Bridges
Fund Management

Responsible Investment Policy

Bridges Fund Management seeks to promote responsible business standards in the businesses in which it invests. Our policy can be summarised as follows:

1. Our vision is that our investments will bring social, environmental and economic benefits
2. We will measure and report on these benefits to our investors and stakeholders
3. We seek to encourage the companies we invest in to be responsible towards their own stakeholders, in the belief that this is in the interests of the companies as well as their communities
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

These four points are explained in more detail 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, but with a thematic focus that cross-cuts all fund types. Our four main themes are Underserved Markets, Health & Well-being, Education & Skills and Sustainable Living: each represents a cluster of societal outcomes that can be efficiently delivered through a range of investable models.

Through our impact-driven investment approach, we have learned to focus on four key criteria, common to all Bridges' investments: *target outcomes, additionality, alignment and environmental, social and governance factors (ESG)*. These four key criteria provide a holistic view of an investment's ability to generate positive societal change, and help us to analyse impact when selecting, engaging and tracking our portfolio.

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

For each of our four key impact criteria, 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 Impact Radar, 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 their own 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, one of our four key criteria referenced above – into account in order to understand an investment's total (or 'net') impact.

ESG risks and opportunities are examined in partnership with the management team of the prospective portfolio company prior to making an investment. An in-house materiality lens helps us to identify high-, medium- or low-priority risks, and 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 ESG matrix used during due diligence for each investment.

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 and Ethical Charter. The Partners on the Board are responsible for ensuring that we do all in our power to conform to the letter and spirit of this Policy and Charter.