Impact Management at B.I.G.

B.I.G. INVESTMENTS

Our approach to impact investing is guided by the same approach as our granting - a desire to maximise our impact. However, we must also maintain a return and liquidity that allows us to meet our granting requirements each year. (For a PAF that is a minimum of 5%).

Beginning our impact investing journey in 2016, we didn't limit ourselves to certain sectors, impact themes or geographies, but rather how we could maximise our impact generally. Our portfolio is now over 90% invested in either ESG or impact investments and we are constantly seeking ways to move towards 100% impact.

There are three main aspects of our approach:

1. Sourcing investments or fund managers
2. Due Diligence
3. Monitoring the impact of our investments to ensure they are achieving the intended social and/or environmental returns efficiently.

Asset Classes

The asset class of an investment will also affect the sort of impact we expect and its classification along the impact spectrum.

For example, listed companies generally have scale to produce global impact, such as CSL (often appearing in sustainable indexes), which has more than 900 products in over 100 countries, making novel therapies available to patients around the world. However, such companies have equally large footprints and are slower to address ESG concerns because they are largely not mission-driven businesses. For instance, CSL consumed 4.44 billion litres of water last year, an increase on the previous two years. Comparing listed equities to Private Equity or Venture Capital investments, which often make satisfying our annual granting objectives more difficult, we then expect greater social and environmental returns. In these asset classes we are hoping to provide early capital to mission-driven businesses, offering products or services that are contributing to solving society's biggest challenges, particularly to underserved communities or emerging markets.

Impact Due Diligence

Our impact diligence follows a 'mosaic' approach whereby we collect a wide range of information to make the best decision about whether it is an impact investment. Our process follows the *Impact Frontiers* approach, and includes questions such as:

What

What does the enterprise do? What are the goods or services they produce? What outcomes are they producing? How important are those outcomes to the relevant stakeholders? How do these outcomes align with the Sustainable Development Goals? We also find it useful at this stage to consider how a fund manager identifies their investable universe – do they simply consider ESG risks? Or do ESG factors exclude certain companies from the investable universe? Do they align with a particular sustainability theme or underserved place?

Who

Who are the stakeholders experiencing the outcome? How underserved are they? Does the enterprise provide communities with goods or services that they otherwise would not have been able to, or would have found difficult to obtain?

How

How much impact could the enterprise have, measured across scale, depth, and duration?

Contribution

How much affect can be attributed to the work of the enterprise? What would have occurred without their involvement? This is where we can also think about the investment manager's involvement and how we can become more engaged investors – do we actively engage? Grow new or undersupplied capital markets? Can we provide flexible capital?

Risk

What risks or obstacles may there be to delivering the intended impact? How can these risks be evaluated and mitigated?

Wider Research

We will also factor in the work done by third parties in analysing the impact level of various investments. For example, MSCI Impact Metrics, the Ethical Advisers' Co-op, GIIRS ratings, etc.

To be considered impact, an investment must also satisfy the four core characteristics developed by the GIIN:[1]

1) **Intentionality** - intentional desire to contribute to measurable social or environmental benefit. Impact investors aim to solve problems and address opportunities.
2) **Use evidence and impact data** in investment design - Investments cannot be designed on hunches, and impact investing needs to use evidence and data where available.
3) **Manage impact performance** - communicating performance information to support others in the investment chain to manage towards impact.
4) **Contribute to the growth of the industry** - use shared industry terms, conventions, and indicators for describing their impact strategies, goals, and performance. They also share learnings where possible to enable others to learn from their experience as to what contributes to social and environmental benefit.

The list above and the aforementioned factors are illustrative and not exhaustive. This process is constantly evolving in line with industry standards, best practice, and our developing knowledge. Considering all these factors, we then assess whether the investment is best classified as avoiding harm, benefiting stakeholders, or contributing to solutions. We have always been inspired by the work of Bridges Fund Management and their spectrum of capital, the Impact Management Project (now Impact Frontiers) and RIAA's responsible investment spectrum. While we learn from them, we at B.I.G. are constantly evolving ourselves and have also committed to transparency so others may learn from us. See below for Impact Frontier's 'landscape of investment opportunities' template, which is how we classify our investments:

