



BENCHMARKING IMPACT

Australian Impact Investment Activity and
Performance Report 2016



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'Two columns showing greater result than the rest of the cubes' by Beatrix Boros, licensed through Stocksy.

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BENCHMARKING IMPACT

Australian Impact Investment Activity
and Performance Report 2016



FROM THE WORKING GROUP

Around the world more than US\$7 trillion exchanges hands in capital markets, *every single day*. In Australia, the size of our pension system is starting to dwarf the size of our GDP. Financial markets represent the greatest potential our society has of funding solutions to the significant and growing social challenges that impact our world.

Increasingly, too, investors are recognising that their capital allocation decisions do have an impact on the world and its community. Further, consumers are asking their investment advisers or managers about this impact and are starting to demand that it should be positive. All of this pushes the financial community to think about the potential for impact investments to become a much more meaningful part of their opportunity set.

For that to become a reality our system needs to firstly create investment strategies that deliver both financial returns and social outcomes and, secondly, demonstrate the extent to which these are achieved.

Great work by forward thinking and passionate people is pushing us in this direction. This paper summarises the first attempt to capture impact investment data in the Australian context. It does so to help stimulate the growth of this market, to demonstrate the potential benefits of aggregating data, and to help the industry down a path of institutionalisation that will be critical for it to prosper over the longer term.

Readers will note how the size of the market is dominated by a handful of green bonds, issued by major Australian banks. The issuance of these bonds is a hugely positive development in the last year, by opening up the portfolios of major institutional investors to the idea that financial products can provide more than just returns. However, readers will also note that despite the relatively small size of the rest of the impact investment market, *over 60,000 vulnerable Australians have benefited from the capital that was deployed*.

Can we imagine what might be possible if collectively we can help to grow this sector?

I would note the strong contribution that I believe this particular piece of work is going to have with regards to how market participants approach the measurement of impact. This Report has highlighted the inconsistency globally and the challenges that investors face. There is powerful analysis given to benchmarking Australian frameworks to global ones and I would encourage Australian investors to reach out as they seek to develop their approaches.

Finally, I would like to pass on my congratulations and heartfelt thanks to the team at Impact Investing Australia, and in particular, Erin Castellás, as well as the Working Group members for their hard work and commitment to this challenging project.



Richard Brandweiner
Chair, Benchmarking Data Working Group
Chief Investment Officer, First State Super

FOREWORD

The Australian Advisory Board on Impact Investment is delighted to welcome this Report. It delivers on one of the actions identified in our 2014 strategy to catalyse the impact investment market.

Thanks to all of you who participated in the Questionnaire, interviews and discussions. Acknowledgments are included later in the Report in recognition of contributions and partnerships that have made the work possible. Thanks also to all our local and international colleagues whose pioneering work has provided a foundation upon which this work has built.

Impact investing is capable of driving significant momentum and advances in how we tackle issues facing society. It can drive more investment into resolution of those issues rather than treating their symptoms. Impact investment is contributing positive effects internationally, catalysing new markets and encouraging entrepreneurship and innovation aimed at solving entrenched issues and creating sustainable solutions.

Benchmarking Impact: Australian Impact Investment Activity and Performance Report 2016 is a significant step forward in developing the robust data about the field needed to amplify the experience and achievements of pioneers and encourage those who remain on the side lines to enter. It is the first set of aggregated, market-based data on the performance of Australian impact investment products. It reveals past activity, and provides real insights about the choices, frameworks and practice being applied and to what effect. This will accelerate the way forward and provide keys to unlock scale and innovation to achieve both financial performance *and* impact.

The data describes what practitioners in the field are choosing to do and how they rationalise their choices. Benchmarking in a field such as ours, where many activities come together under one umbrella, is not an exact science. The rigour of this work – co-design with experts, a questionnaire to gather data tested with the market – frames a dynamic, field-generated picture of how much is being done, how well it is done and whether anyone is better off as a result. Over time, this will shape expectations for financial and impact performance across this diverse field.

Our real interest in the data is what it tells us about the opportunities to improve outcomes, for people's lives and the planet. The Report suggests a rich tapestry of diverse investment activity touching the lives of thousands of people. Some aspects of this picture and its impacts can be seen in numbers and others cannot. Over time, continuing to build the discipline of measurement and benchmarking will enable us to see patterns in the data and turn it to useful strategies and actions targeted at real benefit for people and communities.

Your further contributions are welcome and encouraged.



Rosemary Addis
Chair, Australian Advisory Board on Impact Investing



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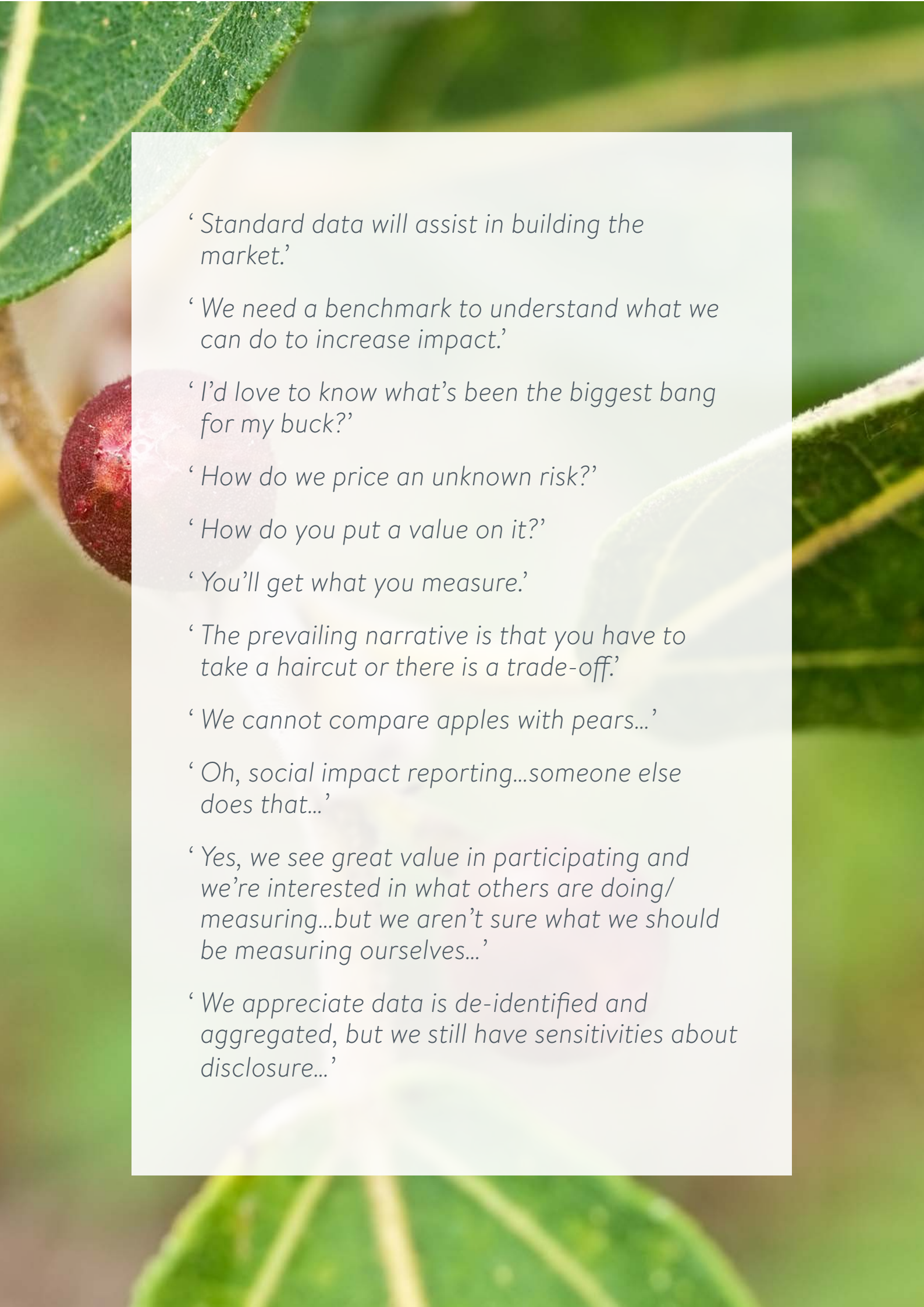
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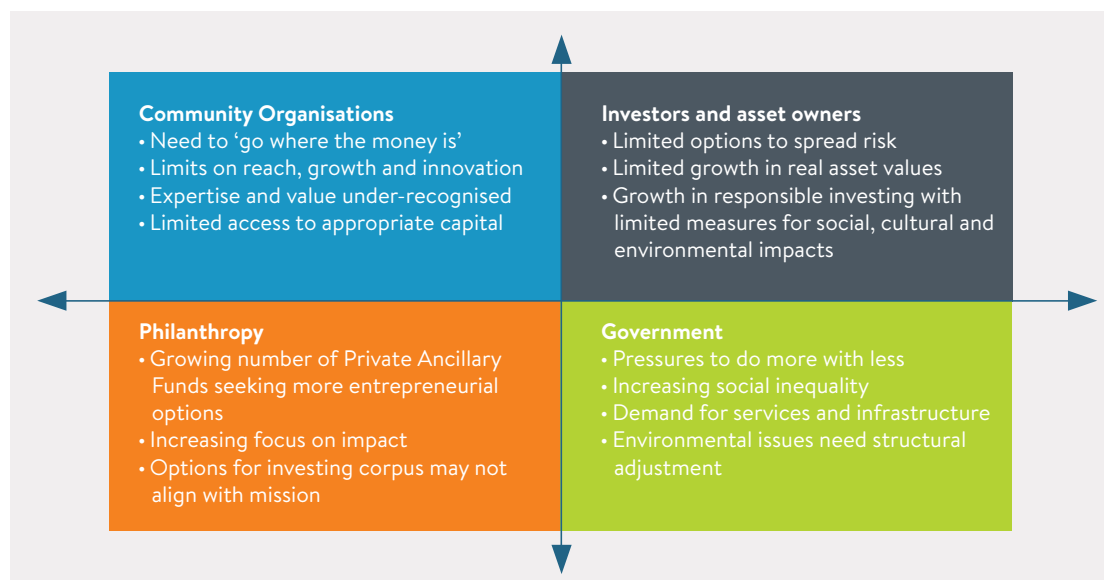
- 
- The background of the slide features a close-up photograph of green leaves with prominent veins and a small, round, reddish-brown berry or seed pod. The image is slightly blurred, creating a soft, naturalistic backdrop for the text.
- ‘ Standard data will assist in building the market.’*
 - ‘ We need a benchmark to understand what we can do to increase impact.’*
 - ‘ I’d love to know what’s been the biggest bang for my buck?’*
 - ‘ How do we price an unknown risk?’*
 - ‘ How do you put a value on it?’*
 - ‘ You’ll get what you measure.’*
 - ‘ The prevailing narrative is that you have to take a haircut or there is a trade-off.’*
 - ‘ We cannot compare apples with pears...’*
 - ‘ Oh, social impact reporting...someone else does that...’*
 - ‘ Yes, we see great value in participating and we’re interested in what others are doing/ measuring...but we aren’t sure what we should be measuring ourselves...’*
 - ‘ We appreciate data is de-identified and aggregated, but we still have sensitivities about disclosure...’*

WHO SHOULD USE THIS REPORT?

This Report provides market-based, aggregated data on performance for the first dataset of Australian impact investments. It responds to needs identified by various groups interested and participating in impact investment and follows consultations over recent years, including for this Report (Figure 1):

- Investors need reliable data to inform efficient decision making, including across different market segments;
- Impact investors and asset managers need to benchmark their performance and learn from others;
- Governments, investors and the community need credible data to build confidence in the performance and accountability of impact investment; and
- Entrepreneurs and intermediaries need practical data to identify and structure opportunities.

Figure 1: Needs and motives for impact investing determine how participants will use market data



Source: IMPACT-Australia, 2013

Various parties cited the value of credible data and information on impact investment performance and of practical guidance on performance measurement.

- Many are looking for guidance on how to approach measurement, including the right questions to ask;
- Impact measurement presents particular challenges including collection of data, who should collect data and navigating the developing landscape of taxonomies, methodologies, and indicators; and
- There are not yet accepted standards for transparency and accountability or for how performance measurement should be done and reported.

This Report provides insights for people considering making investments, seeking investment or who would like to better understand aspects of how the impact investment market is developing. It also contributes to global development of convergence and comparability in data to inform the field.

FINDINGS AT A GLANCE

This Report presents the findings from analysis of market-based impact investment activity and performance data for a data-set of Australian impact investments active as at 30 June 2015. It supports the growing impact investment market in Australia and contributes to the evolving global landscape of impact investment measurement and reporting.

PART 1: IMPACT INVESTMENT ACTIVITY AND PERFORMANCE

About the Data-set

- The Data-set is not exhaustive of the market of impact investments in Australia or in which Australian investors have placed capital.
- Only wholesale and retail products domiciled in Australia and active at 30 June 2015 are included.
- 11 Respondents managing 15 impact investment products provided performance data; 9 Respondents provided financial data for 14 products (71 assets); 9 Respondents provided impact data for 12 products (58 assets).

Investment Activity

- The aggregate product value of the 15 products in the Data-set is \$1.2 billion.¹
- 92 investments were reported to have been made between FY10 and FY15; and at least 36 of them were made in FY15.²
- In FY15, green bonds dominate the sharp increase in dollar value; whereas the bulk of transaction volume is debt finance to social enterprises.
- On a dollar-weighted basis, most investment was directed to environmental outcomes, reflecting the size of green bonds.

Investment Performance

- Investments in the Data-set are reported to be meeting financial return expectations.³
- Since inception, financial returns for assets in the Data-set across all asset classes are positive and reported to be tracking within expected return ranges; actual return ranges include: 5.4%–17% for debt; 3.25%–12% for fixed income; and 0–12.6% for real assets.
- Impact performance is reported to be meeting or exceeding expectations for most investments in the Data-set.
- Impacts were reported across nine outcome areas and over 60,000 beneficiaries; they are highly varied and include, in aggregate: 126 schools supported, 319 jobs created, 1,072 people with disabilities supported, 4,493 tons of e-waste diverted, 11,501 MWh renewable energy generated, 3.9 tons of CO₂^e avoided, 669 mental health sessions delivered.

1 Does not include impact investment products no longer active at 30 June 2015. All dollar figures are Australian dollars.

2 In this Report, FY15 means the period from 1 July 2014 to 30 June 2015, FY10 means the period from 1 July 2009 to 30 June 2010. The number of investments for FY15 is reported as at least 36 as there are 7 investments for which dates are not available.

3 All financial return expectations and actual returns are reported gross of transaction costs and manager fees.

PART 2: PERFORMANCE MEASUREMENT FOR IMPACT

Benchmarking Methodology

- 13 Respondents answered questions relating to performance measurement.
- Leading international taxonomies and classification systems were reviewed to derive nine outcome areas.
- A global benchmarking sample of nearly 700 impact metrics currently reported were coded into higher order categories and referenced to leading taxonomies to derive a set of apex impact metrics for each outcome area.

Performance Measurement Practice in Australia

- Respondents considered both financial and impact metrics important and most benchmark both.
- Nearly half of Respondents reported generalised risk to be above market; responses to different types of risk indicate that this may be concentrated in relation to exit risk and 'unquantifiable' risk.
- There is not yet detectable convergence on the adoption of taxonomies or impact measurement frameworks.
- While Respondents ranked impact data and financial data as important to all stakeholder groups, data needs of stakeholders, as reported, are not yet matched by what is being collected.

Benchmarking Impact Measurement

- The most measured outcome area is employment, training and participation (skills and job creation), followed by income and financial inclusion.
- Metrics being used globally and in Australia do not yet correlate neatly to the major global taxonomies, including IRIS.
- Environmental metrics demonstrate the greatest degree of relative consistency or convergence in what is being measured.
- Apex impact metrics can be helpful to developing greater convergence in what is being measured and assessing the utility of measures.

Insights gained from practitioners, from the process and from the data and analysis in preparation of this Report highlight practical priorities for the way forward. The lessons learned will be applied to refine what is collected and how it is collected.

The apex impact measures developed as a reference point for this Report can be used more extensively to inform work towards greater convergence of metrics. They can be used to identify gaps and patterns for further testing and refinement. Aligning the testing process with the other global work to refine taxonomies and aligned metric sets⁴ can inform development of industry standards.

The data shows that investors are finding ways to measure impact as well as financial returns. It also shows that more effort is needed to develop meaningful metrics that inform better understanding of what value is being created. The work ahead will benefit from an active and inclusive partnership involving parties along the value chain from investors to beneficiaries.

4 IRIS Metrics 2016 and leveraged frameworks <<https://iris.thegiin.org//leveraged-frameworks>>.



*Opportunities multiply
as they are seized.*
Sun Tzu



INTRODUCTION

A marketplace is developing for investments that make a positive contribution to society as well as deliver financial return. These *impact investments* are directing capital to a range of areas from health and disability to conservation and the environment that have more traditionally been the province of grant funding. In the process, this market is supplementing the limited resources of governments, donor organisations and philanthropy with new private capital seeking public good.

Like any other market, impact investment needs information and tools to support development and encourage new participants to enter. Streamlined and comparable benchmark data helps build confidence, informs realistic assessment of risk and enables more transactions to be done.

Three features distinguish impact investment from other financial markets and affect the data and information required to inform decision making. First, in addition to risk adjusted return, impact is an integral aspect of decision-making and performance. Second, impact investment is a diverse field that spans different investment types and asset classes. Third, there can be greater variability in some impact investment structures and approaches where they involve collaboration between mainstream investors and non-traditional partners including philanthropy and government.

Access to clear measurement and data is consistently cited by investors and other stakeholders as a key challenge to growth of impact investment.⁵ In the 2016 Global Impact Investing Network Investor Survey, aspects of definition, performance data and measurement were ranked as 3 of the top 7 challenges ahead for the market. The World Economic Forum⁶ ‘Mainstreaming Impact Investment’ initiative placed top of the list of recommendations: clear and transparent reporting of financial returns; and, more systematic measurement and reporting of the social and environmental impact that is achieved.

This is the first report on a data-set based on impact investments in the Australian market:

- Part 1: analysis of impact investment activity and performance; and
- Part 2: approaches to performance measurement in Australia and a synthesis of global impact measurement and reporting practice drawing upon a global data-set.

⁵ See, for example, IMPACT—Australia, 2013; *Delivering on Impact*, 2014; OECD, 2015; Mudaliar, A, Schiff, H, and Bass, R 2016.

⁶ Drexler, M and Noble, A 2013.



What gets measured, gets done.
Peter Drucker

PART 1: IMPACT INVESTMENT ACTIVITY & PERFORMANCE IN AUSTRALIA 2016

How Part 1 of the Report is structured

Part 1 describes how the interrogated set of Australian impact investments (the Data-set) was arrived at. It then sets out an analysis of investment activity and performance based on that Data-set.

- About the Data-set;
- Investment Activity; and
- Investment Performance.

About the Data-set

- The Data-set is not exhaustive of the market of impact investments in Australia or in which Australian investors have placed capital.
- Only wholesale and retail products domiciled in Australia and active at 30 June 2015 are included.
- 11 Respondents managing 15 impact investment products provided performance data; 9 Respondents provided financial data for 14 products (71 assets); 9 Respondents provided impact data for 12 products (58 assets).

