



ALIGNING INVESTMENT AND GIVING FOR IMPACT

AN ETHINVEST FOUNDATION REPORT

10 NOVEMBER 2022



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¹ The Ethinvest Foundation does not take unsolicited funding requests.

INTRODUCTION

As the impacts of climate change, biodiversity decline and threats to democracy grow around the world, the need for leadership – including leadership by philanthropists – is greater than ever. The scale and complexity of the global issues we face demand active participation by philanthropists alongside governments, non-government organisations and communities, in how we harness all resources available to us, to find transformational solutions.

One major problem is that there are large sums of money tied up in the investments of philanthropic foundations that are working counter to their missions. Invested in unscreened market funds, they can be supporting activities such as mining for coal and gas, fossil fuel electricity generation, tobacco and gambling.

It is both possible and rewarding to divest from these investments, invest for good ... and align investment and giving for impact.

This report outlines how the Ethinvest Foundation has aligned its investments and giving for impact, while achieving excellent financial returns.

In 2022 the investment opportunities in transformational clean energy and low carbon innovation companies, social and disability housing and other impact investments are greater in number and variety than ever before. The future is bright!

“Returns are not measured in dollars alone. Mobilising capital for change is a key part of the equation for socially responsible investors and philanthropists.”

– Ethinvest Founder, Ross Knowles.

“Adopting an investment strategy for the corpus that embraces consideration of impact, alongside risk and reward, enables a charitable foundation to materially amplify its impact and, at a minimum, do no harm.”

– Kylie Charlton, Managing Director, Australian Impact Investments.

ABOUT THE ETHINVEST FOUNDATION

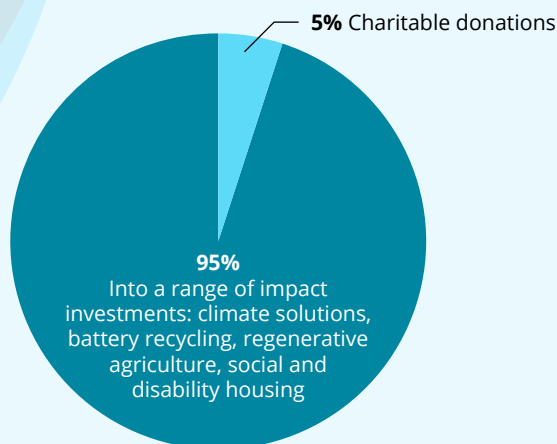
The Ethinvest Foundation, originally the Ross Knowles Foundation, was established in 2006 to benefit charities working to protect the Australian environment and address the rising threat of climate change.

The Foundation donates approximately 5% per annum from an invested corpus to a range of charities (as listed below). That corpus is invested entirely in screened ethical and impact investments

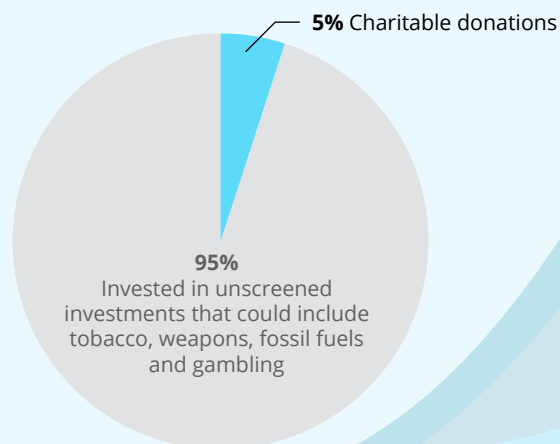
including solar and wind energy, lithium batteries and housing for those with disability needs. By investing all of the foundation's money in environmental and social impact investments, as well as the benefit from the annual charitable donations, the overall positive impact of the foundation is greatly enhanced.

The Ethinvest Foundation has returned an average of 15.3% pa from its investment corpus since inception.

ETHIVEST FOUNDATIONS



TRADITIONAL FOUNDATIONS



"If philanthropy's past half century was about optimizing the 5%, its next half century will be about beginning to harness the 95% as well, carefully and creatively ... our mission compels us to explore how we might mobilise our most significant financial resource: our endowments."

– Darren Walker, President, The Ford Foundation.

“Aligning the corpus of a charitable foundation with its values and missions through the adoption of an investment strategy that seeks both financial objectives and impact objectives materially amplifies the impact of its capital beyond that achievable from traditional granting.”

