

NAVIGATING IMPACT
MEASUREMENT
AND MANAGEMENT -
PRACTICAL CASES



BRIDGES FUND MANAGEMENT - BRIDGES EVERGREEN



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INTRODUCTION

ABOUT THE SERIES

EVPA is a community of true pioneers on impact measurement and management (IMM). This research project aims to showcase practical cases that may inspire the work of other investors *for impact* and beyond. Bridges Fund Management has been selected among a group of practitioners due to their pioneering experience in the field of IMM. This series of case studies is part of the “*Navigating Impact Measurement and Management*” research, which includes a practical report, a mapping of initiative and a series on burning topics*.

This series of case studies explores how investors *for impact* :

- set up, refine and apply their IMM strategies, taking as reference the EVPA IMM 5-step framework**;
- deal with main IMM burning topics; and
- apply external methodologies along their investment strategy.



INVESTMENT JOURNEY

1. How does the investment strategy relate to impact objectives?

STEP 1

2. How are impact objectives embedded into selection criteria?

STEP 1

3. How are key stakeholders identified?
4. How are key impact indicators selected?

STEP 2 **STEP 3**

5. How are stakeholders involved in the learning and improving process?
6. How are results measured and monitored?
7. How is the impact achieved verified and valued?
8. How is impact reported?

STEP 2 **STEP 3** **STEP 4** **STEP 5**

9. How is impact valued and reported after exit?
10. How is impact preserved after exit?

STEP 4 **STEP 5**

LEGEND

STEP EVPA steps covered in the chapter



* For more information: <https://evpa.eu.com/knowledge-centre/publications/navigating-impact-measurement-and-management>

** For more information: <https://evpa.eu.com/knowledge-centre/publications/measuring-and-managing-impact-a-practical-guide>



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At Bridges, building the broader market for sustainable and impact investing has always been a critical part of our mission. That's why over the years we've consistently looked to share what we've learned about how to measure and manage impact, in the hope that it can help newer entrants to the market.

In recent years, this work has culminated in the launch of The Impact Management Project: this ambitious collaboration, hosted by our not-for-profit field-building arm Bridges Insights, is seeking to build global consensus on how to measure, manage and report on impacts.

The remarkable success and growth of IMP has exposed us to the very best in impact management practice around the world, and we are constantly working to incorporate this into our own activities. So we're delighted to be working with the EVPA to publish this in-depth case study. As always, we hope what we've learned so far will provide some useful insights for others.

Michele Giddens
co-CEO, Bridges Fund Management

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INVESTOR FOR IMPACT OVERVIEW

BRIDGES

Fund Management

£1.2B

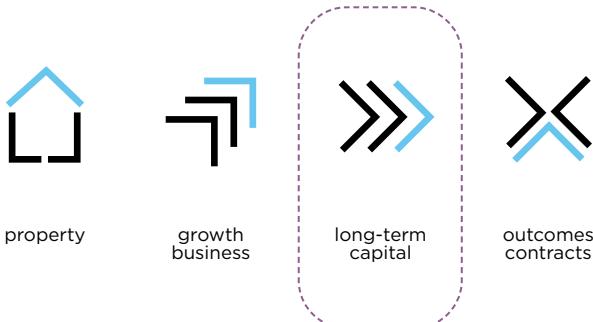
Capital raised by Bridges Fund Management across all funds

1
mission

Since 2002 Bridges has been investing in solutions that support the transition to a **more inclusive and sustainable economy**. Building a better future for **people** and the **planet** is a unique opportunity to **create lasting economic value**.

Bridges has developed a platform of investment strategies to suit a range of different investor needs – all of which operate within the same four impact themes.

Bridges Evergreen is the UK's first long-term impact-focused equity fund. It provides patient, flexible, values-aligned capital to highly impactful businesses who are looking to accelerate their growth and scale their impact.