The design task was fundamental to arriving at a clear and useful scoping and segmentation of impact investment within the broader market context that could inform productive analysis (Figure 2). A number of dimensions of market activity and maturity were considered. The primary consideration was to distinguish impact investments from the many investments that have an impact. The key point of distinction is the presence of both design for positive impact and measurement of the impact. Other considerations include: the life-cycle of investment products and geographic and temporal boundaries.

The Data-set includes only investment products that met the following criteria:

- the investment vehicle is domiciled in Australia;
- the investment vehicle is in the Australian market as at 30 June 2015;

- the investment product is a wholesale or retail product available to multiple investors;
- the investment vehicle is seeking positive financial returns (i.e. not grant making); and
- impact is intentional through a deliberate investment strategy and is measured.

The sampling approach was informed by review of the international literature and consultation with over 100 practitioners and experts. This provides a structured approach to collection of this first Australian data-set. It also provides the foundation upon which improvements and extensions can be built in future. The section Methodology in Appendix B provides further detail.

The Data-set is not exhaustive of the market of impact investments in Australia or in which Australian investors have placed capital. Product domiciled outside Australia and private market activity are excluded.

Where an investment transaction met other criteria and included layers of capital in the structure, only products in that structure that met all definitional criteria are included in the Data-set. For example, for an investment structured to include bank finance and wholesale or retail notes or bonds, only the notes or bonds are included in the Data-set.

Figure 2: The Data-set presented in this Report includes those investments active at 30 June 2015 which are designed for and measure positive impact



Source: Impact Investing Australia, 2016

Intentionality, Measurement or Both?

Some Respondents provided data that demonstrated more sophisticated systems of measurement than many current impact investment managers included in the sample. For example, Investa demonstrated relatively robust levels of environmental monitoring and reporting of their property portfolio. However, Investa did not satisfy the ‘intentionality’ threshold as their investments would include buildings with no environmental or social benefits if the assets generated sufficient financial returns.

Other Respondents, like Folkestone Education Trust, could be argued to be creating intentional positive social benefits, investing in early childhood education properties. This threshold may have been met at inception when the then Australian Education Trust stepped in to provide much needed capital to support the industry, following Australia's largest early childcare provider, ABC Learning Centres, being placed in receivership. However, it is unclear whether Folkestone Education Trust is tracking or measuring any social benefits, and so it did not meet the 'measurement' threshold.

Can cash be an impact investment?

Cash funds are unable, by their nature, to make investments outside highly liquid assets, typically investing in money markets. Innovations in the asset class demonstrate movements towards strategies that seek improved social outcomes. However, restraints on how cash can typically be invested, and the relative immaturity of an accepted framework for impact investing with cash, have led to cash being excluded from the Data-set.

Community Sector Banking (CSB)'s Social Investment Deposit Account (SIDA) gives depositors the option to donate up to 100% of their interest to CSB's philanthropic grant-making fund, to which CSB also donates 50%.

UCA Enhanced Cash Portfolio looks to bolster both financial returns and social benefit by lending up to 15% of its fund to social enterprises and social businesses through community impact loans.

There are also other responsible cash funds in the Australian market, which are not highlighted here but are worth tracking as the boundaries evolve.

Methodology

Respondents were asked to provide data on expectations and targets for both financial and impact performance via an online questionnaire. The questionnaire (Appendix A; the Questionnaire) is based on an extensive global literature review and stakeholder consultations. Responses to the questionnaire were supplemented with face-to-face or phone interviews with senior representatives of each organisation.

Some asset managers elected not to provide data and some did not or could not answer all questions. Guidance on the sample size (n=x) has been provided through this Report as reported data reflects different response rates for different questions.

Data was collected on the characteristics of the impact investment products, asset type, investment activity (at deal level where the product was a fund or aggregated investment vehicle), financial performance benchmarks being used, liquidity and the number of exits achieved during the period.

The data collection was limited to the period to 30 June 2015. Throughout this Report, FY means an Australian fiscal year; that is, the period from 1 July to the following 30 June. Figures reported for each fiscal year include figures at the end of each fiscal year as at 30 June of that fiscal year. For example, FY15 represents the period from 1 July 2014 to 30 June 2015 and committed capital and performance figures are taken as at the end of that fiscal year at 30 June 2015. All dollar figures are in A\$ unless otherwise indicated.

Data was also sought about impact performance. Respondents were asked to provide impact data by reference to social, environmental and cultural outcome areas and beneficiary groups (Table 1). These outcome areas were grouped based on analysis of existing impact reporting to which the investment activity was directed (Part 2; Table 5).

Table 1: Impact measurement presented in this Report is derived from a synthesis of global benchmark data to categorise nine outcome areas and 15 beneficiary groups

| Outcome areas | Beneficiary Groups |
|--|--|
| 1. Education and early childhood | 1. People with disabilities (learning) |
| 2. Mental health and well-being | 2. People with disabilities (physical) |
| 3. Physical health and disability | 3. Those living in poverty |
| 4. Families, communities and inclusion | 4. Long-term unemployed |
| 5. Housing and local amenity | 5. People living with addiction |
| 6. Employment, training and participation | 6. Long-term health issues |
| 7. Arts, culture and sport | 7. Mental health needs |
| 8. Income and financial inclusion | 8. Vulnerable older people |
| 9. Conservation, environment and agriculture | 9. Vulnerable young people |
| | 10. Refugees and asylum seekers |
| | 11. Indigenous people |
| | 12. Ecosystem and biodiversity |
| | 13. Social trade or business |
| | 14. Homelessness |
| | 15. Other |

Source: Impact Investing Australia, 2016; adapted from Big Society Capital, 2015; OECD, 2015; IRIS Metrics, 2016

Overview of the Data-set

11 organisations managing 15 wholesale or retail impact investment products domiciled in Australia and active at 30 June 2015 provided investment performance data. The data they provided about activity and performance makes up the Data-set for Part 1.

Financial return data is aggregated from self-reported deal-level performance data provided by Respondents (n=71 assets). Impact return data is aggregated from self-reported deal-level performance data provided by Respondents (n=58 assets).

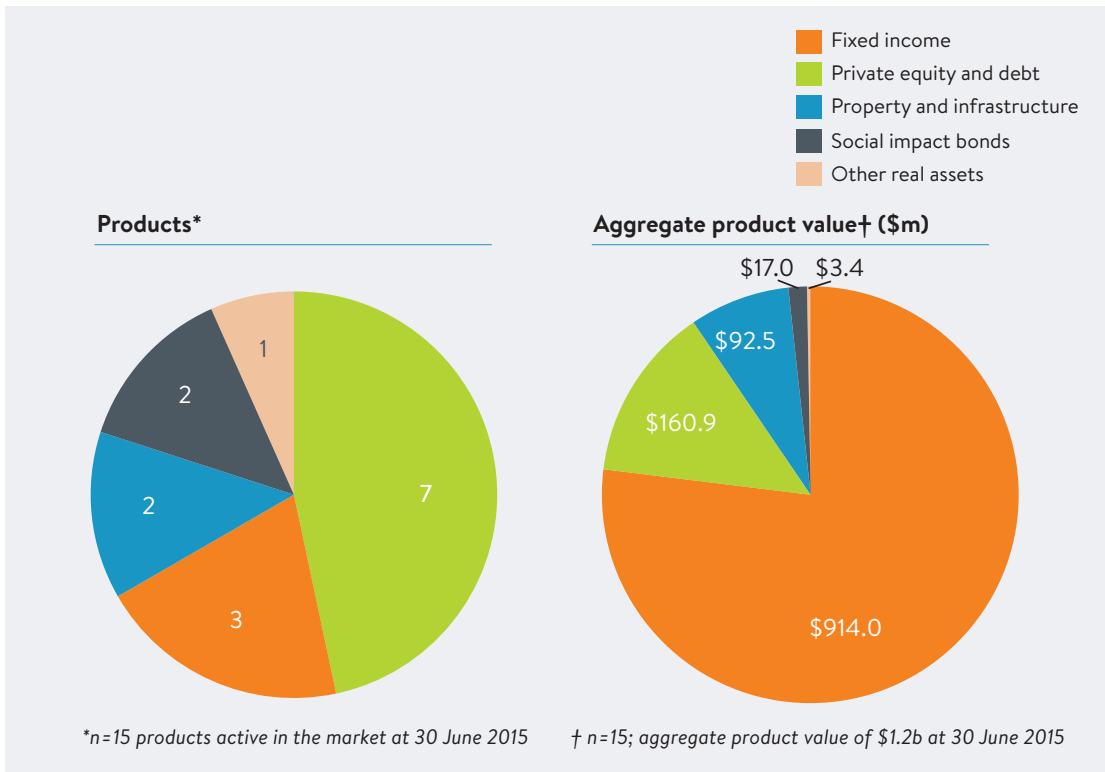
The Data-set provides insight into the diversity of impact investment products in the market (Figure 3). The largest concentration of impact investment products is in private equity and debt,⁷ with the highest volume by dollar value in fixed income products, predominantly comprised of green bonds (\$900 million).

9 impact investment products in the Data-set are closed-ended products (fixed term) and 6 are open-ended products (do not have a fixed term). 13 of the impact investment products were open to sophisticated investors;⁸ only 2 impact investment products were open to both sophisticated and retail investors.

⁷ Private equity and private debt were combined as these funds had mandates to invest in both debt and equity.

⁸ As defined by the Australian Corporations Act 2001.

Figure 3: The Data-set includes products across multiple asset classes



Source: Impact Investing Australia, 2016; analysis of Data-set 2015



Investment Activity

- The aggregate product value of the 15 products in the Data-set is \$1.2 billion.⁹
- 92 investments were reported to have been made between FY10 and FY15; and at least 36 of them were made in FY15.¹⁰
- In FY15, green bonds dominate the sharp increase in dollar value; whereas the bulk of transaction volume is debt finance to social enterprises.
- On a dollar-weighted basis, most investment was directed to environmental outcomes, reflecting the size of green bonds.

The Data-set provides information about the level of investment activity as follows:

1. Overall level of investment activity FY15 (n=15 products; except where indicated);
2. Risk-return expectations (n=12 products);
3. Investment activity by asset class (n=14 products);
4. Investment activity by targeted stage of investment (n=13 products); and
5. Investment activity by impact focus (n=14 products).

1. Overall level of investment activity

The 15 Australian wholesale or retail impact investment products had an aggregate product value of \$1.2 billion in committed capital at 30 June 2015. The gap between this and projected investor demand of at least \$18 billion over the 5 years from FY15,¹¹ suggests a material gap between investor demand for impact investment products and current supply.

92 investments were reported to have been made between FY10 and FY15; and at least 36 of them were made in FY15.

The majority of investments in the Data-set are reported to have medium liquidity.¹² The two green bonds have high liquidity. The majority of real assets are reported to have low liquidity.

Beyond the Data-set, the research for this Report identified products that entered the market after the cut-off date of 30 June 2015. Those additional products amount to \$800 million, taking the total to \$2 billion. A full data-set for FY16 has not yet been collected.

Building on the Data-set over time will enable clearer and more robust comparisons of the flows of capital into impact investment, characteristics of investable products and trends.

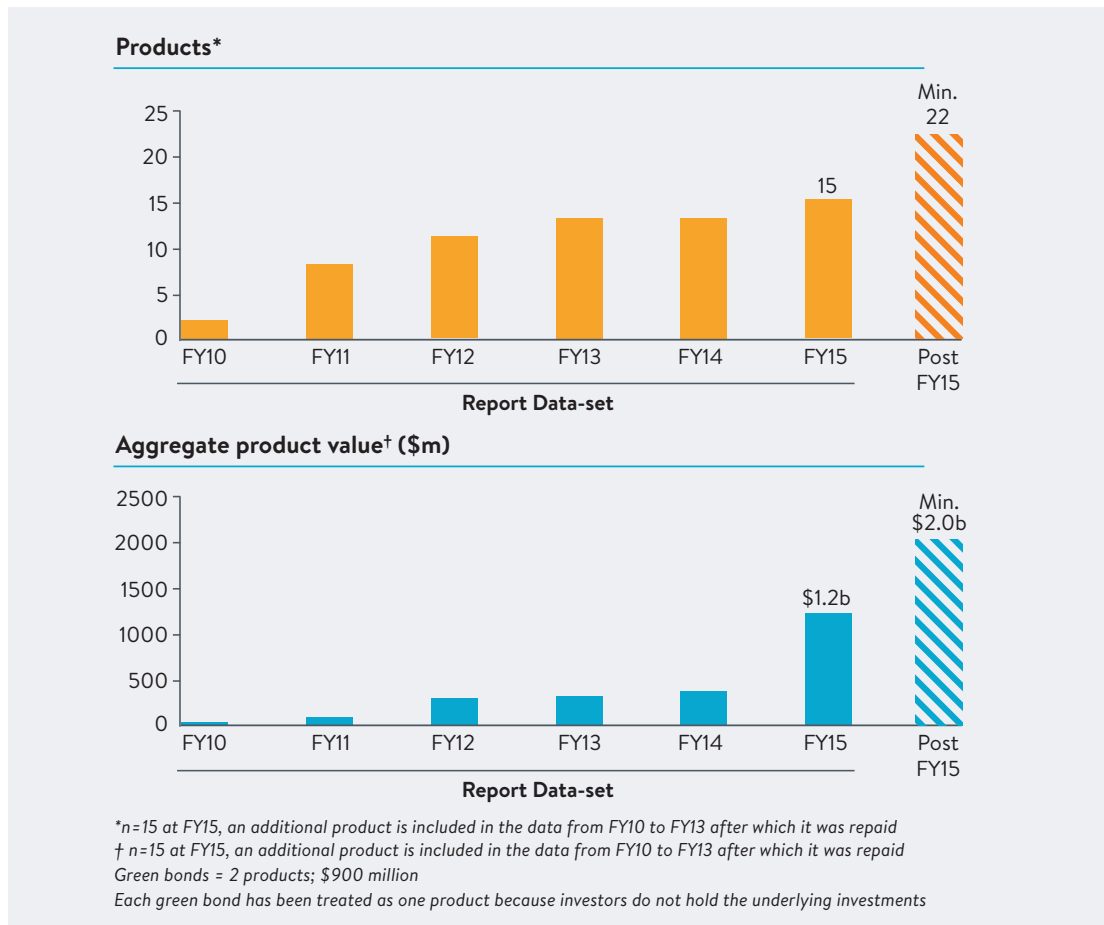
⁹ Does not include impact investment products no longer active at 30 June 2015. All dollar figures are Australian dollars.

¹⁰ The number of investments for FY15 is reported as at least 36 as there are 7 investments for which dates are not available.

¹¹ Dembek, K, Madhavan, D, Michaux, F, and Potter, B 2016.

¹² Medium liquidity indicates it is expected to take between 1 and 12 months to sell the asset; high liquidity indicates it is expected to take less than a month to sell the asset; low liquidity indicates it is expected to take more than a year to sell the asset.

Figure 4: There are 15 products with a value of \$1.2 billion in the Data-set; with the highest dollar value in green bonds



Source: Impact Investing Australia, 2016; analysis of Data-set 2015

Information on the market value of underlying assets was provided for 14 of the 15 wholesale or retail impact investment products. The aggregate market value of these products at 30 June 2015 was \$1.04 billion (Table 2). The market value of reported investment activity (transactions or deals) is lower than the aggregate product value for a number of reasons: some Respondents elected not to provide market value data, some funds are not fully invested, and there have been some exits and repayments exceeding the capital appreciation of other assets.¹³

Investment activity is occurring across multiple asset classes, investment types and impact areas (Table 2). The recent increase in dollar value is attributable to 2 green bonds issued in FY15 (Figure 4). Investments by outcome area give an outcome split by dollars and deals rather than at an aggregate fund level because funds are investing in more than one outcome area.

¹³ Market value is calculated based on self-reported deal-level data for 13 products and product-level data for one product.

Table 2: Investment activity in the Data-set is taking place across multiple asset classes and outcome areas

| Outcome areas | Asset areas and transaction volume FY10-FY15*, Market Value FY15 | | | | | | Market value at 30 June 2015 \$m | Number of deals |
|---|--|---|---|--|--|--|-------------------------------------|-----------------|
| | Private debt market value \$m [deals] | Private equity market value \$m [deals] | Fixed income market value \$m [deals] | Real assets market value \$m [deals] | Social impact bonds market value \$m [deals] | | | |
| Early childhood and learning | \$1.1 [6] | - | \$0.0 [1] [#] | - | - | | \$1.1 | 7 |
| Mental health and well-being | \$0.3 [3] | - | - | - | - | | \$0.3 | 3 |
| Physical health and disability | \$2.5 [9] | - | \$14.0 [1] | - | - | | \$16.5 | 10 |
| Families, community and inclusion | \$1.2 [7] | - | - | - | \$17.0 [3] [‡] | | \$18.2 | 10 |
| Housing and local amenity | \$2.7 [10] | - | - | - | - | | \$2.7 | 10 |
| Employment, training and participation | \$1.5 [11] | - | - | - | - | | \$1.5 | 11 |
| Arts, culture and sport | \$0.9 [8] | - | - | \$4.6 [2] | - | | \$5.5 | 10 |
| Income and financial inclusion | \$1.2 [12] | - | - | \$82.5 [6] | - | | \$83.7 | 18 |
| Conservation, environment and agriculture | \$0.3 [2] | \$0.7 [1] [†] | \$900.0 [2] | \$10.0 [1] | - | | \$911.0 | 6 |
| TOTAL | \$11.7 [68] | \$0.7 [1] | \$914.0 [4] | \$97.0 [9] | \$17.0 [3] | | \$1040.5 | 85 |

* n=14 products at FY15, an additional product was repaid in FY14; n=85 assets
[#] This asset is included in the outcome areas data but not the market value as it was repaid in FY14
[‡] SIBs reported as 3 assets because a social impact bond with two distinct investor classes was reported as two assets; one for each class
[†] An additional 7 private equity assets are known to be included in the Data-set for the 'Conservation, environment and agriculture' outcome area, but market value was not available; including these additional seven assets would take the total number of deals in the far right column of this row to 13 and total assets to 92.
 Table reflects market value for those assets for which data was provided
 Where rows and columns do not add up, it is due to rounding up or down

Source: Impact Investing Australia, 2016; analysis of Data-set 2015

Activity reporting in future benchmarking reports will be developed to capture more of the total market activity within the period. The key to achieving this will be increased participation and an extended scope of the Data-set to include private direct transactions and product domiciled outside Australia. That will enable benchmarking of activity in and from Australia and, over time, enable market sizing. It will also capture flows and variations in investment levels into different investment types and outcome areas.

2. Risk-return expectations

Most Respondents who provided data for their products (n=12) indicated they did not expect a necessary trade-off between market rate returns and impact. Respondents report targeting market rates of return over the long term for 11 of 12 products. For

those where an expected trade-off was reported (2 of 12), it is not clear from the available data whether any trade-off is by design, for example through investment structures that intentionally blend different types of capital. This picture will need to be further clarified in future data collection.

3. Investment activity by asset class

Investment activity in the Data-set is largely characterised by debt transactions (Figure 5). Private equity makes up a much smaller proportion (1%) of the private debt and equity activity reported within the Data-set.