– Kylie Charlton, Managing Director, Australian Impact Investments.



ABOUT ETHINVEST

Ethinvest was established in 1989 by father and son, Mac and Ross Knowles and was the first financial planning company in Australia with a dedicated focus on ethical investment and ensuring that clients' investment portfolios align with their values.

The company now has \$1.2 billion under management across Australia.

Ever since its inception, the team at Ethinvest have appreciated the critical need for quality research and analysis of ethical and impact investment options.

This was a driving force behind investing in the establishment of Australian Impact Investments (AII) in 2014. Led by Kylie Charlton, AII is a leader in the impact investment sector in Australia, providing detailed and comprehensive analysis of impact investing options for investors.

In 2014 Ethinvest established the Community Impact Foundation (CIF) to support the philanthropic giving of its clients. The Ethinvest Foundation and the CIF have now donated more than \$10 million to over 250 Australian charities.



"Supporting philanthropy was a founding goal of Ethinvest. Our directors are actively engaged in supporting and working with Australia's charitable sector both professionally and personally."

– Ross Knowles, founder, Ethinvest and the Ethinvest Foundation.

“Ethinvest clients increasingly wanted to invest their money proactively into investments that were mission aligned and make a lasting difference to society and the environment without compromising their financial returns. And that’s where impact investing kicks in.”

– Trevor Thomas, Ethinvest Managing Director and Financial Advisor.

