



Social Benefit Bond

Investor Report 30 October 2017

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You should also obtain a copy of, and consider, any relevant disclosure document before making any decision in relation to the Bond. No cooling-off regime applies.

Please refer to the Replacement Information Memorandum dated 23 August 2013 for more information on the Bond. Unless otherwise specified, capitalised terms in this Investor Report have the meaning given in such Replacement Information Memorandum.

The individuals shown in this report are not part of the Resilient Families program.

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Foreword

Dear Investor,

The Benevolent Society is excited to share the latest results for The Benevolent Society Social Benefit Bond as at 30 June 2017. The results are remarkable. They show the Bond is achieving an indicative Performance Percentage of 24 per cent, compared to 19 per cent reported last year. This demonstrates the incredible success of Resilient Families and indicates we are on track to deliver strong results for the investors.

The headline achievement is the result for the key criteria of supporting families to prevent their children from entering out-of-home care. For the full third and partial fourth cohorts, Resilient Families has supported 59 per cent more families to stay together compared to a matched control group of similar families. Thus far, Resilient Families has been able to keep 32 per cent more children safely with their families than the control group.

Over the life of the Bond, Resilient Families is delivering an 89 per cent preservation rate for families referred to the program¹. This makes Resilient Families one of the strongest performing intensive family preservation

services and demonstrates industry best practice in this area.

Resilient Families continues to show that intensive family support provided at the right time and with the right mix of practical and therapeutic services can have a significant impact on the lives of children and their families. It also supports the New South Wales Government's efforts to reverse the trend of increasing numbers of children entering out-of-home care each year.

The Bond is entering its final phase and Resilient Families have stopped accepting new referrals but will continue to support the final cohort until 3 October 2018. The Benevolent Society is keen to explore how we can continue to work with the New South Wales Government and our Bond partners to build on the excellent results this program is achieving. Resilient Families will be the first social benefit bond to mature in Australia in October 2018. Together we have an opportunity to break new ground and hope to become one of the only successful social benefit bond pilot programs in the world to transition to a scaled up program, dramatically increasing the impact for families.

Lisa Chung

Chairman
The Benevolent Society

Joanne Toohey

Chief Executive Officer
The Benevolent Society

¹ Resilient Families operates on an 'intention to treat' model. Families that chose not to engage with program are still included in the calculation of the overall Bond results.



I am pleased that the social benefit bond market in New South Wales continues to grow and to deliver strong results, evidenced by the results of The Benevolent Society Social Benefit Bond.

As the first state to pilot social impact investing, New South Wales is leading the way in bringing together government, business and the non-government sector to tackle longstanding social issues in new and effective ways.

The Hon. Dominic Perrottet MP,
NSW Treasurer and Minister for Industrial Relations



