



Impact Report FY 20 Highlights

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Acknowledgement of Country:

IIG acknowledges the Traditional Owners of the land across Australia, where we live, work and operate. This report was produced by various members of our team who contributed while working from the lands of the Boonwurrung, Yalukit-willan, the Marin-balluk and the Wurundjeri people. We pay our respects to Elders past, present and future and acknowledge that sovereignty over these lands was never ceded.

“Real change, enduring change,
happens one step at a time.”

—Ruth Bader Ginsburg



Thank you for reading Impact Investment Group's (IIG) second annual impact report.

We've restructured the report this year around impact areas rather than investment teams, bringing our purpose to the centre. As with last year's report, we've designed this report to offer learnings to our investors, our investees, our team, our partners, and the broader sector striving toward embedding positive impact into our systems and ways of working and being.

We know there is not one right way to share our impact aspirations, work and performance, and we have tried to adopt the principles of integrity and transparency in our design and analysis. This means that where there are not clear ways of assessing, collating or presenting impact data, we have tried to be thoughtful, honest, and as clear and true to our purpose as we can be.

This year, like every other organisation, ours was not immune from the effects of a global pandemic and the associated shocks and uncertainty. Some of the issues that we saw arise globally resonated on both a personal and professional level. It was difficult to avoid seeing issues and having many reflections about purpose, outcomes, power, well-being, isolation, and the ever-present tension in fields like ours where the relationship between financial performance and social/environmental value are constantly in dynamic balance and tension.

In this report, we have tried to remain humble and share what we are thinking, some of the things we have done and are proud of, and some things that

Our Business

At IIG we have developed our 'Theory of Change' model about the change and impact we seek to create and how we achieve those aspirations.

Figure 1: FY20 IIG example indicators against Theory of Change

If we (Inputs)	By (Activities)	It will lead to (Outputs)	And (Outcomes)	And ultimately (Impacts)
Engage and mobilise different types of capital	Building impact investment products that respond to problems, valuing what matters and engaging people	More scale and reach for stakeholder, enterprise and asset level social and environmental benefits	Meaningful changes experienced by staff, clients, communities and the planet	Contribute toward creating the next economy that values people, planet and our connections at the heart of all we do
How do we do that?				
Acknowledging and being deliberate about how we mobilise different capital.	Identifying social/environmental problems to address, identifying how our financial products address these, mobilising our six capitals, and engaging with others.	Assessing how the quality of our business has grown, how many people we've touched and what our products are doing.	Assessing meaningful changes that have occurred from our investment products, enterprise initiatives and stakeholder engagement.	Translating our efforts to broader goals and sharing stories and learnings.
32 people employed by IIG, 2 office locations 100% 'Green Power' procured for operations at headquarter offices	177.5 IIG sponsored staff volunteer hours across 21 staff	\$721 million FUM B-corp score 101.2 (up from 86.6 in FY19)	Staff net promoter score: 24.24 252,067 tonnes of CO2 avoided	\$19.9 billion impact investment market in Australia (IIG 4%) ²⁰ Australian investors currently report 0.7%

Our Impact Themes

We believe that aiming for systemic change is our path to meaningful environmental and social impact. We work in the context of these broader impact themes.



Sustainable Cities and Resilient Communities

We're working to make buildings, communities and cities sustainable, inclusive and beautiful. We've invested in green buildings and are exploring how we work within communities and cities to build resilience and emphasise the things that matter.



11 SUSTAINABLE CITIES AND COMMUNITIES
Platinum WELL certified¹
GBCA Green Star² 6 Star
2 NABERS Energy ratings of 5 stars or above³



8 DECENT WORK AND ECONOMIC GROWTH
\$6.1 million sales generated for local independent shops⁴
\$760 million SME ecommerce facilitated with carbon neutral deliver



Empowering People

We believe it is important to harness business and investment to support and empower people. Through our start-up and real estate investments we are supporting and co-designing positive outcomes for people and a range of communities.