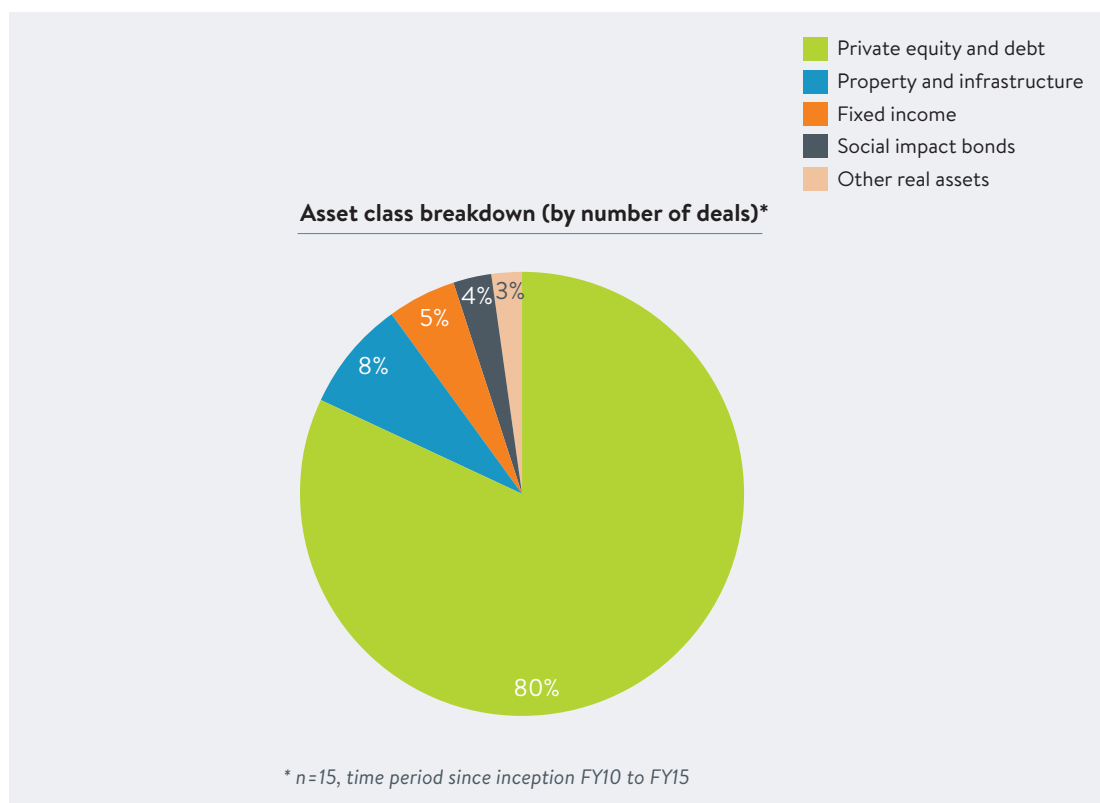
Of the 54 private debt loans for which data is provided, all are senior debt and the majority are secured; 43 of 54 are fully secured, 1 of 54 is partly secured and 10 are unsecured. The average tenor of fixed income and private debt assets is 7 years; the range is 0.4 to 15 years; the median is 5 years.

The largest volume of transactions occurs through the three Social Enterprise Development and Investment Funds (SEDIF). These represent 82% of all investment transactions to FY15. The individual transactions are small-scale debt finance to community organisations and social enterprises. Most are sub-million dollar deals; the average loan size is approximately \$200,000. While these account for the majority of transactions in the Data-set, they only represent approximately 1% of the total market value of the Data-set.

By dollar weighting, the green bonds issued in FY15 represent the largest transactions. In part, this is a function of their treatment as two single transactions, which has been applied because investors in green bonds do not hold the underlying assets. It may also reflect relative maturity of the market for different asset classes and outcome areas. This is an area to be tested in future benchmarking.



Figure 5: Most investment activity (by number of deals) is debt finance to social enterprise



Source: Impact Investing Australia, 2016; analysis of Data-set 2015

4. Investment activity by targeted stage of investment

The Data-set includes products that target different stages of investment (Figure 6). Some funds target more than one stage.

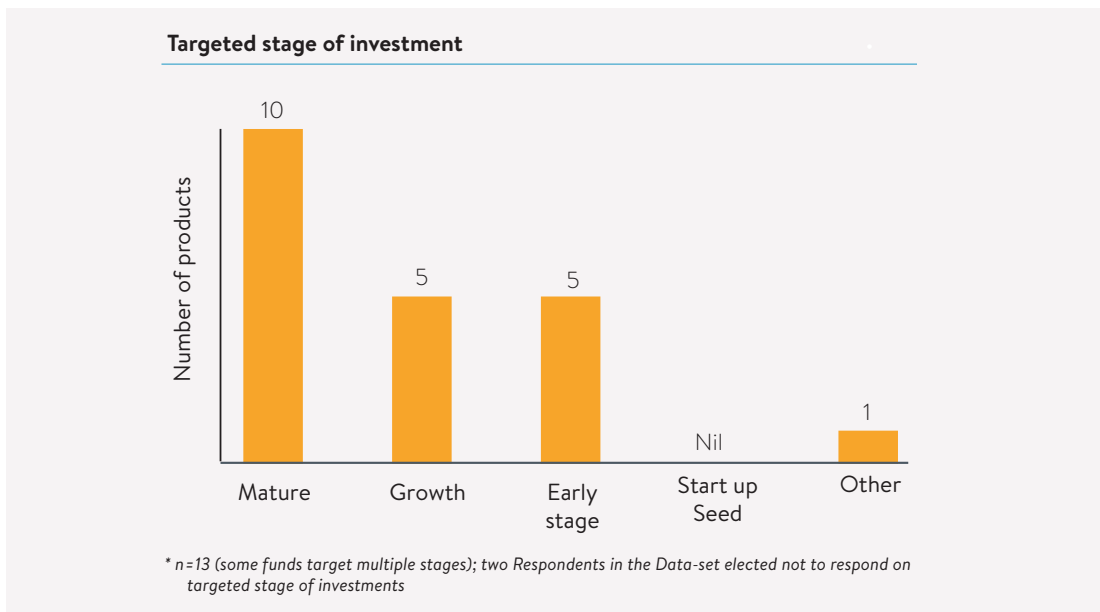
A significant majority of products in the Data-set target mature stage investments (10 of 13). This mirrors trends in mainstream finance and investment, and in the global market for impact investment.¹⁴

No Respondents report targeting start-up or seed stage investments to develop ideas. Less than half (5 of 13) target early stage investments to test ideas or products and/or growth stage investments. This may be explained by the fact that grants were not included in this dataset, or it may reflect the relative immaturity of the market. In the most recent Global Impact Investing Network Investor Survey, participants ranked lack of seed and early stage capital as the number one challenge to growing the market.¹⁵

¹⁴ For example, Wilson, K, Silva, F 2013; Mudaliar, A, Schiff, H, and Bass, R 2016.

¹⁵ Mudaliar, A, Schiff, H, and Bass, R 2016.

Figure 6: The Data-set demonstrates a weighting to mature and growth stage investments over seed and start up finance



Source: Impact Investing Australia, 2016; analysis of Data-set 2015

5. Investment activity by impact focus

The impact focus of the Data-set spans the nine outcome areas (Table 2).¹⁶ The weight of investments by dollar value (\$911 million) is in products targeting conservation, environment and agriculture, reflecting the size of the green bonds.

By transaction volume, the picture is much more evenly distributed across outcome areas. More investment activity (deals done) targets income and financial inclusion (18 deals) than other areas, although there is a cluster of outcome areas between 10 to 13 deals of the Data-set across conservation, environment and agriculture (13 deals);¹⁷ employment, training and participation (11 deals); physical health and disability (10 deals); families, community and inclusion (10 deals); housing and local amenity (10 deals); and arts, culture and sport (10 deals). A smaller number of transactions target outcomes in education and early childhood, and mental health and wellbeing.

Qualitative data collected for this Report suggests that, with the exception of green bonds, when designing impact theses and strategies, Respondents focus more on beneficiary groups than outcome areas.

¹⁶ See Glossary for note on outcome areas.

¹⁷ The total of 13 includes both the 6 deals reported in Table 2 and the 7 private equity assets excluded from that Table as market value was not available.

Investment Performance

- Investments in the Data-set are reported to be meeting financial return expectations.¹⁸
- Since inception, financial returns for assets in the Data-set across all asset classes are positive and reported to be tracking within expected return ranges; actual return ranges include: 5.4%–17% for debt; 3.25%–12% for fixed income; and 0–12.6% for real assets.
- Impact performance is reported to be meeting or exceeding expectations for most investments in the Data-set.
- Impacts were reported across nine outcome areas and over 60,000 beneficiaries; they are highly varied and include, in aggregate: 126 schools supported, 319 jobs created, 1,072 people with disabilities supported, 4,493 tons of e-waste diverted, 11,501 MWh renewable energy generated, 3.9 tons of CO₂^e avoided, 669 mental health sessions delivered.

Analysis of the Data-set examines investment performance by both elements of impact investment: financial performance and impact performance. 9 Respondents provided financial performance data (n= 14 products; 71 assets) and 7 Respondents provided impact performance data (n=9 products; 58 assets).¹⁹

Financial Performance

Financial performance data was provided at deal level for 13 of the 15 impact investment products in the Data-set active at 30 June 2015, and for 1 product which was repaid in FY14. Since inception, financial returns for assets in the Data-set across all asset classes are positive and tracking within expected return ranges.

Aggregate performance data is set out in Table 3 by asset class and relative to the return expectations reported by Respondents.²⁰ Performance data is disclosed for asset classes with 3 or more assets and where performance data is publicly available. In future benchmarking, the threshold number of assets per asset class for performance data will be reviewed.

Most investments are debt (by number) or fixed income (by size), and the majority of the return is cash yield. In some cases, particularly Social Impact Bonds (SIBs), the reported figures reflect that returns will be calculated at maturity of the product. The current SIBs are reported to be tracking in line with financial performance expectations.

¹⁸ All financial return expectations and actual returns are reported gross of transaction costs and manager fees.

¹⁹ All performance data is aggregated from self-reported deal-level data and for the period 1 July 2014 to 30 June 2015 (FY15) unless stated otherwise.

²⁰ In some cases, the return numbers reflected in the Data-set have been adjusted to reflect the weighted average returns to 30 June 2015.

Table 3: The impact investment products in the Data-set are reported to be meeting financial performance expectations relative to asset class

| | Private debt | Private equity [‡] | Fixed income [*] | Real assets [§] | Social impact bonds [†] |
|--|--------------|-----------------------------|---------------------------|--------------------------|----------------------------------|
| Number of assets | 50 | - | 3 | 8 | 3 |
| Number of exits | 4 | 1 | 1 | 1 | 0 |
| Amount invested (\$m) | \$9.5 | - | \$936.6 | \$99.1 | \$17.0 |
| Market value FY15 (\$m) | \$8.0 | - | \$914.0 | \$97.0 | \$17.0 |
| Return Expectations (%pa) | 5.4-17% | - | 3.25-12% | - | 0-30% |
| Actual return ranges FY15 (%pa) | 5.4-17% | - | 3.25-12% | 0-12.6% | 0-8.9% |
| Since inception return (%pa) | 7.9% | - | 8.6% | 5.3% | 0-8.9% |

n=13 at FY15; an additional product is included in the data from FY10 to FY13 after which it was repaid; two products did not provide financial performance data

[‡] Not disclosed due to limited number of transactions, which could also render the individual transaction identifiable

^{*} Includes charity bonds and green bonds

[§] Includes property, infrastructure and other real assets; insufficient data provided to report on expected returns

[†] One SIB (which has two investor classes) provides one repayment at term end and is considered on track, but is reported at 0% annualised returns as no payments have been made to date; the other SIB is making annual distributions, with total return from inception to 30 June 2015 of 8.9% comprising 7.5% in year one and 10.7% in year two

^{||} Weighted average return % per annum; asset class returns are gross of transaction fees; insufficient data provided to report on transaction costs

Source: Impact Investing Australia, 2016; analysis of Data-set 2015

Impact Performance

Impact data is reported in various ways. Respondents were asked to provide information about their own organisation, impact targets and actual performance data by beneficiary groups, numbers of beneficiaries, outcome areas and the identified social, environmental and cultural programs and services provided (such as facilities built, after-school care provided, affordable homes built, waste diversion, GHG emissions reductions).

The diversity of impacts reported across the Data-set reveals a rich tapestry of impact objectives and activities being financed, for example:

- 2,842 students supported
- 900 teachers trained
- 319 jobs created; 224 jobs sustained
- 274 artists supported
- 265 vulnerable clients supported
- 1,250 disadvantaged customers served (inclusion)
- 1,072 people with disabilities supported
- 126 schools supported
- 62% children in foster care program restored to families
- 173,000 customers served (business expansion)
- \$389,000 increase in fair trade turnover
- 18 communities supported
- 8 affordable homes built
- 2 facilities built or maintained
- 8% reduction in negative indicators for safety and risk for vulnerable children
- 669 mental health sessions provided
- 1,400 hours after school care provided
- 2 social benefit programs supported
- 4,493 tons of e-waste diverted from landfill
- 11,501 MWh renewable energy generated
- 3.9 tons of CO₂ emissions avoided

This also highlights the lack of standardisation in impact measurement today. Part 2 of this Report examines in more detail the developing field of impact measurement and opportunities for greater convergence and standardisation.

Impact performance for the Data-set is organised and presented in this section as follows, by reference to the streamlined outcome areas and beneficiary groups defined for this Report:

1. Are Respondents measuring their own impact? (n=9 Respondents except where indicated);
2. What is being measured by outcome area? (n=55 assets);
3. How are managers performing relative to impact targets? (n=52 assets); and
4. Beneficiaries: Who is better off as a result? (n=46 assets).

1. Are Respondents measuring their own impact?

Respondents were asked about what they measure and the characteristics of their own organisations. This provides an initial insight into whether Respondents are engaged in measuring impact factors for their own organisations. 9 of 11 Respondents provided that data, but not all questions were answered by all Respondents. The following are the headline figures for those organisations.

- 51% of leadership positions are held by women;²¹
- 6 of 8 track social performance indicators at the organisational level, such as employee engagement, customer engagement, Indigenous employment, volunteer hours, or philanthropic contributions/corporate giving;
- 4 of 8 track environmental performance indicators at the organisational level, such as energy usage, water usage, waste produced, or GHG emissions;
- 5 of 9 have stated policies to create employment opportunities for minority groups; and
- 3 organisations are Certified B Corporations, one organisation is a Global Impact Investing Network (GIIN) member, 3 are members of the Responsible Investment Association Australasia (RIAA), and 1 notes an industry association membership.²²

2. What is being measured by outcome area?

The reported data indicates a higher level of convergence for environmental metrics than other outcome areas. In particular, green bonds are reported to have relatively simple metrics that tend to focus on outputs, such as GHG emissions avoidance, tons of CO₂ abated or number of properties acquired/managed. This may reflect that environmental metrics are easier to count and the greater maturity and standardisation in this outcome area.

In contrast, impact metrics for private loan assets appear to be more highly customised (i.e. less standardised than, for example, green bond metrics), with slightly more activity in employment training and participation; physical health and disability; arts, culture and sport; and housing and local amenity.

Qualitative data suggests that asset managers track impact data through investee organisations. Interview data reveals that private debt transactions often involve borrowers who require additional pre-investment support, which may incur higher transaction costs and higher variability in approaches to measurement.

²¹ Women's workforce composition in aggregate for 2015 was: 14.2% of chairs, 23.6% of directors, 15.4% of CEOs, 27.4% of key management. Workplace Gender Equality Agency, 2015.

²² No organisation reported membership of more than one response category, i.e. there was no overlap in one organisation holding multiple memberships or certifications.

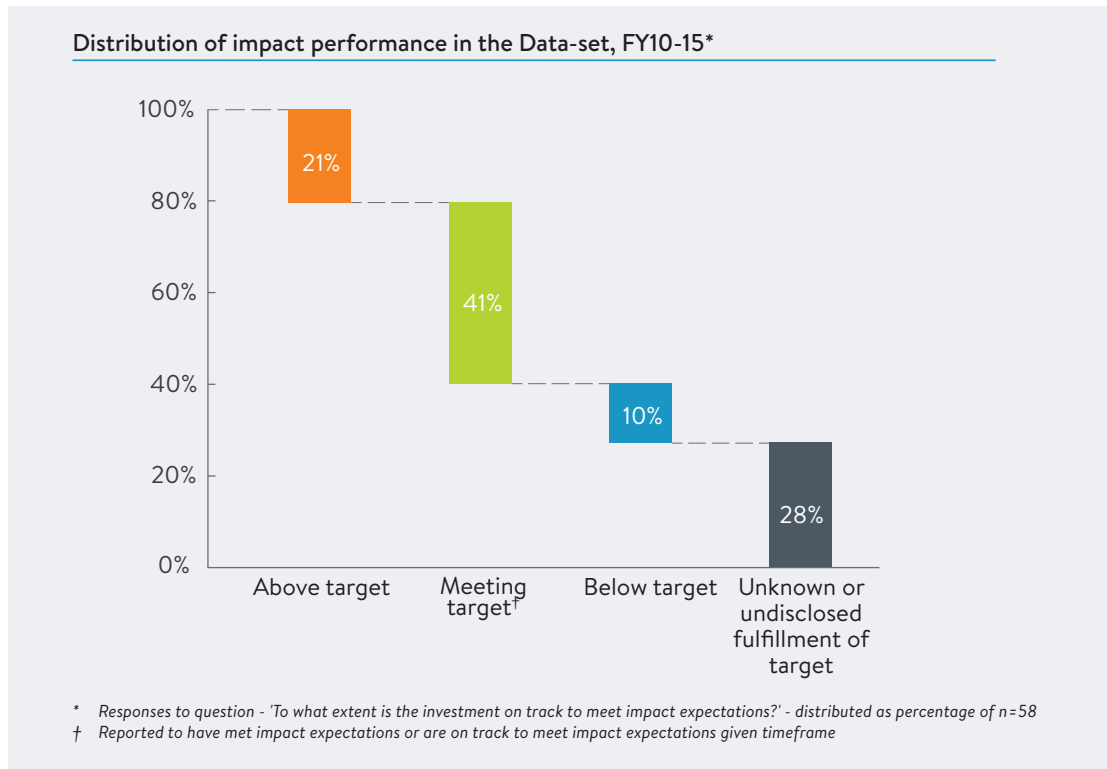
3. How are managers performing relative to impact targets?

Respondents disclosed that 58 assets had impact targets; and impact performance relative to targets was disclosed for 42 of those assets. The majority reported these assets are performing in line with or above the impact targets set (Figure 7). For example, if the target reported was 100 jobs created by a set time period, and 100 jobs are reported to have been created in that period; then performance is reflected as meeting the target. If the number of jobs reported to have been created is over 100 against the same target and time period, that is reflected as performing above target; and if the number of jobs created is under 100, that is reflected as performing below target.

The data provides some insight into the extent to which impact performance targets are being set and performance managed. This can inform further work on the extent and sophistication of targeting and management of impact in Australian impact investments. Over time, it will be important to better understand factors affecting performance and build a more dynamic picture of aggregate impact performance that reflects the diversity of the market e.g. to reflect that number of students supported, homes provided and waste reduced may have different values.

The median time investments in the Data-set are held is 1.5 years, and the median period of time expected to achieve impact targets is 5 years. It is not yet clear whether there is a relationship between length of holding and achievement of impact; this could be explored in future.

Figure 7: Most impact investment products in the Data-set are reported to be meeting impact performance expectations



Source: Impact Investing Australia, 2016; analysis of Data-set 2015.

