

News round-up...

● **Jacana Venture Partnership**, a UK-based investment adviser to growth capital fund managers in sub-Saharan Africa, has made its first investment in InReturn Capital, a venture capital firm based in Kenya investing in small and medium-sized enterprises (SMEs). Jacana said it selected InReturn, which is raising \$20m for a fund run by managing partners Anthony Gichini and Bart Meijs, as its first local partner because of its strong team and deal pipeline. Its investment will help InReturn expand into Tanzania and Uganda. Every \$1 invested in an SME generates an additional \$10 in the local community and \$1 of SME finance creates three times more jobs than an equivalent investment in microfinance. Information: Simon Merchant, chief executive, Jacana Venture Partnership, info@jacana.org, www.jacana.org

● **PhiTrust Partenaires**, a French venture philanthropy group and member of EVPA, has agreed on three investments in the first three months of the year: La Laiterie du Berger, a producer of dairy products in Senegal providing steady income to more than 800 Fula cattle herders, an investment alongside Investisseur & Partenaires and Danone Communities; Dialogue Social Enterprise, a company based in Frankfurt

founded by Andreas Heinecke to improve the quality of human interaction through workshops in total darkness or silence; and Ethical Property Europe, the Belgian subsidiary of a UK developer of energy efficient business centres. www.phitrustpartenaires.com

● The first independent daily newspaper for seven years has started publishing in Zimbabwe with financing from Media Development Loan Fund, an EVPA member. After NewsDay received a publishing licence, UK newspaper The Times described the launch as "the most significant accomplishment of the power-sharing government between President Mugabe and Prime Minister Morgan Tsvangirai". The loan fund financed the launch of the paper and a printing house. www.mdlf.org

● **Doug Miller**, a co-founder of the European Venture Philanthropy Association, and **Rob John**, a UK-based independent consultant focused on venture philanthropy and social entrepreneurship, have started work on launching the Asian Venture Philanthropy Network, a sister organisation to EVPA, and are looking for an executive director. The AVPN will be a pan-Asian network with a

secretariat in Singapore and subsequent roll-out of chapters in India, China, Japan and the rest of Asia. They are planning to be operational sometime in the fourth quarter of this year, subject to obtaining charity registration. Contact rob@avpn.asia, www.avpn.asia

● US-based social entrepreneurs association Ashoka and German venture philanthropy charity Canopus Foundation have picked the four finalists for a competition to expand the use of solar power. From the 58 companies and organisations from 29 countries that entered, Greenlight Planet, Kaito Energie, Phaesun and Promethean Power Systems have been selected for the final of the Solar for All competition for their innovative low-cost photovoltaic systems and customer financing schemes. The products range from lanterns, pico-solar and solar home systems, mini-grids and hybrid solutions, all aimed at addressing the needs of low-income communities. The winner will be announced at the InterSolar Conference in San Francisco on 12 July and will be awarded a \$250,000 investment by Deutsche Bank Americas Foundation. Alongside the

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From the managing director's desk

Dear friends,

Thank you for reading the first quarterly newsletter for both our members here at the European Venture Philanthropy Association as well as the wider venture capital community thanks to our close ties with the European Private Equity and Venture Capital Association.

June was an event-filled month for us. As reported in the news roundup, a workshop on financing models was held in Brussels early in the month. Next, in Paris, the first country group meeting hosted by Natixis Private Equity drew members from across the country to network and share insights. Select members then journeyed to London for the second EVPA site visit at Impetus Trust where they were welcomed with an inside look at venture

philanthropy in action. We are very grateful to our event partners for contributing to the success of these events.

Back at home, the EVPA Knowledge Centre, headed by newly-appointed director Lisa Hehenberger, has begun to increase its activities. A paper on Investing in social enterprise will be published in the coming weeks. Another paper is under preparation on foundations' use of venture philanthropy (VP), which highlights four members through case studies. Additionally, due to the rapid evolution of the industry, we have decided to create a new version of the popular report Establishing a VP Fund in Europe for the next annual conference in Luxembourg.

Finally, we are looking forward to seeing you all

again at our annual conference, **A New Era for Venture Philanthropy: where grant making and social investment converge**, 16-17 November. Join us for two days of engaging keynote speeches, rich knowledge sharing from practitioners, collaborative roundtable discussions and world-class networking. We pride ourselves on our spirit of sharing and empowerment to help leading experts connect. In this spirit, we ask that you please forward this newsletter and subsequent conference information to your friends in the philanthropy, private equity and venture capital and other related fields.

