

**Request for Proposals – Impact Housing Funds**

**Due Diligence Questionnaire**

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# Introduction

Big Society Capital (“BSC”) is announcing a Request for Proposals (“RFP”) process that seeks to invest c. £50 million in funds that can deliver better housing outcomes for people and communities in the UK. We are interested in solutions that can tackle a wide range of social issues, including but not limited to issues in affordable and social housing, private rented sector, urban regeneration, modern methods of construction and land use.

Proposals that are impactful and innovative – and can demonstrate potential to mobilise capital at scale to provide high quality, safe and affordable housing for people in need – will be invited to the next stage of due diligence. Final investment decisions are subject to review and approval by Big Society Capital’s Investment Committee and, in certain cases, our board. Further details about this RFP can be found in the [RFP Overview document](https://bigsocietycapital.fra1.cdn.digitaloceanspaces.com/media/documents/BSC_Homes_RFP_-_Overview.pdf).

The objective of this Due Diligence Questionnaire (“DDQ”) is to provide sufficient information to allow BSC to create an initial short list of vehicles to take forward for more detailed due diligence. Investment managers are requested to provide the completed DDQ, along with supplemental materials (see Appendix), in a data room and to provide [Amelie Busch](mailto:abusch@bigsocietycapital.com) and [Karen Ng](mailto:kng@bigsocietycapital.com) at BSC with access.

The DDQ has been prepared in the expectation that investment managers will answer the questions appropriately and in a clear and precise manner. This includes ensuring that the documentation provides the information the question asks for and that cross references to other documentation (e.g. impact framework, team biographies, etc.) are clearly made. Investment managers should indicate when information requested is not yet available or has not yet been decided, and the expected approach and timing for finalising such decisions.

Upon completion, each investment manager must ensure that the questionnaire contains an appropriate disclaimer because the document will, in most cases, amount to a promotion. Therefore, the completed questionnaire should only be sent to certain categories of investors. The investment manager should consider reprinting the disclaimer contained in its PPM, if applicable, based on relevant legal advice.

Big Society Capital’s Homes RFP is subject to certain terms & conditions. The terms & conditions and privacy notice can be found at the end of this document and are also contained in the RFP Overview document.

# Vehicle Fact Sheet

|  |  |  |
| --- | --- | --- |
| General Information | Vehicle Name |  |
|  | Investment Manager Name |  |
|  | Contact Person Name |  |
|  | Contact Person Telephone |  |
|  | Contact Person Email |  |
| Vehicle Structure | Vehicle Type1 |  |
|  | Vehicle Structure2 |  |
|  | Vehicle Domicile |  |
|  | Manager-defined Style3 |  |
|  | Legal Structure |  |
|  | Date of First Closing |  |
|  | Length of Vehicle Life + Extensions |  |
|  | Target Vehicle Size at First Close |  |
|  | Target or Maximum Vehicle Size |  |
| Target Strategy | Target Gross IRR / Total Return |  |
|  | Target Net IRR/ Total Return |  |
|  | Target Annual Yield |  |
|  | Target Size of Seed Portfolio (if any) |  |
|  | Target Exit Strategy |  |
| Impact Framework4 | Who (Stakeholders experiencing outcome) |  |
|  | What (Product/service and importance) |  |
|  | How Much (Degree of change & duration) |  |
|  | Contribution (Additionality) |  |
| Financial Reporting | Reporting Currency |  |
|  | Current Net Asset Value (NAV) |  |
|  | Current Gross Asset Value (GAV) |  |
|  | Accounting Standards |  |
|  | INREV Guidelines compliant |  |
| Investors | Target Investor type(s) |  |
|  | Target Number of Investors |  |
|  | Minimum Investment per Investor |  |

1. Fund, Separate Account, Club Deal, Joint Venture, Other

2. Open end, Closed end

3. Core, Core Plus, Value Add, Opportunistic, Other (see <https://www.inrev.org/library/inrev-fund-style-classification>)

4. Impact Management Project, What is Impact? (see <https://impactmanagementproject.com/impact-management/what-is-impact/>)

# Investment Manager Statement

This statement should be short, no more than one page, and outline what distinguishes the investment manager and vehicle from competitors and competing offerings. The statement should not be a direct copy of information contained in the vehicle marketing documents or the PPM but should be a short, unique summary of factual information that can be substantiated within the DDQ or other supporting documents.