Investing for impact practices



TAILORED FINANCIAL SUPPORT

- Equity (main instrument)
- Debt



NON-FINANCIAL SUPPORT

- Support with IMM
- Support with financial sustainability
- Support with organisational resilience
- Strategic and operational support



LONG TERM AND HIGH ENGAGEMENT

- Average investment duration: **10+ years**



RISK

- Grow new/undersupplied capital markets
- Provide flexibility on risk-adjusted return



STAGE OF DEVELOPMENT

- Maturation

SDGS



Investment focus



TYPE OF INVESTEES

- Social purpose organisations with proven business models
- Traditional businesses with intentional social impact



SECTORS

- | | |
|-------------|---------------|
| • Education | • Agriculture |
| • Health | • Housing |
| • Energy | • Environment |



IMM Governance

- The IMM activities are **self-funded**
- In Bridges Evergreen, internal impact team of **one FTE**
- Bridges' impact-driven investment approach means that, in addition to having resources dedicated to IMM, the impact standards and activities are embedded in every investment officer's role
- The investment team is evaluated not only on their commercial performance but also on the social or environmental value they are able to protect and create through their investments

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INVESTMENT STRATEGY



HOW DOES THE INVESTMENT STRATEGY RELATE TO IMPACT OBJECTIVES?

Like Bridges' other investment funds, Bridges Evergreen operates across four impact themes; these are closely aligned with the SDGs and reflect social and environmental mega-trends that are re-shaping our world.

IMPACT THEME	SCOPE	EXAMPLES OF INVESTMENT OPPORTUNITIES
Healthier Lives	Investing in solutions that improve physical and mental health and well-being	<ul style="list-style-type: none"> • Digital health • Mental health services • Healthcare products
Future Skills	Investing in solutions that boost skills and productivity , and strengthen pathways to employment	<ul style="list-style-type: none"> • Early-years education • Learning & development content and delivery models inc. distance learning/eLearning • School services and tuition
Sustainable Planet	Investing in the transition to a lower-carbon economy	<ul style="list-style-type: none"> • Renewable energy support services • Waste collection & specialist product recycling • Circular economy and re-commerce platform
Stronger Communities	Investing in solutions that increase access to opportunities and services	<ul style="list-style-type: none"> • Employee ownership models • Affordable housing • Urban regeneration



HOW ARE IMPACT OBJECTIVES EMBEDDED INTO SELECTION CRITERIA?

Prior to making a new investment, Bridges Evergreen considers the positive and negative effects across different **stakeholders** and identifies the most **material impact opportunities** and **risks** that need to be managed.

To assess the primary or core impact of its investments, Bridges Evergreen uses the **Five Dimensions of Impact**, as shown in the table. Using performance data across the Five Dimensions, the team classifies the asset's impact into one of four broad categories (causes or may cause harm, Avoids harm, Benefits stakeholders or Contributes to solutions).

Bridges Evergreen is **fully dedicated to C** (Contribute to solutions) investments and would not be able to invest in As and Bs.

Impact Management Project (IMP)

Bridges has mapped all its assets against the ABC classification of impact, which group investment products with similar impact characteristics based on their impact performance data.

Bridges Evergreen Holdings' assets are included in the C category i.e. **contribute to solutions**.

Note: the Impact Management Project (IMP) is hosted by Bridges' field-building arm Bridges Insights; it is a global initiative to build consensus around common standards for impact measurement and management. More info at <https://impactmanagementproject.com/>

Does (or may) cause harm

Act to avoid harm

- “I have regulatory requirements to meet (e.g. I have to cut my carbon emissions)”
- “I want to mitigate risk”
- “I want to behave responsibly”

Benefit stakeholders

- “I want to have a positive effect on the world to sustain long-term financial performance”
- “I want a world where all businesses try to have a positive effect on society”

Contribute to solutions

- “We want to help tackle malnutrition in Africa”
- “We want to help tackle the education gap”

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DEAL SCREENING



Impact Management Project (IMP)

AgilityEco (AE): a leading provider of energy efficiency and low carbon services across the UK, addressing the challenge of fuel poverty.