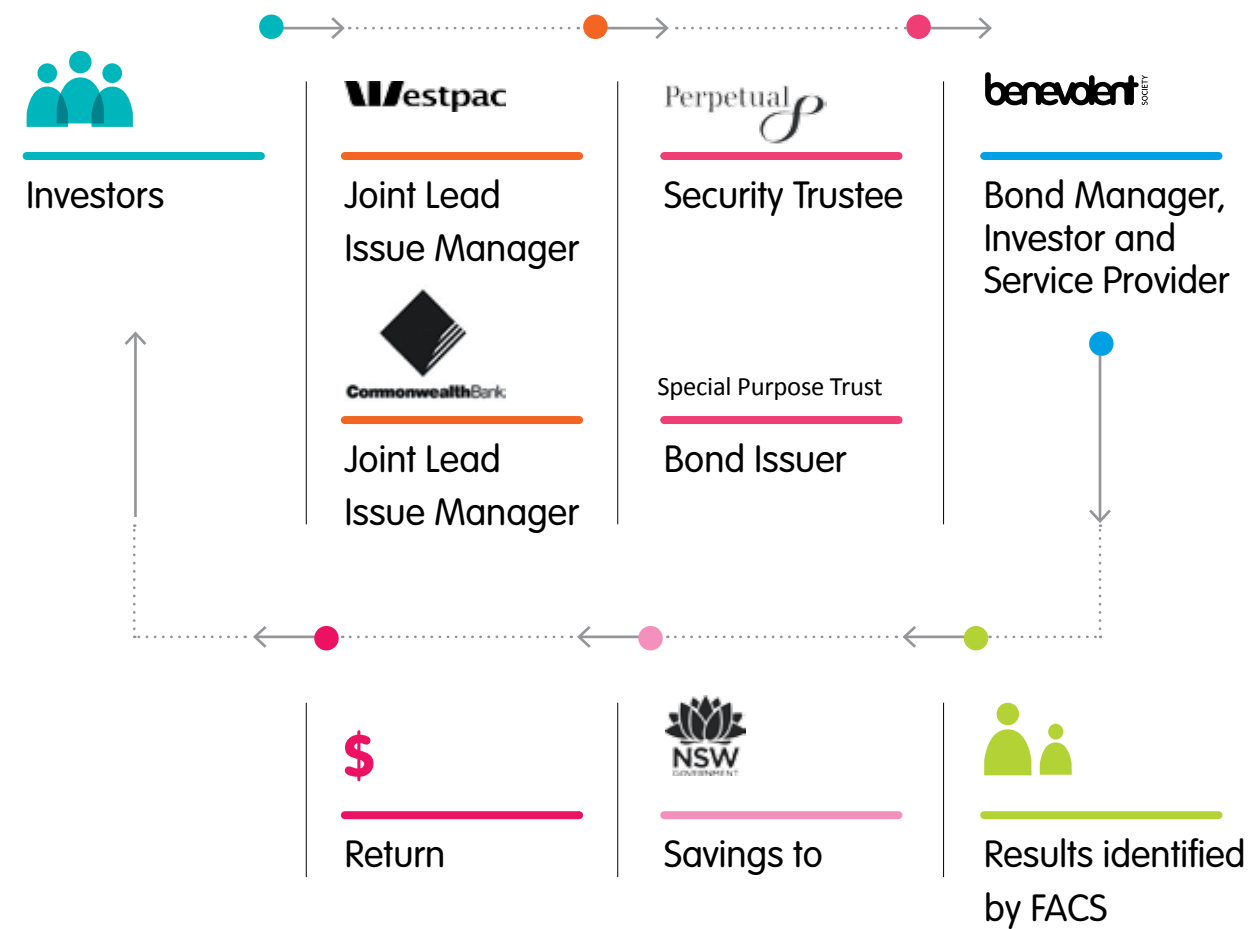
The NSW Government is leading the nation with social impact investing to support parents to change where it is safe and possible to do so. Programs like Resilient Families demonstrate how government and non-government partners can work together to keep families together and to give children a safe and loving home for life.

The Hon. Pru Goward MP, NSW Minister for Family and Community Services, Minister for Social Housing, and Minister for the Prevention of Domestic Violence and Sexual Assault

The Bond

The Benevolent Society Social Benefit Bond was launched in October 2013 to support Resilient Families which is an intensive intervention program for families whose children are at risk of being removed and placed into out-of-home care. The \$10 million capital, provided by investors, will support between 300 and 400 families referred by FACS over five years. The structure and relationships between the key stakeholders of the Bond is displayed below in Figure 1 below.

Figure 1 Structure overview of the Bond





Commonwealth Bank is proud to be working with The Benevolent Society on this Social Benefit Bond pilot project. We are now four years into this ground-breaking funding structure and continue to be overwhelmed by the positive impact this financing is having on at-risk families and children through the Resilient Families Program. This innovative funding structure was designed as a pilot project and we believe our success to date helps to further illustrate that the concept of social benefit financing works for all stakeholders. The challenge we all face now is how best to take this pilot and scale it to help more communities in the future.