3 GOOD HEALTH AND WELL-BEING
54,121 hours of supported care facilitated⁶
17,170 people accessing health and well-being services⁷
\$25.8 million healthcare savings⁸



5 GENDER EQUALITY
391 job candidates hired that otherwise would not have been⁹



4 QUALITY EDUCATION
688 education program graduates¹⁰



Regenerating Land, Water and Air

We know we are interdependent with, and intrinsically connected to, our natural environment. We're investing in agriculture, renewable energy and start-ups that help restore the vitality of our ecological systems, including the soil and land, water as a natural resource, and cleaner air.



12 RESPONSIBLE CONSUMPTION AND PRODUCTION
284 tonnes waste diverted from landfill in FY20¹¹; 501 tonnes diverted since investment inception



13 CLIMATE ACTION
252,067 tonnes of CO2-e avoided or abated in FY20¹²; 579,913 tonnes avoided or abated since investment inception



Clean Energy

We see a future where energy is 100% renewable, affordable and universally accessible. We've helped fund wind and solar farms across Australia.



7 AFFORDABLE AND CLEAN ENERGY
127 GWh of clean energy generated in FY20¹³; 320 GWh since investment inception
1,433 illnesses avoided due to pollution in FY20; 3,375 illnesses avoided since investment inception

\$5.6 million avoided health and environmental damage in FY20;
\$13.2 million avoided since investment inception

519 million litres water saved in FY20
1,234 million litres saved since investment inception

Our Investments

The Impact Management Project's framework helps us to screen investments, as well as manage and assess our impact performance.

We have assessed that nearly half of our investment assets¹⁸ (48%) are 'Contributing to Solutions' while 41% are 'Benefitting Stakeholders' and 11% are 'Acting to Avoid Harm'.



IMPACT MANAGEMENT PROJECT

The Impact Management Project is an initiative with input from over 2,000 impact management professionals globally that aims to build consensus across the industry about how we talk about, manage for and measure impact. The foundation framework includes the five dimensions of impact, which outline who is impacted, what the problem is being solved, how much impact is being created, the contribution toward impact of the investment intervention, and the impact risks. We have adopted these five dimensions when we assess impact¹⁹ as part of our due diligence process and in our communications and reporting.

In order to begin to classify the different types of impact that can occur, the Impact Management Project has created an

'ABC' impact classification system. There are five different classifications of impact including:

- May Cause Harm;
- Does Cause Harm;
- (A) **Act to Avoid Harm**: The enterprise prevents or reduces significant effects on important negative outcomes for people and planet;
- (B) **Benefit Stakeholders**: The enterprise not only acts to avoid harm, but also generates various effects on positive outcomes for people and the planet; or
- (C) **Contribute to Solutions**: The enterprise not only acts to avoid harm, but also generates one or more significant effect(s) on positive outcomes for otherwise underserved people and the planet.

The three impact classifications for impact investments are the **A (Act to avoid harm)**; **B (benefit stakeholders)**; and **C (contribute to solutions)**. Each of these classifications represents positive but differentiated types of impact.



Sustainable Cities and Resilient Communities

Performance Highlights:

177.5

IIG sponsored staff volunteer hours across 21 staff (up from 32 hours and 2 staff in FY19)



Six aspirational green building sites with improved energy efficiency and innovative design



Certified
B-corp score
101.2 (up from
86.6 in FY19)



Platinum WELL
certified²³

\$760M

SME ecommerce
facilitated with
carbon neutral
delivery
(Sendle)

\$6.1M

sales generated
for for local
independent
shops
(Your Grocer)



6
Star
GBCA
Green Star
Rating²⁴



2 NABERS Energy
ratings of 5 stars
or above²⁵

Photo of 401 Collins, a heritage building with environmental upgrades that brought its energy efficiency to NABERS 5 Stars—the equivalent of a very good new build.