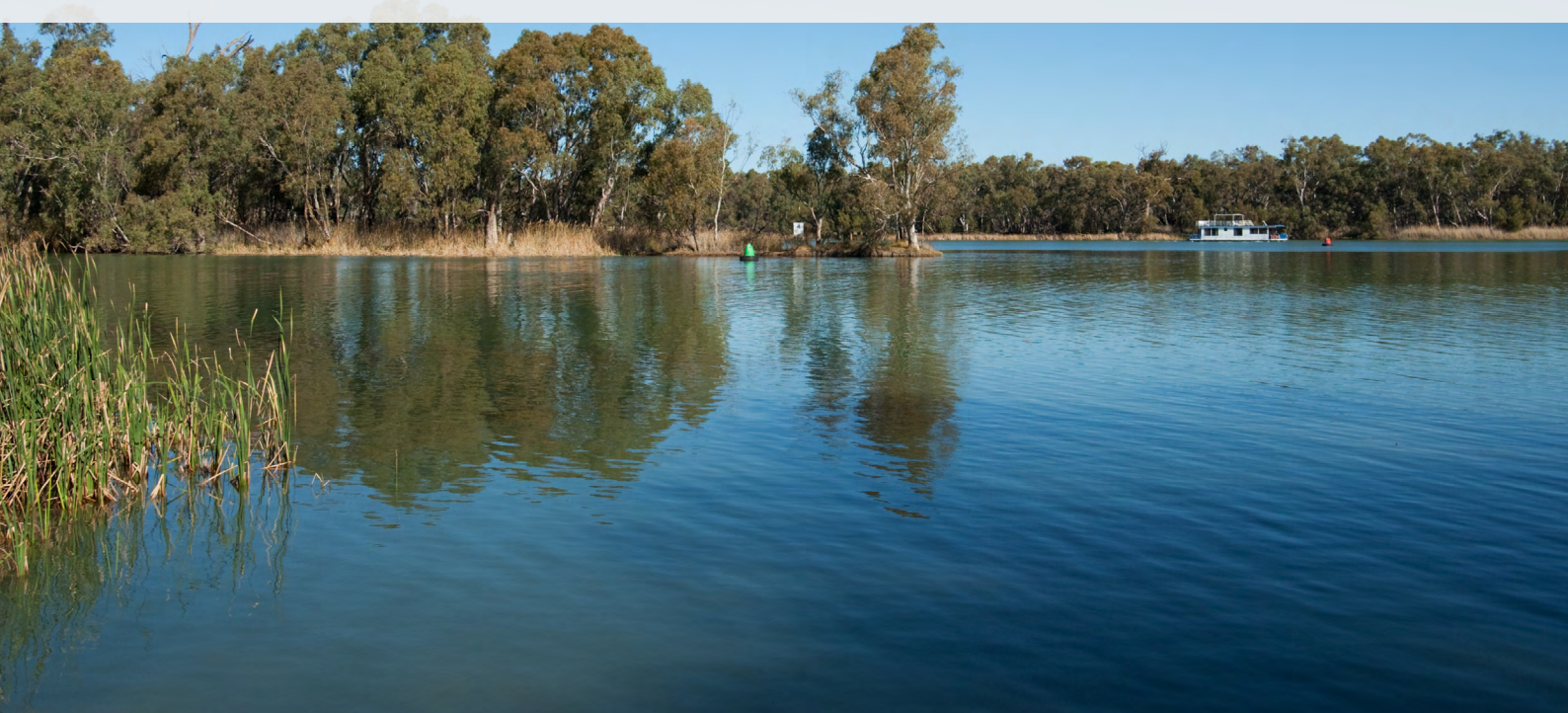
INVESTMENT PROCESS

Selecting high quality investments is key to long-term performance and impact. Successive filters can be applied to achieve this.



THE ETHINVEST AND AII IMPACT SPECTRUM

HARM People & Planet	AVOID Harm	BENEFIT People & Planet	CONTRIBUTE to Solutions
The company is directly involved in activities that harm or may harm people and planet.	The company has no direct involvement in activities that harm people and planet, or there is a balance of positive and negative activities.	The company not only acts to avoid harm but is also involved directly in activities that benefit people and planet.	The company not only acts to avoid harm, but also intentionally generates positive, measurable outcomes for people and planet.



An investor can use a range of strategies to contribute to impact, often in combination, including:

- **Signalling impact matters** by applying negative and positive screens to investment selection processes
- **Active engagement** to influence the environmental/ social performance of companies
- **Growing new or undersupplied capital markets** by participating in new investment opportunities
- **Providing flexible capital** to drive a targeted environmental or social outcome.

The proprietary *Impact Spectrum*, developed by Australian Impact Investments, is shaped from extensive experience across ethical, responsible and impact investing. Together with the work of the Impact Management Project, it categorises every investment as one of four types of impact – **H**arm People & Planet (H), **A**void Harm (A), **B**enefit People & Planet (B) or **C**ontribute to Solutions (C).

WHAT ARE ETHICAL AND IMPACT INVESTMENTS

All investments have impact– positive, neutral or negative. The impact of an investment is a function of the underlying asset/enterprise the investment supports and an investor’s contribution to this impact.

Ethical and/or responsible investment is an umbrella term to describe an investment process which takes environmental, social, governance (ESG) or ethical considerations into account. This involves the inclusion of one or more practices in the research, analysis, selection and monitoring of an investment:

1. Screening

Responsible investment screening can be applied to select investments based upon relative performance on specific issues, such as carbon emission benchmarks or governance standards, or to exclude entire sectors or activities, such as gambling or those who abuse human rights. It can be used for equities as well as property, fixed income and infrastructure; it can be employed either before or after the financial analysis has taken place; and it is usually supported by a predetermined methodology that is clearly defined and transparent.

2. Best of sector

This investment approach implies that all industries should adopt higher standards of ESG practice in order to meet the expectations of society and to achieve sustainable and profitable business goals. This process does not involve negative screening, but rather identifies those companies with superior ESG performance from across all sectors.

3. Thematic investment

Portfolios which contain only those investments that adhere positively to a particular sustainability theme such as environmental technology, carbon intensity, sustainable agriculture and forestry, water technology, waste management, community investing, affordable housing, sustainable property and infrastructure, human rights, microfinance or governance. This category also includes multi-strategy portfolios which may contain a variety of asset classes or a combination of these themes.

4. Impact investing

This emerging investment style involves actively placing capital in businesses and funds that are directed toward solving specific and significant environmental and social challenges while providing returns to the investor that range from principal to above market. By leveraging the private sector, these investments can provide solutions at a scale that purely philanthropic interventions usually cannot reach. Investors usually include high net wealth individuals, institutional investors, charities, corporations and foundations who invest across a wide range of asset classes and where success is measured by a combination of financial returns and environmental and social impact.