Simon Ling,
Commonwealth Bank Managing Director Debt Markets

Key results at a glance

The key results of the Bond and the Resilient Families program are:

24%

The overall indicative current Performance Percentage of the Bond is 24 per cent, compared to the indicative 19 per cent in the last Investor Report*

59%

For the full third and partial fourth cohorts to 30 June 2017, 59 per cent fewer children from families referred to Resilient Families entered out-of-home care compared to children from the matched control group of families

32%

Over the life of the Bond to 30 June 2017, 32 per cent fewer children from Resilient Families entered out-of-home care compared to children from the matched control group families

89%

Over the life of the Bond to 30 June 2017, Resilient Families is delivering an 89 per cent preservation rate (children remain home with parents) for all families referred to the program

* These results are based on indicative calculations, and do not include full performance calculations for the final period of the Bond.

The Bond results in detail

The average improvement percentage as a difference between the Intervention and Control Groups of the Social Benefit Bond as at 30 June 2017 is 24 per cent, as detailed in Figure 3

Figure 3 Improvement Percentage for Resilient Families

Measure	Result Cohort 1	Result Cohort 2	Result Cohort 3/4	Weighting
Out-of-home care entries	15%*	21%	59%	66%
Safety & risk assessments (SARAs)	(62%)	50%	33%	17%
Helpline reports	(4%)	32%	(5%)	17%
Improvement percentage	(1%)	28%	44%	100%

Average improvement percentage

$$(1\%) + 28\% + 44\% = 71\% / 3 \text{ (cohorts)}$$

$$= 24\%$$

The overall Average Improvement Percentage of 24 per cent is the combined weighted result of three separate measures averaged across the term of the Bond.

The key drivers of these results include:

- Out-of-home care entry results show that 59 per cent fewer children entered out-of-home care from the Intervention Group when compared to the Control Group for the full third and partial fourth cohorts².

The bond result is calculated based solely on the youngest child in the family, referred to as the 'index' child. Given that most of the families who receive services have more than one child, and Resilient Families practitioners work with the whole family, in real terms Resilient Families is keeping many more children from entering out-of-home-care than are reflected in these results.

- There have been 33 per cent fewer safety and risk assessments (SARAs) conducted

for the Intervention Group compared to the Control Group for the full third and partial fourth cohorts.

- Helpline Reports for the full third and partial fourth cohorts for the Intervention Group were 5 per cent higher than for families in the Control Group. This is not unexpected given the involvement with families struggling with complex and challenging issues in this program. What is encouraging is that this result is not translating into increased SARAs or entries into out-of-home care.

These results are based on a full cohort three plus a partial cohort four. They are therefore indicative, and may change once full results from cohort four are made available.

A detailed explanation of the Bond performance measurement framework is set out on page 14 of this report.



I love that we are able to give a family, care giver, child experiences of a trusting, reliable, consistent and safe relationship, sometimes this is the individual's first experiences of such a thing.

Resilient Families staff member.



Families cannot change their past but they work hard to change their future.

Resilient Families staff member.

*The OOHC result reported for Cohort 1 in the 2016 Investor Report has changed due to an error identified in the remediated data provided in 2016. The Benevolent Society received the correction in the 2017 remediated data set.

² The Intervention Group refers to families referred to the Resilient Families program by FACS. The Control Group is a group of matched families with similar characteristics who receive a 'business as usual' support from FACS

Investor returns

Investor returns are determined based on the Performance Percentage. Using the formula that would be applied if the Bond was maturing as at 30 June 2017 the Performance Percentage, for the months ended 30 June 2017, would be 24 per cent as detailed in Figure 4 below:

Figure 4 Performance percentage

Measure	Actual/ Deemed performance	Weighting
Improvement percentage	24%	94%
Unmatched children percentage	15%	1%
Guaranteed referrals shortfall percentage	40%	5%
Performance percentage	24%	100%

The weighting: it is expected that the weightings for the Unmatched Children Percentage and the Guaranteed Referrals Shortfall Percentage decreased over time as the referral process became more efficient.

