3 March 2017

Housing Unit Manager
Social Policy Division
The Treasury
Langton Crescent Parkes ACT 2600

By email: socialimpactinvesting@treasury.gov.au

Dear Sir/Madam,


Please find attached Small Giant’s submission in response to the Australian Government’s Social Impact Investing Discussion Paper.

We applaud Treasury’s focus on developing the impact investing market and are grateful for the opportunity to contribute to this important work.

We would welcome the opportunity to discuss our response with you further. Please don’t hesitate to Mele-Ane Havea (03 8534 0001) or mele-ane@smallgiants.com.au.

Yours sincerely

Mele-Ane Havea
Small Giants

1. Introduction to Small Giants

Small Giants is an impact investment organisation that manages a diversified portfolio of assets, one hundred percent of which are invested to create positive social and environmental impact.

Small Giants was founded by Daniel Almagor and Berry Liberman. At Small Giants, we believe that impact is a lens that can and should be applied across all asset classes. We also believe that impact investment should not be viewed as a replacement to philanthropy, but as a complement to it.

We have invested into the following classes of assets, including (but not limited to):

- direct investment into private and public companies (including TOM Organic, STREAT, The School of Life and Greenearth Energy limited);
- investment into impact investment funds (including Social Ventures Australia and Unitus Impact); property development (including the Commons Development in Brunswick, Melbourne);
- investments into building solar and other renewable energy assets (through the Impact Investment Group); and
- property financing (through the Impact Investment Group).

Since 2007, we have been proving, through our growing and profitable portfolio, that impact and profit are not mutually exclusive, rather intrinsically linked for long term success.

2. Definition of Impact Investing

As we understand it, impact investing refers to investments "made into companies, organizations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial
return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances.

As outlined in the Discussion Paper, Impact Investing includes social impact bonds and investment into social enterprises. We wish to clearly state however that rather than it being about the specific investment approach or mechanism, it is about intention and outcomes (as referenced in the paragraph above).

For the avoidance of doubt, our perspective is that impact investments can also include investment into mission led business\(^2\) (in addition to social enterprises), investment into assets classes such as renewable energy and investment into sustainable property (in addition to SiBs).

3. Discussion Paper

We acknowledge and support the submissions of our colleagues at the Responsible Investment Association of Australia, B Lab Australia and New Zealand, Impact Investing Australia, Impact Investment Group, the Impact Club and Philanthropy Australia.

In addition, we wish contribute supplementary commentary on two of the above mentioned submissions,

a) B Lab Australia and New Zealand; and
b) Impact Investment Group.

B Lab Australia and New Zealand

We support the B Lab Australia and NZ proposal dated 27 February 2017.

We believe the Government will greatly assist with the growth of the impact investment market in Australia by introducing modest amendments to the Corporations Act 2001 (Cth), to create a voluntary legal framework for businesses whose purpose includes both profit making and the public good. A company which "opts in" to these amendments will be known as a "benefit company", and will be subject to a modified regime of directors' duties and reporting requirements.

---

\(^1\) [GIIN, http://www.thegiin.org/cgi-bin/laws/resources/index.html]
\(^2\) As defined in the Advisory Panel to the Mission-led Business Review 2016, On a Mission in the UK Economy,
As an investor, the introduction of the benefit company would provide us with assurances assist and further encourage us to invest in mission led businesses. This is because there would be additional assurances around governance and reporting which would protect from mission drift. These companies would be legally compelled to create and publicly report on positive social and environmental impact (providing an additional third party regulated protection around mission).

Small Giants believes that the benefit company introduction would increase investment opportunities and enable growth in the impact investment market.

a) Impact Investment Group

We support the Impact Investment Group’s (IIG) proposal dated 3 March 2017.

In particular we wish to reiterate the point that investments made with the intention to create positive environmental impact are in fact impact investments.

As an investor, we acknowledge that ongoing regulatory risk around Australia’s investment in the power generation industry acts as a disincentive to investment in renewable energy infrastructure.

We agree with the suggestion made by IIG in their submission that certainty in Australian energy policy, including the introduction of policies which are consistent with Australia’s obligations under the Paris Agreement, will encourage more investment into renewable energy infrastructure, leading to job creation and health benefits and a low carbon future.