

Bridges Fund Management seeks to promote responsible business standards in the businesses in which it invests. Our policy is based on four principles which are outlined below:

1. Our vision is that our investments will bring social, environmental and economic benefits

As a specialist fund manager dedicated to sustainable and impact investment, we use an impact-driven approach to create returns for both investors and society as a whole by focusing on opportunities that help meet pressing social or environmental challenges. Our investments range from fast-growth businesses to property to social enterprises; across all our strategies, we focus on four specific goals or themes to help us source and select compelling investment opportunities. Closely aligned with the Sustainable Development Goals, these four themes reflect social and environmental mega-trends that are re-shaping our world: Healthier Living, Future Skills, Sustainable Planet and Stronger Communities. Each represents a cluster of societal outcomes that can be efficiently delivered through a range of investable models. Building on our existing Impact Radar methodology, we assess the positive or negative effects our businesses have on people and/or the planet scoring across five dimensions of impact:

- **What** – What outcomes do business activity drive? How important are these to the people (and planet) experiencing them?
- **Who** – Who experiences the outcome? How underserved are the stakeholders in relation to the outcome?
- **How Much** – How much of the outcome occurs in terms of scale, depth and duration?
- **Contribution** – What is the businesses' / Bridges contribution to what would likely happen anyway?
- **Risk** – Which risk factors are material and how likely is the outcome different from the expectation.

These five dimensions provide a holistic view of an investment's type and ability to generate impact, and help us analyse when selecting, engaging and tracking our portfolio.

2. We will measure and report on these benefits to our investors and stakeholders

For each of the material stakeholders, we have a scoring guide that enables us to analyse both return and risk. Pre-investment, the scores inform due diligence. Post-investment, they act as a portfolio management tool, so that we can monitor the impact risk/return profile of each investment (and therefore of each fund) on an ongoing basis.

In order to track an investment's performance against the five dimensions, we work with each investee to determine the most appropriate key performance indicators (KPIs). We select KPIs that tell us whether the company is achieving impact through what it sells or where it is located (thematic KPIs), as well as through the way it is operating (environmental, social and governance – or ESG – factors that signal risks as well as opportunities to create additional value). The resulting Impact Scorecard is therefore tailored to each portfolio company, with a focus, above all, on materiality and practicality – allowing for timely management decisions. The Scorecard is also used as a reporting tool, provided to investors alongside financial performance.

3. We seek to encourage the companies we invest in to be responsible towards all their stakeholders, in the belief that this is in the interests of the companies as well as their communities.

While we select companies that will generate our intended outcomes (whether through the products or services that they provide, or the economic growth that they generate in underserved markets), we recognise that every investment has the potential to generate other societal outcomes, both positive and negative. We take these outcomes – environmental, social and governance (ESG) factors, into account in order to understand an investment's total impact.

ESG risks and opportunities are examined in partnership with the management team of the prospective portfolio company prior to making an investment and based on our internal risk assessment we create an appropriate action plan to address each issue. ESG factors are reviewed regularly at Board meetings with investee companies, as well as at our own firm-level portfolio review meetings. Once a year, each investee provides a snapshot of any new or outstanding ESG areas, as well as progress against targets.

Opportunities that improve social or environmental performance in ways that also improve business performance are examined and tracked in a similar way, with the help of an in-house assessment during due diligence for each investment.

Bridges Fund Management seeks to promote responsible business standards in the businesses in which it invests. We have been an UNPRI signatory since 2009, a Certified B Corporation¹ since 2015 and we are a founding member of the B Corp movement in the UK. These commitments reflect the importance we attach to ESG best practice – not just in terms of risk mitigation, but also as a value-add opportunity. We firmly believe that better ESG practices ultimately create more value for our investors.

4. Every investment decision is a judgement call. Because we are investors for a purpose as well as a profit, we reserve the right to refuse investments that we consider are not socially or environmentally responsible

Our impact-driven approach, as outlined above, ensures that we are positively selecting for impact in all our investments. As part of our selection process we also avoid investing in certain companies, such as those which:

- do not respect human rights;
- do not comply with current environmental and social legislation;
- have no proposals to address defined future legislation;
- do not seek to comply with their industry standards;
- have core business activities involving the production of and trade in tobacco and alcohol, weapons and ammunition of any kind, casinos and equivalent enterprises, or pornography.

The Bridges Fund Management Board is responsible for our Responsible Investment Policy, Sustainable Property Policy and Ethical Charter. The Directors on the Board are responsible for ensuring that we do all in our power to conform to the letter and spirit of these Policies and Charter.

¹ The B Corporation certification (assessed by the not-for-profit B Lab) is given to for-profit organisations who achieve at least a minimum score against a set of social and environmental standards.