



**AUSTRALIAN IMPACT**  
INVESTMENTS

A fully owned subsidiary of Ethinvest

Impact Report **2017**

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*The information contained in this document is general in nature and does not take into account your personal situation. You should consider whether the information is appropriate to your needs, and where appropriate, seek professional advice from a financial adviser.*

*Taxation, legal and other matters referred to in this document are of a general nature only and are based on Australian Impact Investments interpretation of laws existing at the time and should not be relied upon in place of appropriate professional advice. Those laws may change from time to time.*

# OUR IMPACT JOURNEY

Australian Impact Investments and Ethinvest are delighted to present our inaugural impact report, and to celebrate our clients' commitment to using capital to drive positive social and environmental change in Australia and beyond. Since the launch of Australian Impact Investment in August 2014 through to June 2017 our clients have placed \$26.5 million into a diverse range of 22 impact investments selected from over 150 opportunities. These investments are working collectively to benefit excluded and disadvantaged populations – the homeless, people living with disabilities or suffering mental health issues, and the working poor – and to reduce the environmental footprint of our society.

Our impact journey over the past three years has been powered by the unwavering commitment of our clients to align their investments with their values and the complementarity of impact investment with ethical investment which has been at the heart of Ethinvest since taking on its first clients in 1989. We are thrilled that by dedicating resources to identify, analyse and recommend impact investments we have enabled nearly 100 clients to integrate impact investments into their investment portfolios and thereby actively channel capital to solving an array of environmental and social challenges facing our planet and communities – local and global.

**156**

Investments reviewed

**\$26.5 million**

invested in impact

**63%**

invested  
in environmental projects

**22**

Investments made

**98**

investment portfolios

**37%**

invested  
in social projects

Some highlights from this journey include: our participation as a venture partner of Australia's first 100% impact-focused venture capital fund, Giant Leap Fund; arranging and convening an impact investment to support the launch of Queensland's first full-time primary school for children with autism; and conversations of our team triggering mainstream asset managers to give focused consideration to impact.

We trust that you enjoy learning about the positive environmental and social impacts generated by the impact investments of our clients who we are honored to be accompanying on their impact journey.



# OUR IMPACT FRAMEWORK

## HOW WE USE THE FRAMEWORK


The impact target framework used by Australian Impact Investments assesses impact investments across the three dimensions – risk, return and impact – that drive the financial and impact performance of an impact investment. The framework draws on the experience our team has built over the past three years since our launch in analysing over 150 impact investment opportunities and making positive investment recommendations on 22 impact investments, while integrating well established practices surrounding the assessment of financial risk and return with emerging practices for impact. We particularly acknowledge the thoughtful work of the team behind the Impact Management Project<sup>1</sup> which, together with the work of J.P. Morgan<sup>2</sup>, has helped shape our framework.


As we continue to learn from our own work and glean insights from others pioneering the field of impact investment, we very much anticipate an evolution and maturation of our framework.


<sup>1</sup><http://www.impactmanagementproject.com>


<sup>2</sup>J.P. Morgan (October 2012); *A Portfolio Approach to Impact Investment*

Depth, duration and speed are measured on a 6-point scale, then weighted to calculate a raw impact score. The likelihood of achieving the impact is assessed as a percentage then applied to determine the final impact score.


**Depth** 50% Degree to which the investment changes the lives of the target group or state of the environment.  
Marginal  Deep


**Duration** 40% Sustainability of the impact.  
Short  Long

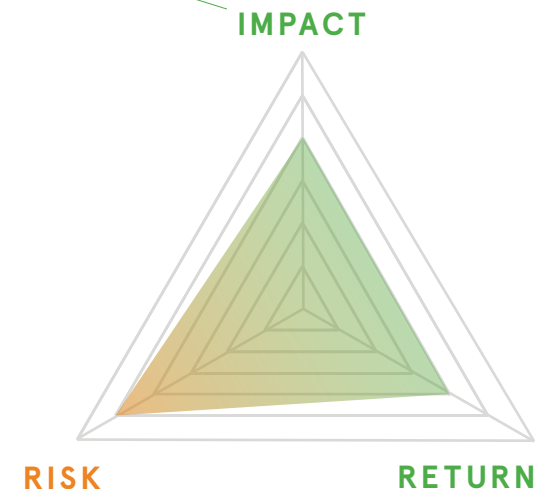
**Speed** 10% How long the impact takes to manifest.  
Slow  Quick

**Likelihood** The likelihood of the impact being achieved.  
0%  100%

Investment risk and market risk are measured on a 6-point scale then weighted to form the final risk score.

