

Assurance Statement: AA1000

The Good Economy Partnership ('TGE') was engaged by Bridges Fund Management ('Bridges') to provide independent assurance of the number of jobs reported in June 2023 for inclusion in the place-based impact report of Greater Manchester Pension Fund ('GMPF report'). Assurance is based on AccountAbility's AA1000 Assurance Standard V3 ('AA1000AS') with Type 2 moderate-level assurance.

Responsibilities

As the reporting organization, Bridges are responsible for the preparation and presentation of their reporting and corresponding data. As the assurance provider, TGE have a responsibility to express an opinion on the quality and reliability of Bridges' reporting in line with the scope of this engagement and based on the AA1000AS assurance process.

Intended Users

The intended users of this assurance statement are GMPF, the management of Bridges and their stakeholders.

Scope and Criteria

The scope was limited to the Bridges Property Alternatives Fund III ('BPAF III') and Bridges Property Alternatives Fund IV ('BPAF IV'). The Subject Matter is the below data for portfolio companies in BPAF III and BPAF IV:

- Number of jobs supported

This was reported to TGE on behalf of GMPF in the 'GMPF Reporting Framework Data Request'. The reporting year covered the period until 1st June 2023.

The AccountAbility Principles of inclusivity, materiality, responsiveness, and impact are used as criteria for assessing alignment with the traits of place-based impact investing¹. Data was prepared by Bridges using both output multipliers and employment density calculations, based on the Homes & Communities Agency' Employment Density Guide (Third Edition)².

Approach

The assurance procedures and principles used for this engagement were drawn from the AA1000 Assurance Standard V3. The activities conducted in performing this moderate-level assurance included:

- Inspecting submitted documentation related to Bridges' process, systems and control related to activities covered within scope of the engagement.
- Inspecting documentation and records related to reported jobs figures, assessing their completeness and accuracy.
- Applying analytical procedures to reconcile the figures for a sample of reported employee figures.
- Inquiring with responsible persons in Bridges to inspect adherence, quality and reliability on a sample basis.
- Assessing the evidence gathered and providing findings and recommendations.

Limitations

¹ As set out in the PBII Reporting Framework

² The methodology depends on whether an external consultant is used during the development appraisal phase to conduct a socio-economic impact assessment. Bridges rounds these estimated to the nearest 10.

A moderate-level assurance involves limited evidence gathering and provides lower confidence than a high-level assurance. With a focus on the plausibility of information, TGE's depth of enquiries and analytical procedures is restricted to evidence gathered from internal sources.

Independence and Competence

TGE has conducted this assurance independently and impartially in line with AA1000AS requirements and TGE's internal controls, including:

- Each member of the assurance team has signed a Code of Practice which requires declaration of any conflicts of interest. None were identified for this engagement.
- The TGE assurance team for this engagement is operationally separate from the TGE team who are engaged with GMPF in preparing the impact report, and who provided support to Bridges in completing the Reporting Framework Data Request.

TGE and Bridges do not exchange any type of services that could affect the independence or impartiality of the engagement or cause a conflict of interest.

TGE's verification practice, Impact Assured, has verified impact management processes and performance claims representing over \$1 billion in assets under management. Team members have extensive knowledge of non-financial reporting and technical expertise in sustainability, including social and economic factors.

Findings and Conclusions

Concerning Adherence to the AA1000 AccountAbility Principles

Principle	Findings
Inclusivity: People should have a say in the decisions that impact them ³	<p>BPAF III and BPAF IV ('the Funds') invest equity into real estate, either directly acquiring property or property-backed operating businesses. As such, direct stakeholders include the fund's investors, employees, suppliers and subcontractors. Affected stakeholders include the environment, the local community and society in the surrounding areas of the asset, as well as the property occupants – which can be residential (e.g. tenants) or commercial (e.g. retail businesses). The strategy involves funding the development of new properties, refurbishment of existing properties as well as asset management across a range of sectors including low-carbon logistics, lower-cost and affordable housing, healthcare and senior living accommodation, office refurbishment, SME workspace and community retail.</p> <p>Bridges Fund Management ('Bridges') has developed several policies which set out the approach to sustainability and document Bridges' commitments to be accountable to stakeholders. A dedicated Impact team is responsible for Bridges' overall impact strategy and impact management practice across all funds. The Bridges Board are responsible for overseeing the management of sustainability-related risks and opportunities, as well as impact management across the firm. The responsibilities are enshrined in the Sustainable Investment Policy, Sustainable Property Policy, Ethical Charter and Climate Policy. The responsibilities documented include approaches to engagement with partners, property managers and other relevant stakeholders.</p> <p>In addition, Bridges are signatories to or align with several external standards demonstrating their commitment to be accountable to stakeholders, including the PRI, Net Zero Asset Management Initiative and TCFD recommendations for climate reporting. Bridges is also a certified BCorp.</p>

³ Associated with the PBII trait of 'Collaboration and Stakeholder Engagement'.

