

AUSTRALIAN ADVISORY BOARD ON **IMPACT** INVESTING



Impact Investment: state of play

Rosemary Addis, Chair Australian Advisory Board on Impact Investing

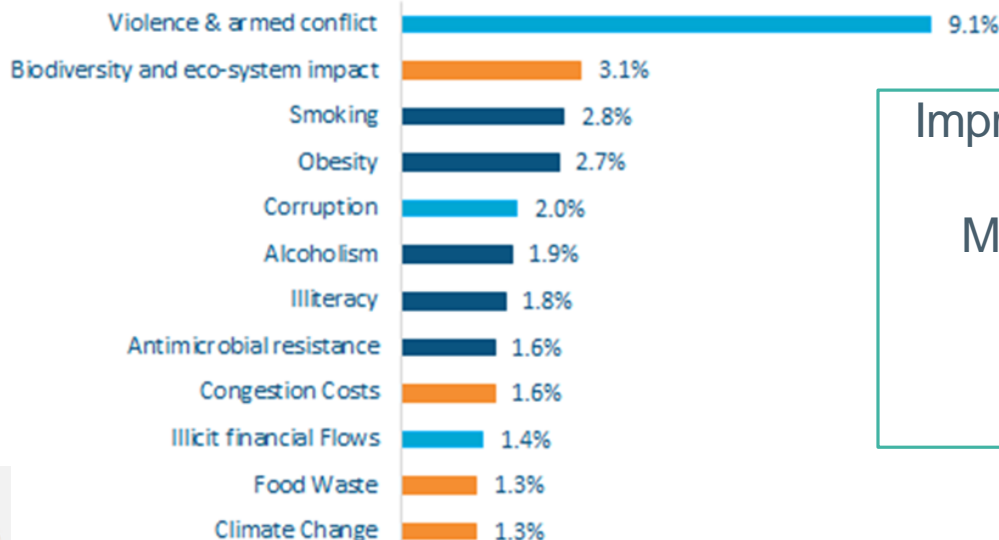
February 2018

Why impact + capital matters?

Everything we do affects people and the planet. Managing impact means figuring out which effects are material and then trying to prevent the negative and increase the positive.



Estimated annual global direct economic impact associated with selected global burdens (Share of global GDP, 2014)



Improvements show we can make progress
+
May remaining problems are large and complex
+
We are missing opportunities



What impact investment contributes

Impact investments are:

intentionally designed to achieve positive outcomes and **impact** as well as **financial return** and **measure** both.



Mobilising capital + talent
Creating incentives for collaboration & innovation
Increasing focus on efficacy & prevention
=
Potential for more + better outcomes



Global momentum toward tipping point 2020

IMPACT **ALPHA** [Follow](#)



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Smarter Money

Steering impact investing toward a 2020 tipping point

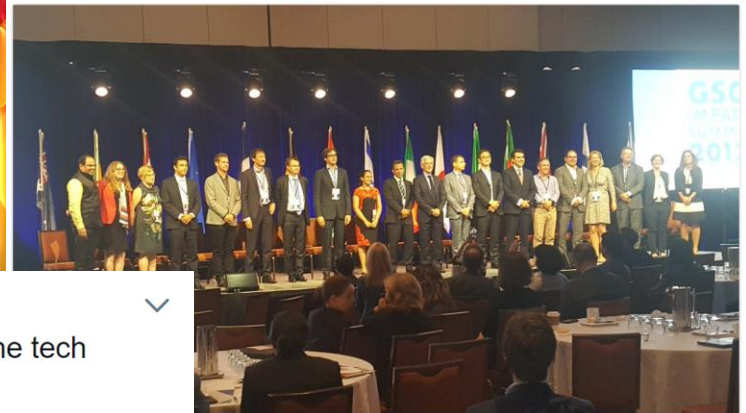
'United Nations' of impact investing in Chicago draws national advisory boards from 16 countries



Ben Thornley
@ImpactInSight

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#Impact16. Advisory bodies catalyzing #impinv in 16 countries +Sir Ronald Cohen & new CEO for the global effort, Amit Bhatia. #dogooddowell



Brigit Helms @helmshart · Jul 11

#GSGSummit Sir Ronald Cohen: this revolution has an edge over the tech revolution, any country can emerge as the leader, not concentrated



Investors' Circle @InvestorsCircle · Jul 10

Venture capital was a choice, impact investing is a necessity #GSGSummit @GSGimpinv #impinv

See: www.gsgii.org; [Global Steering Group You Tube Channel](#)