Best regards
Beate Trueck
managing director



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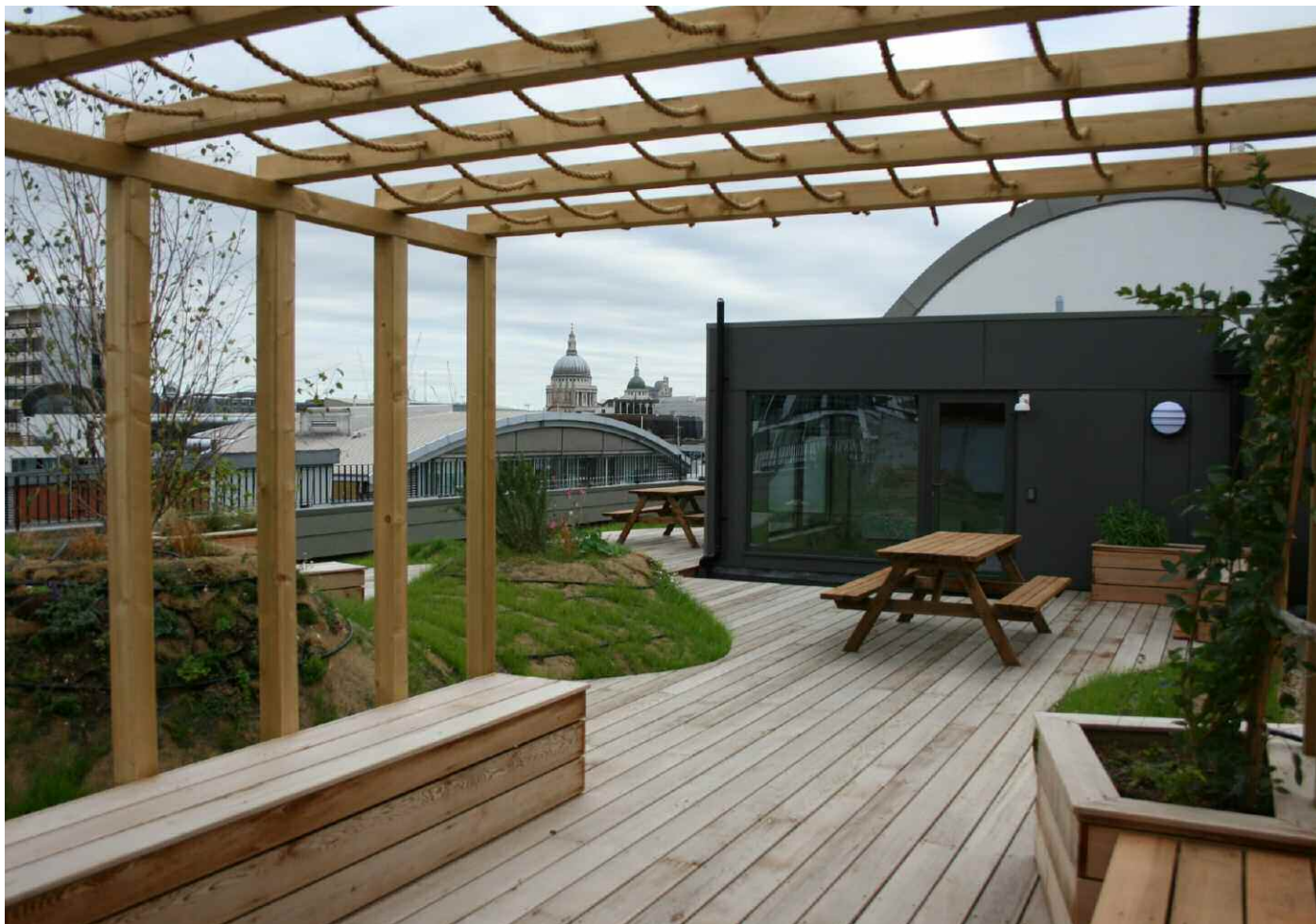
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Bridges Ventures links financial returns to social and environmental benefits



The green roof at The Office, Farringdon – providing a bio-diverse environment, insulating the building and limiting storm water run-off, as well as being a break-out area

Every billionaire says earning the first £1m was the hardest part of being an entrepreneur and it is no different for those active in social finance, which aims to generate financial returns from investing in businesses and entrepreneurs with a sustainable or ethical aspect.