	<p>Stakeholder engagement methods vary depending on the group involved. The approaches are documented in the Ethical Charter, a sample of which include:</p> <ul style="list-style-type: none"> • Local communities – Bridges aims to be sensitive to communities’ cultural, social and economic needs. As such, consultation experts are engaged to design and deliver comprehensive pre-planning stakeholder engagement processes, which result in detailed analysis, informing decision making for the final proposal and design phases. • Occupants – Engagement takes place through undertaking a market needs analysis and assessment, documented in a market report to understand the needs of the residents, or tenants. Occupant surveys are conducted on assets where Bridges has operational control. • Investors – Bridges communicates with investors on any material matters and has policies in place to ensure funds are used in the manner expected. <p>Through regular performance reviews, all Bridges professionals are assessed on how far they exhibit the firms’ values, implement the firm’s investment philosophy, and deliver performance on impact objectives. This ensures that stakeholder engagement is integrated across the organisation, given the responsibility to uphold the policies fall across Bridges employees as well as senior management and the Board.</p> <p>On an ongoing basis, Bridges reports on engagements by including a section on Environment and Community impacts for each investment in the portfolio reports.</p>
Materiality: Decision makers should identify and be clear about the sustainability topics that matter ⁴	<p>During due diligence, Bridges run a materiality analysis to identify ‘high’ ESG risks as well as any obvious opportunities for ESG value creation, using standards such as GRI and SASB. The materiality matrix includes relevant themes, risk types and explanations. Material issues are plotted on an axis to plot the importance to stakeholders and importance to Bridges. Importance to stakeholders is determined through gathering feedback from the consultation, questions from investors and feedback from tenants. Material factors feed into the impact score across four dimensions, of which ESG is one. The impact score was developed for several purposes, one of which was to forecast the value of material impacts on stakeholders, including ESG risks and opportunities, documented in the risk register and opportunities matrix.</p> <p>Materiality is monitored following investment and if there is a material change that alters the key aspects of the ESG analysis, the process is revisited. KPIs for each material risk or opportunity are reported annually in portfolio reports.</p>
Responsiveness: Organisations should act transparently on material sustainability topics and their related impacts ⁵	<p>Bridges follows a defined consultation process for all new developments. This process involves consulting with local authorities, service providers, transport teams, sustainability consultants and local communities. This consultation process is documented in the design and development proposals.</p> <p>Typically, consultation boards for proposed developments include findings from written feedback forms completed by members of the local community and attendees from public exhibitions. Findings are generally grouped into themes, with the consultation board documenting the action taken to mitigate the identified risk or area of concern. Where a community concern arises and Bridges feel they are unable to mitigate, they will determine potential solutions and re-engage with the affected community to understand the potential harm. If the potential harm cannot be mitigated, Bridges may take the decision not to invest.</p>

⁴ Associated with the PBII trait of ‘Local Priorities’

⁵ Associated with the PBII trait of ‘Intentionality’