Listed below are several themes which may be included in the statement. The list is for guidance only and should not be considered exhaustive.

|  |
| --- |
| * Market(s) in which vehicle will operate |
| * Problem in market which vehicle seeks to address |
| * Competitive advantages |
| * Stakeholders who will experience social and/or environmental outcomes as a result of the vehicle’s investments |
| * The social and/or environmental impact the vehicle’s success should be judged on |
| * Vehicle’s key metrics |
| * Vehicle & firm’s track record in this market |

1 Preliminary Stage

## Vehicle Strategy

1.1.1 Describe briefly the overall investment strategy, objectives and key themes of the vehicle. Explain why this is an appropriate strategy. Attach an investor presentation, if available.

1.1.2 Using the list below, please describe the vehicle’s limits and confirm whether each item is an **‘investment restriction’** or simply a ‘**guideline**’:

a Geographical exposure limits (country, region);

b Development restrictions;

c Investment size limits (minimum/maximum);

d Investments through real estate vehicles, real estate equities, real estate debt and/or real estate derivatives;

e Liquidity;

f Leverage (minimum/maximum);

g Any others (please specify).

1.1.3 Describe the vehicle’s target or estimated percentage of underlying asset and tenure types. Please also include any non-housing real estate investments that may fall under the vehicle’s investment strategy.

Example tenure types: General needs (Social rent), Intermediate Rent, Affordable Rent, supported Housing, housing for older people, low-cost home ownership, care homes, and Private Rental Sector.

|  |  |  |  |
| --- | --- | --- | --- |
| **Tenure Type** | **% of OMV** | **Regulated or Unregulated** | **Target (and/or Current, if applicable) Weight in Vehicle** |
| Example: Social Rent | 60% | Regulated | 15% |
| Example: Key Worker Rent | 80% | Unregulated | 20% |
|  |  |  |  |
|  |  |  |  |

1.1.4 Describe the vehicle’s minimums, targets, and/or maximums related to market-rate rentals and/or sales, if applicable.

1.1.5 Describe the vehicle’s target and/or estimated breakdown of new build, bulk purchase, Section 106, and/or other origination channels.

1.1.6 If relevant to the investment strategy, describe how the vehicle thinks about or defines ‘affordable.’

1.1.7 Describe how the vehicle will generate your target returns and what the return components (income return, capital growth, leverage effect, etc.) are expected to be.

1.1.8 Describe the two most important learnings from other investment vehicles that have informed the design of this vehicle.

## 1.2 Investment and Asset Management Process

### 1.2.1 Investment Decision-Making

1.2.1.1 Describe the decision-making processes by which the overall structure of the portfolio is determined. Attach the vehicle’s investment process, if available.

1.2.1.2 Describe how the vehicle will assess the expected impact of each investment, the criteria that will be applied and the methodology that will be used to make those judgements. Attach an impact assessment/underwriting framework, if available, or an outline of how this framework will be developed.

1.2.1.3 Provide a brief description of the vehicle’s Investment Committee (including external and independent members). Attach a list of the members, their biographies, and the terms of reference, if available.

1.2.1.4 Will the vehicle’s Investment Committee include member(s) with significant impact experience? Will this member have a vote and/or veto rights?

1.2.1.5 What other social issue or impact expertise will your investment decision-making process draw on?

### 1.2.2 Sourcing

1.2.2.1 What screening criteria will be used to determine potential investees or lessees? Please detail these criteria qualitatively and quantify any target values or ranges.