The new paradigm: risk, return and impact

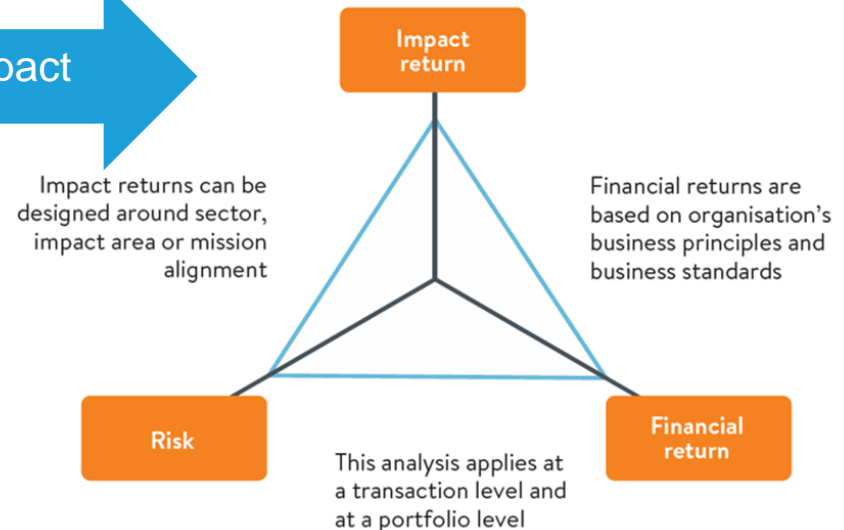
We are convinced financial and social returns go hand in hand. **PGGM**

Lifting up the world's poorest 4.5 billion people is the global economy's next big growth engine. **Bank of America Merrill Lynch**

19th C - focus on profit

20th C - risk adjusted return

21st Century - risk, return and impact



Impact & return co-exist across asset classes



ORGANISATIONS

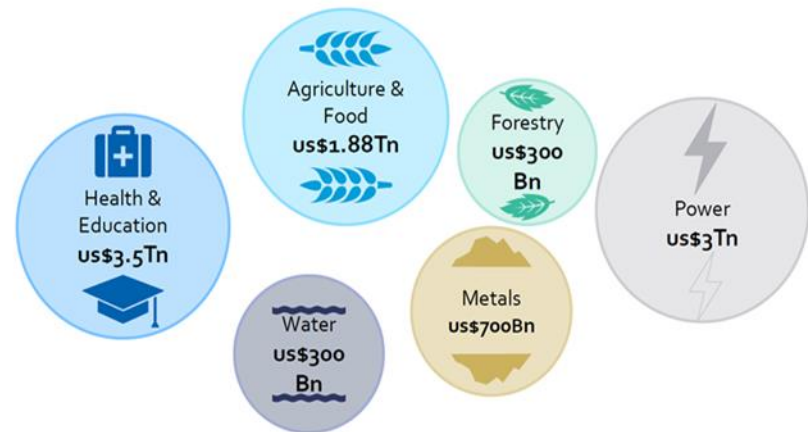


REAL ASSETS



PROGRAM DELIVERY

SUSTAINABLE DEVELOPMENT GOALS

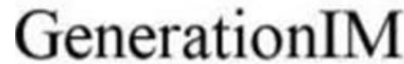
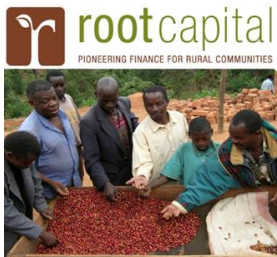


Vision 2050: The New Agenda for Business. World Business Council For Sustainable Development, 2010. For illustrative purposes only.

Alignment with SDGs an emerging theme



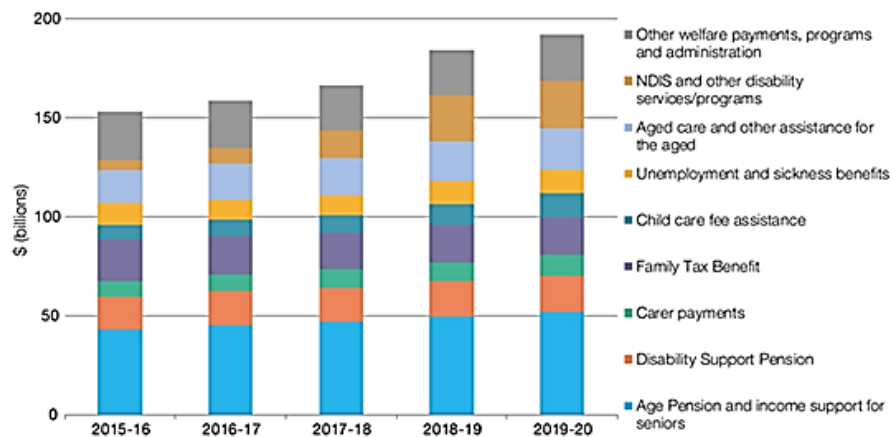
Multiple products & actors in the market