4. Beneficiaries: Who is better off as a result?

An important aspect of impact performance is who benefits. Beneficiary data was provided for 46 assets between FY10 and FY15. The reported data indicates that the activities financed, touched or affected at least 61,082 beneficiaries in some way. This represents a minimum because beneficiary data was reported for only 50% of assets since inception.

Respondents were asked to attribute beneficiary numbers to the group that best represented the beneficiary population, even if they cross-cut multiple groups (i.e. young homeless people could be categorised as young people, people in poverty, people with addiction, etc.). This ensured beneficiaries are only counted once and not double reported.

Beneficiary data is not always collected or available; therefore, beneficiary numbers in this Report represent minimum figures relative to the overall activity of the Data-set. The data does not provide information on what services, benefits or outcomes relate to particular beneficiary groups or the quality of what is delivered or what value has been added. This is an area for further refinement and understanding.

Mapping reported impact data by outcome areas and beneficiary groups reveals patterns between the outcome areas and different beneficiary groups (Table 4). This provides new information about where investment activity and impact is occurring.

The largest group of beneficiaries identified is vulnerable young people (60% or nearly 37,000 individuals), and most of these are supported in employment, training and participation (>20,000 individuals). The next largest beneficiary group is people living in poverty, representing 12% of beneficiaries (>7,000 beneficiaries). The two outcome areas with the most number of beneficiaries are early childhood and education (36% or 22,000 people), and employment, training and participation (33% or >20,000 people). 97% of beneficiaries live in Australia, which is likely to reflect the scope of the Data-set focused on Australian domiciled product.

Respondents were also asked to provide narrative and qualitative data about the impact of the investments. Narrative impact descriptions were provided for 57 assets. Nearly all of the narrative describes the investment strategy rather than the outcome or impact, although a small number included possible outcomes for beneficiaries, such as jobs created. For example:

- *'The investment will fund the creation of a new fashion collection which sustains the work of Indigenous artists and communities, making their art work accessible through ethically made fashion.'*
- *'...[jobs created support individuals who] present with multiple social issues, whether it be drug and alcohol addiction, mental health issues, acquired brain injuries, mental and physical disabilities. By creating jobs... with the appropriate support network and encouragement, the staff have been able to contribute to society through gainful employment, improve their life skills and improve their employment track record and abilities.'*

From reported data, it is unclear whether Respondents are tracking narrative social impact data that relates to the quality of outcomes of how meaningful outcomes are for beneficiaries.

Table 4: Mapping reported impact data by outcome areas and beneficiary groups reveals patterns that frame areas for further investigation

| Beneficiary Group | | TOTAL |
|---|--|---------------|
| Outcome area | | |
| Education and early childhood | | 22,093 |
| Mental health and well-being | | 532 |
| Physical health and disability | | 1,088 |
| Families, community and inclusion | | 360 |
| Housing and local amenity | | 88 |
| Arts, culture and sport | | 20,332 |
| Employment, training and participation | | 338 |
| Income and financial inclusion | | 9,128 |
| Conservation, environment and agriculture | | 2,024 |
| Unallocated | | 5,099 |
| TOTAL | | 61,082 |
| | Other | 7,601 |
| | Homelessness | 2,388 |
| | Social trade or business | 2,200 |
| | Ecosystem and biodiversity | 2,001 |
| | Indigenous people | 905 |
| | Refugees and asylum seekers | 7 |
| | Vulnerable young people | 36,836 |
| | Vulnerable older people | 13 |
| | Mental health needs | 21 |
| | Long-term health issues | 372 |
| | People living with addiction | 35 |
| | Long-term unemployed | 210 |
| | Those living in poverty | 7,353 |
| | People with disabilities (physical) | 1,129 |
| | People with disabilities (learning) | 11 |

*n=46 assets, investments activity in the Data-set to 30 June 2015

† Numbers refer to individual beneficiaries

Derived from collation of answers to the following questions in the Questionnaire: 'Select one of the following nine outcome areas where the primary impact of your investment is targeted' and 'Please note the number of beneficiaries you have supported by each investment (please select one beneficiary group only, that is do not double count)'. Note: more detailed instructions provided to Respondents.

Source: Impact Investing Australia, 2016; analysis of Data-set 2015



Not everything that can be counted counts, and not everything that counts can be counted.

Albert Einstein

PART 2: PERFORMANCE MEASUREMENT FOR IMPACT

How Part 2 of the Report is structured

Part 2 focuses on impact investment performance measurement responding to a need expressed by Respondents and other stakeholders for guidance on how to approach the measurement task. The material is set out in three sections:

- Benchmarking methodology;
- Performance measurement practice in Australia; and
- Benchmarking impact performance.

Benchmarking Methodology

- 13 Respondents answered questions relating to performance measurement.
- Leading international taxonomies and classification systems were reviewed to derive nine outcome areas.
- A global benchmarking sample of nearly 700 impact metrics currently reported were coded into higher order categories and referenced to leading taxonomies to derive a set of 3–5 apex impact metrics for each outcome area.

The benchmarking of impact measurement draws on an extensive review and analysis of the available taxonomies and frameworks and published measurement reports. A reference point was needed to provide a rigorous foundation for the capture of information about performance measurement. Arriving at a sufficiently concrete reference point for impact measurement required solid research to ground an understanding about what others are doing elsewhere to inform questions about Australian practice relative to the field globally.

The resulting benchmarks provide a reference against which to test what is already being used in Australia and what Respondents find useful. It also provides a baseline from which further understanding and refinement of data collection and performance measurement practice can be built.

For the data on Australian practice, Respondents were asked about their attitudes and approaches to financial and impact measurement. The Questionnaire included both open and closed questions. That is, Respondents were asked ‘what social/ environmental metrics are you tracking?’ as well as ‘which of the following metrics do you track?’ Respondents were asked about performance and measurement for their own organisations as well as about the impact investments they manage.

This also provided an opportunity to get feedback on the Questionnaire used in this research by tracking responses to different kinds of questions.

Metrics derived from the global benchmarking sample were presented to Respondents in Australia who were asked whether they collect data on these metrics and whether they find them useful. Respondents who collect data on the metrics were asked what quantitative and qualitative measures are collected and what data collection methods they use. The Data-set provided 184 impact metrics which Respondents are using in Australia. Those metrics were coded using the same process as the global benchmarking sample. Further detail on the methodology is set out in the section below and Appendix B.

Deriving the outcome areas and apex impact metrics

Given the availability of a range of measurement approaches that Respondents might consider to be complex to compare and navigate, it was necessary to narrow the field to a practical set of apex metrics to provide a clear reference point. A funnelling approach was applied: the range of metrics from leading taxonomies and impact reports of globally recognised asset managers were looked at and successively filtered to obtain reasonable groupings that could form an apex set of metrics. The approach is further described below.

Nine outcome areas were derived through analysis and synthesis of taxonomies, impact and outcome areas applied by Big Society Capital; Global Impact Investing Network (GIIN), including the IRIS taxonomy 3.0; and the OECD²³ (Table 5). This process suggested broad convergence across the outcome areas being applied by leading industry bodies and thought leaders in the field. The resulting groupings were further refined by reference to other accepted international classifications such as the International Classification of Non-profit Organisations.²⁴ This is intended to facilitate greater comparability with other data-sets over time.

²³ Big Society Capital Outcomes Matrix; IRIS Metrics 2016; Wilson, K, Silva, F, Ricardson, D, 2015.

²⁴ Australian Bureau of Statistics 2009.

Table 5: Nine outcome areas were derived from recognised global frameworks that demonstrated near convergence in categories

| Outcome areas | Big Society Capital | International Classification of Non-profit Organizations | IRIS | Global Impact Investing Network | Organisation for Economic Co-operation and Development |
|---|---|--|--|--|--|
| Education and early childhood | Employment, training, education | Education and research | Education | Education | Education, training and unemployment |
| Mental health and well-being | Mental health and well-being | Health | Health | Healthcare | Health |
| Physical health and disability | Physical health | Health | Health | Healthcare | Disability |
| Families, communities and inclusion | Family, friends and relationships | Social services; Philanthropy intermediaries and voluntarism promotion | Housing/ community facilities | - | Community, children, families, public order and safety |
| Housing and local amenity | Housing and local facilities | Development and housing | Housing/ community facilities | Housing | (Affordable) housing |
| Employment, training and participation | Employment, training and education | Business and professional associations, unions | - | - | - |
| Arts, culture and sport | Arts, heritage, sports and faith | Culture and recreation; Religion | - | ICT | Arts/culture |
| Income and financial inclusion | Income and financial inclusion | - | Financial services | Micro-finance, financial services | Financial services (inc microfinance) |
| Conservation, environment and agriculture | Conservation of the natural environment | Environment | Environment, land conservation, water, agriculture | Energy, food, agriculture, water, sanitation | Agriculture, environment, energy, water, sanitation |
| | - | Law, advocacy and politics; International | - | - | Ageing |

Source: Impact Investing Australia analysis, 2016

164 global impact investment asset managers identified through global databases provided a starting population to screen for impact metrics. Desktop research identified 91 annual or impact reports, of which 71 included publicly available impact data.

Nearly 700 coded metrics from those reports were organised by outcome area, then cross-referenced to entries in the IRIS and Big Society Capital taxonomies. These metrics were then grouped together with other similar measures into higher order

categories (as illustrated by the examples in Table 6).²⁵ For example, number of students enrolled, children attending, and number of students with access to good quality education, were grouped to the outcome area ‘education and early childhood’ and double-coded to the higher-order metric: ‘enrolment, attendance and access to education’.

Impact data from another 11 Australian asset managers from the Data-set were also coded following the same methodology and yielded an additional 184 impact metrics that were grouped with the nearly 700 global impact metrics.

Table 6: A set of apex impact metrics were derived from nearly 700 metrics in published impact investment performance reports internationally

| Outcome area† | Sample of how apex impact metrics were derived | | | | |
|---|---|--|---|----------------------------|--|
| | Metric or indicator | IRIS‡ | Big Society Capital | Impact Value Chain metrics | Apex impact metrics |
| Education and early childhood | Increased ability of children to study | - | - | Outcome | Cognitive and behavioral improvements |
| Education and early childhood | Qualifications gained by at-risk children | - | - | Outcome | Qualifications |
| Education and early childhood | Low income 3 and 4-year olds attending high quality preschool | PI2173 (school enrolment, low income) | - | Output | Enrolment, attendance and access |
| Education and early childhood | Increase of student enrolment | PI2389 (school enrolment, total) | - | Output | Enrolment, attendance and access |
| Conservation, environment and agriculture | Waste avoidance from landfill | PI2073 (hazardous waste avoided) | Improvements in general waste and recycling | Output | Waste reduction |
| Conservation, environment and agriculture | Sustainably farmed land | OI6912 (land directly controlled: sustainably managed) | Organic farming | Outcome | Land/marine management or conservation |

The groupings of metrics were double coded to outcome area, impact value chain and to apex impact metrics. That is, they were coded by two independent coders and, where discrepancies existed they were resolved by a third party.

† This is not a comprehensive list of all the outcome areas and metrics. It is a sample to illustrate the process.

‡ IRIS codes represent the unique metric identifier in the IRIS 3.0 taxonomy

Source: Impact Investing Australia, 2016

Through this process, the set of apex impact metrics were derived based on frequency of reporting. These include beneficiary count (e.g. number of students supported) and number of services provided (e.g. number of literacy programs delivered), identified as metrics commonly used across all outcome areas, and the top 3-5 higher order metrics specific to each outcome area (Table 7).

²⁵ The groupings of metrics were double coded to outcome area, impact value chain and to apex impact metrics. That is, they were coded by two independent coders and, where discrepancies existed they were resolved by a third party.

Table 7: Apex impact metrics were identified for each outcome area

| Outcome areas | Apex impact metrics |
|---|--|
| Education and early childhood | <ul style="list-style-type: none"> ■ Enrolment, attendance or access to education or early childhood services ■ Cognitive and behavioural improvements in children ■ Educator and teacher training ■ Improved quality of education |
| Mental health and well-being | <ul style="list-style-type: none"> ■ Improved well-being or perceived wellness ■ Increased employment outcomes |
| Physical health and disability | <ul style="list-style-type: none"> ■ Access to health care ■ Long-term health improvements ■ Fitness or exercise indicators |
| Families, communities and inclusion | <ul style="list-style-type: none"> ■ Access to essential services ■ Empowerment ■ Social inclusion ■ Urban redevelopment and regeneration ■ Policy and regulatory interventions |
| Housing and local amenity | <ul style="list-style-type: none"> ■ Affordable or social housing units created ■ Independent living skills (e.g. domestic housekeeping, financial) ■ Provision of housing (e.g. temporary, crisis, with caregivers, elderly) ■ Improved housing or amenity standards (e.g. energy, efficiency, safety) ■ Financial assistance |
| Employment, training and participation | <ul style="list-style-type: none"> ■ Jobs created or people employed ■ People trained ■ Perceptions of improvement in self attributes (e.g. confidence, skills, attributes, employability) ■ Social enterprise support (e.g. loans, training) |
| Arts, culture and sport | <ul style="list-style-type: none"> ■ Participation and/or attendance of cultural or sporting sites and events ■ Enhancement of facilities or services |
| Income and financial inclusion | <ul style="list-style-type: none"> ■ Increased income (e.g. productivity, wages for individuals and communities) ■ Access to financial services (e.g. loans, ATMs, products, services) ■ Adoption of positive financial behaviours ■ Perceived self-improvement (e.g. confidence, skills, attitudes) ■ Cost savings |
| Conservation, environment and agriculture | <ul style="list-style-type: none"> ■ Greenhouse gas emissions reductions (e.g. CO₂, methane) ■ Environmental improvements through efficiency measures (e.g. waste diverted, energy or water efficiency) ■ Environmental improvement through production processes (e.g. renewable energy produced, clean water supply, organic food production) ■ Farmers supported ■ Land or marine conservation or protection |

Source: Impact Investing Australia, 2016

Performance Measurement Practice in Australia

- Respondents considered both financial and impact metrics important and most benchmark both.
- Nearly half of Respondents reported generalised risk to be above market; responses to different types of risk indicate that this may be concentrated in relation to exit risk and ‘unquantifiable’ risk.
- There is not yet detectable convergence on the adoption of taxonomies or impact measurement frameworks.
- While Respondents ranked impact data and financial data as important to all stakeholder groups, data needs of stakeholders, as reported, are not yet matched by what is being collected.

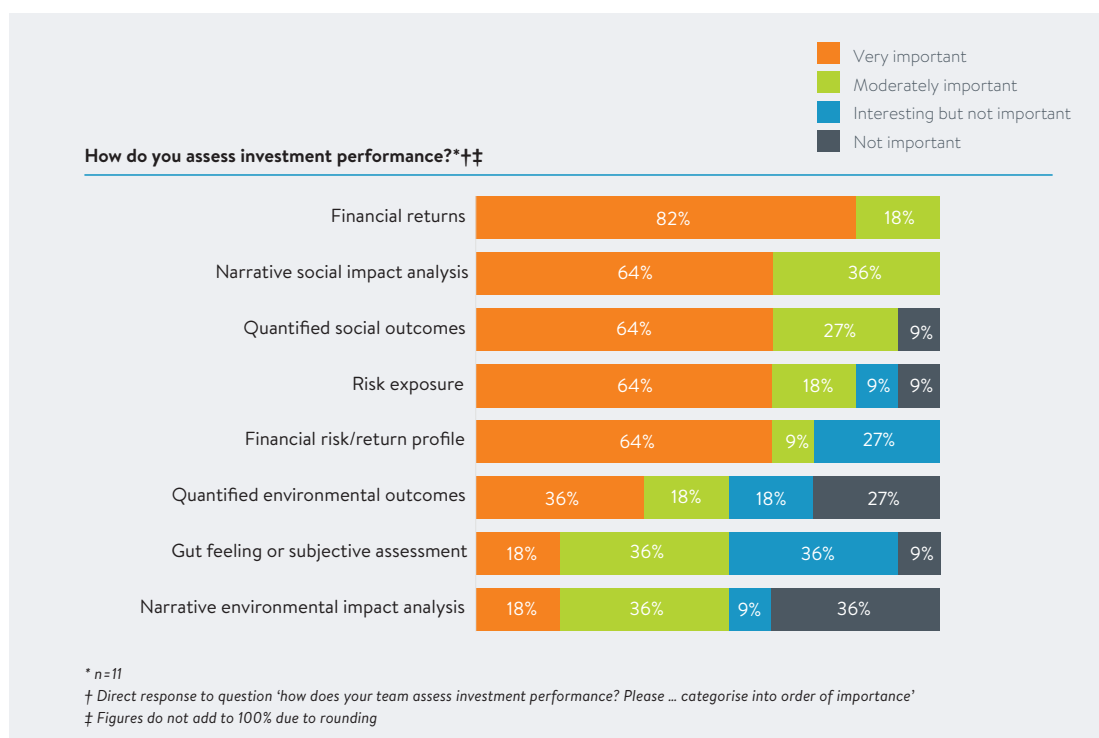
13 organisations provided data on their approach to impact investment performance measurement. The analysis of that data is organised by:

1. Approaches to performance measurement (n=11 Respondents);
2. Risk perceptions (n=12 Respondents);²⁶
3. Highest value data and biggest challenges (n=11 Respondents);
4. Benchmarking performance (n=12 Respondents);
5. Impact investment taxonomies and frameworks (n=11 Respondents); and
6. Users of performance information (n=12 Respondents).

1. Approaches to performance measurement

Respondents consider financial and impact metrics to be important. Financial metrics were reported to be most important, followed closely by impact metrics (Figure 8).

Figure 8: Respondents consider both financial and impact metrics important



Source: Impact Investing Australia, 2016; analysis of Data-set 2015

²⁶ The number of Respondents for Part 2 is greater than for Part 1, see Figures in Appendix B.

Respondents place similar importance on qualitative and quantitative social impact measures. Environmental outcome measures rank lower overall in importance to social impact measures. This is likely to be reflective of the focus of Respondents in the Data-set.

The responses do not provide detailed insights into which parties in the value chain are collecting data and tracking impact. Qualitative data from the consultation process suggests that ownership of this role, between asset managers and investee organisations and within organisations, remains a work in progress.

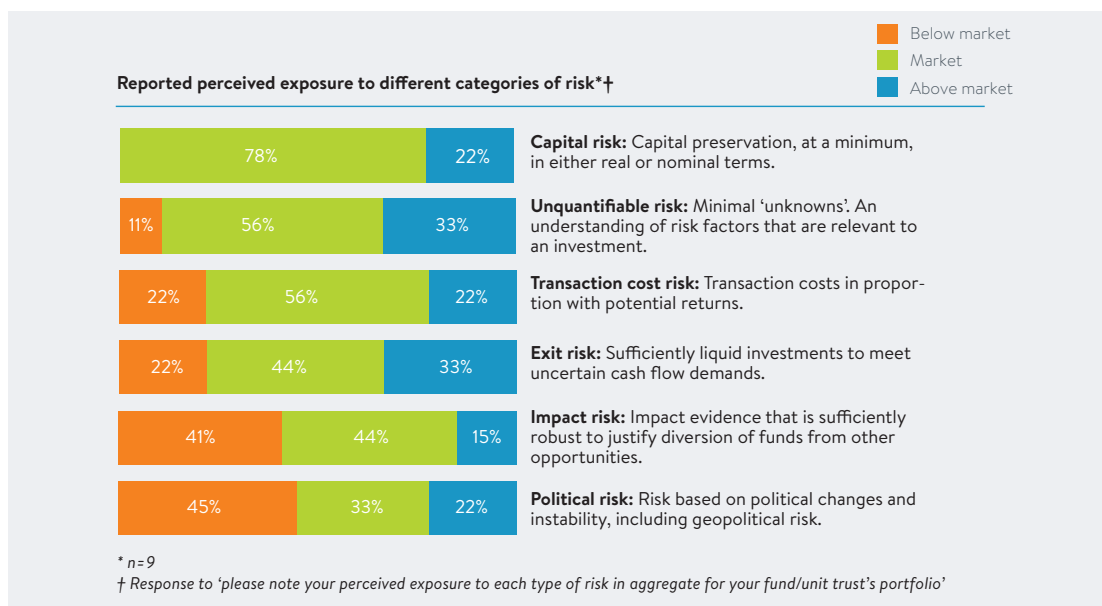
2. Risk perceptions

Respondents indicated greater (generalised) risk for impact investment products than other investment products, although the data is more nuanced in relation to particular areas of risk (Figure 9).²⁷ Most Respondents reported exposure at or above market risk (10 out of 12). Assessment of risk relative to market is an area for further development once there is a larger data pool and a longer period of time over which to measure performance.