**Investment Risk** 70% Ability of the business, fund, or organisation to execute its business model considering historical performance, competition, etc.  
Low  High

**Market Risk** 30% External market, political and regulatory risks that may disrupt successful execution of the investment and impact thesis.  
Low  High



Return, comprising target yield and target capital gain, is assessed relative to investments with similar risk. Return is then classified as below market, at market, or above market.





# ALIGNING WITH THE SDGs

Australian Impact Investments aligns its impact reporting practices with the United Nation's Sustainable Development Goals (SDGs). The SDGs were adopted by the UN's General Assembly in 2015 and cover 17 specific target areas focusing on outcomes for people, the planet, and prosperity. Achieving the aims set out in the SDGs will require contributions from all sectors of society, not just government, and as impact investors we believe our clients are well placed to actively contribute to achievement of the SDGs.


At a meta level our clients look to achieve positive environmental and social impact. In the area of environmental impact, the SDGs to which our clients' investments contribute are: **clean energy, life on land, sustainable cities, and responsible consumption and production.** In the area of social impact, the SDGs to which our clients' investments contribute are: **no poverty, reduced inequalities, good health and well-being, and decent work.**




The 17 UN Sustainable Developments Goals

## SOCIAL SDGs


### SDG 1: No Poverty

 Investments addressing homelessness in Australia and improving livelihoods of low income populations in emerging markets contribute to the goal of ending poverty.


### SDG 3: Good Health & Well-being

 Investments in Social Benefit Bonds addressing mental health and family stability contribute to the goal of good health and well-being.


### SDG 4: Quality Education

 An investment in a new primary school providing specialist education for autistic children contributing to the goal of quality education.

### SDG 8: Decent Work & economic growth


 Investments supporting the creation and stability of jobs in small and medium enterprises provide opportunity for decent work and economic growth.

### SDG 10: Reduced Inequalities


 Investments centred around empowering the social, economic and political inclusion of all, including people with disabilities, the elderly and Indigenous communities, contribute to reducing inequalities.

## ENVIRONMENTAL SDGs


### SDG 7: Affordable & Clean Energy

 Investments in community and large-scale solar and wind energy contribute to Australia's transition to a zero carbon economy.


### SDG 15: Life on Land

 Investments in agriculture and water contribute directly to the goals of conserving and sustaining the use of inland freshwater ecosystems, reducing the degradation of natural habitats, and improving biodiversity.

### SDG 11: Sustainable Cities & Communities

 Investments in best-in-class environmental properties and the retrofitting of existing buildings to optimise energy and resource efficiency contribute to building sustainable cities.

### SDG 12: Responsible Consumption

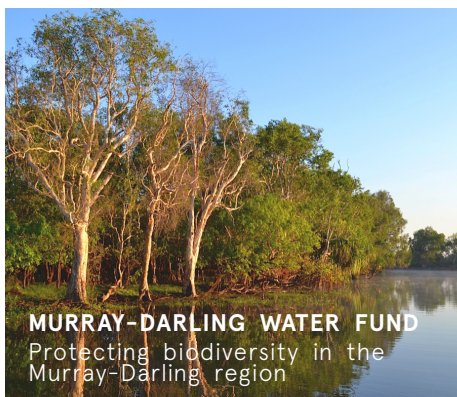
 Investments supporting enterprises that embed sustainability as a core element of their business model contribute to enabling responsible consumption.

# ENVIRONMENT

The environmental side of our clients' portfolios are predominantly made up of investments in renewable energy projects and property, with investments also in agriculture and water.

The primary environmental impacts of these investments includes reduced carbon emissions, improved resource efficiency, more sustainable land usage, and enhanced biodiversity\*.

While some of these impacts are currently very modest, we are encouraged by the potential for change as the investments mature and expand.



**MURRAY-DARLING WATER FUND**  
Protecting biodiversity in the Murray-Darling region

## SDG 7 AFFORDABLE & CLEAN ENERGY

### IIG Solar Income Fund

Solar farms and assets with total capacity of 21.37MW.

### IIG Chepstowe Wind Trust

6.15MW wind farm.