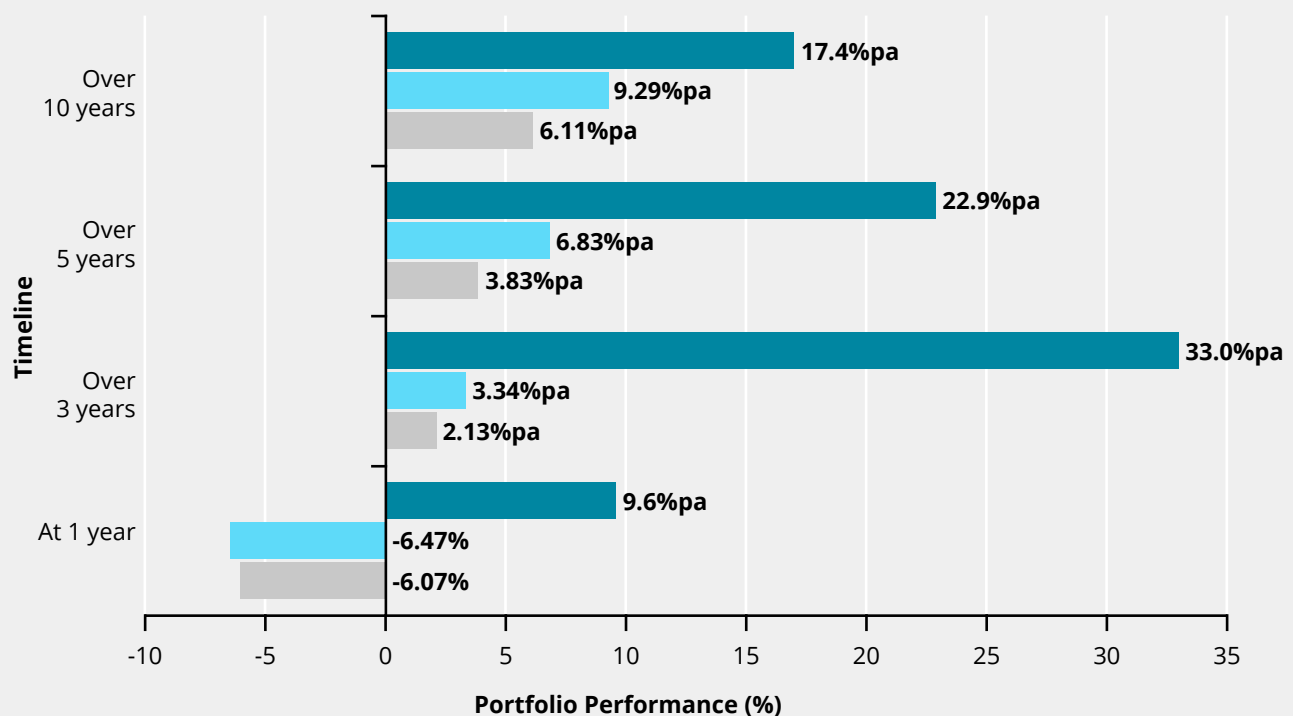
² Ethical Adviser's Co-op – <https://www.ethicaladviserscoop.org/what-is-ethical-investment.html>.

ETHINVEST FOUNDATION INVESTMENT TRACK RECORD

The Ethinvest Foundation's invested corpus has consistently surpassed the market benchmark. It has returned an average of 15.3% per annum since inception.

PORTFOLIO PERFORMANCE – ETHINVEST FOUNDATION

Performance Summary (IRR*)
As of 30 June 2022



■ Ethinvest Foundation* ■ Benchmark: S&P/ASX 200 Total Return Index ■ Benchmark: Balanced Fund*†

* Internal Rate of Return calculations include Imputation Credits.

** Return after fees.

† FE UT PG Multi-Asset Balanced Index.



In 2022, the corpus of the Ethinvest Foundation was invested in a range of impact Investments³. The top ten in 2022 were:

1. Just Business' People Planet Fund
2. Just Business' Innovate For Good Fund
3. Infrastructure Access Fund
4. Climate Capital Renewable Project No 3
5. Climate Capital Renewable Project No 1
6. IIG Solar Asset Fund
7. Future Super Group Pty Ltd
8. Australian Unity Specialist Disability Accommodation Fund
9. SOSV Select Fund
10. Livelihood Impact Fund.

"I no longer find it defensible to say that our investment strategy is only to maximize the value of our endowment (corpus) — just as it's no longer defensible for a corporation to say its only responsibility is to maximize shareholder value."

– Darren Walker, President, The Ford Foundation, U.S.