Started in 2002, Bridges Ventures, a UK-based investment company whose commercial expertise is used to deliver both financial returns and social and environmental benefits, has grown over the past eight years from an initial £40m fund to about £150m under management and with ambitions to hit £1bn over the next few years, according to its founder and chairman, Sir Ronald Cohen.

Sir Ronald, sometimes called the founder of European private equity for his formative role at Apax Partners, launched Bridges Ventures after chairing the UK's Social Investment Task Force from 2000. This task force looked at ways to help deprived parts of Britain.

Regarding Bridges Ventures, Sir Ronald said: "It was extremely difficult to raise the first £40m fund, but that has produced an

By James Mawson

internal rate of return of between 15% and 20%."

The first three exits from Bridges Venture Fund I turned £2m of invested capital into £12m and saved or generated more than 160 jobs. Its most successful exit to date was the sale of SimplySwitch for £22m, a 22-times return on investment.

The success of the first fund has spawned three more funds managed by the firm.

Bridges Ventures' executives stress the firm achieves financial returns first by investing in sustainable businesses. Fund I invested entirely in businesses in the most deprived 25% of the country, as measured using the Government's index of multiple deprivation.

Social finance is a new asset class. Philip Newborough, chief executive of Bridges Ventures, said: "The private equity industry has the skills necessary to support entrepreneurial activity. The same tools are necessary to develop social and environmental activity."

In 2007, Bridges Ventures closed its second fund, Bridges Venture Fund II, at £75m. Similar to the first fund, it invests in the most deprived parts of the UK but also in businesses outside those areas bringing strong social and environmental benefits in the sectors of education and training, environment and health.

Last year, Bridges Ventures launched its Sustainable Property Fund, headed by Simon Ringer, currently at just less than £30m in assets, to buy buildings in regeneration areas and those showing environmental leadership, such as student housing in London and pre-let care homes.

The care homes are on 35-year leases to one of the UK's largest care home operators. The student housing scheme is in East London, where there is strong demand for accommodation with a very limited supply of competing space.

In terms of mission, the care home investment focuses on environmental leadership where the student housing investment is in a regeneration area.

Bridges Ventures has already gained some successes in property-related

businesses through its venture funds after reportedly hiring advisory boutique Cavendish Corporate Finance to sell its stake in The Office at a £40m to £50m enterprise valuation.

Bridges Ventures is majority-owned by its executive board but the Bridges Charitable Trust was set up by the firm effectively to act as a guardian of its social purpose. The trust also has control over any change to Bridges Ventures' founding commitment to raise only funds with social goals. The firm's team members have committed to donating 10% of their own profits in the Bridges Venture Funds to the Bridges Charitable Trust, which supports philanthropic activities in education and communities that cannot be funded with the commercial investment with which Bridges Ventures' funds operate.

In 2008 the Bridges Charitable Trust launched its Social Entrepreneurs Fund to address the perceived funding gap faced by social enterprises looking to grow. Its first deal was to invest £500,000 in Call Britannia, a contact centre aiming to create 10,000 jobs for young unemployed people, and in which social finance peer Big Issue Invest committed £350,000. The fund has raised £9m from a mix of financial institutions, individuals and foundations, the Office of Civil Society and NESTA.

Measuring social and environmental impact

Bridges Ventures seeks to innovate and develop new ways of measuring and reporting the social and environmental impact of all its investments through a three-stage social impact process – social screening, engagement, reporting.

Selection

This involves positive and negative screening and reviews of social and environmental issues covered in investment committee papers and term sheets.

The standard Bridges Ventures term sheet includes the potential investee's commitment to operating in deprived areas or sustainable sectors or both.

Investment papers reviewed by the investment committee include analysis of key social and environmental impacts.

Engagement

This involves working with portfolio companies through the Bridges Ventures Impact Scorecard to identify environmental, social, and corporate governance opportunities that can also benefit the business.