### Kurrawang Community Solar

36kW solar PV array for a remote Indigenous community.

### Lismore Community Solar

99kW community funded solar farm.

### Hepburn Wind

4.1MW community-owned wind farm.

### Sydney Renewable Power Co.

520kW community-owned solar PV array at Sydney's ICC.

**35,888**

MWh renewable electricity generated

**40,723**

Tonnes of CO<sub>2</sub> emissions abated

## SDG 11 SUSTAINABLE CITIES

### IIG TAC Property Trust

A-Grade office building with NABERS 5.5 star rating in Geelong.

### IIG K1 Property Trust

A-grade office building with NABERS 6 star rating in Brisbane.

### IIG 401 Collins St. Trust

Historical commercial property in Melbourne with upgrade under progress to improve energy efficiency.

**49**

Tonnes of CO<sub>2</sub> emissions abated

**184,000**

Litres of avoided water consumption

## SDG 15 LIFE ON LAND

### Murray-Darling Water Fund\*

Fund investing in water rights in the Murray-Darling to balance farming and environmental needs.

### Blue Sky Agriculture

Integrated supply chain of agricultural production, processing and marketing within the organic grain industry.

**11,500**

Tonnes of organic grain consumed and grown

## SDG 12 RESPONSIBLE CONSUMPTION

### IIG Giant Leap Fund: Sandle

Carbon neutral parcel delivery service for Australian SMEs.

**683M**

Kilometres of carbon neutral parcel delivery

\*The impact measures reported aggregate the impact of the individual investments, represent the impact of the entire investment (i.e. we do not proportion impact to the amount invested by our clients) and is for the 12 month period ended 30 June 2017. \*While the Murray-Darling Water Fund has completed three environmental watering events to date, none were undertaken during the 12 month period to 30 June 2017.

Impact Focus:  
**SOCIAL**

Our clients' investments in Social Benefit Bonds (SBB) and Social Impact Bonds (SIB), social enterprise and microfinance funds, as well as for-profit for-purpose businesses work to generate social impact.

These investments benefit underserved and disadvantaged people, such as the homeless, people with disabilities, and people living with mental health issues. These investments deliver impact for the benefit of individuals and communities in Australia, and our clients have also supported investments that look to improve the livelihoods of low income populations in emerging markets\*.

While some of these impacts are currently modest, we are encouraged by the potential for change as the investments mature and expand.



**SDG 1 NO POVERTY**

**Aspire SIB\***

Program to provide 600 homeless people with housing and life skills to permanently end their homelessness.

**Patamar Capital Livelihood Impact Fund**

Venture capital fund investing to improve the livelihoods of low income populations in S.E. Asia and India.

**Triodos Microfinance Fund**

Microfinance fund providing access to financial services for low income populations in emerging markets.

**~2 million**

Livelihoods improved

**20.2 million**

People with access to financial services

**SDG 10 REDUCED INEQUALITIES**

**Hireup**

Online platform empowering people with disabilities to select and manage their support workers.

**SEFA**

Social impact lender providing for purpose organisations access to capital.

**\$5.3 million**

Loans to mission led organisations

**212,500**

Hours of support to people with disability

**SDG 4 QUALITY EDUCATION**

**Sycamore School**

Primary school offering specialised education for autistic children.

**65**

Students enrolled

**SDG 3 HEALTH AND WELL-BEING**

**Newpin SBB**

Program returning children in foster care to their families.

**Resolve SBB\***

Mental health program to support 526 participants.

**Benevolent Society SBB**

Intensive family support program keeping children with their families and out of foster care.

**80**

Children restored to families

**59%**

Fewer children entering out-of-home care

**SDG 8 DECENT WORK**

**IIG Giant Leap Fund: YourGrocer**

Platform supporting online grocery shopping from local and independent shops.

**52,000**

Deliveries for independent grocers

\*The impact measures reported aggregate the impact of the individual investments, represent the impact of the entire investment (i.e. we do not proportion impact to the amount invested by our clients) and is for the 12 month period ended 30 June 2017 with the exception of Patamar Capital Livelihood Impact Fund and Triodos Microfinance Fund which is for the 12 month period to 31 December 2016. \*For Aspire SIB and Resolve SBB no impact measures have yet been reported as program has been running for less than 12 months.