Importantly, when asked about specific types of risk, the responses were more nuanced. Unquantifiable risk and exit risk were reported as the highest aggregate types of risk. This suggests Respondents may still be calibrating risk perceptions for impact investment and warrants further exploration.

Respondents were asked about specific types of risk including impact risk: risk that impact does not occur or cannot be measured, risk of unintended negative impact, and risk for providers of concessionary capital. The responses are aggregated in the summary of impact risk (Figure 9) due to size of the sample and the fact that data on each area of impact were reported to be commensurate with risk levels expected for the broader market. Building a more robust understanding of whether and what impact risk is being assessed and measured and levels of different impact risk for different types of investment is an important area for further development.

Figure 9: Respondents assessed the risk of impact investments differently against different categories of risk



Source: Impact Investing Australia, 2016; Data-set 2015 applied to adaptation of Bridges Impact+ Risk Framework

²⁷ Bridges Impact+ and Bank of America Merrill Lynch, *De-risking Impact Investment*, 2015. This Report identified 5 categories of risk attached to impact investment which can be assessed and addressed separately: capital risk, unquantifiable risk, transaction cost risk, exit risk, and impact risk. Further consultations also noted there may be political risk, which was added as a sixth possible risk dimension.

3. Highest value data and biggest challenges

Respondents reported the data that they find most valuable. Themes that come through include a need for data that informs understanding of: investor appetite, the most commonly used impact metrics, government data about areas of social need and clients, benchmarking information and potential for outcomes aggregating platforms and infrastructure. The Respondents' perspectives on the value of data provide some insights into their needs and reinforces that information needs vary for different groups. Examples of highest value data include:

- *'Government data about our clients to understand our impact after they've graduated from our programs.'*
- *'Value of impact investment products for individuals. Insights into behavioral and attitudinal changes. Future trends.'*
- *'Consistent and reliable financial performance, default management is important as it will prevent further investment in the funds if this is not managed.'*
- *'Understanding of key outcome areas and methodologies used to measure outcomes by other organisations.'*
- *'Investor appetite and commonly used social and environmental metrics.'*
- *'Case studies with qualitative narrative around how an impact investment dollar has changed peoples' lives for the better.'*

Respondents also related practical challenges they encounter in collecting data and measuring impact investment performance. Responses included challenges relating to: measuring intangible benefits, access to data, privacy considerations, capacity issues, data reliability and standardisation issues. For example:



- *‘How do you measure something which provides intangible benefits? How do you isolate the intangible benefit and attribute it to the investment?’*
- *‘There is no standard as each investment is different - very hard to compare apples with oranges. Also the numbers doesn’t always mean anything if they refer to different indicators.’*
- *‘The challenge is establishing our own benchmarks and whether this has been appropriate.’*
- *‘Available resources at both client organisation (time, expertise) and our organisation (time, financial).’*
- *‘There are not enough deals in the market to compare ‘bang for your buck’ yet.’*
- *‘..mapping the changes and improvements in people’s lives across education, employment, first Australians, disability is very difficult to aggregate and compare.’*

These insights into what is valuable and what is most challenging should inform future developments.

4. Benchmarking performance

The majority of Respondents reported that they currently benchmark both financial and impact performance. A greater number of Respondents currently benchmark impact performance than benchmark financial performance.

Respondents reported that they currently benchmark financial performance using a variety of methods: from market data to individual return hurdles and multi-year rolling targets across the portfolio linked to the Consumer Price Index plus a percentage.

Respondents also reported a variety of ways in which impact performance is currently being benchmarked: control and comparison groups to individual impact goals and metrics to previous performance and, in the case of Green Bonds, the international Green Bond Standard.

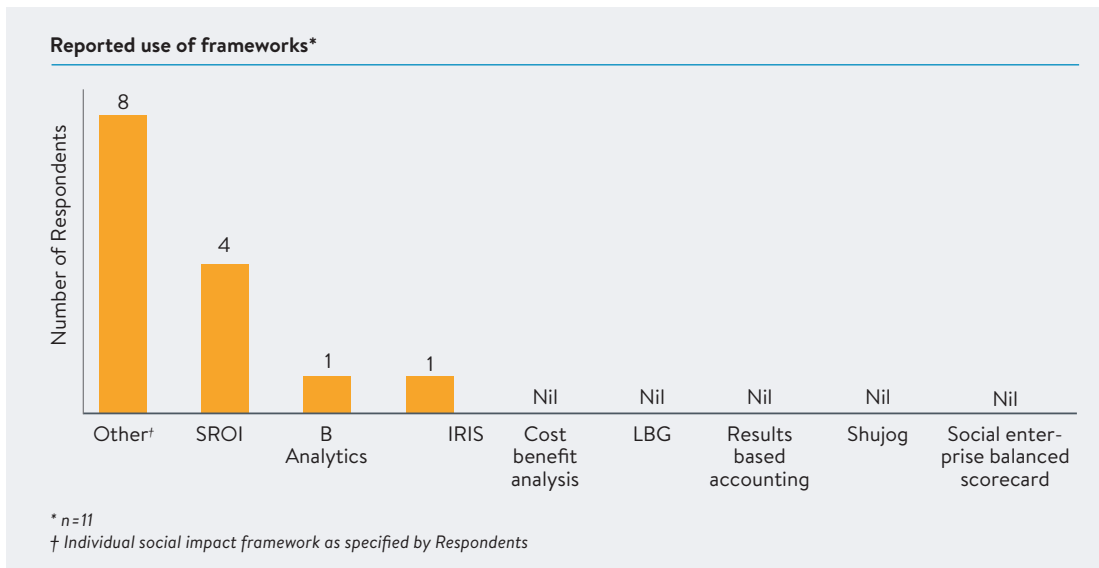
The research should continue to track what is being benchmarked and how it will assist in understanding where convergence is occurring, and how it can be used to assess comparability of data.

5. Impact performance taxonomies and frameworks

There is variation in the financial data being reported for Australian impact investments. It is unclear whether this reflects the different asset classes that the investments fall into, the extent to which Respondents are subject to regulated reporting standards based on their own or fund structures, or simple variation in practice. This is an area for further investigation over time.

There is a much higher degree of variability, and a clearly identifiable high level of individualised approaches, in the reporting of impact measurement (Figure 10). All Respondents report using more than one approach to social impact measurement. Most Respondents report using measurement approaches tailored to each underlying investment, creating bespoke metrics and measurement approaches to suit each individual enterprise.

Figure 10: The divergence of approaches to impact measurement highlights a need to work towards greater convergence and comparability



Source: Impact Investing Australia, 2016; analysis of Data-set 2015

This is likely to reflect the state of market development and relative stage of convergence in impact measurement. The extent to which this is also affected by who collects the data and other reporting requirements those parties may have, in particular for investees, also merits further investigation.

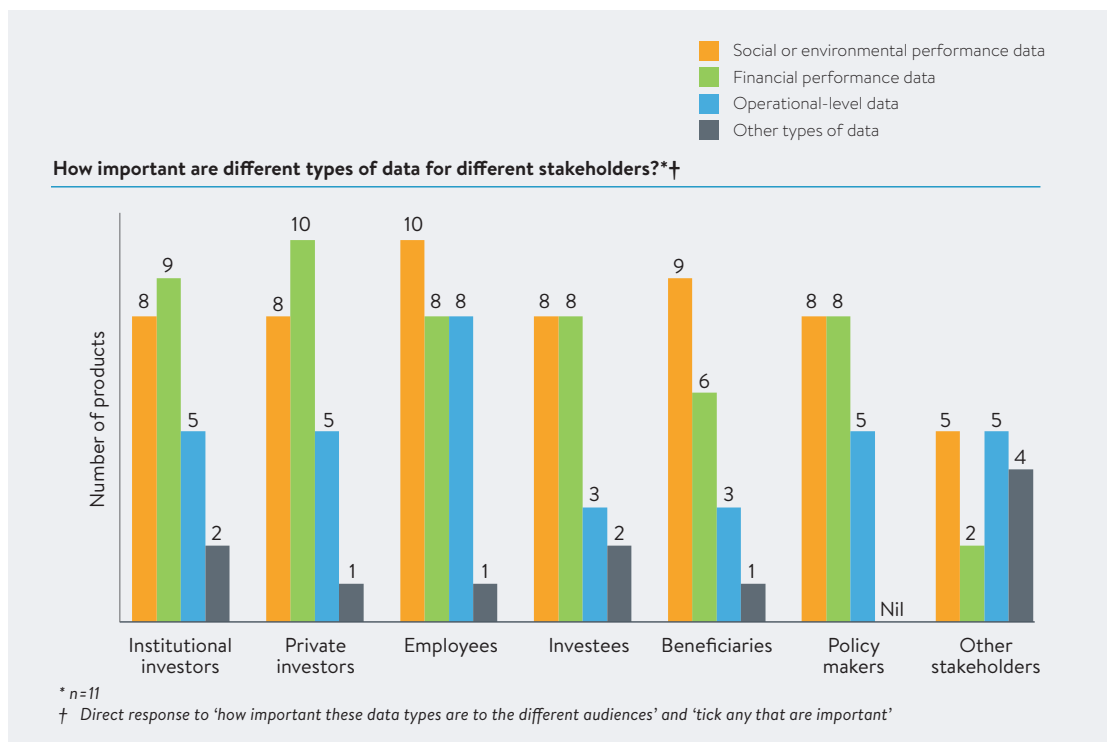


6. Users of performance information

Respondents were asked to rank the relative importance of different types of data to their different stakeholder groups (Figure 11). Impact performance data was reported as being as important as financial performance data for most audiences, including mainstream investors. This is consistent with the results of the 2016 Impact Investing Australia Investor Survey, which found that 50% of investors expect well-documented and well-reported impact information.²⁸

The response rates and analysis for this Report indicate that the perceived data needs of stakeholders are not yet being matched by the type of data being collected and reported.

Figure 11: Respondents' ranking of performance measurements shows impact data is important to all stakeholder groups



Source: Impact Investing Australia, 2016; analysis of Data-set 2015

28 Dembek, K, Madhavan, D, Michaux, F, and Potter, B 2016.

Benchmarking Impact Measurement

- The most measured outcome area is employment, training and participation (skills and job creation), followed by income and financial inclusion.
- Metrics being used globally and in Australia do not yet correlate neatly to the major global taxonomies, including IRIS.
- Environmental metrics demonstrate the greatest degree of relative consistency or convergence in what is being measured.
- Apex impact metrics can be helpful to developing greater convergence in what is being measured and assessing the utility of measures.

This section benchmarks trends in global impact reporting to what the Data-set reveals about impact measurement and reporting in Australia (n=184 impact metrics from the Data-set; 693 impact metrics from the global benchmarking sample). It describes what is being measured, how it is being measured, and how that can inform directions toward greater convergence and comparability.

The apex impact metrics reflect common themes across what is being measured. They can be used to build frameworks for impact measurement with more streamlined and consistent groupings of outcome areas and metrics linked to the leading taxonomies.

Testing which of the apex impact metrics Australian Respondents are currently using and finding useful can also inform broader work asking the same questions of a broader sample to evolve the metrics and develop measures relating to them. Over time, those which are not useful or do not inform understanding of value created should be refined and replaced and those which are useful should be developed and broader use encouraged.

Use of impact taxonomies

The analysis shows that global benchmark taxonomies developed in recent years are being used. However, the use is not yet wide or consistent (Figure 12). The IRIS taxonomy and Big Society Capital Outcomes Matrix do not yet correlate neatly to one another. There are 183 identified Big Society Capital metrics, of which 91 currently have a clear corresponding IRIS metric.

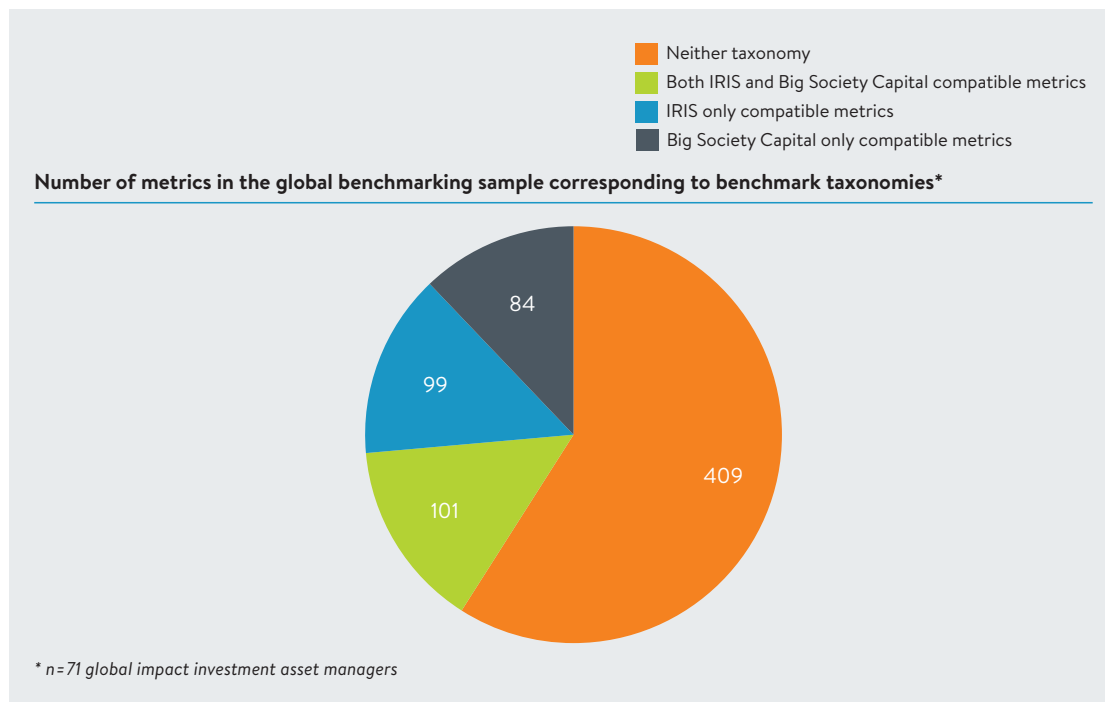
More than half of observed impact metrics did not correspond to either the GIIN IRIS taxonomy²⁹ or Big Society Capital's impact measurement framework³⁰; 14% of metrics were IRIS compatible; 12% were Big Society Capital compatible; and 15% compatible with both IRIS and Big Society Capital taxonomies.

Over time, it will be important to identify trends in uptake and usage of the taxonomies and metrics. This will help direct future efforts and identify whether and where convergence is occurring.

²⁹ IRIS Metrics, 2016.

³⁰ IRIS metrics were selected in version 3.0 and Big Society Capital metrics were coded in March 2016.

Figure 12: Global use of impact investment taxonomies is not yet widespread or consistent



Source: Impact Investing Australia, 2016

What is being measured?

Globally and in Australia, most metrics being used are output measures (metrics of activity) rather than outcome or impact measures (descriptive quality of the impact). This is likely to reflect the fact that outputs can be easier to count and, in some cases, are the only available proxy for outcomes. This is reinforced by insights from the consultation process which suggest that outcome data illuminates more meaningful stories that serve as proxies to understand impact, but are more complex and more difficult to measure, collect, aggregate and report in a meaningful manner.

In contrast to the data reported in Part 1 which reflected impact investment activity and performance, the lens of what is being measured gives a different view of the activity.

The combined data illustrates where the weight of impact metrics is being reported and the level of consistency across metrics being used in different outcome areas (Table 8). For example, more impact metrics are being reported in the outcome areas of employment (18%) and financial inclusion (16%) than in other outcome areas; and arts, culture and sport (3%) and mental health and well-being (4%) have the lowest level of reported metrics.

Table 8: To the extent there is convergence in the metrics being used, it is occurring in conservation, environment and agriculture; and housing and local amenity

| Outcome areas | % of metrics in the global benchmarking sample | Top outputs | Top outcomes | Convergence in what is being measured |
|---|--|--|--|---------------------------------------|
| Education and early childhood | 10% | Enrolment; Training | Cognitive and behavioral; Quality of education | Medium |
| Mental health and well-being | 4% | Well-being | Employment | Medium |
| Physical health and disability | 9% | Access to health care; Fitness | Long-term health improvements | Low |
| Families, community and inclusion | 12% | Access to services; Urban renewal; Policies | Empowerment; Social inclusion | Low |
| Housing and local amenity | 9% | Units created; People housed; Access to financial assistance | Independent living; Improved standards | High |
| Employment, training and participation | 18% | Jobs created; People trained; Social enterprises supported | Improvement in perceived self attributes (i.e. confidence) | Medium |
| Arts, culture and sport | 3% | Participation, attendance; Facilities built or maintained | - | Low |
| Income and financial inclusion | 16% | Income; Access to financial services; Cost savings | Positive financial behaviors; Perceived self improvement | Medium |
| Conservation, environment and agriculture | 13% | Farmers supported | GHG reductions; Environmental improvements; Conservation | High |
| Other | 6% | - | - | - |
| TOTAL | 100% | | | |

n=877 metrics (693 global and 184 Australian Data-set)

Source: Impact Investing Australia, 2016; analysis of Data-set, 2015 and global benchmarking sample

Some outcome areas demonstrate higher convergence in what is currently being measured. That may reflect an opportunity for standardisation in particular investment areas. Or, it may reflect that some data are easily counted. Conservation, environment and agriculture metrics demonstrate the highest convergence in what is being measured (i.e. 92% Australian and 98% global track only the top 5 conservation, environment and agriculture metrics). This may be a signal of sector maturity whereby it becomes easier to agree on a set of standardised metrics across investments within those more mature and converging sectors.

Data from the consultation suggests that some measures are used as indicators for broader impact. An example of this is employment data which the various parties reported using as a point of leverage for meeting other social challenges, such as mental health issues, poverty, physical health, and social inclusion.

The nature and quality of measures is an important factor to be considered as the field develops. This should include consideration of whether what is being measured is fit for purpose. That includes whether the metrics are providing meaningful information about the relevant points in the impact value chain.³¹ Over time, measurement for some investments will also need to capture unintended consequences.

In future reports, it will also be useful to compare what metrics are being used between the Data-set and global asset managers as an indicator of relative convergence. Divergence between data sets may point to areas for further investigation and exchange between jurisdictions. The degree of convergence in metrics by outcome area could also inform unexplored or underdeveloped opportunities for impact outcomes in different jurisdictions.