1.2.2.2 What types of organisations will be investees or lessees? Provide a rough breakdown, minimums, and/or maximums of these investee or lessee types. At the vehicle level, note the estimated percent of investee or lessee types that will be asset-locked (per Big Society Capital’s eligibility criteria) such as charities, charitable trusts, co-operatives, CICs, Community Benefit Societies, not-for-profit registered housing providers and local authorities.

1.2.2.3 What advantage(s) do you believe you have over your competitors in sourcing assets?

1.2.2.4 Attach a breakdown of any seed portfolio and/or current pipeline including investment size, # units, tenure type(s), investee or lessee type, and stage of discussions.

1.2.2.5 Where in the planning process will the vehicle participate? What risks will the vehicle be exposed to in the planning and development process?

### 1.2.3 Monitoring & Reporting

1.2.3.1 Describe the vehicle’s asset management resourcing plans, including roles and responsibilities. If some of the responsibilities will be outsourced, please outline screening criteria to select third party service providers.

1.2.3.2 What data will be collected to monitor both the financial & impact performance of the underlying properties? Which are the key metrics, and which are supplemental? For each metric, what are the baselines or industry benchmarks and target values? Please specify which metrics are applicable at the portfolio and/or investment level.

1.2.3.3 Will the vehicle produce regular financial & impact reports for investors and/or external use? If so, please detail what this may look like and/or attach a sample or mock-up report.

1.2.3.4 Describe the vehicle’s approach to impact management and measurement. How will the vehicle monitor progress against intended impact of each investment, when will that measurement take place and where will responsibility lie for that process?

1.2.3.5 Why has the vehicle decided to measure its impact and what does it intend to do with the information?

**1.2.4 Exit Strategy**

1.2.4.1 Is this an open-end vehicle?

*If yes:*

1.2.4.2 Describe the redemption and subscription pricing mechanism.

1.2.4.3 Describe any discretion you have to vary the issue or redemption pricing and under what circumstances you could envisage using it.

*If no:*

1.2.4.4 What is the vehicle term and investment period? Can the vehicle term be extended and, if so, whose approval is required for extension?

1.2.4.5 Describe how you manage the ultimate wind-up of the vehicle including any policies you have regarding the management, likely wind-up timeframe and how impact sustainability will be considered during exits.

## 1.3 Vehicle Staff

1.3.1 Attach a structure chart detailing all personnel responsible for the vehicle, outlining whether they are existing staff or new staff to be recruited when the vehicle is established. Please include the percentage of each staff member’s time spent on the vehicle.

1.3.2 Complete the table below for the staff listed in the structure chart. Attach biographies of individuals listed in the table.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name** | **Role/job description** | **Employment Start Date** | **Relevant real estate experience**  **(years)** | **Relevant affordable housing experience (years)** |
| Example | Origination | March 2018 | 10 | 3 |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

1.3.3 How long have the relevant key team members worked together?

1.3.4 If the vehicle has an Advisory Board, explain the process for selecting members. If members have already been selected, attach a document with their names & biographies.

1.3.5 Will the vehicle engage any third-party service providers to assist with the creation of an impact framework, due diligence, measurement, monitoring, auditing and/or reporting? If so, please detail the organisation’s name (or names, if still tendering) and their (anticipated) role.

## 1.4 Fees and Expenses

1.4.1 Please give details of:

a The vehicle/investment management fee including details about timing, services provided by the investment manager, and the level and basis on which a fee is proposed (GAV, NAV, income or other). Indicate if there are applicable discounts or rebates.

b All other fees including asset management fees, performance fees, subscription fees, acquisition and disposal fees, property management fees, cash management fees, commitment fees, leasing commissions, wind-up fees, project management fees, directors fees, investment banking fees, placement agent fees, and development fees. Please also detail the associated impact on the vehicle returns, who bears the costs, and any maximums/caps on these costs.