# Sycamore School

SDG 10: Reduced Inequalities

Impact Theme: Education / Disability

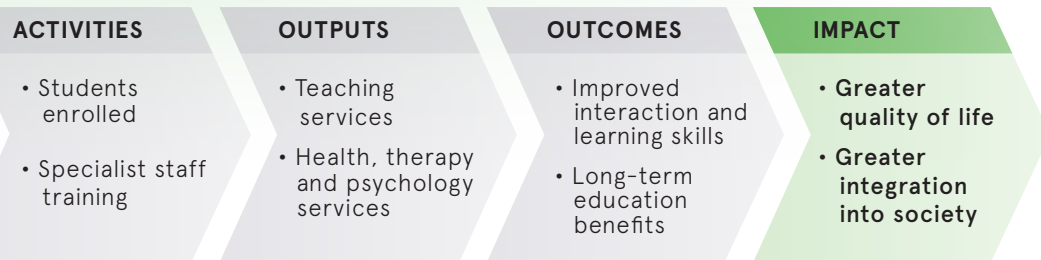


## BACKGROUND & IMPACT GOAL

Sycamore School is an educational institution providing full-time primary school education for up to 70 autistic children a year in Alexandria Hills in south east Queensland. The number of young children being diagnosed with autism in Australia is growing significantly, and as such so is the demand for quality specialised education. Children with autism pose unique challenges for school teachers, often requiring further specialised assistance from health professionals, therapists and psychologists. In

2015 census data indicated that roughly 2% of children aged between 5 to 15 years have autism. In the future, as the need for specialised schooling increases, Sycamore School's educational model may be expanded and rolled out more widely in Queensland and other states. The impact goal of Sycamore School is to lay the foundations for good social interaction skills and enable their students to become positive, independent contributors to society. This fits the goal under SDG 10: Reduced Inequalities to promote the social and economic inclusion of people with disability.

Capital Intention: <b>Contribute to Solution</b>
Total Investment Size: <b>\$600,000</b>
Our Client's Participation: <b>\$350,000</b>
Target return: <b>7-10% p.a.</b>



**65**  
students enrolled\*

\*As at 30 June 2017.

# IIG Solar Income Fund

SDG 7: Affordable and Clean Energy  
Impact Theme: Renewable Energy

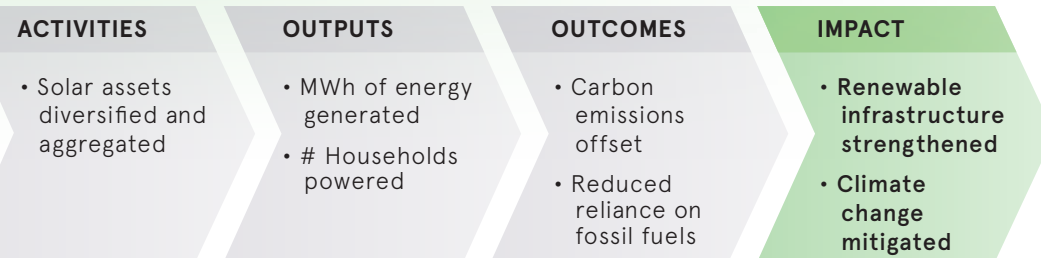
Capital Intention: <b>Contribute to Solution</b>
Total Investment Size: <b>\$100 million</b>
Our Client's Participation: <b>\$2.375 million</b>
Target return: <b>10% overall</b>



## BACKGROUND & IMPACT GOAL

The Solar Income Fund is a fund managed by the Impact Investing Group (IIG) that seeks to acquire and manage \$100 million of solar infrastructure assets to supply power to stable, high-quality entities such as the Commonwealth, state and local governments. The impact goal of the fund is to power the equivalent of 9,000 homes and reduce carbon emissions by 48,000 tonnes per annum. Over the lifetime of the investment the total amount of emissions expected to be abated is estimated at 1.2 million tonnes,

with 1.3 million MWh being generated over this time. The fund has to date acquired three solar farms with a total capacity of 14.5 MW and provided subordinated debt to a portfolio of off-grid utility solar assets with a total capacity of 6.57 MW. The long term impact goal of this project is to support the growth and development of Australia's solar energy sector and contribute to Australia's transition to a low carbon economy, which correlates directly to the goals of SDG 7: Affordable and Clean Energy.



**6,340** MWh of renewable energy generated\*

**1,112** houses powered with renewable energy\*

**5,665** Tonnes of CO2 emissions abated\*

\*For year ending June 30 2017, noting the final assets were only operational for part of the year and the fund is only 60% deployed.