Actual returns will be calculated based on cumulative results and paid to investors on the maturity date of the Bond, unless there is an early termination of the Bond. The Performance Percentage as at 30 June 2017 of 24 per cent would result in theoretical returns to investors of 7 per cent for the capital protected class (Class P) and 15 per cent for the capital exposed class (Class E), as highlighted in Figure 5 below:

Figure 5 Theoretical investor returns

Performance Percentage	Class P Return*	Class E Return*
Fail (<5%)	0%	0%
Baseline (≥5% <15%)	5%	8%
Good 1 (≥15% <20%)	6%	10.5%
Good 2 (≥20% <25%)	7%	15%
Good 3 (≥25% <35%)	8%	20%
Good 4 (≥35% <40%)	9%	25%
Out-Performance (≥40%)	10%	30%

* Rounding to the nearest whole figure

How performance is verified

Remediation

This process consists of an annual analysis of data by FACS to verify data integrity and reporting. FACS then makes this remediated data available to The Benevolent Society, within three months after the end of the financial year. The data is then checked and outliers are investigated collaboratively.

Independent certification

The Bond performance will be independently certified by Deloitte Touche Tohmatsu Limited after the Measurement Date which, unless there is an early termination of the Bond, will be in 2018.

Bond performance measurement

Improvement percentage

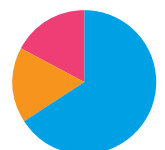
The Improvement Percentage for the Bond is determined by results generated from the New South Wales Department of Family and Community Services (FACS) data system. The progress made by families referred to the Program, called the Intervention Group, is compared against the progress made by a Control Group who share similar characteristics and receive standard services from FACS that may include family support and intervention at varying levels of intensity.

The results are measured by closely monitoring the number of occurrences of three types of child protection events for the Intervention Group compared to the Control Group:

- Out-of-home care entries, which are statutory removals of children (“Entries”);
- Safety and risk assessments (SARAS), which are investigations conducted by FACS (excluding those conducted in the first six months of each cohort measurement period)(“Assessments”); and
- Helpline reports, in which calls are made by NSW Police or health care professionals to the child protection Helpline to report a concern about the safety of children (“Reports”).

These three measures cover a wide spectrum of child safety and together determine the Improvement Percentage.

Improvement percentage weighting =



(66% x Entries)
(17% x Assessments)
(17% x Reports)

Families who later became ineligible due to a change of circumstances and families with unborn children at time of measurement are excluded.

Performance percentage

Ultimately, investor payments depend on the Performance Percentage which is based on the following:

- Average of the Improvement Percentage for each Annual Cohort* (“AvgIP”);
- Treatment Percentage – where children referred to the Program have been matched to a control child (“TreatP”);
- Unmatched Children Percentage – where children referred by FACS cannot be matched with a similar control child (“UnmatchedP”); and
- Guaranteed Referrals Shortfall Percentage – where FACS is unable to fill vacancies notified by The Benevolent Society within the agreed period of time up to a guaranteed minimum (“GRSP”).

* Any partial Annual Cohort is amalgamated with the previous full Annual Cohort.

Performance percentage =

(TreatP x AvgIP) +
(UnmatchedP x 15%) +
(GRSP x 40%)



In comparison to other NGO programs, Resilient Families gets that families’ needs change day by day. There might be some existing set up, like the worker going in twice a week for parenting lessons, but they are aware that they might need really basic practical support and that could change weekly as well. So, I like that they can alter their approach because some services are quite rigid and want to stick to the agreed goals, but that won’t work so well for the family.