³ All of these investments are wholesale and are not available to retail investors.

ORGANISATIONS WE SUPPORT

Since 2006, the Ethinvest Foundation has donated over \$2.5 million to Australian charities. The Foundation has historically focused on funding for the environment, specifically advocacy around climate change, and programs that protect biodiversity and conservation of lands and waters in this country now called Australia.

In 2020 the Trustees decided to make an allocation of up to 20% of donations to social causes in light of the need to address issues such as growing homelessness, disease and mental health challenges.

The Ethinvest Foundation is a member of the Australian Environmental Grantmakers Network (AEGN) and regularly encourages others in the network to support urgent funding requests to benefit the climate and environment.

In 2022, the top 10 donations by the Ethinvest Foundation were to the following organisations:

1. The Australia Institute
2. Market Forces (a project of Friends of the Earth)
3. Environmental Defenders Office
4. Australian Wildlife Conservancy
5. Environs Kimberley
6. Farmers for Climate Action
7. Australian Centre for Corporate Responsibility
8. Labor Environment Action Network (a project of Per Capita Australia)
9. The Life You Can Save
10. Dignity.



HOW TO GET STARTED

1.

Review your investment portfolio to see if there are any investments that do not align with your foundation's mission and values.

2.

Decide on areas of investment where you would like to make a positive contribution, such as renewable energy, battery storage, recycling, sustainable agriculture, social or disability housing, etc.

3.

Take time to get good advice ... recommendations by peers can be valuable but make sure that any firm that offers advice in this area is a good fit with your organisation.

4.

Get excited about impact investment and the opportunities it offers your foundation. You can greatly increase the good your foundation is doing through both investing and giving.

FOUNDATIONS LEADING THE WAY

The following are some foundations and organisations who are leading on aligning their investments and/or charitable giving for values-based impact:

Australia

Community Impact Foundation

The Community Impact Foundation is Ethinvest's public ancillary fund, a communal philanthropic structure with a corpus invested entirely in solutions-focused impact opportunities that allows sub-fund holders to take a planned, tax effective approach to charitable giving.

Tony Foundation

The Tony Foundation improves the lives of young Australians through music and invests in impact driven pioneers, solving pressing problems, right from the start. Established in 2012, the Tony Foundation works with pioneers using music in innovative ways to create change. This built on an existing philanthropic spirit within the family business that has supported numerous charitable initiatives throughout its history. The foundation is named in memory of fourth generation Albert family member Anthony (Tony) Alexis Albert.

Mullum Trust

The Mullum Trust is a small, Melbourne-based family foundation that directs its philanthropic support exclusively to the environment and climate change. Since the late 1990s the Trust has used its funds to support advocacy at many levels, promoting action to deal with climate change, renewable energy, invasive species, habitat protection and more.

McKinnon Family Foundation

Established in 2006 by Sydney-based John and Sue McKinnon, the Foundation's mission is squarely focused on supporting the environment, alleviating poverty and developing social enterprise. For the McKinnon's, philanthropy is not just about the money. John and Sue bring every resource at their disposal to the change equation: time, talent, treasure and ties. Rejecting formulaic responses, they favour instead a 'big picture chessboard strategy.' They are leaders in the impact investment space.

Wyatt Trust

The Wyatt Trust has provided support to South Australians experiencing poverty for over 135 years. The foundation challenges the beliefs that perpetuate inequality believing that every South Australian deserves a life free from poverty and disadvantage. For information about the Wyatt Trust's recent investment work with Australian Impact Investments, please see their case study.

United States

Russell Family Foundation

The Russell Family Foundation (TRFF) seeks to contribute to a sustainable and peaceful world for people, places and communities. The foundation serves as a partner for grassroots leaders and community organisations in the Puget Sound region of the U.S. For more than two decades, TRFF has directed its giving and programming through the values of continuous learning and service, prioritising community investment in grassroots leaders, environmental sustainability, and global peace. During that time, TRFF has transitioned its investment portfolio to be almost 95% values-aligned and responded to various impacts on the world and communities, most recently related to environmental education, grassroots leadership, pandemic response and food insecurity.