1.4.2 Provide the following details:

|  |  |  |  |
| --- | --- | --- | --- |
| **Waterfall structure** | | | |
| GP Commitment | Amount: |  | |
| Carry structure | Basis: |  | |
| Hurdle: |  | |
| Percentage: |  | |
| Estimated impact on gross-to-net returns:  Overall vehicle basis  Deal-by-deal basis | | |
| Performance fees | Paid at the end of life of vehicle:  Yes  No | |  |
| Percentages of fees: | |  |

## 1.5 Investors

1.5.1 Please detail the five largest investors in the vehicle or prospective investors at the most advance stage.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Firm type** | **Headquarters** | **Size of commitment (£)** | **Stage** | **Decision date** |
| Ex: Pension fund | London, UK | £50m | IC approved in-principle | June 2020 |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

1.5.2 If applicable, how are units priced at:

a The initial closing; and

b Subsequent closings.

1.5.3 What are the equalisation provisions for any new investors into the vehicle after the launch date?

1.5.4 Estimated date when the Term sheet will be available for prospective investors to review

# Attachments

For reference, below are some of the documents we will request in Stage 2 of the RFP process from successful proposals that have been shortlisted. If readily available, please note in the table below if you have included any of these documents in your submission.

|  | **Information requested** | **Section** |
| --- | --- | --- |
|  | Case studies | Statement |
|  | Investor presentation | 1.1.1 |
|  | Investment process | 1.2.1.1 |
|  | Impact framework | 1.2.1.2 |
|  | Investment Committee names, roles and biographies | 1.2.1.3 |
|  | Pipeline report | 1.2.2.4 |
|  | Financial and impact reports | 1.2.3.3 |
|  | Structure chart of key personnel | 1.3.1 |
|  | Vehicle staff names, roles and biographies | 1.3.2 |
|  | Advisory Board names and biographies | 1.3.4 |

**Big Society Capital Homes Request-for-Proposals Privacy Policy**

Privacy Notice Big Society Capital Limited (**BSC**) respects your privacy and is committed to protecting your personal information. The EU General Data Protection Regulation and the Data Protection Act 2018 (the **DP Legislation**) enhance an individual’s rights in relation to personal information about them. This privacy notice tells you what to expect when BSC collects and processes your personal information in relation to your participation in our call for proposals from impact housing funds.

**Controller**

BSC is the controller and responsible for your personal data (collectively referred to as ‘we’, ‘us’ or ‘our’ in this privacy notice).

**Duty to inform us of changes**

It is important that the personal data we hold about you is accurate and current. Please keep us informed if your personal data changes during your relationship with us.

**Legal basis for processing personal information**

We process your personal information on the basis that it is in our legitimate interests to do so as an organisation and without prejudicing your interests or fundamental rights and freedoms. It is in our interests to process information to help us achieve our aim of investing in funds that can deliver better housing outcomes for people and communities in the UK.

**What personal data we collect and why**

We will collect your contact details in order to contact you about your Expression of Interest. We may also use details in the future to contact you about initiatives which we think will be of interest to you, such as surveys related to BSC’s work, invitations to BSC events, other invitations to partner with BSC on investment initiatives or fund management opportunities and to feature in our case studies. We will also collect information on your current and previous job roles and experience, as part of the selection process. If you are selected for Phase 2 of the request for proposals, we will collect other personal data from you and we will provide you with further information on this at the time.

**Transferring data to other countries**

We will not transfer your data to countries outside the UK or EEA.

**Data retention**

We will retain your personal data for as long as necessary to fulfil the purposes set out above. If you would like more information on our data retention policy, please contact us at privacy@bigsocietycapital.com.

**Change of purpose**

We will only use your personal data for the purposes for which we collected it, unless we reasonably consider that we need to use it for another reason and that reason is compatible with the original purpose. If you wish to get an explanation as to how the processing for the new purpose is compatible with the original purpose, please contact us at privacy@bigsocietycapital.com.

If we need to use your personal data for an unrelated purpose, we will notify you and we will explain the legal basis which allows us to do so.