FACS Community Service Centre caseworker,
Evaluation of the Resilient Families Service (Social Benefit Bond Pilot) NSW Treasury Evaluation 2 - Progress Report 4. August 2017
ARTD Consultants (Unpublished)



When a mother was asked what was making the difference in her relationship in regards to the safety for the children, the client stated “it was you,” referring to the worker. “It’s the work you’re doing with my husband that has made the difference”

Client discussing her case worker



Partnering with our people, customers and communities to prosper and grow is Westpac's core vision. This partnership with The Benevolent Society is a great example where Westpac has been able to contribute to improving the outcomes of families that are part of the Resilient Families Program, funded by this Social Benefit Bond. We are very pleased with the outcomes and we congratulate The Benevolent Society on the progress to date.

This Bond was one of the first Social Benefit Bonds in Australia and it is fantastic to see that the success of this Bond and others is creating deeper interest in this innovative approach to addressing social needs by governments, the financial sector and investors. This Bond has delivered great outcomes for the community which we hope the NSW Government will expand when this Bond reaches its maturity.

The NSW Government has led the way for social benefit bonds to transform how governments fund service provision. They understand the positive role they play in this market and many states around Australia have emulated this experience and are now also working on similar bonds.

Craig Parker

Executive Director, Head of Structured Finance
Westpac Institutional Bank



The Resilient Families Program

Resilient Families is a therapeutic, evidence informed program that seeks to improve outcomes for children by building a protective network around them. The Program is underpinned by The Benevolent Society's Resilience Practice Framework, which is the result of many years of research in collaboration with the Parenting Research Centre.

Senior child and family practitioners develop a support plan in collaboration with each family to address the risks identified and meet the individual support needs of the family. The support plan goals are achieved through a mix of practical and therapeutic support. This includes training in the use of skills to manage stress and conflict, encouraging positive child behaviour, improving understanding of the child's developmental needs, and building the confidence necessary to tackle problems early before they become entrenched.

The Program delivers a flexible twelve week intensive phase with access to 24/7 support if required. This is followed by less intensive support for up to 12 months to

address a range of issues such as parental mental health issues, domestic and family violence, substance misuse, and neglect of their children. All families have the option to re-engage with the service after they exit should circumstances emerge that increase vulnerability and risk.

The Benevolent Society continues to embrace new ways to adapt and improve the Resilient Families Program to ensure that it is offering the most effective support possible to achieve sustainable positive outcomes.

>85%

More than 85 per cent of the support provided by Resilient Families practitioners occurs face-to-face with the family in the family home at times that best meet the families' needs.

“

They tailor their approach to the situation so that if it changes, they change what they are doing. So, they match us (FACS) much more in the way we think and our process. Their communication is so good.