DIMENSIONS	QUESTIONS	DATA CATEGORY	DATA	ASSESSMENT	
What □	What outcome(s) do business activities drive?	Description of outcome	Reduction of fuel poverty gap for vulnerable households is a positive outcome and aligns with SDG1	negative	positive
	Are the outcomes positive or negative?	Outcome in period	Average annual savings per household from AE interventions is GBP 543		
	How important are the outcomes to the people (or planet) experiencing them?	Threshold for positive Importance	Average annual savings per households >= the fuel poverty gap Business model significant driver of the outcome and AE's customer survey suggests outcome is important	unimportant	important
Who ○	Who experiences the outcome?	Stakeholder type/geography	Vulnerable households in UK that qualify for one of AE's energy programmes	well-served	underserved
	How underserved are the stakeholders in relation to the outcome?	Baseline	Households that are eligible for AE's services qualify as vulnerable households as they need to meet the scheme's quantification criteria (i.e. in receipt of benefits, at risk of fuel poverty etc.)		
How much ■	How much of the outcome occurs in terms of scale, depth and duration?	Scale	44,643 households served in the period, approximately 107,000 individuals	small scale	large scale
		Depth	Depth will vary based on type of intervention. Proxy indicator is average percentage reduction of fuel poverty gap per household which is 251%	marginal effect	deep effect
		Duration	15 years is average lifetime of AE's interventions	short term	long term
Contribution +	What is enterprise's contribution to what would likely happen anyway	Contribution	Likely better than existing alternatives in the market. It is focusing on developing a curated database of user-generated content on local vulnerability/energy efficiency services	Limited contribution	High contribution
OVERALL IMPACT SCORE					
Risk ▲	Evidence risk: there is risk that the expected impact is not in line with what occurs at the household level - need to further explore link between actual and theoretical savings data, to establish how much AE contributes to closing the fuel poverty gap				

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DUE DILIGENCE AND DEAL STRUCTURING



HOW ARE KEY STAKEHOLDERS IDENTIFIED?

To outline the impact thesis of its investments, Bridges Evergreen defines a **Theory of Change (ToC)** and a **logic model** to define the core impact of the business i.e. what is the core outcome the business creates through its products/ services. As part of the impact assessment, Bridges analyses **who experiences the outcome and how underserved** this group is in relation to that outcome.

It also recognises that every investment has the potential to generate additional societal and environmental outcomes, **both positive and negative**, on other stakeholders (e.g. customers, the community, etc.), taking various factors into account.

To identify and manage these other material outcomes, the team utilises a **combination** of the following:

- The SASB materiality map
- The B Impact Assessment (“BIA”), the questionnaire that powers the B Corp certification
- Bridges’ internal ESG “checklist” which builds upon industry standards

Based on the methodologies mentioned above, together with management, Bridges – including both investment officers and ESG specialists – defines the long-term strategy for the company, seeking to **embed ESG and impact initiatives** that drive both shareholder and stakeholder value. It assesses ESG opportunities and risks by considering (1) the **potential degree of impact on the financial performance** of the business (likelihood and severity) and (2) its **importance to the company’s stakeholders**.





HOW ARE KEY IMPACT INDICATORS SELECTED?

Each investment falls under **one of the four impact themes**. The table below shows examples of SDGs and KPIs from Bridges Evergreen's portfolio for each impact theme:

IMPACT THEME	EXAMPLE OF SDGS TARGETED	KPIS EXAMPLES AT INVESTEE LEVEL
Healthier Lives		<ul style="list-style-type: none"> Average satisfaction rate of core beneficiary Hours of care delivered % of settings rated as "Good" or "Outstanding" by Ofsted
Sustainable Planet		<ul style="list-style-type: none"> Number of energy efficiency measures provided MWh of lifetime savings from insulation and heating improvements Tonnes of lifetime CO2 emissions abated
Future Skills		<ul style="list-style-type: none"> Qualification achievement rates % of learners that progress to employment or further education % of students with 100% attendance
Stronger Communities		<ul style="list-style-type: none"> % of beneficiaries in receipt of benefits % of households that feel more confident about their future Average total lifetime savings per household

Based on the engagement process and due diligence results, with the management team they develop Key Performance Indicators (KPIs) that measure whether the company is **succeeding in its core impact thesis**, as well as how it is operating (ESG factors that signal risks as well as opportunities to create additional value).