Empowering People:

Focus on Gender, Diversity
and Inclusion

Performance Highlights:

290,221

people who have been positively affected by policies to support women in the workplace (Work180)

391

job candidates that otherwise wouldn't have been hired due to potential bias (Applied)

688

students completing new skills and qualifications training courses (Academy Xi)

Guardians of Purpose (our board):



female; 53% male



over & under age 50

Overall Staff:



female; 55% male

Executive Staff:



female; 61% male

Senior Staff:



female; 54% male

Junior Staff:



female; 40% male



Gender pay equity: 23% in favour of men at 30 June 2020; however, the most recent 50% of staff recruited reflect 0% gender pay gap.



Giant Leaf Fund: Investee companies with at least one person identifying as female in the founding team: 11/18 (61%) as of 30 June 2020. This is approximately triple the proportion of the funded start-ups globally, in which just 20% had at least one person identifying as female in the founding team.²⁷

\$25.8M healthcare savings (Perx and confidential investment)

17,170 people accessing health services (Perx, Mindset, Driven, Loop+, confidential investment)

54,121 hours of supported care facilitated (confidential investment)

24.24 Staff net promoter score

Photo of Gemma Lloyd and Valeria Ignatieva, the founders of Work 180 - one of the companies in the Giant Leap portfolio.



Empowering People

We believe that finance has a role to play in promoting diversity, inclusion, health and well-being. We are intentional about progressing the ways we support different types of people through finance. Now more than ever, understanding how we support healthy, diverse, thriving people and communities is work we want to focus on.



Photo of Kylie Charlton

WE SPENT TIME BUILDING RELATIONSHIPS AND LISTENING—

We have reflected that issues of power, diversity, gender representation and inclusion are both acute and systemic and don't always point toward a neat solution or obvious framework from which to begin. As part of this work, we have engaged with peers, colleagues, staff, industry partners and Elders without a prescribed agenda with the intention of listening to different voices. We have wanted to understand how, by listening, we could take a very human approach to informing the way we incorporate the wisdom of different lived experiences into our work. We don't think that the pace of work and expectations are always aligned with these important and very human ways of listening, which we feel is an important first step that cannot be rushed or missed. This has informed our work toward progressing a Reconciliation Action Plan and the development of draft gender principles. We hope that by placing value on listening and relationships, we will ensure a diversity of voices and perspectives underpins our work.

WE TOOK STEPS TO COUNT, REFLECT AND ARTICULATE OUR OBJECTIVES—

In measuring the gender and diversity breakdown of our staff, board, and gender pay equity of our staff, we have started to reflect on who is at our table and how we feel about that. We have heard from peers that counting is not the same as valuing, and we want to make sure we are thoughtful about how we respond

to understanding our gender and diversity statistics. We think our movements over this past year or two to move toward gender pay parity reflect that we value the work and varied experiences of our team, and knowing where we now stand will help us be more deliberate in how we continue to do this. We also started counting and measuring the gender and diversity statistics that felt obvious in our investment portfolio. And we began to hold small working groups and drafting policies, including our first draft Reconciliation Action Plan and first draft gender and diversity policy that reflect how we value diversity in our work.

WE MADE INVESTMENTS THAT SUPPORT PEOPLE—

We supported women-led founder teams in our Giant Leap Fund (our impact venture capital fund) and invested in companies seeking to improve gender workplace practices and reduce inequality. Giant Leap also made a number of investments into businesses focused on improving the health and well-being of people, including Mindset Health, Driven and Loop+. And while other parts of our portfolio, like financing and operating solar farms or investing in commercial buildings are often equated with environmental benefits, like pollution reduction and avoided emissions, we also acknowledge how critically important energy infrastructure and the built environment are in driving physical, mental, emotional, social, relational, and financial well-being for people.

Giant Leap Venture Partner Kylie Charlton on Why it's important to find solutions

This year, Giant Leap Fund identified empowering people with a disability as a focus area. Kylie Charlton explains why this line of investment is crucial.

Health is a fundamental human right. But among the healthy and able, it is easy to forget that it isn't always guaranteed. The World Health Organisation estimates that one in five people around the world live with a disability and now, with technology at our disposal, it is possible to empower and increase the number of opportunities available to them.