The cost is rising for Australia

- “Social security and welfare represents 35 per cent of the Australian Government’s expenses. The level and sustainability of this expenditure will be a key issue for the Parliament.”
- In 2016–17, the Australian Government estimates that it will spend around \$158.6 billion on social security and welfare, and around \$191.8 billion in 2019–20. Key drivers of growth in expenditure are expected to be in the National Disability Insurance Scheme and assistance to the aged.

Estimated Australian Government expenditure of social security and welfare



By 2026:

- Disability services expected to grow from \$5bn to \$24bn with NDIS.
- Childcare assistance from \$6bn to \$18bn.
- Care payments \$7bn to \$18bn.



Opportunities growing in Australia



SIBs & SBBs



Youth CONNECT SIB



In Australia, the scale in transactions has been in environmental related products but there is growing activity in social impact related areas.



The Australian Advisory Board: Leadership, action & policy to catalyse impact

2014



2015

Debate Access Economics

A practical guide to understanding social costs:
Developing the evidence base for informed social impact investment

February 2016



Guide to social costs

2016



Investor survey



Benchmarking

2017

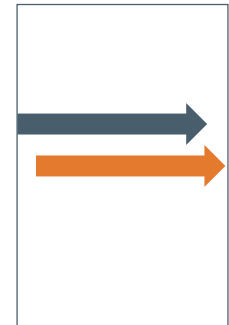


RIAA Impact Investment Forum



Field Scan

2018



Next wave strategy

AUSTRALIAN ADVISORY BOARD ON **IMPACT INVESTING**



Impact Capital Australia



Investment Ready



Asia Pacific Summit partner

Understanding the cost of not acting

Deloitte Access Economics

A practical guide to understanding social costs:

Developing the evidence base for informed social impact investment

February 2016



What do social issues cost

Collaboration with Deloitte Access Economics to look at the real cost of social issues



A Practical Guide

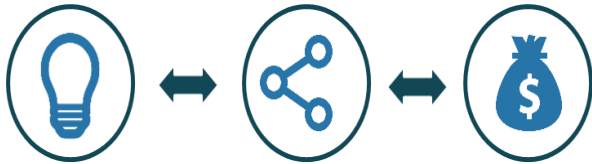
- Explanation of the financial, social and economic analysis
- Tools to navigate.
- Case studies that work through the principles: homelessness; teen parenthood
- Arming those with ideas for impact to speak to the cost and results of their work



Supporting impact driven enterprise to grow



Innovators Funding Gap* Intermediary Gap* Investor Pipeline Gap*



➤ Real funding to help enterprises raise capital to grow

The Impact Investment Ready Growth Grant provides mission-driven organisations with up to \$100,000 to pay for capacity building support to secure investment.

In the 2.5 years since its inception with \$1.75m funding from NAB, the Growth Grant has built a strong track record:

- \$1.5m in grants committed to 23 mission driven enterprises
- 11 capital raises closed for a total of ~\$43m total investment
- Median leverage of capital raised to grant funding higher than 22x

Targets intermediary advisers as well as enterprises

➤ What has been learned

Recent report: Paving Pathways sets out findings and insights from a survey of grantee enterprises and service providers and a report published in this week, 10 February 2018.

Last grant round in progress. Additional funding being sought including through 2017 Budget initiatives.



Investor survey: demand is growing



Investor appetite in Australia

123 investors from institutions, not-for-profits, trusts and foundations and the private sector, totalling \$333bn in AUM.

- On average, active impact investors plan to triple their allocation to impact investments in the next 5 years representing \$18bn of capital.
- More than two thirds of all investors expect impact investing to become a more significant part of the investment landscape in the coming years.
- Most investors expect market rates of return.



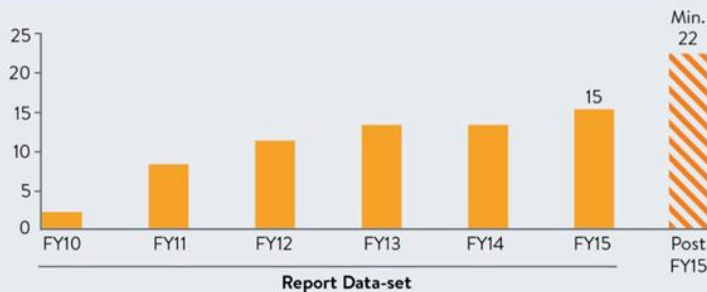
As at 2015, Australian investors reported

- On average, they plan to triple their allocation to impact investments in the next 5 years representing baseline of \$18bn in available capital.
- More than two thirds of all investors expect impact investing to become a more significant part of the investment landscape.
- Most investors expect market rates of return.