# Aspire Social Impact Bond

SDG 1: No Poverty

Impact theme: Homelessness

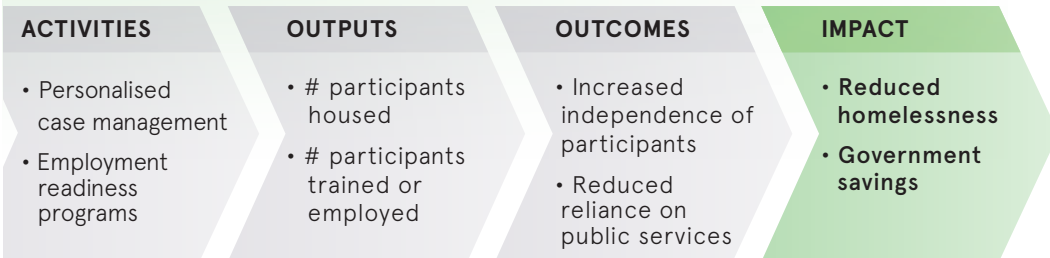
Capital Intention: <b>Contribute to Solution</b>
Total Investment Size: <b>\$9 million</b>
Our Client's Participation: <b>\$2 million</b>
Target return: <b>8.5% p.a.</b>



## BACKGROUND & IMPACT GOAL

The Aspire Social Impact Bond supports a three year 'housing first' program providing 600 homeless people in Adelaide with accommodation, case management, employment training and life skills services with the aim of building independence and permanently ending their homelessness. The program is run by the Hutt St Centre, a homelessness services specialist with more than 60 years experience in generating long term outcomes for homeless people. The target outcomes are

a 50% reduction in homelessness and the usage of short term and emergency accommodation, a 15% reduction in hospital bed days, and a 15% reduction in convictions. On successful achievement of these target outcomes an outcome payment from the State Government of South Australia will enable investors to realise a financial return. As poverty and homelessness are inherently linked in Australia, the aims of this project fit directly with the goal to reduce the number of people living in poverty under SDG 1: No Poverty.



**15%** reduction in hospital bed days\*

**15%** reduction in convictions\*

**50%** reduction in use of short term accommodation services\*

\*Full-year targets: Outcomes have not yet been measured as program commenced mid 2017.

# THE PATH AHEAD

While we consider our impact journey and that of our clients thus far is worthy of excitement, we, like the broader impact investment community, are at the start of an ultra-marathon. Recognising every investment has an impact – good or bad, this journey will not be complete until it becomes uniform practice for all investments to be assessed across the three dimensions of risk, return and impact. Bringing about such change requires collaborative effort by the increasing number of actors, ourselves included, participating in the ground swell of impact investing activity in Australia and globally. Effort that will mobilise asset owners of all descriptions to embrace impact investment, catalyse development of a full spectrum of impact investment opportunities across all asset classes and investor types, and uncover a widely accepted approach to impact measurement and management.

For our clients these efforts will over time deliver increasing depth and diversity in our impact investment pipeline. The first five months of 2017/18 is providing evidence of this with nearly 50 new opportunities entering our impact investment pipeline and the amount invested for impact by our clients increasing to over \$31 million as at 30 November 2017.

An increasing sophistication in our approach to impact can also be anticipated as we accommodate our own learnings and those emerging from like-minded peers around the world. Ultimately and most importantly, these efforts will enhance our ability to guide our clients to investment opportunities that align to their values, environmental and social concerns, and financial objectives.



**Trevor Thomas**  
Managing Director



**Kylie Charlton**  
Chief Investment Officer

We very much welcome your feedback on this report, and look forward to reporting on the growing environmental and social impacts of these investments, along with new impact investments, in the year ahead.





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(ABN 81 165 905 582)

**Tel: (02) 9413 4404**

**[info@australianimpactinvestments.com.au](mailto:info@australianimpactinvestments.com.au)**

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*Newpin SBB image p.5:* Annual Investor Report, 30 JUNE 2017

*Sycamore School photo p.6:* Provided courtesy of Sycamore School

*IIG Solar Income Fund photo p.7:* Provided courtesy of IIG

*Aspire SIB image p.8:* Aspire Social Impact Bond Information Memorandum, 1 FEBRUARY 2017

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