Empowering people with a disability is as much an economic imperative as it is a moral one. While it is money well spent, it is expected to cost Australian taxpayers upwards of \$55 billion a year by 2023 to maintain the National Disability Insurance Scheme, up from \$44 billion in 2019. There is, however, a caveat with funding towards disability services. Broadly speaking, people with a disability would prefer to be in a position where they actually reduce the practical support they need, contribute to society and rein back as much independence as possible.

This is why it's crucial to empower people living with a disability rather than just support them. Supporting improves lives, which is very welcome. But empowering radically changes it for the better.

Thanks to funding opportunities and a wellspring of services provided by Australia's NDIS, we are seeing a new wave of companies emerge directly addressing these issues. It's giving the country an edge in the global emergence of disability tech. Many have emerged from the Remarkable Accelerator program, a division of the Cerebral Palsy Alliance. For example, Loop+ which was founded by sisters Kath Hamilton and Claire Conroy to support Clare's son Evander who was born with a tumour pressing on his spine that left him paralysed. With their business, they focus on one crucial part of the wheelchair experience, alleviating pressure sores with a sensor-powered wheelchair cushion.

You can't deny the passion of these founders, nor the impact their business will have on the lives of millions around the globe as they continue to grow and expand their market. The world would be a better place if passion alone was enough to build a successful business. However, it is never that simple. This is where the mentorship and support of the Giant Leap team comes into play.

Again, with one fifth of the world's population living with some form of disability, the market opportunity for these businesses is, in itself, remarkable. But their impact on society is also undeniable. They are working towards a world where disability no longer denies opportunity.

“The earth, the air, the land and the water are not an inheritance from our forefathers but on loan from our children.”

—Mahatma Gandhi



Regenerating Land, Water and Air

Performance Highlights:

252,067

tonnes of CO2-e avoided or abated in FY20. (aggregated from IIG's renewable energy portfolio as well as Goterra, Future Super and Switch)



This is equivalent to taking 110,556 cars off the road for a year⁴⁰

284

tonnes waste diverted from landfill (Full-Cycle Bioplastics, Goterra, Glam Corner)

501

tonnes diverted since investment inception



100% renewable energy supply for headquarter office

Photo of The Great Cumbung wetlands in the Murray-Darling Basin, home to 131 bird species and more than 200 plant species, and one of the sites for Tiverton Agriculture's regenerative farming.

“ You cannot get through a single day without having an impact on the world around you. What you do makes a difference, and you have to decide what kind of difference you want to make. ”

—Jane Goodall



Clean Energy

Performance Highlights:

127

GWh of clean energy generated in FY20⁴¹;



This is equivalent to powering over 22,300 Australian homes for a year.⁴²

327

GWh since investment inception



519M

litres of water saved in FY20;



\$5.6M

avoided health and environmental damage in FY20;



1,433

illnesses avoided due to pollution in FY20;

1,234M

litres saved since investment inception

\$13.2M

avoided since investment inception

3,375

illnesses avoided since investment inception

Photo of The Swan Hill Solar Farm. It generates clean electricity for approximately 6,300 average Australian homes.

Making Decisions About Impact

IIG is an impact investment fund manager, meaning we undertake investments with the intention of achieving deliberate positive social and environmental value alongside financial returns. As one of Australia's leading impact investment fund managers, IIG considers the holistic impacts of its investments through all stages of engagement from sourcing opportunities, structuring deals and consulting with stakeholders and beneficiaries.

We believe that impact investing can generate meaningful transformation within our economic systems by leveraging promising opportunities to increase positive environmental and social outcomes. We therefore work in the context of broader, long term visions. By cultivating a wide network of impact opportunities and creating innovative investment products that draw interest of engaged investors, we are able to deploy capital in areas that will contribute to meaningful changes for broader communities, our staff, our stakeholders and the planet. Our community of investors has funded solar farms, green buildings, and the start-up years of mission-driven businesses. We see a future where

energy is 100% renewable, affordable and universally accessible. Our buildings, towns and cities can be sustainable, inclusive and beautiful. Vibrant businesses can grow while respecting the earth and contributing to our society.