While there are differences between the available Australian and global data, the Australian Data-set is not yet sufficiently developed or large to draw any patterns or conclusions from those differences.

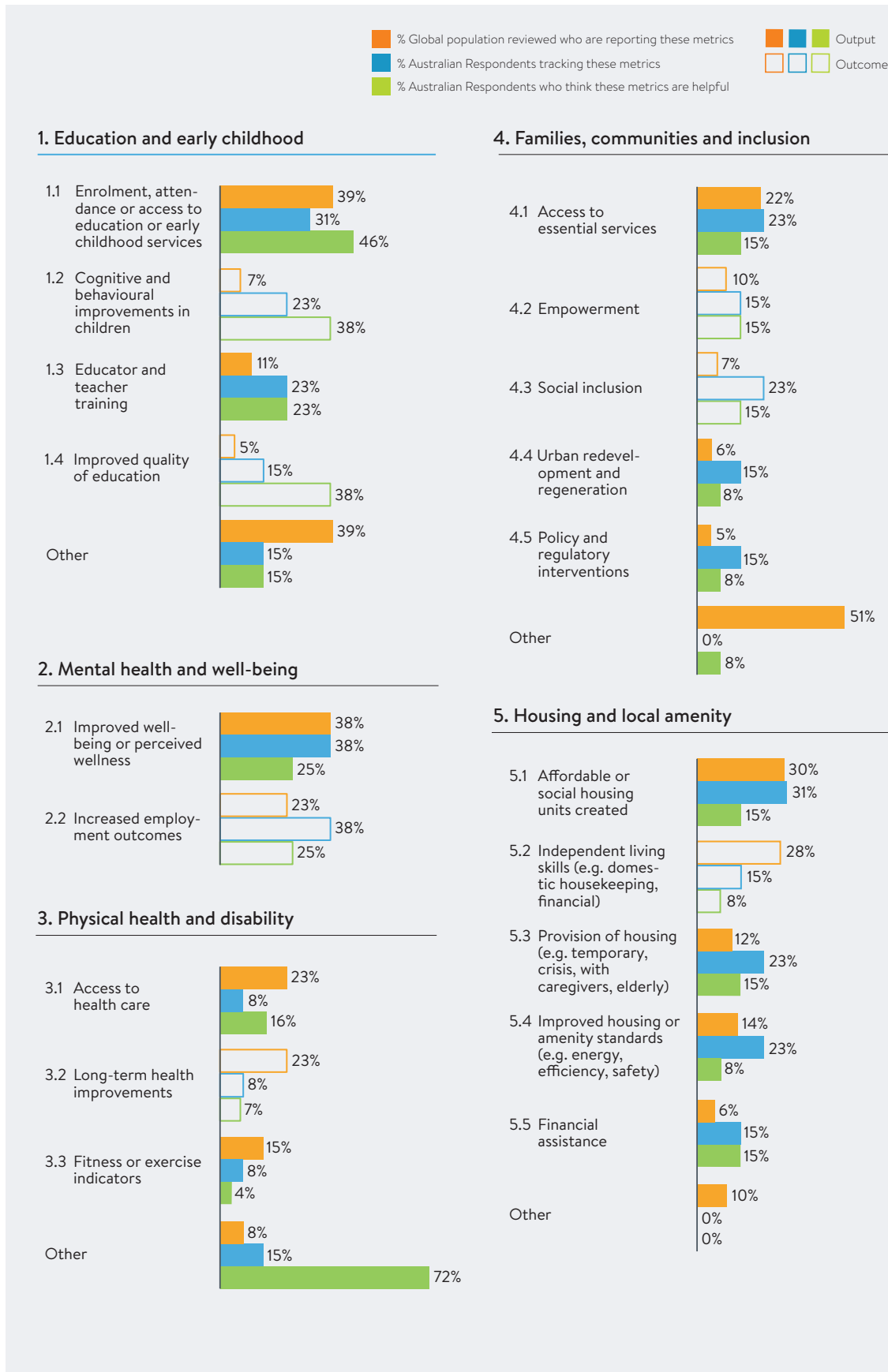
Apex impact metrics

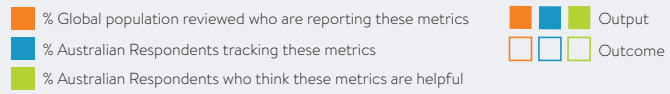
The top 3-5 apex impact metrics for each outcome area were put to Respondents who were asked whether they use those metrics and whether they find them useful (Figure 13). The information presented also reflects whether and which of those metrics are output or outcome measures, which are being used and whether Respondents find them useful.

For this Report, data on how useful the metrics are perceived to be has only been captured for the Australian Respondents. This process could also be applied to a broader sample to assess and provide relative comparisons, including across jurisdictions. The exercise of asking which of the apex impact metrics are being used and which are useful could be built into other and broader data collection exercises to refine these metrics further. Data collected about whether and how metrics are used can then inform work on further alignment and convergence towards industry standards.

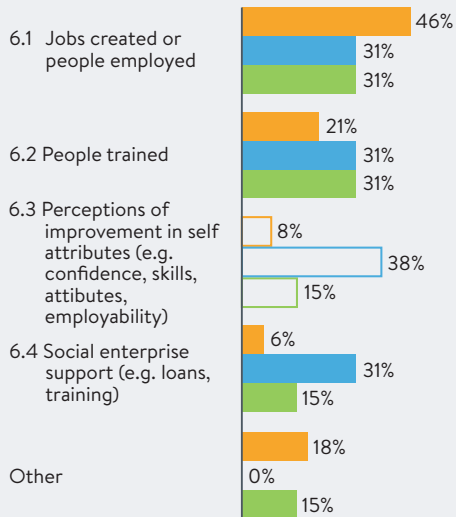
³¹ The impact value chain refers to the progression from inputs to activities, outputs, outcomes and impact, with more data for outcomes and impact necessary to measure change rather than activity levels.

Figure 13: The apex impact metrics could provide a starting point for greater convergence

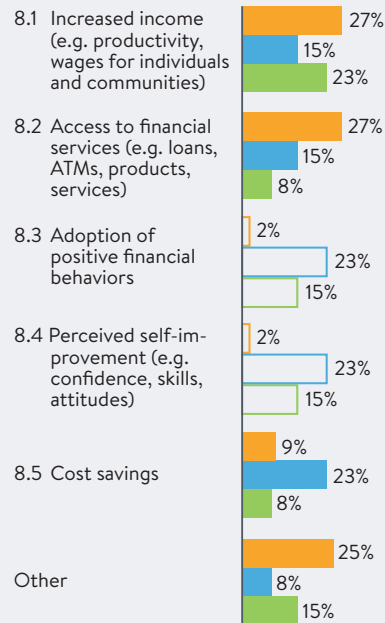




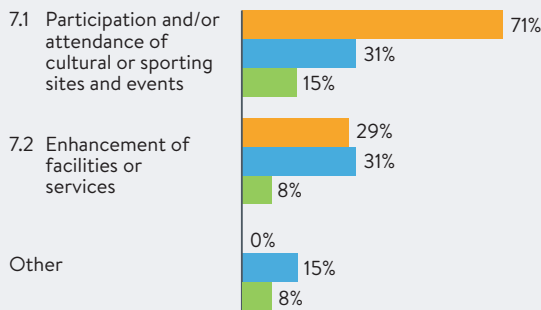
6. Employment, training and participation



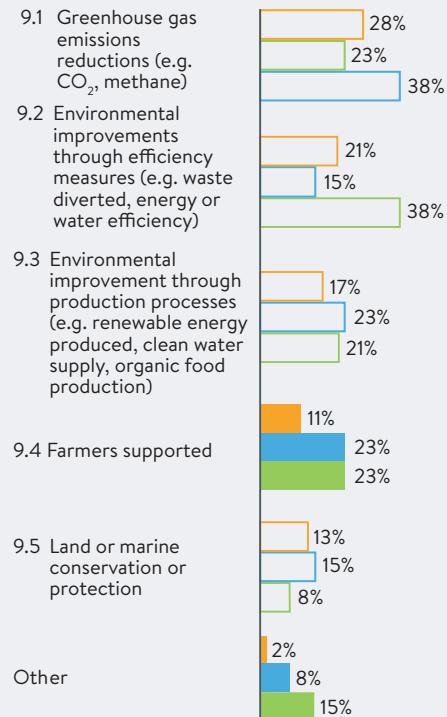
8. Income and financial inclusion



7. Arts, culture and sport



9. Conservation, environment and agriculture





The idea is to go from numbers to information to understanding.

Hans Rosling

BENCHMARKING: THE WAY FORWARD

A lot of learning resulted from development of this Report; from the field, from the process, from the data and analysis. The experience reinforces the G8 Social Impact Investment Taskforce conclusion that more concerted effort is needed to develop measurement standards and incorporate social and environmental impact into investment performance.³²

That is not surprising given this is a field in progress. Impact measurement in particular is a new discipline relative to nearly a century of practice in measurement and standards for financial performance of investments.

The way forward for benchmarking impact investment performance is not a blank sheet.

For financial data, performance measurement can build on developed practice:

- The starting point is to apply established practice from the mainstream markets. This will build market confidence and help establish track record critical to moving into the field those who are still on the side lines.
- Approaches can be developed to adapt these measures for novel investment structures that bring together different types of capital, such as grants and investment, in a single investment structure or transaction. Such structures are more prevalent in impact investments than in other capital market activity. Refining the measurement approach to these structures is appropriate to give the market clearer information about the financial returns for mainstream investors as well as the additional leverage and impact achieved by contribution of grants or other impact seeking capital.

For impact measurement, insights from various parties consulted for this Report and the data they provided point to practical steps:

- Focus first on the leading taxonomies and apex impact metrics. More consistent use of these measurement tools will streamline collection and assist in collection of more comparable data. More testing of the metrics in the field will accelerate their evolution towards a useful and meaningful set of top tier measures. For any organisation or investment product, other secondary layers of data collection can be designed to ensure what is collected overall is meaningful and useful for their context and stakeholders.

³² Social Impact Investment Taskforce, 2014.

- The data indicates asset managers are looking for guidance on the right questions to ask. Given the range of audiences, focusing on who will use what data and to what end will enable greater rationalisation of the collection and reporting process. Tracking what is being used and which data is credible, useful and meaningful and being used will help streamline collection and reporting over time.
- Data collection often rests on the organisations closest to the locus of activity and on impact investing intermediaries with limited resources. By allocating clear responsibility across the value chain – for who does what and when they do it during the investment or delivery cycle³³ – those involved can increase consistency and streamline effort. Where there are multiple investors, streamlining data requests and reporting can also be explored.

The lessons learned by the Working Group and Report team, and indeed in individual investments, should be applied to refine what is collected and how it is collected. This includes practical measures to streamline collection by investors and asset managers, as well as for future benchmarking. Other areas to explore over time include:

- Evolution of the performance benchmarking to include broader market activity, in particular, products domiciled outside Australia and more private market activity.
- Opportunities for greater alignment between data collection of the local market and global benchmarking and consideration of how other work underway to refine impact measurement could also inform progress.³⁴
- Developing infrastructure to streamline collection and enable more refined analysis of data. This could deliver tools that increase efficiency through the value chain. This could build on the work of the GIIN, Big Society Capital, Bridges Impact+ and others to align and link approaches to measurement and the growing contribution that work is having in shaping the field. One option could be an Australian data repository designed to link with those efforts in aggregation exercises (such as the one for this Report) that also serves as a data collection and reporting tool for asset managers and other stakeholders.

The apex impact measures developed as a reference point for this Report can be used more extensively to inform work towards greater convergence of metrics. They can be used to identify gaps and patterns for further testing and refinement. They can be an input to local³⁵ and international initiatives to drive more effective impact measurement.³⁶ Aligning the testing process with the other global work to refine taxonomies and aligned metric sets³⁷ can inform development of industry standards.

The data shows that investors are finding ways to measure impact as well as financial return. It also shows that more effort is needed to develop meaningful metrics that inform better understanding of what value is being created. That effort will need, and should welcome, a range of contributions: from practitioners and influencers, industry bodies and, in some cases, regulators and from organisations. The work ahead will benefit from an active and inclusive partnership involving parties along the value chain from investors to beneficiaries.

33 For example: due diligence, pre-investment screening, program milestones, timelines for yield payments and financial year end.

34 In addition to the IRIS taxonomy, work is underway on projects including the Impact Genome to streamline collection of comparable data, see Mission Measurement website.

35 Including the Social Impact Measurement Network Australia <www.simna.com.au>.

36 For example, the Good Finance collaboration between Big Society Capital and others in the UK <www.goodfinance.org>; Inspiring Impact <www.inspiringimpact.org> B Lab B Analytics initiative <www.b-analytics.net>.

37 IRIS Metrics 2016 and leveraged frameworks <<https://iris.thegiin.org/leveraged-frameworks>>.

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GLOSSARY

In the list of key terms provided below was provided to the Australian Respondents at the time of administering the Questionnaire (Appendix A).

Beneficiary groups: Groups of people for whom positive change is aimed to be created. They are grouped together based on a shared set of circumstances that may lead to them experiencing social exclusion or marginalisation from mainstream services. Example: learning disabled population.

People with disabilities (learning)³⁸: This population experiences genetic or neurobiological disorders that may affect the acquisition, organisation, retention, understanding or use of verbal or nonverbal information.

People with disabilities (physical)³⁹: This population experiences limitations on physical functioning that affects the ability to perform communication, mobility or self-care activities, or a restriction associated with schooling or employment.

Ex-offenders⁴⁰: This population refers to people who are transitioning from prison back into the community, along with people with complex and multiple issues who are either in or are at risk of entering the criminal justice system.

Those living in poverty⁴¹: This population is living in conditions with the pronounced deprivation of well-being, or the inability to satisfy one's basic needs. The poverty line in Australia, as defined by the Australian Council of Social Service is determined based on the OECD calculation of 50% of median household income, which in Australia as of 2014 translated to a disposable income of less than \$400 per week for a single adult (higher for larger households to take account of their greater costs).

Long-term unemployed⁴²: This population has been unemployed for 12 months or more.

Victims of crime⁴³: This population represents people who are harmed as a result of criminal activities.

People living with addiction⁴⁴: This population is defined as not having control over doing, taking or using something, to the point where it could be harmful. This includes substance-abuse issues with drugs and alcohol.

Long-term health issues⁴⁵: This population experience health issues that persist longer than six months. For the purposes of the survey, people with long-term mental health issues are categorised as "mental health needs".

Mental health needs⁴⁶: This population includes people who experience mental illness, nervous or emotional conditions which cause restrictions in everyday activities that has lasted, or is expected to last for six months or more. These can include: anxiety disorders (e.g. social phobia) and affective disorders (e.g. depression). For the purposes of the survey, those with substance abuse disorders would be categorised as "people with addiction".

Ageing or elderly⁴⁷: This population includes groups that need special care, services and assistance and who are typically over the age of 65.

Vulnerable young people: This population includes groups that need special care, services and assistance and who are typically under the age of 25.

38 Learning Disabilities Association of America and Learning Disabilities Association of Canada <ldaamerica.org>; <ldac-acta.ca>

39 Physical Disability Australia <pda.org.au>

40 Australian Community Support Organisation <acso.org.au>

41 Australian Council of Social Service <acoss.org.au>

42 Australian Bureau of Statistics <abs.gov.au>

43 Victims of Crime <victimsofcrime.com.au>

44 Health Direct <healthdirect.gov.au>

45 Australian Bureau of Statistics <abs.gov.au>

46 Australian Bureau of Statistics <abs.gov.au>

47 Parliament of Australia <aph.gov.au>

Asylum seekers and refugees⁴⁸: This population represents people who flee their country for their own safety and cannot return unless the situation that forced them to leave improves. This includes people who are outside their own country and are unable or unwilling to return due to a well-founded fear of being persecuted because of their: race, religion, nationality, membership of a particular social group or political opinion.

Indigenous people⁴⁹: This population includes the descendants of the original inhabitants of a country or geographical region prior to the arrival of people from typically colonial or settler communities. In Australia, this refers to the descendants of Aboriginal and Torres Strait islanders who inhabited Australia prior to European colonisation.

Ecosystem and biodiversity⁵⁰: This population includes all living things and the natural systems that support them, including plants, animals, microorganisms, physical flows and cycles.

Social trade or business: This population includes organisations that support improved social and environmental practices and standards, such as Fair Trade. It does not include social enterprises more generally, as we are interested in their ultimate beneficiaries where applicable.

Homelessness⁵¹: This population includes people who do not have suitable accommodation alternatives. They are considered homeless if their current living arrangement:

- is in a dwelling that is inadequate; or
- has no tenure, or if their initial tenure is short and not extendable; or
- does not allow them to have control of, and access to space for social relations.

Other vulnerable groups: This population includes all other groups that do not fit into one of the other beneficiary categories

Environmental performance indicators: Standards of measurement that track environmental impacts. Example: energy consumption.

Impact⁵²: Social impact is the effect an organisation's actions have on the well-being of the community. One way to think about differentiating social impact from outcomes is to assess outcomes and subtract what would have happened in absence of the intervention. So, impact is a measure of the benefit that has resulted from the intervention. Example: changes among clients (i.e. more sophisticated financial behaviour among microfinance clients).

Impact investing⁵³: Impact Investments are those that intentionally target specific social or environmental objectives along with a financial return and measure the achievement of both.

Metric: A metric is broadly defined as a data point or system of measurement. In our survey, metrics are ways of measuring performance toward your desired investment outcomes. While in some cases metrics and indicators can be used interchangeably, the subtle difference is that metrics provide a measure of outputs, outcomes or impacts, whereas indicators focus on outputs that indicate progress toward outcomes and impact.

Outcome⁵⁴: A change, or effect, on individuals or the environment that follow from the delivery of products and services. Example: changes among clients (e.g. doubling of household income among microfinance clients).

Outcome Area⁵⁵: A thematic sector where there is an attempt to create change for specific beneficiaries. Example: early childhood and education.

Outcome Area vs. Beneficiary Group: the difference is that outcome areas represent sectors where change can occur and beneficiary groups represent the people who are affected by these changes. For this reason, we have not included outcome areas related to specific beneficiary populations (e.g. Indigenous, aged or elderly care, ex-offenders), as we see that beneficiary groups can cut across outcome areas.

48 Australian Human Rights Commission < humanrights.gov.au >

49 United Nations <un.org>

50 Australian Museum <australianmuseum.net.au>

51 Australian Bureau of Statistics <abs.gov.au>

52 Knowledge at Wharton High School <kwhs.wharton.upenn.edu>

53 Global Social Impact Investment Steering Group <socialimpactinvestment.org>

54 ibid.

55 Big Society Capital Outcomes matrix <goodfinance.org.uk>

Education and early childhood: Includes all learning and education sector investments, including service provision, facilities, access to, improvements in and support of: adult and ongoing learning, TAFE, tertiary, university, high school, primary school, childcare, early learning centres, and early childhood (ages 0–5) support services.

Mental health and well-being: Includes investments to mental illness and wellness support services, research, and institutions, including support services to those living with mental illness.

Physical health and disability: Includes investments to physical illness and wellness support services, research and institutions, including support services to those living with physical disabilities. In developing markets, includes access to potable water, sanitation and food.

Families, communities and inclusion: Includes investments in organisations and initiatives that promote social cohesion, social inclusion, family well-being, community participation, and social capital building (such as improvements in relationships and trust) including urban redevelopment and regeneration.