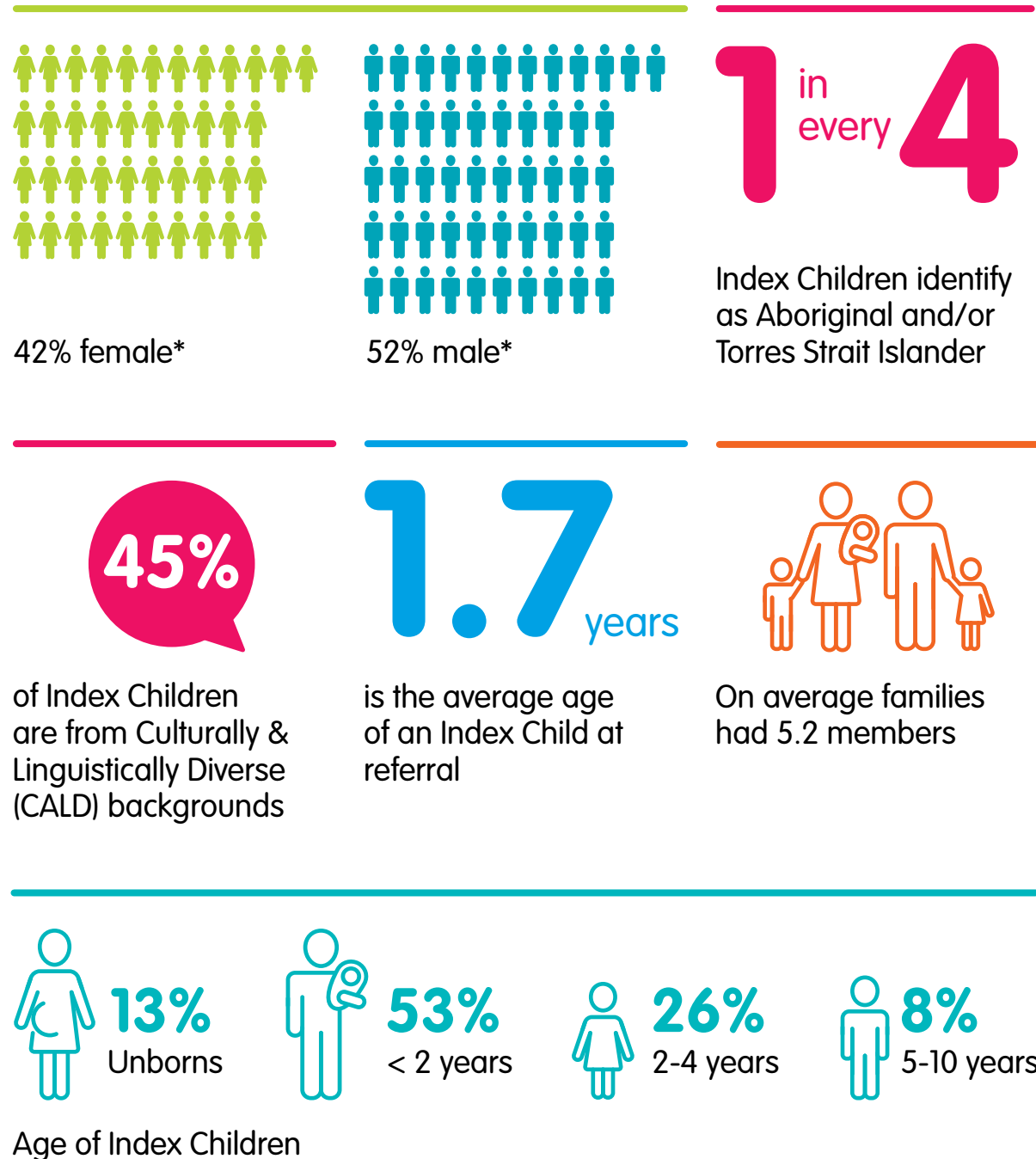
FACS Community Service Centre caseworker.



Getting to know our families

The information presented below provides a snapshot of the families referred to Resilient Families for FY 2016-2017*.

Who are the children we are working with?



*A small percentage of clients did not have a gender recorded in their profile.

As at 30 June 2017, 289 families have been referred to Resilient Families by FACS.

Families are referred to the Program for a range of complex reasons that impact on their ability to parent and place their children at risk of significant harm. Some of the key factors that result in referral to the Program include domestic and family violence, substance misuse, mental health issues and neglect. Figure 6 outlines the prevalence of each of these concerns for families referred to Resilient Families for the period 1 July 2016 to 30 June 2017.