Bridges Ventures

Portfolio

Venture Funds I & II

TEG; AeroThermal Group; Babington Business College; Halo Insurance Services; New Career Skills; Credential Environmental; SealSkinz; The Gym; Bagnall Court; Triage Services; Vizwoz; School Stickers; Chill Factore; PHF Services; Whelan Refining; Smart Storage; Pure Washrooms; The Hoxton; The Office

Sustainable Property Fund

Fieldgate Street student development; Castleoak joint venture in pre-let care homes

Social Entrepreneurs Fund

HCT Group; Call Britannia

Exits

Date	Company	Return (IRR)	Jobs saved/gained
June 2005	Harlands of Hull	84%	50
August 2006	SimplySwitch	165%	80
February 2007	HS Atec	28.7%	30

Board

Non-execs: Sir Ronald Cohen, Nigel Doughty, Peter Englander, Peter Williams
Execs: Michele Giddens, Rory Maw, Philip Newborough, Antony Ross

Trustees of the Bridges Charitable Trust

Michele Giddens, Bridges Ventures; David Carrington, chair; Victoria Homby; Carolyn Maddox; Mark Norbury

Advisory board

David Blood, managing partner of Generation Management
Lloyd Dorfman CBE, chairman of Travellex
Jeremy Isaacs, partner, JRJ Group
Gordon Lawson, founding partner of Pendragon Capital
Harvey McGrath, chairman of Prudential and London Development Agency
Charles McVeigh III, chairman of Citigroup's Corporate and Investment Banking-Global Wealth Management Partnership
Jeremy Newsum, former chief executive of Grosvenor Estate
Sir Gulam Noon MBE, chairman of Noon Products
Dr Chai Patel, former chief executive of the Priory Group
Sir Michael Peat, principal private secretary to HRH the Prince of Wales
John Reizenstein, managing director, corporate and markets division, Co-operative Financial Services
Tom Singh, founder and non-executive director of New Look
Nicholas Woolf, trustee of Barts and The London Charity
Philip Yea, former chief executive of 3i

Impact

This involves reporting to investors on the social and environmental impact of the companies we back in an annual Bridges Ventures Impact Report.

Responsible investment policy

Bridges Ventures seeks to promote responsible business standards in the businesses in which it invests.

Its vision is that investments will bring social, environmental and economic benefits.

It aims to measure and report on these benefits to investors and stakeholders.

It seeks to encourage the companies in

which it invests to be responsible towards their own stakeholders in the interests of the companies as well as their communities.

For Bridges Ventures, every investment decision is a judgement call, and because it says it is an investor for a purpose as well as a profit, it reserves the right to refuse investments considered not socially or environmentally responsible.

The company aims to avoid investing in companies which do not respect human rights, do not comply with environmental and social legislation, have no proposals to address defined future legislation, or do not seek to comply with industry standards and best practice.

**New
member
profile**

Start Foundation originated from Start Temporary Recruitment Services, which was founded in 1977 to combat unemployment by offering flexible labour contracts. Within 10 years, it had become the second-largest company of its kind in the Netherlands. The foundation was redesigned in 1999, and in 2003 launched the country's first social venture fund aimed at employment-related issues. Start Foundation provides financial resources, contacts and expertise to help initiatives that focus on disadvantaged people who have no or limited access to the labour market. The initiatives aim to improve, support, initiate and endeavour social innovation related to employment issues as well as accumulate and distribute expertise and contribute to the debate on employment issues in relation with disadvantaged groups in our society. www.startfoundation.nl

**START
FOUNDATION**



● Bill Drayton, founder of US-based social entrepreneurs association Ashoka, and his organisation have won the ESSL Social Prize of €1m, the largest cash competition in social finance. The win coincides with Ashoka's 30th anniversary and part of the prize money will go towards the launch of its Globalizer initiative for Ashoka's more than 2,500 fellows round the world. Last year, the prize went to Erzsebet Szekeres, an Ashoka fellow in Hungary. Austrian business entrepreneur Martin Essl and his wife, Gerda, founded the ESSL prize in 2008.

Pictured are Gerda and Martin Essl with the prize winner Bill Drayton

ashokaglobalizer.org/essl_award

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competition, the backers of Solar for All have set up a \$100m fund to invest across the solar renewable energy production and distribution chain, including microfinance support. www.canopusfund.org/solar_for_all_more.html

● The UK-based Private Equity Foundation has launched its Full Potential awards, with the top prize going to Millie Greatrex, who was supported by Tomorrow's People to stop drinking and drug taking and to stay out of trouble with the police and then take her school exams. The awards event emphasised the crucial work of the PEF's portfolio charities in tackling the issue of people not in employment, education or training (Neets). The Most Successful Portfolio Charity award was given to School-Home Support, which works to improve children's interest in education. Law firm Clifford Chance was given a Most Dedicated Company Supporter award for its work with the PEF and legal help for its charities, amounting to some 1,470 pro bono hours. David Evans, a partner at accountancy Deloitte, was named Most Dedicated Individual Supporter, having donated 245 hours. Guests gave £501,135, through pledges and an auction, with investment bank JPMorgan's generosity as host ensuring the total will go to PEF's charities. www.privateequityfoundation.org