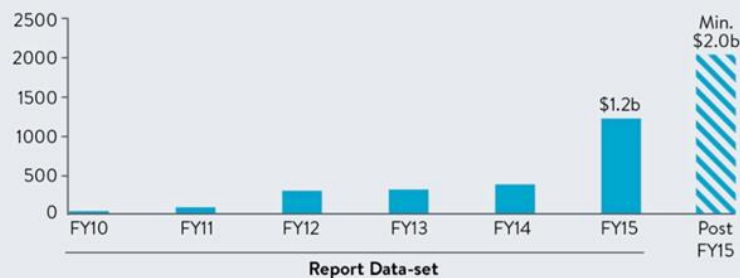


Benchmarking highlights potential

Products*



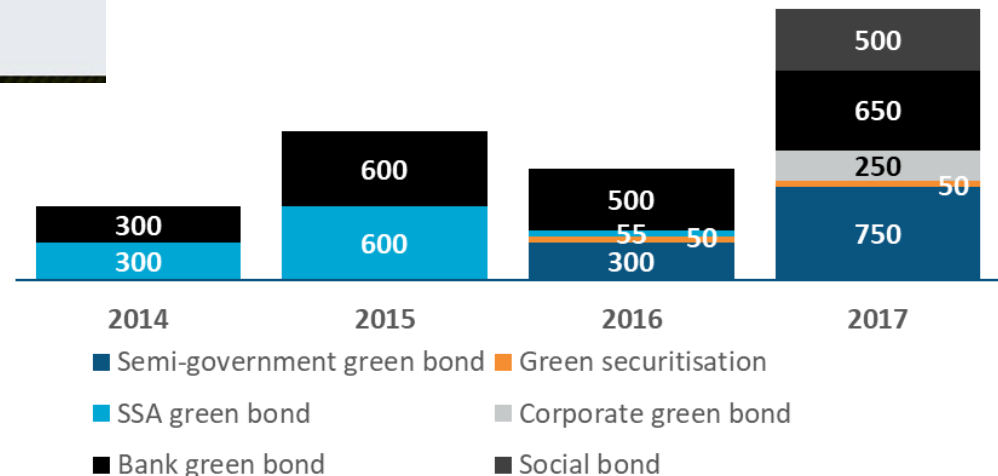
Aggregate product value† (\$m)



*n=15 at FY15, an additional product is included in the data from FY10 to FY13 after which it was repaid
 †n=15 at FY15, an additional product is included in the data from FY10 to FY13 after which it was repaid
 Green bonds = 2 products; \$900 million
 Each green bond has been treated as one product because investors do not hold the underlying investments



Green and Social Bond Issuance in Australia (\$Am)



In Australia, scale in transactions has been in environmental related products and there is growing activity in social impact related areas. The range and diversity of opportunities is growing.

Governments as a critical partner



Market Builder:

Increase resources to impact driven organisations across the eco-system [eg. Impact Investment Readiness]

Provide incentives to encourage greater participation and scale in early stages of development [eg. wholesale institution]



Market Participant:

Better targeted spending on efficacy and outcomes

Increase the flow of investment to social purpose organisations

Orient funding to provide incentives for innovation and effective solutions [eg. Outcome funds]



Market Steward:

Remove Barriers to investment – fiduciary duties of trustees, governance of trusts & program/mission related investments

Enable a range of purpose driven corporate forms [eg. Bcorps]

Tax incentives

Views from the field 2017

Views from the impact investing playing field in Australia on what's happening and what's needed next

An initiative of the Australian Advisory Board on Impact Investing

AUSTRALIAN ADVISORY BOARD ON IMPACT INVESTING



What's happening....

- **Things have moved forward:** more activity and ore diverse participation
- **A market building phase:** an advance from uncoordinated innovation to more cohesive practice
- **There is more potential:** to grow, diversify and engage

What's needed next....

