

20 March 2017

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

By email: socialimpactinvesting@treasury.gov.au

Dear Sir/Madam

Social Impact Investing Discussion Paper

Suncorp Group (Suncorp) welcomes the opportunity to provide a submission in response to the Social Impact Investing Discussion Paper.

Suncorp Group Limited is a top 20 ASX-listed company with \$96 billion in assets. The company has evolved into a unique franchise, delivering highly-valued banking and wealth, and insurance products and services across Australia and New Zealand. The Group employs approximately 13,500 employees and serves close to nine million customers through its trusted brands including Suncorp, AAMI, GIO, Shannons, Vero and Apia.

We see the potential for impact investing to create significant value for our communities, our customers and our business.

We believe that there are important roles for both government and industry in developing the market for social and environmental impact investing. With the right frameworks in place, we anticipate that the market will continue to expand and become increasingly attractive to a broad range of investors.

Suncorp and social impact investing

Suncorp has a strong interest in social and environmental issues, and would welcome the possibility to be involved in a well-developed impact investment market.

Our Corporate Responsibility team is working across Suncorp to ensure our activities, including investment decisions, are aligned to our purpose to *Create a better today*.

This includes development of a Responsible Investment Policy that will allow us to better manage the social and environmental risks and opportunities within our investment portfolio, and a Financial Inclusion Action Plan that includes social impact investment.

We are also involved in a range of social impact projects, including a shared equity pilot in partnership with the National Affordable Housing Consortium and their subsidiary BuyAssist. The pilot seeks to provide an alternative pathway to home ownership for willing buyers who believe they have little prospect of buying a home due to Australia's housing affordability issues.

In addition to our own work, Suncorp partners with and supports the work of a range of organisations with a strong interest in impact investment, including:

- Climate KIC Australia
- Carbon Market institute
- B Lab Australia and New Zealand
- Impact Investing Australia
- Social Ventures Australia
- National Affordable Housing Consortium

Barriers to expansion of impact investing

While we see significant potential for an expanded market for social and environmental impact investing in Australia, barriers exist that limit the uptake of these investment opportunities. We note that many of these have been identified in the discussion paper.

The most significant of these is the need for organisations to balance their social investment strategy with the need to fulfil their fiduciary duty. While we note that APRA has begun to provide guidance around sustainable investing, more could be done to provide certainty and comfort to trustees that impact investing, prudently implemented, does not breach fiduciary duty.

Regulated entities such as banks and insurance companies have prescribed Asset Risk Charges which prescribe the minimum amount of capital required to be held against investment assets. To the extent Asset Risk Charges materially overstate the true volatility of the exposure, this can represent a material disincentive for certain classes of investment including impact investing.

In order to help overcome barriers to increased investment in this market, Suncorp recommends the Australian Government take a central role to coordinate policies that will facilitate the expansion of the impact investing market.

Developing effective legal and regulatory frameworks

Creating a regulatory framework that provides clarity, consistency and certainty to potential investors will play a significant role in opening up a market for impact investment.

This includes:

- clarifying the fiduciary duty for trustees and directors, perhaps by shifting the emphasis to long-term approaches that allow the financial impacts of social and environmental issues to be better contextualised;
- coordinating consistency between state government approaches to impact investment, including creating a standard framework for government-issued social impact bonds;
- ensuring prudential regulation does not dis-incentivise impact investing;
- ensuring clear and appropriate tax policies to facilitate, and potentially incentivise, impact investing; and
- providing benchmark costings for social services traditionally delivered by governments.

There is also an opportunity for Government to follow the lead of other jurisdictions around the world by creating corporate structures that better facilitate the creation of purpose-led businesses.

Suncorp supports the work of B Lab Australia to develop the legal structures that allow organisations to proactively balance social benefit with shareholder value.

Thirty US states have already adopted B Lab's model legislation, which allows for the creation of 'benefit companies' with characteristics such as expanding directors' duties to require them to consider the interests of non-financial stakeholders.

Creating a company structure that facilitates these dual aims will help give investors the assurance that funds invested would provide both social and financial returns.

Implementing transparent metrics and measurement

Many projects that would be strong candidates for social impact investment lack the track record and measurable results to allow for informed investment decisions.

Clear and consistent reporting metrics for social impact projects will help provide the certainty needed for investors to assess the risk and returns associated with particular investments.

Government can play a role in facilitating the development of a clear outcomes-reporting framework, as well as providing the tools for organisations undertaking social impact projects to implement measurement and reporting systems.

Increasing market scale

Once market infrastructure is in place, at-risk capital investment from government will be vital to kick-start and catalyse the impact investing market.

Building trust in impact investment vehicles will be key to growing the market, and a clear Australian Government commitment to identify and scale up high-quality projects will help to enhance confidence in the sector and create broader investment.

Government can also play a role in growing the market by connecting parties to facilitate investment relationships.

Improving skills and capacity

Significant investment may be required to ensure organisations and individuals across the impact investment sector have the skills and capability to operate within an expanded market.

While there are many asset owners keen to be involved in impact investment, and organisations ready to receive the funding, there is a shortage of corporate finance specialists who can devote time and expertise to structuring these investments – particularly within an appropriate budget for the sector. Government and industry support is required to fund and incentivise capacity-building in the corporate finance sector. Without increased capacity, the number of impact investing deals will continue to be constrained.

Capability building and ongoing support will also be crucial to ensure the market is able to effectively implement the regulatory and governance changes flagged above. Government can play a central role coordinating formal and informal training and development across the sector.

Suncorp would be happy to work with Government and other key stakeholders to develop frameworks and resources for upskilling across the sector.

Suncorp commends the Government for taking an active approach to the development of Australia's social and environmental impact investment sector. We look forward to working with the Government and other stakeholders to build a solid framework and growing the market for impact investing.

Should you have any questions or require more information please do not hesitate to contact me on 0412 700 351 or sara.parrott@suncorp.com.au.

Yours sincerely



Sara Parrott

Executive Manager, Corporate Responsibility