Housing and local amenity: Includes investments in affordable housing, independent living skills, provision of housing (such as crisis, with caregivers), provision of finance for housing, community buildings and communal facilities, such as community centres, parks, and public spaces.

Employment, training and participation: Includes investments in any activities, organisations and initiatives that support increased pathways to employment and job creation opportunities for vulnerable, marginalised, long-term unemployed or under-employed groups.

Arts, culture and sport: Includes investments to support and promote events, training, and public benefit in the arts (including music, fine arts, visual arts, theatre, and creative movement), sports, and other manifestations of human creative and intellectual achievements, including those that celebrate the diversity of ideas, customs and behaviours.

Income and financial inclusion: Includes investments in organisations, initiatives and activities that promote financial equality, address issues of poverty, provide financial services to those who have historically been financially excluded, and address issues of income inequality.

Conservation, environment and agriculture: Includes investments in programmes, technologies and organisations that promote ecological health, biodiversity, natural environmental protection, improved and more sustainable systems of agriculture through the supply chain, and address or work toward solving environmental challenges, such as: climate change, air pollution, water pollution, ecosystem degradation, waste disposal and contamination.

Outputs⁵⁶: Tangible, immediate practices, products and services that result from the activities that are undertaken. Outputs lead to Outcomes. Example: number of clients served by an impact organisation (e.g. microfinance loans extended).

Social Impact Bond ⁵⁷ (SIB): A financial instrument that pays a return based on the achievement of agreed social outcomes, also known as pay-for-success. Private investors provide capital to a service provider to achieve improved social outcomes. If these outcomes are achieved, there are cost savings to Government or other funders that can be used to repay that upfront investment plus a financial return. Also known as a Social Benefit Bond.

Social performance indicators: Standards of measurement that track social impacts. Example: job creation.

Social premium: A quantum of social benefit. Particularly around pricing social benefit such as weighing up the potential social benefit and a need accepting a lower financial return or discount.

Vulnerable populations⁵⁸: Populations who, in general, experience disadvantage, financial and/or social exclusion and who experience diminished capacities to anticipate, cope with, resist and recover from harm.

⁵⁶ Global Social Impact Investment Steering Group <socialimpactinvestment.org>

⁵⁷ NSW Department of Premier and Cabinet <dpc.nsw.gov.au>

⁵⁸ Taken from multiple sources, including the World Bank, UNHCR and Red Cross

APPENDIX A

The Questionnaire

The terms used in this questionnaire are explained in the Glossary. The questionnaire was answered online by Respondents. Some formatting changes have been made to reproduce it in print.

1. Organisational Demographics Questions

- 1.1 What is the name of your organisation?
- 1.2 Have you already completed a survey in relation to another fund/unit trust? If yes, please note for which fund/unit trust(s) you have already completed the survey. Sections 1, 4 and 6 are completed once for your organisation. Sections 2, 3 and 5 are completed for each fund/unit trust. Selecting Yes will take you to Section 2. *Yes (explain)/No*
- 1.3 What type of organisation are you?
 - a. *Superannuation Fund*
 - b. *Asset Manager or Fund Manager*
 - c. *Bank or Diversified Financial Institution*
 - d. *Development Finance Institution (including Social Enterprise Development and Investment Funds - SEDIFs)*
 - e. *Insurance Company*
 - f. *Trust or Foundation*
 - g. *Public Ancillary Fund or Private Ancillary Fund*
 - h. *Other, please specify*
- 1.4 What year was your organisation established?
- 1.5 How many full-time employees do you have?
- 1.6 How many part-time employees do you have?
- 1.7 What is the percentage of women in leadership positions at your organisation?
- 1.8 Does your organisation have stated policies to create employment opportunities for minority groups (such as groups that could be excluded by age, gender, sexual orientation, disability, race, ethnicity, origin, religion, economic or other status)? *Yes (happy to be contacted separately to provide further information/would prefer not to be contacted for further information)/No/Unsure*
- 1.9 Does your organisation hold any professional certifications or is it a member in any industry associations? Which ones?
 - B Corporation*
 - Global Impact Investing Network*
 - Responsible Investment Association Australia*
 - UN Principles on Responsible Investment (signatory)*
 - UN Principles on Social Investment (signatory)*
 - Other (please specify)*
- 1.10 Do you currently track environmental performance indicators for your organisation (i.e. energy usage, emissions)? If yes, please feel free to note which ones you are tracking. Environmental performance indicators are standards of measurement that track environmental impacts. In this question, we are asking whether you are tracking and measuring the environmental impacts and performance of your organisation. Please note we will ask about the performance of your investments in section 3. *Yes (explain)/No*
- 1.11 Do you currently track any social performance indicators at your organisation's operational level (i.e. employee engagement, customer engagement, volunteer hours, philanthropic contributions)? If yes, please feel free to note which ones you are tracking. 2 Social performance indicators are standards of measurement that track social impacts. In this question, we are asking whether you are tracking and measuring the social impacts and performance of your organisation. Please note we will ask about the performance of your investments in section 3. *Yes (explain)/No*
- 1.12 What were your organisation's total Assets Under Management (AUM) as at 30 June 2015 (A\$)? Information about individual impact investing fund/unit trusts' AUM is requested in the Section 2.

- 1.13 Please complete the following table about your organisation's impact investing products in aggregate as at 30 June 2015. Impact Investments are those that intentionally target specific social or environmental objectives along with a financial return and measure the achievement of both.

| | A\$ as at 30 June 2015 |
|---|------------------------|
| Target size of impact investing products | |
| Investments made by impact investing products | |
| Commitments to impact investing products | |

- 1.14 Please name the impact investing fund/unit trust you are referencing to complete this survey.

2. Fund/Unit Trust Organisational and Financial Demographics Questions

Please answer the following sets of questions for [Fund/unit trust name].

- 2.1 Please specify the country in which [Fund/unit trust name] is domiciled.
- 2.2 What year was [Fund/unit trust name] established (vintage year)?
- 2.3 Who can invest in [Fund/unit trust name]? Sophisticated investors (wholesale/professional/institutional investors) and/or Retail investors (community investors).
- 2.4 Is [Fund/unit trust name] open-ended (into perpetuity) or closed-ended (fixed term)? If closed-ended, please specify the term, including extensions.
- 2.5 Which stage(s) of investment does [Fund/unit trust name] target?
Mature e.g. fully let property, operating wind farm, predictable earnings stream
Growth e.g. property being refurbished, operating business expanding products/services/market share, lower predictability of earnings stream
Early Stage e.g. idea/product being developed and tested
Seed/Start-up e.g. initial funding for idea/product
Other, please specify
Not applicable
- 2.6 What was the size of [Fund/unit trust name] as at 30 June 2015?

| | A\$ as at 30 June 2015 |
|--|------------------------|
| Target fund size | |
| Amount committed | |
| Amount invested | |
| Market value, includes revaluations, traded values | |

- 2.7 How would you categorise the long term financial return(s) [Fund/unit trust name] targets? Long term financial returns depend on the type and liquidity of investment. For the purpose of the survey, we mean at least 3 years, and ideally for the term of the investment.
Above market rate
Market rate
Below market rate because of a social or environmental premium
Below market rate (not because of a social or environmental premium)
No return
Other, please specify
- 2.8 How would you categorise the long term risk profile(s) of [Fund/unit trust name]'s targeted investments?
Commensurate with market rate risk
Above market rate risk
Below market rate risk
Other, please specify

- 2.9 Do you assume there will be a discount for the social premium on [Fund/unit trust name]'s targeted rate of return? If so, how much of a discount are you willing to accept? Yes (explain)/No
- 2.10 What fees does you charge investors in [Fund/unit trust name]? Please provide details of your fee structure including establishment, tiered or performance fees.
- 2.11 What financial performance benchmark do you use for [Fund/unit trust name]?
- 2.12 If you make international investments, is [Fund/unit trust name] hedged back to A\$?
We only invest in Australia
We make international investments and fully hedge back to A\$
We make international investments and partially hedge back to A\$
We make international investments and do not hedge back to A\$
- 2.13 How many investments had [Fund/unit trust name] made at the end of FY15?
- 2.14 What is the since inception performance [Fund/unit trust name] of to 30 June 2015?

| | % pa |
|---------------|------|
| Gross of fees | |
| Net of fees | |

- 2.15 Are you willing for the performance provided in Q.2.14 to be included in the report of these survey results? *Yes/No/Unsure*
- 2.16 What [Fund/unit trust name]'s average investment size (A\$)?
- 2.17 Please complete the table to provide investment activity details in FY14 and FY15 for [Fund/unit trust name].

| | FY14 | FY15 |
|-------------------------------------|------|------|
| Number of investments made in FY | | |
| Amount of money invested in FY (\$) | | |
| Number of investments at end of FY | | |

- 2.18 Have any of [Fund/unit trust name]'s investments resulted in follow-on investments from [Fund/unit trust name]? How much? Please answer 'yes' if you have made any subsequent investments in any of your investments, and provide details. *Yes (explain)/No*
- 2.19 Did any of [Fund/unit trust name]'s investments in FY15 result in additional funding from other investors? How much? In this question, we are trying to understand whether your investment mobilised additional capital. This is particularly relevant when impact investments target unattractive or non-commercial investment opportunities and the impact investment serves as a bridge to bringing in more commercial and traditional investment money. Please answer 'yes' if you know that as a result of your investment, the company was able to raise more money due to the growth or achievements that resulted from your investment. *Yes (explain)/No/Don't Know*
- 2.20 Have you raised any new fund/unit trusts or made any investments since 30 June 2015?

| | Activity since 30 June 2015 |
|----------------------------------|-----------------------------|
| Fund/unit trusts raised (number) | |
| Fund/unit trusts raised (A\$) | |
| Investments made (number) | |
| Investments made (A\$) | |

- 2.21 What type of investment is [Fund/unit trust name]? If none of the following options match your investments, please contact us.
- Private equity including venture capital*
 - Social Impact Bond (SIB)*
 - Fixed income e.g. investment grade debt, green bonds*
 - Private/alternative debt e.g. direct lending, credit*
 - Property or real assets e.g. infrastructure, water rights, instruments*
 - Balanced or mixed invest in multiple asset classes (a. to e. above)*

3. Social and Financial Performance Metrics (Balanced or Mixed) Questions

Financial performance questions all asset classes:

- Geography of investment (Australia, Developed ex-Australia, Developing)
- Currency of investment
- Year of investment
- Amount invested (total amount invested including follow-on investments; do not include transaction costs)
- Transaction costs (deal costs such as legal, accounting, financial, property, operational and environmental advice; do not capitalise these costs in amount invested)
- Expected return (% pa; net of transaction costs, ongoing fees and expenses related to asset; gross of fund/unit trust fees and expenses)
- Market value at 30 June 2015 (Debt-face value, theoretical modelling, independent valuer; Fixed income-face value, over the counter or exchange traded; Private equity-amount invested, theoretical modelling, independent valuer; Property or real assets-amount invested, theoretical modelling, independent valuer)
- Capital in (includes follow-on investments)
- Capital out (includes distributions, amounts repaid, principles following sale of an asset)
- Actual return since inception as at 30 June 2015
 - Total (%pa)
 - Capital (%pa)
 - Cash (%pa)
- Liquidity: high (<1 mo.), medium (>1 mo. < 1yr.), or low (>1 yr)
- Has it been repaid?

Impact performance questions all assets:

- Please list the metrics you track on this investment
- Over what period of time are you hoping to achieve this impact?
- What were your social/environmental targets as at 30 June 2015?
- How were you tracking against these targets as at 30 June 2015?
- To what extent is the investment on track to meet impact expectations? (% greater than 100% can be entered where impact exceeds expectations)
- Select one of the following nine outcome areas where the primary impact of your investment is targeted
 - Education and early childhood
 - Mental health and well-being
 - Physical health and disability
 - Families, communities and inclusion
 - Housing and local amenity
 - Employment, training and participation
 - Arts, culture and sport
 - Income and financial inclusion
 - Conservation, environment and agriculture
- What is the geography of the beneficiaries for this investment? (Australia, Developed market ex-Australia, Developing market)
- Please provide comments about how the investment helps the following beneficiary groups (we are hoping to understand your narrative or qualitative description of the social and/or environmental impact your investment creates or how you help beneficiary groups).
- Please note the number of beneficiaries you have supported by each investment (please select one beneficiary group only, that is do not double count).¹ Note: more detailed instructions provided to Respondents.
 - People with disabilities (learning)
 - People with disabilities (physical)

- Those living in poverty
- Long-term unemployed
- People living with addiction
- Long-term health issues
- Mental health needs
- Vulnerable older people
- Vulnerable young people
- Refugees and asylum seekers
- Indigenous people
- Ecosystem and biodiversity
- Social trade or business
- Homelessness
- Other

Private/alternative Debt financial performance questions:

- Tenor
- Interest rate (e.g. fixed, margin above a defined rate)
- Credit rating
- Seniority (e.g. senior, subordinated, mezz)
- Loan type (e.g. secured, unsecured)
- Income payment frequency

Fixed income financial performance questions:

- Is this a SIB?
- Is this a green bond?
- Tenor
- Coupon
- Credit rating
- Current yield (if applicable)
- Income payment frequency
- If SIB has it met impact hurdles?
- Has it been traded?

Private Equity financial performance questions:

- Investment period (expected hold period of the asset)
- Return period (the expected period when the return will be positive, noting for start-ups or turnarounds, the return for the initial period may be negative)
- Revaluation frequency
- Income payment frequency

Property, Infrastructure, Real Assets financial performance questions:

- Is this a property?
- Is this a real asset?
- Investment period (expected hold period of the asset)
- Return period (the expected period when the return will be positive, noting for start-ups or turnarounds, the return for the initial period may be negative)
- Revaluation frequency
- Income payment frequency

4. Top Metrics by Outcome Area Questions

We have derived the following indicators from reviewing over 100 global impact reports to distil 3–5 most commonly reported indicators for each of 9 outcome areas. Please note whether you collect data on these indicators. If yes, please indicate the quantitative and/or qualitative metrics you are capturing for each indicator. Example: for outcome area 1 education and early childhood replicated for all 9 outcome areas.

- 4.1 Education and Early Childhood. Please note whether you collect data on these indicators and whether you feel these indicators could inform your current or future portfolio (are these helpful indicators?). If you collect data on these indicators, please indicate the quantitative and/or qualitative metrics you are capturing for each indicator and how you measure these metrics.

| | Which of these indicators do you collect data on? | Which of these indicators do you feel are or could be relevant to your current or future portfolio? | Quantitative | Qualitative | | |
|----|--|---|-----------------------------------|---|--|---|
| | We collect on | Helpful indicators | Metrics (e.g. number of children) | How you measure these metrics (e.g. external audit) | Metrics (e.g. perceived improvement in well-being) | How you measure these metrics (e.g. customer satisfaction survey) |
| 1. | Enrolment, attendance or access to education or early childhood learning | | | | | |
| 2. | Cognitive and behavioural improvements in children | | | | | |
| 3. | Educator and teacher training | | | | | |
| 4. | Improved quality of education | | | | | |
| 5. | Other (please specify) | | | | | |

- 4.10 Optional: Please feel free to make a comment or note thoughts about the previous block of questions identifying top 3–5 indicators per outcome area. You may indicate which metrics you feel are the most helpful to converge around (including those not listed), thoughts about data standardisation, or other thoughts related to this question block.

5. Risk Exposure Questions

5.1 Please note your perceived exposure to each type of risk in aggregate for your fund/unit trust's portfolio.

| | None | Below Market | Market | Above Market |
|---|------|--------------|--------|--------------|
| Capital risk | | | | |
| Unquantifiable risk | | | | |
| Transaction cost risk | | | | |
| Exit risk | | | | |
| Impact risk - does not occur/cannot be measured | | | | |
| Impact risk- unintended negative impact for another group | | | | |
| Impact risk- owners of concessionary capita | | | | |
| Political risk | | | | |

5.2 Optional: Please feel free to make a comment or leave a response to this question block on risk exposure.

6. Investment Assessment Questions

Have you completed this survey in relation to another fund/unit trust already? *Yes/No*

6.1 Do you include narrative approaches to describing impact? If yes, how do you draw on this information to assess your investments? *Yes (explain)/No/Sometimes*

6.2 How does your team assess investment performance? Please drag and drop the following choices into the boxes that categorise their order of importance when assessing investment performance.

| Very important | Moderately important | Interesting but not important | Not important |
|---|---|---|---|
| Financial risk-return profile | Financial risk-return profile | Financial risk-return profile | Financial risk-return profile |
| Financial returns | Financial returns | Financial returns | Financial returns |
| Risk exposure | Risk exposure | Risk exposure | Risk exposure |
| Quantified social outcomes | Quantified social outcomes | Quantified social outcomes | Quantified social outcomes |
| Narrative social impact analysis | Narrative social impact analysis | Narrative social impact analysis | Narrative social impact analysis |
| Quantified environmental outcomes | Quantified environmental outcomes | Quantified environmental outcomes | Quantified environmental outcomes |
| Narrative environmental impact analysis | Narrative environmental impact analysis | Narrative environmental impact analysis | Narrative environmental impact analysis |
| Gut feeling or subjective assessment | Gut feeling or subjective assessment | Gut feeling or subjective assessment | Gut feeling or subjective assessment |
| Other (please specify) | Other (please specify) | Other (please specify) | Other (please specify) |

6.3 Which of the following social impact assessment approach(es) do you use?

B Analytics

Cost Benefit Analysis (CBA)

IRIS

London Benchmarking Group Model (LBG)

Results Based Accountability (RBA)

Shujog Impact Framework and Impact Mark

Social Enterprise Balanced Scorecard

Social Return on Investment (SROI)

Other, please specify

6.4 Do you use a software programme to collect financial data? If so, which programme(s)? *Yes (explain)/No/Unsure*

6.5 Do you use a software programme to collect social outcome or impact data? If so, which programme(s)? *Yes (explain)/No/Unsure*

6.6 Do you benchmark financial performance of your investments? How? *Yes (explain)/No/Unsure*

6.7 Do you benchmark the social/environmental performance of your investments? How? *Yes (explain)/No/Unsure*

6.8 From your perspective, how important are the following types of data are to the following audiences? (tick any that are important)

| | Social or Environmental Performance Data | Financial Performance Data | Operational-level Data | N/A |
|--|--|----------------------------|------------------------|-----|
| Your institutional investors (e.g. superannuation funds) | | | | |
| Your private investors (e.g. private ancillary funds) | | | | |
| Your employees | | | | |
| Your investees | | | | |
| Your beneficiaries | | | | |
| Policy makers | | | | |
| Other stakeholders | | | | |

6.9 Do you engage third-party service providers to verify or audit performance data?

| | Financial | Social | Environmental |
|--------|-----------|--------|---------------|
| Yes | | | |
| No | | | |
| Unsure | | | |

6.10 What would be the most valuable impact investing market data to your organisation? Why?

6.11 What is the biggest challenge/hurdle to measuring and/or benchmarking your impact investment(s)?

6.12 Please let us know if you have any sensitivities to reporting or disclosing data reported in this questionnaire.

6.13 Please indicate when you expect to have the data available to be able to complete the Australian Impact Investing Market Activity 2016 online survey, with data as at 30 June 2016.

APPENDIX B

Methodological notes on the Data-set

Scoping and sampling

The Data set for this Report provides information on current impact investment market activity. The focus of the Data-set is to uncover and aggregate the performance of Australian retail and wholesale impact investment products and funds.