- **Re-balancing:** pushing innovative ideas and new solutions into the system
- **Design for scale:** aggregation and packaging of investments, design and scalability for delivery
- **Support Market Participation:** catalytic capital, data, education, tools are critical
- **Product innovation:** thematic commissioning and incubation, aggregation, adaptation
- **Skilled intermediaries** connecting need ad opportunity across disciplines and sectors
- **Mobilise Governments, institutions & philanthropy** for signaling effect and capital

Scaling impact takes an ecosystem

Australia's national advisory board is focused on growing the ecosystem for impact in and from Australia employing a framework of **leadership, action & policy**

AUSTRALIAN ADVISORY BOARD ON IMPACT INVESTING

Member of
GSG
Driving real impact

Powered by
IMPACT INVESTING AUSTRALIA

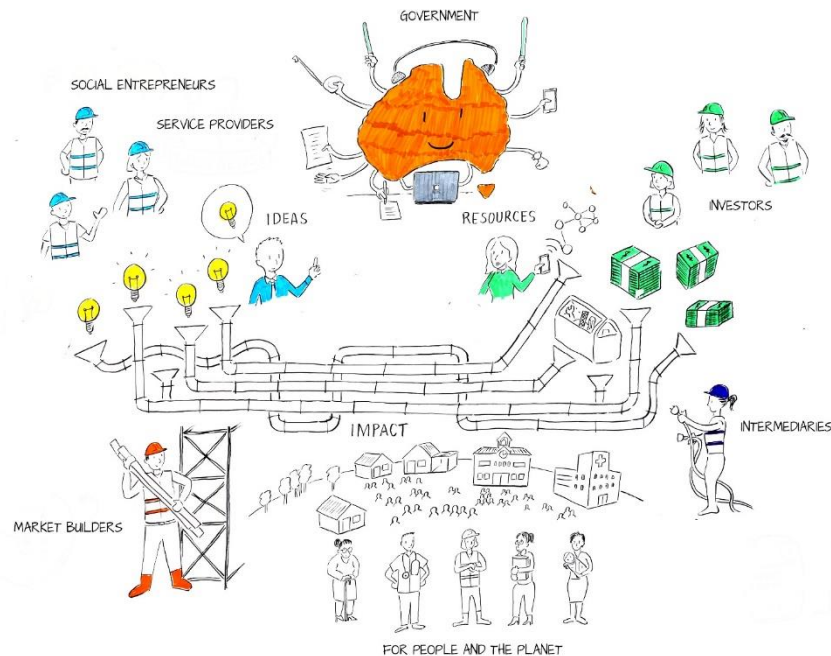
Priority focus on incubation & delivery of key initiatives from 2014 strategy, *Delivering on Impact*:

- Impact Capital Australia
- Impact Investment Ready Growth Grants

ica
impact capital australia

Impact Investment Ready
GROWTH GRANT

Development of the *next wave of strategy* to scale impact investment in and from Australia.



The Game-changer: Impact Capital Australia

ICA will be that catalyst, promoting innovative and scalable solutions

Vision

A dynamic market for investment that delivers measurable, improved outcomes for society, operating at scale in and from Australia, **demonstrating and promoting innovation** and diversity in participants and products.

Mission

ICA will be a catalyst and build a dynamic market by:

- Investing in intermediary vehicles and products in key impact sectors
- Originating societally focused, impactful, **innovative and scalable solutions**
- Implementing strategy to encourage diversity, innovation and growth

INVESTOR
ROLE

ICA's investment activity would be:

- 80% wholesale to existing and new intermediaries
- 20% direct to socially impactful, innovative and scalable solutions

MARKET
CHAMPION
ROLE

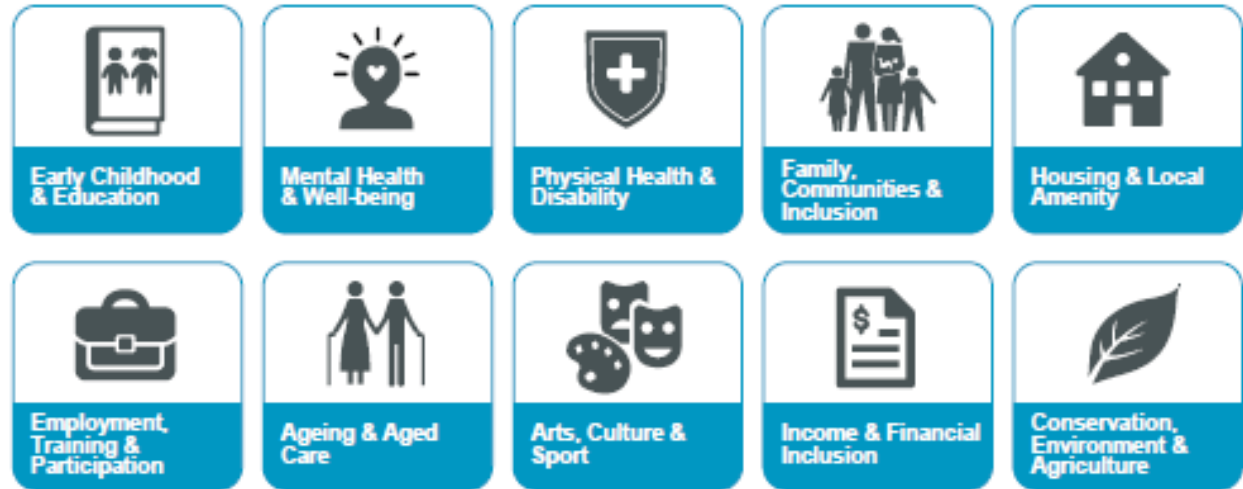
- ICA would be a proactive market builder identifying opportunities and removing barriers