	<p>Examples of Bridges acting in a responsive manner include:</p> <ul style="list-style-type: none"> • A consultation document for a specific asset in North London showed that the local community indicated they would prefer lower buildings, and as a result, building height was lowered from 29 storeys to 18. • In Leeds, consultation with local residents and stakeholders revealed an interest in biodiversity and the environment. Therefore, Bridges included rooftop gardens, public realm and parks in the development.
<p>Impact: Organisations should monitor, measure, and be accountable for how their actions affect their broader ecosystems⁶</p>	<p>Bridges' Investment Approach aims to deliver outcomes across four themes: Healthier Lives, Future Skills, Sustainable Planet, and Stronger Communities.</p> <p>At the pre-approval stage, Bridges establishes the relevant impact theme(s), using a flow chart to outline the causal logic from activities to impact. Key risks and mitigation strategies are then identified alongside value creation opportunities for the Investment Committee paper. Risks of harm and areas of positive impact are defined according to whether performance is outside/within the threshold for what is considered 'sustainable' by best-available science, widely accepted research, or the affected parties themselves. At the due diligence phase, target outcome KPIs and ESG KPIs are identified within a bespoke asset scorecard alongside a Sustainability Property Plan which is then regularly monitored once an asset is under management.</p> <p>KPIs are defined and measured according to the Impact Management Project's (IMP) five dimensions of impact. These are reviewed annually to ensure they still capture the most material effects. Impact risk is considered upfront and reviewed annually according to the IMP's nine risk categories, with each relevant risk category defined at each stage of the delivery process, from pre-planning to approval to construction to operation.</p> <p>Impact performance is reported to investors alongside financial statements through an Annual Integrated Report. This report includes:</p> <ul style="list-style-type: none"> • Alignment to relevant SDGs • Portfolio breakdowns by primary impact theme, sector and geography • A set of quantitative impact metrics, including number of jobs supported, CO₂ savings and targeting of underserved locations • Case studies on specific assets, including breakdowns of how the asset was scored against the IMP's five dimensions, its bespoke Bridges impact score and accompanying classification according to the IMP's ABC classification system. <p>In addition to its Annual Integrated Reporting for its Property Funds, Bridges also regularly submits to the UN PRI's investor reporting and assessment platform.</p>

⁶ Associated with the PBII trait of 'Impact Management'

Related to the Reliability and Quality of the Subject Manner

Bridges estimates jobs numbers for its property assets in BPAF III and BPAF IV at the pre-construction phase. Specifically, the estimates are based on:

- Gross Internal Area, guided by the HCA Guide for density (sqm) per full-time equivalent (FTE) job, Asset type, size and mix of uses in order to calculate direct jobs.
- Output multipliers such as the ratio of construction turnover to construction employment in the region, using resources such as the HCA Additionality Guide, to calculate indirect and induced jobs.

The use of employment density rates is a common practice in the real estate sector. As economic modelling often results in a range of estimates, Bridges aims to take a deliberately conversative approach to only report on the lower or mid-range figure. For conservatism, construction phase jobs are not included in the estimates to overcome any potential shortcomings during the operational employment phase.

Recommendations

Finding	Recommendations
Indirect and induced job effects	<p>All pre-development socio-economic assessments estimate gross direct employment, with some incorporating indirect and induced jobs as well as net effects to account for leakage and displacement.</p> <p>Certain assets therefore count only direct effects, with others including indirect and induced figures. Bridges could consider documenting a rules-based approach to strengthen methodological consistency⁷.</p> <p>When reporting jobs numbers to stakeholders, Bridges could consider distinguishing or disaggregating between figures that are based on just direct or also indirect/induced effects. This is because economic multipliers carry a higher level of evidence risk⁸.</p>
Operational phase employment	<p>Ideally, figures for assets in the operational phase would be based on data concerning the number of jobs currently being supported. However, obtaining this data is challenging given the fund strategy, and the high burden for operators and their tenants.</p> <p>Instead, Bridges should consider adjusting the jobs figures based on a proxy, such as known occupancy rates – since the employment density methodology is based on 100% occupation of a building. This pro-rating would be consistent with HCA guidance⁹.</p> <p>When reporting to stakeholders, Bridges can clarify that ‘jobs supported’ – in the past tense – is shorthand for ‘the number of jobs that could potentially be supported over the long-term after the scheme is fully operational’, or similar phasing. This would help avoid any confusion that figures refer to actual rather than anticipated job effects.</p>

⁷ For example, to document the logic why schemes should estimate gross rather than net employment, or direct compared to indirect and induced effects.

⁸ Multipliers are as accurate as the underlying data and assumptions underpinning the model, but some evidence shows there is a tendency for these to be over-stated. Even HCA guidance is based on figures from many years ago. A scheme whose main pathway to supporting employment is mainly through direct jobs (with 80% of supported employment being direct effects) therefore carries a lower level of evidence risk than a scheme with a higher share of employment supported through indirect and induced channels.

⁹ HCA Guidance states that “When evaluating actual densities, only the occupied floorspace should be used in the evaluation. Appraisers should include a note on the amount of unoccupied space in the building at the time of calculation so that the basis of the calculations are clear. This mitigates the risk of the vacant area distorting the employment density figure.

TGE Opinion

Based on a moderate-level assurance, nothing has come to our attention that leads us to believe that Bridges does not adhere to the AA1000 AccountAbility Principles (2018). Furthermore, nothing has come to our attention that causes us to believe that the number of jobs reported by Bridges is materially misstated.

The Good Economy Partnership
London, United Kingdom
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