The Data-set for FY15 provides new insights into the impact investment market in Australia and the relative performance of investments in different asset classes. It is not a complete picture of market activity.

The Data-set focuses on investments rather than investors. It includes investable retail and wholesale products available to multiple investors and that carry a level of reporting requirement that meant data was more likely to be captured in a form that could be made available (Figure 14).

Private market activity, although in some cases highly innovative and pioneering, would have added significantly to the scope and resource requirements for the exercise without providing commensurate added value to the overall results. Direct investments were not included in the sample as these are generally small in size and may involve only a small number of investors in each transaction. Focusing on the product/manager-level ensured products and transactions were not double-counted.

This is an important area of further work. A number of investors, most significantly some family offices, foundations, private ancillary funds, have been pioneers in the impact investment market. Their approaches and portfolios play an important role, including encouraging others to participate. A potential collaboration is being explored with organisations such as Australian Impact Investments, McKinnon Family Foundation, Small Giants, Impact Club, and Philanthropy Australia to explore data collection and aggregation of private market activity in future datasets.

It was not feasible for the Data-set to include performance data on a comparable basis for investments and funds not domiciled in Australia. Building data focused on impact investment activity that is not domiciled in Australia is also an important area of further work. The potential to identify key areas of data for collection and reporting is part of the next stage of the OECD work on impact investment and the potential to link with other data projects will be investigated.

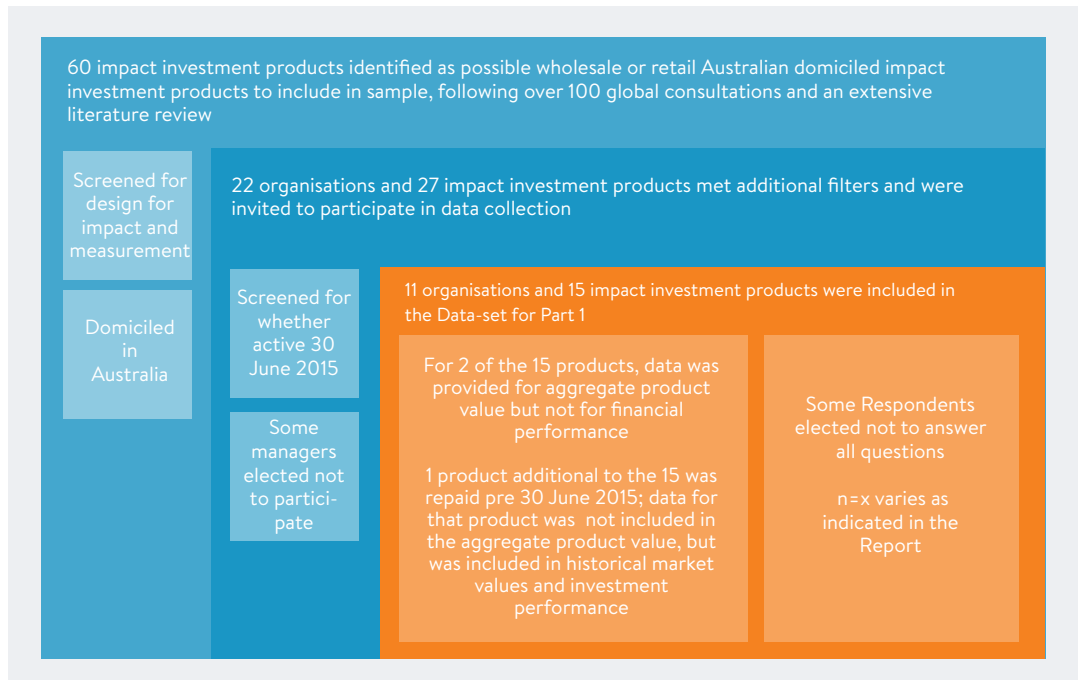
Benchmarking Australian investments in a global context will also be important. At the time of writing, there were no other country level datasets available on impact investing, although consultations revealed that India and Portugal may be working on similar studies to measure size and activity of national impact investing. The data collection frameworks for this Data-set were derived from multiple sources (see references), and where possible were modelled on existing data reporting frameworks (e.g. GIIN annual impact investor survey).

Notes on the selection process and participation

An overview of the methodology for each of Parts 1 and 2 has been provided in the relevant sections of the Report. As the number of Respondents, products and transactions varied depending on what data was provided, n=x is provided as a guide for each section and in the Figures and Tables.

After vetting more than 60 possible investment products, 27 investment vehicles, overseen by 22 managers, were invited to participate in the FY15 data collection for this Report (Figure 14).

Figure 14: Sampling process for Data-set for Part 1 of this Report

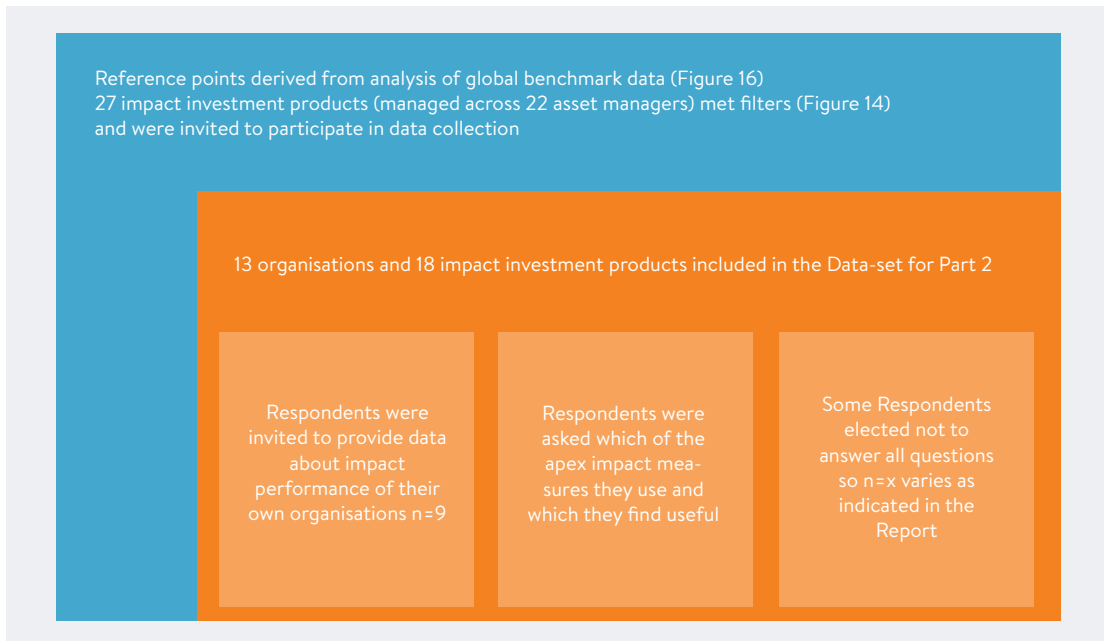


Source: Impact Investing Australia, 2016

Each of the 22 organisations identified in the first screening participated in a one-hour qualitative interview. Two asset managers elected not to disclose data and were left out of the sample. A further 5 products were screened out after data revealed they did not meet the thresholds for both intentionality and measurement; two of these products were cash funds and provided survey data about approaches to measurement. Performance data was not included for products that were not active before 30 June 2015. One product that was repaid before 30 June was included in historical data but not aggregate product value. Asset managers of two products for which aggregate product values were disclosed elected not to disclose performance data.

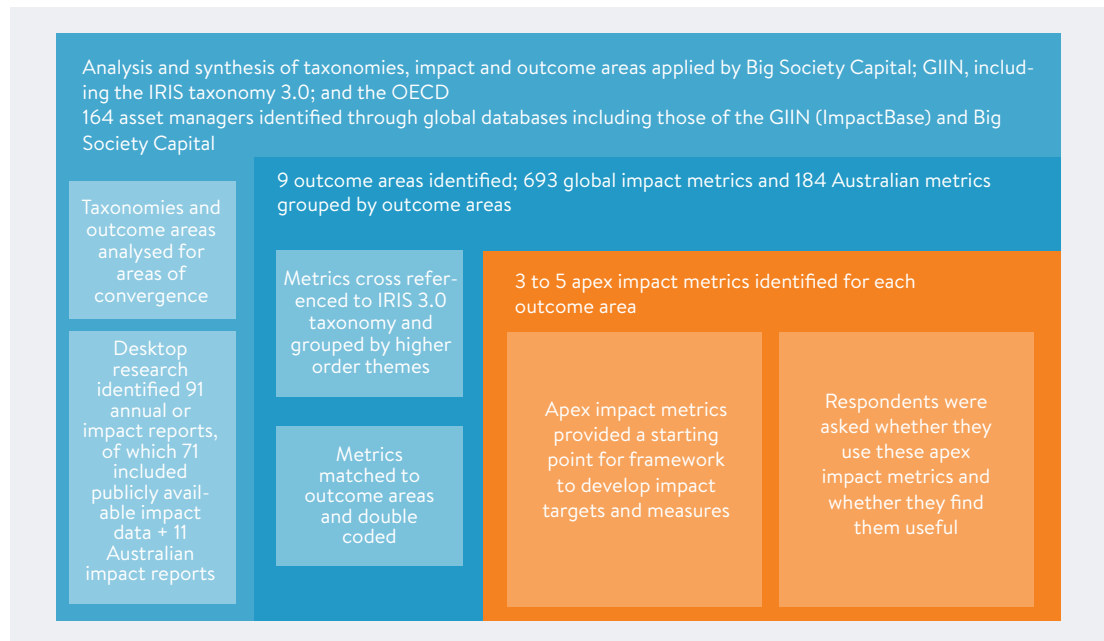
Part 2 of this Report includes data from 13 Australian organisations and 71 international impact investing organisations (Figures 15 & 16).

Figure 15: Sampling process for Australian performance measurement for Part 2 of this Report



Source: Impact Investing Australia, 2016

Figure 16: Sampling process for benchmark data for Part 2 of this Report



Source: Impact Investing Australia, 2016

The 71 reports referenced in Part 2 of this Report

| Organisation | Report title | Year |
|---|--|-------------|
| <i>Aavishkaar</i> | Annual Impact Report | 2015 |
| <i>Accion</i> | Annual Report | 2014 |
| <i>Acumen</i> | Ten Year Report | 2011 |
| <i>Alterfin</i> | Annual Report | 2014 |
| <i>Asian Development Bank</i> | Annual Report | 2014 |
| <i>Australian Chamber Orchestra Instrument Fund</i> | Annual Report | 2015 |
| <i>Bamboo Finance</i> | Impact Report | 2015 |
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| <i>HCT Group</i> | Impact Report | 2014 |
| <i>Homes for Good</i> | Impact Report | 2015 |
| <i>Huntington Capital</i> | Annual Impact Report | 2014 |
| <i>Incofin</i> | Social Performance Report | 2015 |
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| <i>Key Fund</i> | Social Impact Report | 2014 |
| <i>Local Initiatives Support Corporation</i> | Annual Report | 2014 |
| <i>Lok Capital</i> | Impact Report | 2015 |

| Organisation | Report title | Year |
|--|--|--------------|
| <i>Lundin Foundation</i> | Annual Report | 2014 |
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| <i>Nesta</i> | Annual Review | 2015 |
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| | The Impact | N.D. |
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| <i>Places for People</i> | Impact Report | 2014 |
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| <i>Triodos Bank</i> | Annual Report | 2014 |
| <i>Unitus Seed Fund</i> | Impact Report India | 2015 |
| <i>W.K. Kellogg Foundation</i> | Measurement and Tools | N.D. |

APPENDIX C

Respondents

Thanks to all of the organisations that provided interview data as part of the sampling and data collection process. The contributions, insights and data provided have been critical to this Report and will inform future directions.



| | |
|----------------|--|
| Mandate | Chamber Orchestra |
| Strategy | Long-term capital gains by investing in specialty high quality stringed instruments to be loaned to and used by ACO players to create cultural value |
| Products | Instrument Fund |
| Primary impact | Arts, culture |



| | |
|----------------|--|
| Mandate | Commercial bank |
| Strategy | Refinancing existing products on ANZ's books that are classified green (green properties and renewable energy) |
| Products | Green Bond |
| Primary impact | Environment |



| | |
|----------------|--|
| Mandate | Australia's oldest charity |
| Strategy | Social Benefit Bond established as a special purpose trust through Perpetual with Westpac and CBA as issue managers for private investors to fund delivery of the Resilient Families program, an innovative intensive family support service that will support between 300 and 400 families over 5 years to reduce entries into out of home care and keep children safely within the family. |
| Products | Benevolent Society Social Benefit Bond |
| Primary impact | Children and families |



| | |
|----------------|---|
| Mandate | Banking service for not-for-profits |
| Strategy | Customers can elect to donate their interest from the SIDA cash account to the Social Investment Grants program; 50% net profits from SIDA go to Social Investment Grants program |
| Products | Social Investment Deposit Account (SIDA) |
| Primary impact | Social inclusion (i.e. homelessness) |



| | |
|----------------|---|
| Mandate | Create spaces where organisations come together to make a difference and make the best use of property in the interest of society and the environment |
| Strategy | Purchasing, refurbishing, developing and managing property that predominantly hosts non-profits and social businesses for the benefits of co-locating, sharing resources and working together |
| Products | Ethical Property Commercial Fund (FY16) |
| Primary impact | Curating communities of social change organisations, with flow-on effects |



| | |
|----------------|--|
| Mandate | Making a difference for the financially excluded |
| Strategy | Loans to individuals, non-profits, and social enterprises |
| Products | Fair Finance loans to individuals, Social Enterprise Finance Fund (social enterprise business development loans) |
| Primary impact | Economic advancement, social equity, urban and rural job creation, social business support and flow-on effects |



| | |
|----------------|--|
| Mandate | Early learning centres |
| Strategy | Bonds to finance acquisition and development of early learning centres |
| Products | Goodstart social investment notes (managed by SVA) |
| Primary impact | Education |



| | |
|----------------|---|
| Mandate | Community-owned wind farm co-operative |
| Strategy | To own and operate wind farm, sell energy to retailer and share the benefits with the community |
| Products | Community Green |
| Primary impact | Environment, community |



| | |
|----------------|---|
| Mandate | Aboriginal and Torres Strait Islander self-management and economic independence |
| Strategy | Co-invest alongside Indigenous groups to support their investment and management capability development |
| Products | Indigenous REIT \$82.5 million (FY15); Indigenous Prosperity Fund (future fund concept, FY16) |
| Primary impact | Indigenous income, job creation, economic self-sufficiency |



| | |
|----------------|--|
| Mandate | Education |
| Strategy | Raise community funds from retail investors to acquire and develop Montessori property |
| Products | Montessori Community Fund (bonds, FY16) |
| Primary impact | Education |



| | |
|----------------|---|
| Mandate | Commercial Bank (debt advisor, arranger, issuer and lender) |
| Strategy | Clean Energy financing and green bond arranging/issuing |
| Products | Green & Climate Bonds |
| Primary impact | Environment |



| | |
|----------------|--|
| Mandate | Environmental conservation organisation (fund managed by Kilter Rural) |
| Strategy | Buy and sell water rights, in surplus years returning some flows back to the natural environment |
| Products | Murray-Darling Basin Balanced Water Fund |
| Primary impact | Environment |



| | |
|----------------|---|
| Mandate | Provide debt finance to mission-led commercial organisations that are improving outcomes in their community |
| Strategy | Support organisations that struggle to access mainstream finance |
| Products | Tailored loan solutions that apply a holistic approach to investment decisions, and consider all aspects of the organisation – social impact, passion and drive of the entrepreneur, strength of community support and financial sustainability |
| Primary impact | Unlock additional social, cultural or environmental impact by assisting under resourced organisations and sectors |



| | |
|----------------|--|
| Mandate | Focus on key areas to overcome disadvantage in Australia, including education, sustainable jobs, stable housing and appropriate health, disability and community services |
| Strategy | Venture philanthropy, impact investing, consulting |
| Products | SEDIF (Social Impact Fund); Goodstart Social Impact Notes; Newpin SBB; Social Impact Investment Trust with HESTA (FY16) (senior and subordinated debt, equity, social impact bonds); Indigenous Social Enterprise Fund (2 year pilot with IBA \$1 million, not reported) |
| Primary impact | Indigenous inclusion, community inclusion, employment and skills training, health & disability, environment |



| | |
|----------------|--|
| Mandate | Finance first venture capital |
| Strategy | Venture capital and active investment management to encourage development of Australian companies that are commercialising renewable energy technologies |
| Products | Southern Cross Renewable Energy Fund (VC) |
| Primary impact | Environment |

| | |
|----------------|---|
| Mandate | Funds management social enterprise of The Uniting Church in Australia, Synod of Victoria and Tasmania |
| Strategy | Responsible or ethical investment to reflect the church's values |
| Products | UCA Enhanced Cash Portfolio; Uniting Ethical Enhanced Cash Trust |
| Primary impact | Social and financial inclusion |



| | |
|----------------|--|
| Mandate | Programs and services for families and children |
| Strategy | Payment by outcome product where investors lend working capital to the Newpin program to return children to their families who have been removed and placed into foster care; social outcomes funded by NSW government |
| Products | Newpin Social Benefit Bond (managed by SVA) |
| Primary impact | Children and families |

Yarmouth

| | |
|----------------|--|
| Mandate | Corporate advisory |
| Strategy | Bonds to build an integrated cancer centre |
| Products | Chris O'Brien Lifehouse Charitable Bonds |
| Primary impact | Physical health, mental health |

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The Working Group

This Report delivers on one of the five initiatives in the Australian Advisory Board's strategy to catalyse the impact investment market (Delivering on Impact, 2014). The strategy, design and analysis builds on an engagement process that informed the earlier publications, IMPACT—Australia and Delivering on Impact. A Working Group drawn from leaders across sectors and subject matter experts has provided advice and input to the project team.

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About the Australian Advisory Board on Impact Investment

The Australian Advisory Board on Impact Investing provides leadership and strategy to accelerate growth of the impact investment market operating in and from Australia.

Established in 2014 it comprises a number of Australia's most experienced leaders from the investment, business, not-for-profit, philanthropic and community sectors.

As Australia's representative body on the Global Social Impact Investment Steering Group, the Board works with National Advisory Boards from 12 other countries as part of a global effort towards growing the opportunities for investments that deliver measurable social, environmental and cultural benefits alongside financial returns.

The Board has developed an ambitious strategy to catalyse impact investment in and from Australia. Impact Investing Australia drives the implementation of this strategy.

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Ernst & Young
Grace Mutual
AMP Capital

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About Impact Investing Australia

Impact Investing Australia is an independent organisation dedicated to growing the opportunities for investments that deliver positive social and environmental impact alongside a financial return.

Our vision is for a healthy, equitable and prosperous Australia, supported by a dynamic market for impact investing that expands opportunities and creates innovative solutions to pressing societal challenges.

Impact Investing Australia was established in 2014 in response to an industry-identified need for dedicated leadership, facilitation and capacity building. Responsible for driving the implementation of the Australian Advisory Board on Impact Investing's strategy to catalyse the market for impact investing, Impact Investing Australia provides a focal point for market development in Australia, as well as participating in international efforts to grow the market globally.

Partners and Supporters

Impact Investing Australia and the Australian Advisory Board on Impact Investing's work is made possible through generous support from our partners.



If you or your organisation are interested in partnering opportunities to grow impact investing in and from Australia, please contact the Impact Investing Australia team.