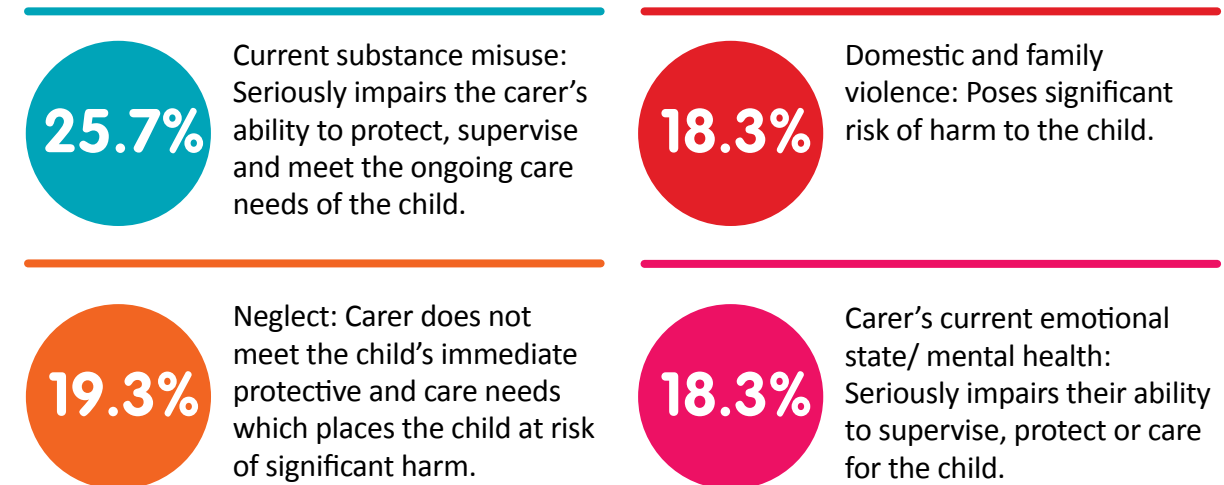
Resilient Families is a voluntary service; families are not compelled to engage with the program following referral from FACS. Families who receive services through the Program continue to achieve real and sustainable improvements across a number of measures and are significantly more likely to safely parent their children in the home.

Resilient Families works to improve the safety and wellbeing of all children in the families referred to it. For families entering the Program between 1 July 2016 and

30 June 2017, the average family size was 5.2 members. Resilient Families' performance is calculated based solely on the youngest child in the family, referred to as the 'index' child. So whilst the performance reflects the outcomes achieved for the 289 index children referred to the Program, the impact of the work with families is far broader and benefits many more children by helping to keep the entire family together. Over the life of the Bond the total number of children in the families referred to the Program is in excess of 650¹.

Analysis of demographic information about the families referred to Resilient Families for the period from 1 July 2016 to 30 June 2017 shows that the families are representative of the immense cultural diversity within metropolitan Sydney. For this period 26 per cent of the children referred into the Program identified as Aboriginal or Torres Strait Islander and 45 per cent were from a culturally and linguistically diverse (CALD) background, many of whom required the ongoing support of interpreters to enable them to engage with the Program.

Figure 6 Key risks* leading to referral to Resilient Families



¹The Benevolent Society internal data for Resilient Families

*Risks are not mutually exclusive. Families regularly present with multiple and complex risks.



From a professional view, seeing parents hug and play with their child with ease, hearing a parent advocate for themselves for the first time or feeling the liberation in light laughter is very rewarding. There are some things which cannot be measured on paper but are just as valuable.

Sue, Senior Child and Family worker



It is great to have the opportunity to work alongside families and observe what they are able to achieve throughout their time with Resilient Families. The program is genuinely there to support families to develop the skills to ensure their children are safe, happy and healthy. It is great to be part of a program which embraces and respects the diverse needs and experiences of each family, and works with this to support lasting change.”

Rebecca, Senior Child and Family worker

Mia's story*

Mia* became involved with the Department of Family and Community Services (FACS) as a single mother to four children, and while she was pregnant with her fifth, Mia was struggling to cope with the care of her children. She had little insight into the negative impact her behaviour and limited understanding of their needs was having on their safety and wellbeing. Additionally, Mia left her children without financial support or adequate arrangements for their ongoing care whilst she was away for an extended period, and it was at this time that FACS became involved; subsequently the four children were placed in foster care.

When she was referred to Resilient Families, FACS had no immediate plans to reunify Mia with her children and FACS was concerned about her ability to safely care for the baby following the birth.

The Resilient Families caseworker noted that Mia's interactions with FACS were quite adversarial. At Mia's request, the Resilient Families caseworker began to accompany her as a support when she met with FACS. That support, as well as the parenting and child development education Mia received working with Resilient Families, helped her to gain greater insight into how best to provide a safe and nurturing environment for them.