We intentionally consider ethical implications beyond traditional boundaries of investment management because our wide range of products support collaboration with diverse external counterparts. In the course of our business activities, we may liaise with fund managers, investee companies, suppliers, tenants,

customers, community members, and end users. We aim to uphold responsible investment practices and substantially exceed minimum Environment, Social and Governance standards by not only avoiding harm and considering ESG risk related to financial return, but also seeking positive outcomes for stakeholders, and contributing to solutions for systemic problems.

This year as part of our work toward further embedding impact considerations into our operating rhythm and investment decision making, we progressed some new policies and initiatives.

“I have so much to do today that I'm going to need to spend three hours in prayer in order to be able to get it all done.”

—Martin Luther



Photo of the White House, IIG's office headquarters

Figure 2. IFC's Nine Operating Principles for Impact Management

Strategic Intent	Organisation &	Portfolio Management	Impact and Exit
<ol style="list-style-type: none"> 1. Define strategic impact objective(s), consistent with the investment strategy. 2. Manage strategic impact on a portfolio basis. 	<ol style="list-style-type: none"> 3. Establish the Manager's contribution to the achievement of impact. 4. Assess the expected impact of each investment, based on a systemic approach. 5. Assess, address, monitor, and manage potential negative impacts of each investment. 	<ol style="list-style-type: none"> 6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately. 	<ol style="list-style-type: none"> 7. Conduct exits considering the effect on sustained impact. 8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.
Independent Verification			
<ol style="list-style-type: none"> 9. Public disclose alignment with the principles and provide regular independent verification of the alignment. 			

Source: https://www.impactprinciples.org/sites/default/files/2019-06/Impact%20Investing_Principles_FINAL_4-25-19_footnote%20change_web.pdf Files/2019-06/Impact%20Investing_Principles_FINAL_4-25-19_footnote%20change_web.pdf Principles for Impact Management

Codifying impact decisions into investment policy

This year we drafted an investment policy to codify our approach toward impact considerations at all stages of the investment lifecycle. In order to guide IIG's approach toward positive impact investment decisions, we reviewed and drew inspiration from

the IFC's Operating Principles for Impact Management,⁵² the United Nations Principles for Responsible Investment (UNPRI)⁵³ and the United Nations Global Compact (UNGC)⁵⁴ which are derived from the Universal Declaration of Human Rights, the International Labor Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment

and Development, and the United Nations Convention Against Corruption.

The structure of our investment policy follows the IFC's Operating Principles for Impact Management include five phases of investment and nine principles included in figure 2.

Making Decisions About Impact

As part of this work, our team came to decisions about positively preferred and negatively screened investment areas, which are not absolute but give an indication of whether we are likely to positively or negatively preference an investment, including:

Table 1. Impact issue areas

Negatively Screened	Positively Preferred	
Old Growth Logging	Community-led design	Social & green infrastructure
Slave labour & human rights violations	Water treatment, sanitation and conservation	For purpose business and social enterprise
Biogas	Ethical & fair trade	Positive & community finance
Corruption & Bribery	Energy efficiency	Minority-led businesses
Alcohol	Natural resource conservation	Transport efficiency
Armaments & Militarism	Improving trust & social cohesion	Green IT, AI
Nuclear & Uranium	Poverty alleviation	Sustainable products or materials
Environmental destruction and pollution, including fossil fuels	Education (noting issues of disparity and power)	Ethical treatment of people and animals
Gambling	Production of healthy foods;	Reduced consumerism & waste
Harm producing finance	Reducing loneliness & isolation	Recycling & reuse of waste
Exploitation of vulnerable groups	Mental or physical well-being	Sustainable fisheries
Animal Cruelty; Live Animal Export	Supporting vulnerable female beneficiaries	Promotion of cultural and creative value
Perpetuating disadvantage, exclusion or hatred	Water rights (with ecological and/or social net benefit)	Good labour standards & corporate governance
Intensive Agriculture	Sustainable timber & forestry	Positive biodiversity outcomes
	Flexible work	Social well-being & belonging
	Economic empowerment	Renewable energy