ICA mandate across 10 targeted impact areas



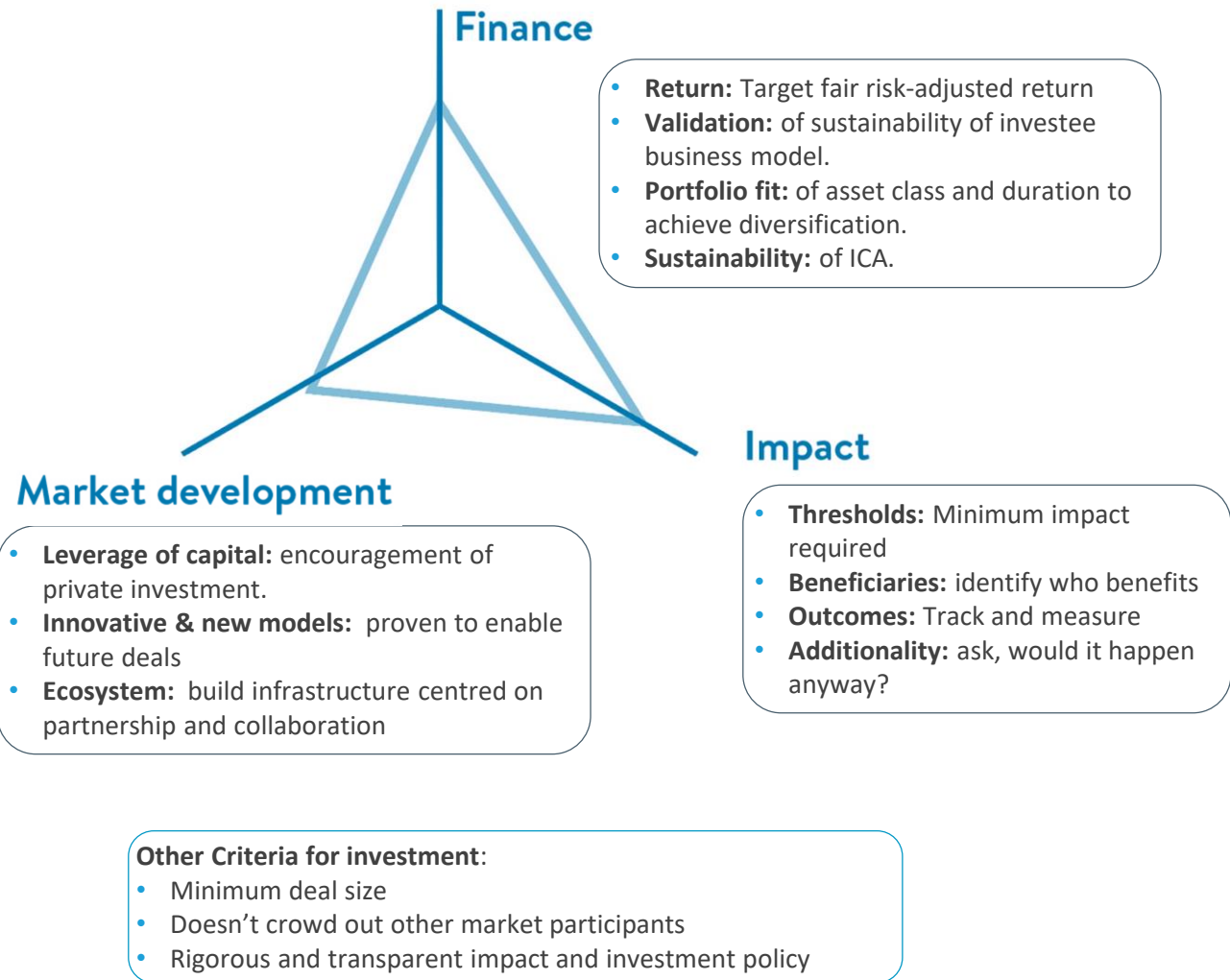
Impact areas are the first filter



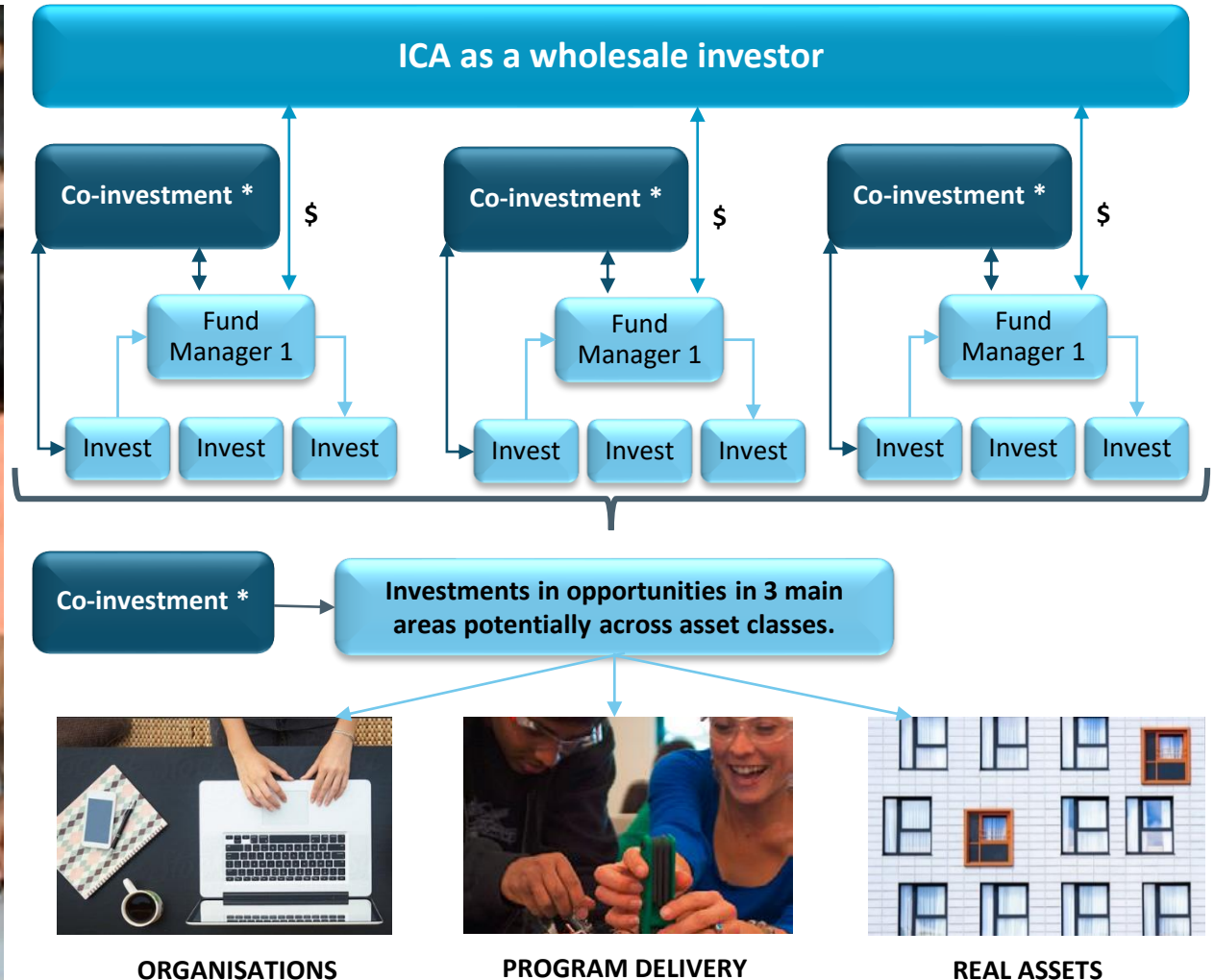
Other dimensions of impact: reach, targeting, need and opportunity, beneficiaries then considered alongside financial and market development aspects



