity law. Trustees who are not employees of Bridges Fund Management Ltd are also briefed on the company's activities and philosophy, governance, decision-making process, and recent financial reports.

All Trustees are invited to join a meeting of the Bridges Social Entrepreneurs Fund and Bridges Evergreen Holdings advisory board as part of their induction and training.

All Trustees are encouraged to undergo external training that can better inform them of their role as Trustee or enhance their expertise/skills to contribute to the work of the Foundation.

Other Key Personnel

Barbara Storch is Director of the Foundation; she is responsible for developing and directing strategy for the deployment of the funds of the Foundation on a day-to-day basis.

Siobhan Tyrrell is Treasurer of the Foundation.



Risks and Risk Management

The key risks faced by the Foundation relate to the performance of funds managed by Bridges Fund Management.

The value of the Foundation's investment in SEF, and its investment in Evergreen, may rise or fall depending on the performance of the companies in which these funds choose to invest.

Equally, the Foundation's biggest funding stream derives from the Bridges Fund Management team (both past and present), who have committed to donate the equivalent of 10% of the 'carried interest' (profits) arising from the funds managed by Bridges Fund Management to the Foundation. If the funds

fail to generate carried interest, the funding of the Foundation will be adversely affected.

The Trustees work to proactively manage risks by reviewing potential financial, reputational and other risks on an annual basis and developing and implementing strategies to pre-empt or minimise these risks. They also maintain close communication with the Bridges Fund Management team to monitor any potential risks pertaining to the funds' investment activity.

A key element in the management of financial risk is the frequent review of financial statements by the Trustees and of the amounts and terms of donations made to the Foundation.

Reserves Policy

The Bridges Impact Foundation's policy is to hold reserves that will enable the organisation to:

- > Ensure there is sufficient money to continue its core activities during a period of unforeseen difficulty
- > Undertake special projects and one-off activities in keeping with Foundation's mission

The Foundation incurs minimal costs of operation, including governance costs. It considers that the unrestricted reserves at the

year-end totalling £1,004,694 (2019: £896,856) of which £15,394 is designated and £989,300 is general, will be more than sufficient to cover ongoing expenses associated with its current operation. The Trustees continue to explore with the Bridges team other avenues of charitable activity that are aligned with the skills, interests and activities of the team.

Restricted funds totalled £3,757,034 (2019: £3,668,509) at the year-end, pending settlement of further drawdowns to Bridges Evergreen Holdings.

Structure

Bridges Trust (company number 06864617) was incorporated on 31 March 2009 under a Memorandum and Articles of Association, with all existing Trustees in the unincorporated charity Bridges Charitable Trust (charity number 1118391) becoming directors of the newly incorporated Bridges Trust.

Bridges Trust was registered as a charity with the Charity Commission on 20 May 2009 (charity number 1129756); changed its name to

Bridges Charitable Trust on 17 August 2009; and changed its name to the Bridges Impact Foundation Ltd. on 22 February 2017.

During the period, the Foundation adopted revised articles of association which clarified and extended the number and composition of the Board of Trustees.

Statement of Trustees' Responsibilities

The Trustees (who are also directors of Bridges Impact Foundation for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, the financial reporting standards applicable to the UK and Republic of Ireland.

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- › Select suitable accounting policies and then apply them consistently
- › Observe the methods and principles in the Charities SORP
- › Declare any conflict of interest following the Foundation's Conflict of Interest policy
- › Make judgements and estimates that are reasonable and prudent
- › State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- › Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Insofar as the Trustees are aware:

- › There is no relevant audit information of which the charitable company's auditor is unaware
- › The Trustees have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor was aware of that information

Auditors

Moore Kingston Smith LLP have been appointed as auditors in the year and have expressed their willingness to continue in that capacity.

Signed on behalf of the Trustee Board by:



Victoria Hornby

Chair of Board

Date: 27th October 2020

BRIDGES

Impact Foundation

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Bridges Fund Management, October 2020