Thinking About 'Enough' Impact

Another impact management theme that has come up for us repeatedly in our discussions with our investment teams, our sector partners and peers, is how we think about thresholds for making decisions around impact. How do we know there is 'enough' impact? This can apply at the time of making an investment, making a divestment, taking a step back and considering net impact, and interpreting performance or results. A lot of what gives us the meaningful information to assess whether there was 'enough' impact or whether the impact was positive or negative depends upon the benchmarks or thresholds we select.

Impact Over Time

One way to make sense of how much impact has occurred is to evaluate impact over time periods and context and see if it makes sense to interpret relative or cumulative contribution.

Impact Relative to Peers

In some cases we look at what our peers are doing and try to get a sense of 'outperformance' to tell us whether we are delivering a better than industry average type of impact.

Actual performance vs. Targets

In most cases, we don't set quantitative targets for impact. However, there are many good examples where targets are appropriate. For example, setting a

target for 100% gender pay equity between male and female employees can help us make sense of whether we're on track.

Better than...negative or no... impact

Sometimes it is appropriate to evaluate the alternative or competitive technology or company and the benchmark may end up being negative or zero impact. In the Impact Management Project's impact classification system, an impact strategy can look like moving the bar from creating harm (e.g. an emissions intensive building sector) to 'avoiding harm' (e.g. more efficient infrastructure).

Net impact

We don't believe there are prescriptive ways to do this but instead to bring a diversity of voices and thoughtfulness to the table to assess whether the (risks of) possible negative consequences outweigh the possible benefits or vice versa. Understanding the holistic impacts and impact risks can tell us whether the intended benefit feels like 'enough' to justify a decision.

Impact vs. Financial Return

We believe subjectivity is required to digest many different types of data and determine what 'enough' is. In order to balance different expectations, like positive impact and financial returns, we feel the

people making assessments need to bring a diversity of perspectives, experience and work together with integrity. Being clear about mandates and boundaries can help guide this productive tension and set of decisions.

Impact vs. Impact Risks

Prior to making an investment, it can be difficult to predict how much risk there is that the intended positive outcomes do not occur or that negative unintended consequences arise. However, pausing the ask the questions and deliberately screening for whether the intended impacts are occurring over time or whether negative outcomes are occurring, should guide both strategic and tactical decisions about how to best manage for more optimal net positive outcomes.

Impact according to whom

One of the trickiest aspects of understanding whether there is enough impact is understanding different perspectives. A subjective experience of benefit or harm is impossible to quantify or to compare. However, it's often the most telling and meaningful data point available. If the aim of an investment is to help someone, and that person says it helped and what that meant to them, there is often no better way of 'knowing' that the meaningful intended change has actually taken place to the person it matters most.

[illegible]

Post-covid, we have found that the narrative and **willingness to use finance for good** has grown to the point where we are not having 'why this matters' conversations anymore.

In order to do more and solve more problems, **we need to reduce the friction between ideas and action.**

We are launching: **Alts Fund**, GLF II, ...

Invitation to **come work with us and do more good** with the resources we can bring to the table together.

How to get more involved and work with us

Register for an information session on IIG's Impact Alternatives Fund

<https://events.humanitix.com/impact-alternatives-fund>

- Diversified impact exposure
- Multi-impact strategy
- Multi-asset class, alternatives (lower correlation to traditional asset classes)
- Fund of Funds with some lower fee options
- Designed to fit within your 'Alternatives' allocation and for newer impact investors

For more information or to download the IM:

<http://impact-group.com.au/funds/iig-impact-investment-alternatives-fund/>

Get in touch about:

- IIG's Impact Alternatives Fund
- New products or mandates
- Impact Management and Measurement (join RIAA's IMMCOP)
- Collaborations and partnerships (activating assets, connecting with our investment teams)

Thank you

Questions?

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