The Heron Foundation

The Heron Foundation was created in 1992 to help people and communities help themselves out of poverty. Today, the foundation is focused on building a better economy in the U.S., one in which reliable employment and income are available to every willing worker or household. In 2012, Heron committed to investing 100% of its assets in better alignment with its mission and now invests all of its assets through a single capital deployment office, removing the traditional foundation's operating distinction between investments and grant-making. The foundation's enterprise-first, tax-status agnostic approach allows it to seek investment opportunities in both nonprofit and for-profit enterprises that increase and maintain reliable employment, advance innovations that help low-income communities and workers be

economically resilient and contribute to society in a way that leaves everyone better off. The foundation's capital is most commonly used to support an enterprise's growth, or to support a change of business model that improves, preserves, or sustains an enterprise to increase employment and livelihood for people in the community.

Rockefeller Brothers Fund (foundation)

The Rockefeller Brothers Fund (RBF) advances social change that contributes to a more just, sustainable, and peaceful world. As a private family foundation rooted in the Rockefeller tradition of philanthropy, the foundation believes it has an obligation to take the long view, to experiment and take risks, to share learning and to leverage all resources for the common good. Through grantmaking, convening, mission-aligned investing and leadership, the RBF supports the people and organisations building lasting solutions to the challenges facing today's increasingly interdependent world.

Blue Haven Initiative

An innovative family office dedicated to putting wealth to work for competitive returns and positive social and environmental change. Blue Haven was launched by investors Liesel Pritzker Simmons and Ian Simmons in 2012 who manage a diversified portfolio of investments across asset classes, from traditional equities to direct investments in groundbreaking new companies.

Ceniarth

A family office focused on impact-first investing that includes taking concessional returns to achieve impact for improving the livelihoods in marginalised and vulnerable communities globally.



THE ETHINVEST FOUNDATION – PEOPLE



Ross Knowles is the founder and trustee of the Ethinvest Foundation. He is also a founder and Chair of Ethinvest. Ross was the founding co-president of the Responsible Investment Association of Australasia (RIAA) and editor of the book *Ethical Investment* (CHOICE Books 1997). Ross is a keen environmentalist and has played a part in the protection of some significant Australian wilderness areas including Washpool National Park on the NSW northern ranges and Yengo National Park north of Sydney. He has also discovered three new species of Australian frogs. Australia's most recently discovered frog species has been named in his honour, *Philoria knowlesi*. Ross is a trustee of several charitable foundations (PAF's).



Trevor Thomas joined Ethinvest in 1997 after spending six years in South America working in economic development. Prior to that he was employed as an economist with one of Australia's major banks and AP Dow Jones Telerate. Trevor graduated in Economics at Sydney University and has an MBA from Eastern University in Philadelphia. He has been a Certified Financial Planner since 2003. Trevor is a trustee of a number of philanthropic organisations including the John T Reid Charitable Trusts and Ethinvest's Community Impact Foundation. He assists a number of charitable trusts and not-for-profit organisations with their investment strategies. Trevor has a long-standing interest in development and advocacy and until late 2010 he chaired the board of TEAR Fund Australia.



Blair Palese is Director of Philanthropy at Ethinvest, overseeing both the Ethinvest Foundation and the company's Community Impact Foundation, established to support the charitable giving of clients. She has more than 30 years' experience in the charitable sector in Australia, the U.S. and globally. Blair co-founded 350.org Australia in 2009 and was CEO for 10 years. She has been on the boards of and worked with numerous charities, government agencies and companies including as director of communications for Greenpeace International, head of PR for The Body Shop and as an advisor to the C40 Cities for Climate Action, Green Building Council and the Australian Museum's climate solutions project.

RESOURCES

Ethinvest
Australian Impact Investments
Ethical Advisers' Co-op
Ethical Advisers' Co-op Ethical Investment Guide
Ethical Advisers' Co-op – Find an Adviser
Ethical Advisers' Co-op – Rated Funds List
Responsible Investment Association Australasia (RIAA)
Impact Management Project

Australian Environmental Grantmakers Network – www.aegn.org.au/impact-investing/
Canstar's Ethical Investing in Australia
Rockefeller Brothers Fund's Investing in our Future report
Ford Foundation's FordForward, a blueprint for changes to consolidate for impact
Ford Foundation's Unleashing the power of endowments: The next great challenge for philanthropy
The Heron Foundation's Conscientious Portfolio Construction, shared to encourage all asset owners and investment professionals to measure, evaluate and monitor the net contribution of their investments and create investment products and portfolios that reflect their values.



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