● US-based venture philanthropy group Nonprofit Enterprise and Self-sustainability Team (NESsT) and Citibank have named three groups winners of its 2009 NESsT-Citibank for-profit social enterprise development programme supporting the development of for-profit social enterprises in Hungary. The three are Happy Mammy of Budaors, for delivering a customised babysitting and domestic worker placement service with a mobile playhouse and cost-free first-aid courses focusing on small children; Zold Ellato (Green Office) of Budapest, which sells recycled office stationery; and Hatpottyos Restaurant of Szekesfehervar, which trains and employs young people with mental disabilities. The awards were presented at the Portfolio.hu-HVCA CEE Corporate Finance and Private

Equity Conference 2010. www.nesst.org

● LGT Venture Philanthropy, the charitable arm of the wealth and asset management group owned by the princely house of Liechtenstein, has started recruitment for the iCats Fellowship Programme 2011. For the third year, LGT is looking for people who want to use their professional skills to help social organisations around the globe scale their impact. Application deadline is 23 July with successful fellows working on-site with a social organisation from February to December next year. In addition to mentoring, a four-day induction workshop in January brings all fellows together in Switzerland. icats@lgtvp.com, www.icatsprogram.com

● Fondazione CRT organised a workshop called The strange case of Fondazione CRT at EFC Foundation week in Brussels in June, with the participation of Angelo Miglietta and Andrea Comba from Fondazione CRT, Deirdre Mortell from One Foundation and Gerry Salole from EFC, moderated by Marco Zatterin, the European editor of La Stampa. Fondazione CRT presented some of the ways it is engaging in venture philanthropy, notably by setting up a separate foundation that makes use of a range of social investing mechanisms other than grants. Deirdre Mortell explained how One Foundation works and highlighted the value of collaboration between different forms of philanthropy, providing "different tools in the toolbox". Gerry Salole argued that Fondazione CRT was perhaps not such a strange case but simply responsible philanthropy, adding new dimensions to the toolbox. He said venture philanthropy was bringing important instruments to the foundation sector, including better ways of measuring social performance.

● The EVPA held its workshop on different financing models on 1 and 2 June. At the workshop, leading experts within the field presented their approach to financing tools such as grants, loans and equity and the motivations behind the choice of the relevant tool. Speakers represented a wide range of venture philanthropy initiatives across Europe and were open about how they had

struggled with various challenges in their everyday activities. The most burning questions from participants related to how to make an exit in philanthropy, the choice of the relevant financing model and the evolution of the social investment market. EVPA staff were encouraged to hold more workshops and publications in this field as practitioners are still experimenting and eager to learn from others.

● On 24 June EVPA held its third French Country meeting, hosted and co-organised by Natixis Private Equity in Paris. About 40 personalities from the private equity and foundation worlds came together for this event eager to learn about venture philanthropy. Country chapters are member-led networks supported by the EVPA with the objective of encouraging and actively supporting the development of venture philanthropy locally. The event presented a mix of general presentations about EVPA and its new Knowledge Centre, the engagement in venture philanthropy of a private equity organisation such as Natixis Private Equity, as well as cases of best practice facilitated by the credit cooperative. It was remarkable to see that new actors from major foundations and organisations are showing an interest in the field. www.evpa.eu.com

● 20 members of the EVPA visited Impetus Trust in London for the second EVPA site visit on 29 June. Site visits allow both experienced practitioners, as well as those intending to increase their venture philanthropy activity, to learn from others in the network. Impetus Trust in London hosted a day in their offices for 20 EVPA members, from eight countries. Impetus Trust pioneered venture philanthropy in the UK and helps ambitious, innovative charities and social enterprises to transform their performance. The visit included an examination of the Impetus model and strategy, a day in the life of an Impetus investment director, a close-up of investee IntoUniversity and its relationship with Impetus, and a presentation of Impetus's latest innovation – the Impetus for Reducing Reoffending Initiative. www.impetus.org.uk www.evpa.eu.com

Diary for a venture philanthropist...