3 dimensions of ICA's portfolio: finance, impact and market development

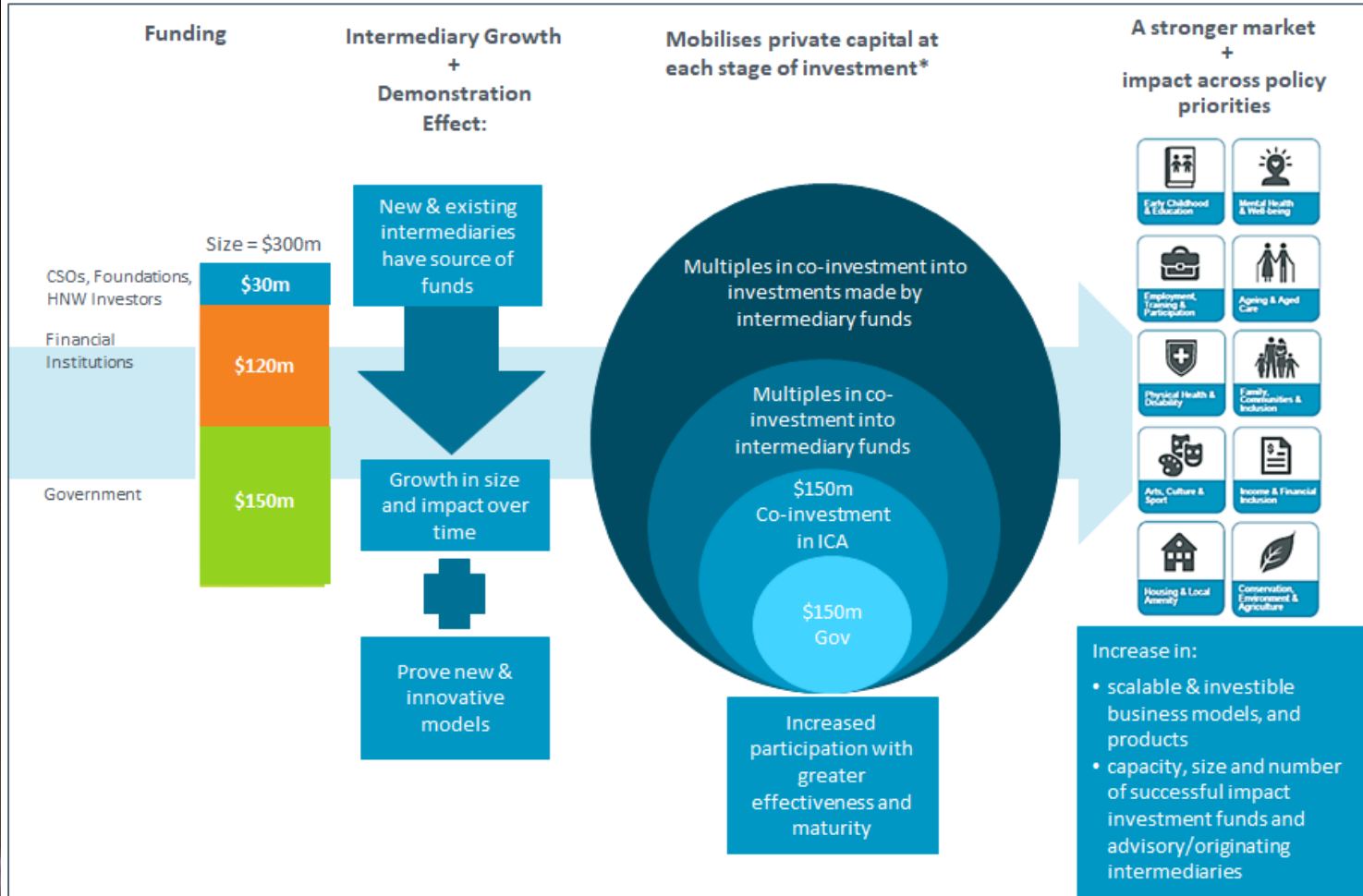


As an investor, ICA would prioritise growing intermediaries



* Could be corporate, private or philanthropic

ICA theory of change: the multiplier effect



Source: Impact Investing Australia: Implementation of a Game-Changer, 2017

*ultimate leverage on Government funds forecast to reach 16x; see analysis for Impact Capital Australia



For more information



www.impactinvestingaustralia.com



www.australianadvisoryboard.com



www.gsgii.org

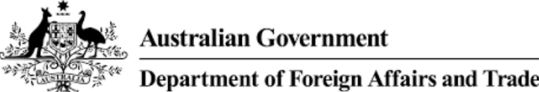
Partners & Supporters

Market building and impact is made possible with collective action and resources. We thank to our partners and supporters and welcome others who would like to contribute to realising the potential of impact investing in and from Australia.

AUSTRALIAN ADVISORY BOARD ON **IMPACT INVESTING**



Partners



G&S Consulting



Supporting organisations



Donald Simpson
Communications

D&L Madhavan



McLeod Family Foundation

C Thorn

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