As Mia's knowledge and understanding increased, her attitude towards FACS changed. She came to realise that she had to build positive relationships with her children and demonstrate her ability to care for them and protect them from harm. This dramatic change in her attitude and parenting ability was noted and commented on positively by FACS caseworkers.

Mia also realised that her best chance of keeping the baby in her care, and eventually having the four older children returned to her, was to learn all she could from the Resilient Families program. One of the challenges she originally faced was the lack of support from either extended family or social networks in her community. This contributed to her feelings of isolation and to her reliance on poor coping strategies that impacted her ability to safely care for her children.

Over the period that Resilient Families worked with Mia, FACS caseworkers noted that she had significantly improved her parenting skills and gained insight into the impact those skills were having on her children's development. Through Resilient Families, Mia has learned the value of building strong social networks in her community, where she now attends regular parenting group meetings with her baby. She shares the knowledge she gained working with Resilient Families with other parents in her community and that has resulted in several approaches from parents seeking to enter the Program. FACS was able to close their case in relation to Mia's baby with the infant still safely in Mia's care.

Mia has now exited Resilient Families after having met her case plan goals. She continues to work positively with FACS in relation to her four older children and maintains regular visits with all of them. Through her involvement with the Program she has developed confidence in her ability to provide a safe and nurturing environment for her baby and continues to work towards being permanently reunified with all of her children.

*Names have been changed to protect members of the family

Program evaluation framework

Two levels of evaluation

The Bond is a pilot initiative by the New South Wales Government incorporating, from the outset, an ongoing external evaluation of the Program funded by the Bond. In addition, The Benevolent Society undertakes internal evaluation to inform the continuous improvement of the program.

The New South Wales Government engaged ARTD Consultants (“ARTD”) to complete an independent evaluation of the Program. To date a preliminary (December 2014), mid-term (September 2015), and interim report (May 2016) have been published by ARTD, with the final progress report due before the end of 2017. These reports are made available on The Benevolent Society website as they are published (see www.benevolent.org.au/sib). The external evaluation of Resilient Families has added valuable insights to the body of knowledge of intensive family preservation services.

Families referred to Resilient Families have the option to participate in both the internal and external evaluations or may opt to consent to only allow their data to be used for internal evaluation purposes. Some families do not consent to releasing their data for either internal or external evaluation purposes which places limitations on the interpretation that may be applied to the data.

Additional outcome metrics

The Benevolent Society is committed to undertaking high-quality evaluation to improve the outcomes for families being achieved in all of its services.

The Benevolent Society’s internal Child and Family Evaluation team analyse Program data including outcomes, demographic information and the *Most Significant Change* data reported by families using the Resilience Practice Framework Outcomes Tool. These analyses allow The Benevolent Society to monitor the impact of the Program and ensure that families are supported to achieve the best outcomes possible.

The Resilience Practice Framework identifies five high-level child and family outcomes which are measured through the Resilience Outcomes Tool. The Outcomes Tool is a measurement tool comprising a range of standardised measures that are widely used in Australia. Parents complete the Resilience Outcomes Tool within the first 30 days of program entry, then again at regular intervals until they exit the program.

For the period from 1 July 2016 to 30 June 2017, analysis identified that families in the Resilient Families program improved against the outcome domains in a number of ways some of which are depicted opposite in Figure 7.

Figure 7 Child and family outcomes upon entry to and exit from Resilient Families



We are The Benevolent Society

We help people change their lives through support and education and we speak out for a just society where everyone thrives. We're Australia's first charity. We're a not-for-profit and non-religious organisation and we've helped people, families and communities achieve positive change since 1813.

The Benevolent Society acknowledges the Traditional owners of country throughout Australia and recognises continuing connection to land, waters and community. We pay our respects to them and their cultures and to Elders past and present.

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