KPIs normally include:

- **company-specific KPIs** that are developed using the ToC of the enterprise and the assessment of the 5 dimensions
- a set of **standardised KPIs** used across the portfolio that are mapped to industry standards

Balance IMM requests and investee's limited capacity

During the deal structuring phase, the impact team, the investment team and the investee's management team work together to **develop the impact KPIs** and to **build the capacity in house to measure them**.

Building a strong ToC and **connecting the commercial and impact thesis** helps the investee's management team to understand the advantage of measuring the impact generated and the additional value of IMM.

Impact indicators need to measure what matters and should **drive better decision-making**. When set correctly, indicators should ultimately help companies and investors to improve and increase positive impacts, while reducing the negative ones.



HOW ARE STAKEHOLDERS INVOLVED IN THE LEARNING AND IMPROVING PROCESS?

Bridges supports portfolio companies to regularly collect feedback from the **investees' core beneficiaries and employees**.

The feedback collected from the stakeholders is reviewed at **Board level** and it informs decision making. For instance, at AgilityEco (AE), one of Bridges Evergreen's investees, the team has recently launched a **new service which was informed by a customer survey**. They have developed "HelpHub", a new IT platform that enables AE to efficiently provide **tailored support to low-income and vulnerable households** based on their postcode and circumstances. The team can give in-depth advice and refer households into any AE services they are eligible for, or to other services provided locally by other stakeholders. With the help of local partners, they have assembled a database of hundreds of local and national services to which staff can signpost households, depending on their needs.



HOW ARE RESULTS MEASURED AND MONITORED?

Investees report to the impact team on a **monthly or quarterly basis, according to specific KPIs**.

Bridges holds **portfolio review meetings** in order to evaluate the financial and impact performance of the portfolio.



Bridges supports portfolio companies to regularly collect feedback from the investees' core beneficiaries and employees.

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INVESTMENT MANAGEMENT



HOW IS THE IMPACT ACHIEVED VERIFIED AND VALUED?

As an impact-driven investor, Bridges ensures that all members of the investment teams are responsible for analysing and monitoring all relevant environmental, social and governance factors associated with each investment throughout the investment process.

Bridges also has a field-building arm, Bridges Insights, and dedicated Impact Management specialists within each fund who make sure that Bridges' investment teams have access to the best practices in the market and that these best practices are applied consistently across its funds. The monitoring of ESG and impact issues at both the firm and fund level is coordinated by the Impact Management team.

Bridges' Impact Management team consists of five professionals that are spread across Bridges' platform of funds. The team is ultimately responsible for impact management and measurement at Bridges.



HOW IS IMPACT REPORTED?

Across its portfolio, Bridges Fund Management reports to LPs on a quarterly basis.

It compiles **detailed portfolio reports** on an annual basis, with a more extensive narrative for each investment.

It publishes a **public impact report** for its wider stakeholders community on an annual basis.





HOW IS IMPACT VALUED AND REPORTED AFTER EXIT?

At exit, Bridges produces an exit paper to highlight both the shareholder and stakeholder value created during the ownership period.

In the exit paper, Bridges includes impact KPIs from investment to exit and key impact initiatives the team worked on during the investment period.

HOW IS IMPACT PRESERVED AFTER EXIT?

Bridges preserves impact after exit by investing in businesses where the commercial and impact outcomes are inextricably linked, as well as by embedding impact practices in businesses' governance and culture during the ownership period.



EVPA MEANS IMPACT

More information on EVPA research materials on IMM can be consulted at: <https://evpa.eu.com/knowledge-centre/publications/navigating-impact-measurement-and-management>.

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