Please note that we may process your personal data without your knowledge or consent, in compliance with the above rules, where this is required or permitted by law.

**Data security**

We have put in place appropriate security measures to prevent your personal data from being accidentally lost, used or accessed in an unauthorised way, altered or disclosed.

We have put in place procedures to deal with any suspected personal data breach and will notify you and any applicable regulator of a breach where we are legally required to do so.

**Your rights**

Under certain circumstances, by law you have the right to:

* Request access to your personal information (commonly known as a "data subject access request"). This enables you to receive a copy of the personal information we hold about you and to check that we are lawfully processing it.
* Request correction of the personal information that we hold about you. This enables you to have any incomplete or inaccurate information we hold about you corrected.
* Request erasure of your personal information. This enables you to ask us to delete or remove personal information where there is no good reason for us continuing to process it. You also have the right to ask us to delete or remove your personal information where you have exercised your right to object to processing (see below).
* Object to processing of your personal information where we are relying on a legitimate interest (or those of a third party) and there is something about your particular situation which makes you want to object to processing on this ground. You also have the right to object where we are processing your personal information for direct marketing purposes.
* Request the restriction of processing of your personal information. This enables you to ask us to suspend the processing of personal information about you, for example if you want us to establish its accuracy or the reason for processing it.
* Request the transfer of your personal information to another party.

*No fee usually required*

You will not have to pay a fee to access your personal data (or to exercise any of the other rights). However, we may charge a reasonable fee if your request is clearly unfounded, repetitive or excessive. Alternatively, we may refuse to comply with your request in these circumstances.

*What we may need from you*

We may need to request specific information from you to help us confirm your identity and ensure your right to access your personal data (or to exercise any of your other rights). This is a security measure to ensure that personal data is not disclosed to any person who has no right to receive it. We may also contact you to ask you for further information in relation to your request to speed up our response.

*Time limit to respond*

We try to respond to all legitimate requests within one month. Occasionally it may take us longer than a month if your request is particularly complex or you have made a number of requests. In this case, we will notify you and keep you updated.

*Complaints or queries*

If you have any questions about this privacy notice or want to submit a written complaint about how we handle your personal information, please contact us via privacy@bigsocietycapital.com. You have the right to make a complaint at any time to the Information Commissioner's Office (ICO), the UK supervisory authority for data protection issues (www.ico.org.uk). We would, however, appreciate the chance to deal with your concerns before you approach the ICO so please contact us in the first instance.

**Contact Details**

If you want to request information about our privacy policy, you can email us at privacy@bigsocietycapital.com or write to:

Head of Legal

Big Society Capital

New Fetter Place

8-10 New Fetter Lane

EC4A 1AZ

**Big Society Capital Homes Request-for-Proposals Terms & Conditions**

1. Big Society Capital reserves the right at any time not to make an investment and / or cancel or withdraw from the process at any stage. Any costs or expenses incurred by any organisation making an application (each, an Applicant) in response to Big Society Capital’s request for EOI will not be reimbursed. Big Society Capital will not be liable in any way to an Applicant for costs, expenses or losses incurred as a result of this process.
2. Big Society Capital reserves the right to amend the timetable and / or the process until such time as binding arrangements are concluded with Applicants.
3. Big Society Capital reserves the right to reject any and all proposals submitted in response to its request for EOI with or without cause.
4. Big Society Capital reserves the right to request clarification of information submitted and to request additional information regarding any or all EOI, including the right to request face to face meetings. Refusal to provide such information upon request may cause such EOI to be rejected. Where no reply to a request for information or for clarification is received within ten business days, Big Society Capital may consider that the relevant EOI has been withdrawn.
5. Any investment made by Big Society Capital as a result of this process will be subject to the prompt and satisfactory agreement of legal terms. Applicants will also be expected to provide a timetable for meeting any other obligations (such as the raising of further investment) and the investment, its drawdown and the entry into binding arrangements will be conditional on meeting that timetable.