Forthcoming events

● **31 October – Marathon of Marathons, Athens:** To celebrate the 2500th anniversary of Pheidippide's historic run from Marathon to Athens, Campbell Lutyens and PEI Media are bringing together 250 people from the private equity and infrastructure communities to run the Athens marathon. The aim is to raise €2.5m for children's charities, including Unicef and two venture philanthropy charities, Impetus Trust and the Private Equity Foundation. The EVPA will have a stand and coordinate a running team. Join us. Contact: ametz@evpa.eu.com. Visit: www.marathonofmarathons.org

● **16-17 November – EVPA annual general assembly and conference, Luxembourg:** The premier event in the European venture philanthropy calendar. A New Era for Venture Philanthropy: where grant making and social investment converge. Event sponsors are a consortium of local organisations: Banque de Luxembourg, European Investment Bank, Ernst & Young, ADAMicrofinance, Loyens & Loeff. The conference is a learning and networking opportunity for practitioners, consultants, academics and others closely related to or curious about venture philanthropy. Confirmed keynote speakers are Sir Ronald Cohen, chairman of Bridges

Ventures and Portland Trust and a leading figure in social investment in Europe, Jacqueline Novogratz, founder and chief executive of Acumen Fund, a US-based non-profit global venture fund, and Percy Barnevik, chairman of Hand in Hand. Register now for two free places as an EVPA member. Non-members earlybird rate €300 before 20 September, €500 thereafter. www.evpa.eu.com/Luxembourg

- **30 November** – Registration deadline for Invest for children's first Down Syndrome Short Film Festival.
No registration fee
- 1) Films completed after 1 January 2008
 - 2) Maximum running time: 30 minutes
 - 3) Country of production: any
 - 4) Screening format: films must be uploaded at www.downtv.org and should be categorised as "Film Festival". (NB: to be able to upload films to Down TV, they should be uploaded first at www.youtube.com or www.vimeo.com)
 - 5) Genres accepted: all genres
 - 6) Subject: Down Syndrome
 - 7) One prize of €1,000 to the winning film

Thoughts for the month

There is not one magic tool in the philanthropic toolbox. If social systems get

too dominated by one set of ideals they become vulnerable. That is what democracy is about. Therefore I plead against one monolithic approach. Instead we need more diversity in the philanthropic landscape. So long live venture philanthropy, citizen philanthropy or philanthropy that focuses on scientific research or culture.

Luc Tayart de Borms, managing director
King Baudouin Foundation



Every individual has both a responsibility and a capability to improve society. The responsibility is to the next generation and the capability comes from volunteering, providing capital, joining organisations where you have a passion to make a difference – children, education, environment, criminal justice and so on.

Doug Miller
co-founder of EVPA, Impetus Trust
Asia Venture Philanthropy Network



What do you think? Email us with your thoughts and other quotes. news@evpa.eu.com

The roots of venture philanthropy...

Venture philanthropy is an approach to investing in charitable giving that applies venture capital principles to the non-profit and so-called third sector (governments and business being the other two). Venture philanthropy is an evolution for private equity professionals who decide to pursue philanthropic activity.

Social finance is considered a sub-set of venture philanthropy as it aims to gain financial returns comparable to other forms of investing but from deals that also have environmental, social and good corporate governance as part of the requirements.

Although the movement has effectively been around since the early part of the 20th century in the US through the philanthropic activities of John D Rockefeller, its recent growth has stemmed from a Harvard Business Review article, *Virtuous Capital: What Foundations Can Learn From Venture Capital*, published in 1997.

This was the book read by Stephen Dawson, who, after leaving UK-based private equity firm ECI Partners, set up Impetus Trust in 2001 to help charities improve their operations. Dawson then joined private equity peers to set up the European Venture Philanthropy Association in 2005.

Ironically, given its roots in the US, the EVPA is the only organisation of its kind to unite organisations that practice and are interested in venture philanthropy, although Doug Miller is working on a similar network in Asia called AVPN.

The EVPA has 115 members in 22 countries from sectors as diverse as private equity, foundations, universities, private banks and law firms.

Join your peers as they strive towards a more active approach to philanthropy and,



Dawson: left ECI Partners and set up Impetus Trust

consequently, a more effective way to effect change.

Dawson said: "In 1997, I read *Virtuous Capital*, which is arguably the intellectual basis for venture philanthropy. I was not in a position to do anything about it but I filed it away.

"When I was retiring from venture capital company ECI, time became available, and also money, which opened up

enormous possibilities. Doing something in the charity world was something that had been in the back of my mind for many years and I dug out that Harvard Business Review article.

"I began to think about whether there was a way I could transfer my experience investing in small and medium-sized businesses to helping charities in the same way."

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