[1] https://thegiin.org/characteristics

IMPACT GOALS

	Avoid harm	Benefit stakeholders	Contribute to solutions
WHAT	Important negative outcomes	Important positive outcomes	Specific important positive outcome(s) *AND*
HOW MUCH	Marginal and for few	Various	Deep, and/or for many and/or long term *AND*
WHO	Underserved	Various	Underserved
CONTRIBUTION	Likely same or better	Likely same or better	Likely better
RISK	Various	Various	Various
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	E.g. Ethical bond fund	E.g. Positively-screened / best-in-class ESG fund	E.g. Sovereign-backed bonds (secondary market) funding vaccine delivery to underserved people or renewable energy projects
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	E.g. Shareholder activist fund	E.g. Positively-screened / best-in-class ESG fund using deep shareholder engagement to improve performance	E.g. Public or private equity fund selecting and engaging with businesses that have a significant effect on education and health for underserved people
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	E.g. Anchor investment in a negatively-screened real estate fund in a frontier market	E.g. Positively-screened infrastructure fund in a frontier market	E.g. Bond fund anchoring primary issuances by businesses that have a significant effect on environmental sustainability, access to clean water and sanitation
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital		E.g. Positively-screened private equity fund making anchor investments in frontier markets	E.g. Private equity fund making anchor investments in businesses that have a significant effect on income and employment for underserved people
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital			E.g. Below-market charity bonds, or an unsecured debt fund focused on businesses that have a significant effect on employment for underserved people;
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital			E.g. Patient VC fund providing anchor investment and active engagement to businesses that have a significant effect on energy access for underserved people

– INVESTOR'S CONTRIBUTION +

Competitive risk-adjusted financial returns

FINANCIAL GOALS

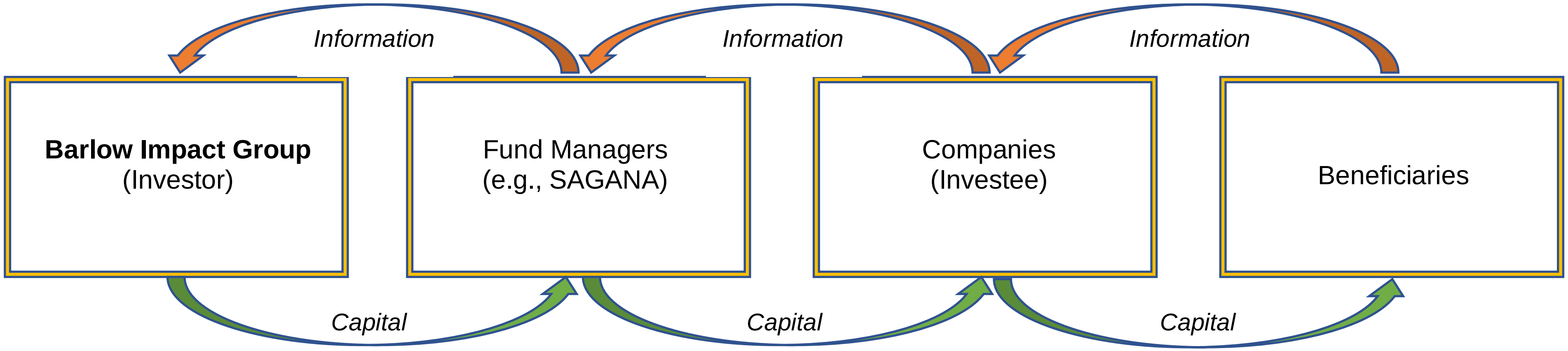
[Sourced from Impact Management Project's 'The Investor's Perspective']

Impact Rationale

As part of our commitment to an investment, we develop a theory of change or impact rationale for each new impact investment based on the the impact management norms. Leading us to the second phase of our approach, impact management. Once an impact rationale has been established, we monitor reports from funds and meet with managers to ensure our investing objectives are being achieved.

Our Future Plans

Reflecting on our role as impact managers and looking to the future and what role we can have, it is important to understand our position in the impact ecosystem:



Our aspiration for the future is to partner with asset managers to develop impact management and reporting systems at the pre-asset allocation stage so that we can more clearly understand and demonstrate the impact that our investment has on social and/or environmental outcomes. We can unlock the most impact by working with the fund managers who invest on our behalf. Encouraging them to accurately report on a range of material ESG issues will require managers to ask the same of their investees. Reporting aligned with leading international disclosure requirements such as the Science Based Targets initiative (SBTi), the Task Force on Climate-Related Financial Disclosures (TCFD), relevant SDG targets, GIIN metrics, and Impact Frontiers compels companies to manage their impact. This will hopefully produce benefits for the manager, as they can attract more capital from other impact investors by demonstrating measurable environmental and/or social returns, and the investees, as they measure what impacts are material to their business and know what outcomes are most relevant to future investors. It should also benefit the most important people in this ecosystem, the beneficiaries, who experience improved outcomes in the absence of green or impact-washing.