PAVING PATHWAYS

A Review of the Impact Investment Ready Growth Grant



February 2018

Written by: Jennifer Ziegner, Sally McCutchan, Jason Hu

ISBN PDF: 978-0-6482749-0-2

Disclaimer

This document has been developed by Impact Investing Australia Ltd on behalf of the Australian Advisory Board on Impact Investing. The views expressed represent a consensus view of those involved informed by consultation with practitioners and stakeholders, research relating to the Australian and global context, and international collaboration. Views expressed do not reflect the views of individual members of the Australian Advisory Board or other National Advisory Boards. Members of the Australian Advisory Board have participated in a personal capacity and no views expressed here represent view or position of the organisations they represent or in which they hold positions. Nothing in this report should be construed as financial or other expert advice. This document does not constitute an offer of securities or any other financial product or advice in relation to any such product. Any errors or omissions are the responsibility of Impact Investing Australia Ltd and the authors.

Contents

LIST OF FIGURES

Executive Summary

In its 2014 strategy, the Australian Advisory Board on Impact Investing (AAB) recognised the importance of mission-driven organisations (social enterprises) in contributing to the Australian economy and generating measurable positive social and environmental outcomes. A key plank of the strategy addressed how these organisations could be better supported to raise the capital they needed to drive business growth and scale their impact.

The Impact Investment Ready Growth Grant (Growth Grant) was subsequently launched in March 2015. It is an initiative that holistically addresses market gaps for impact-driven businesses to raise the investment required to scale and grow. It provides grants of up to $100,000 for the business, financial, legal or other capacity building support required for social enterprises to raise capital.

To date, the Growth Grant has deployed $1.4mn in grant funding, supporting 22 mission-driven organisations. Eleven of these have successfully raised a cumulative $40mn in debt and equity. The comparatively small amount of Growth Grant funding has had a catalytic effect in enabling businesses to raise investment and build and sustain organisational capabilities.

There are 11 essential elements of design that have driven successful program outcomes for the Growth Grant. They including, among others: an Independent Growth Grant Panel; specific eligibility criteria for applicants; staged payment structure for grants; openness to program adaption and flexibility; an agnostic approach to corporate form; feedback to all applicants irrespective of success and, while applicants are free to choose their provider, a requirement that the primary provider is part of the application process.

Drawing on recent surveys and interviews as well as internal data collected throughout the program, key insights and learnings have emerged. While the ecosystem supporting mission-driven organisations has come a long way since the Growth Grant was launched, there are still significant gaps that need to be addressed. These include gaps in: earlier stage funding for social enterprises, support for contract readiness; and number and reach of high quality providers, particularly beyond the Eastern Seaboard States. Understanding of what constitutes investment readiness also continues to be a challenge for many social enterprises.

At this stage of sector development, involvement with social enterprises is outside the mainstream. Larger scale professional services firms and traditional Venture Capitalists remain at the peripheral of the ecosystem. Values alignment is a key consideration in this space and where it can be achieved, as the sector grows these larger scale players may be a greater support for much needed investment and/or specialised capacity development.

Looking forward, initiatives like the Growth Grant will be important as key conduits in building sustainable capacity across the ecosystem. The data drawn from the survey indicated the important role the Growth Grant played for grantees in capital raising and capacity building. Two-thirds of grantees said they believed they would not have secured the investment without the support of the Growth Grant, and one-third expected that they would have raised less, or it would have taken them longer. In addition, 94% of the grantees reported improved skills and knowledge in topics relating to capital raising and 88% reported strengthened sustainability and scalability of their organisation.

There is also an important role that governments, trust and foundations can play in bringing further support and growth to the sector. What has been very encouraging over the last 2.5 years is the growing appetite from these groups to provide this support in collaboration with each other and further sector participants. The Australian Government's Social Impact Investment Fund budget initiative is a good example. A select number of trusts and foundations have also provided both direct capacity support and/or are investing a part of their corpus with an impact lens.

There is nothing like a story to bring experiences to life. The last section of this report shares the stories of some truly extraordinary individuals. These inspirational people are driven to make positive impact in the world through organisations that are sustainable and growing. Theirs is the harder road and our hope is that programs like the Growth Grant can continue to help them, and others like them, to pave the way forward to a better world for us all.

Growth Grant at a Glance

The Impact Investment Ready Growth Grant has distributed…

$1,436,200

of **grant funding** to…

22

impact-driven **organisations**…

…at an average **grant size** of

$68,400

to work with…

20

capacity building organisations.

10

grantees have **successfully raised**…

…a **total** of

$41mn

…at a median grant **leverage** of

23.

The **total expected capital raise** of all grantees equals

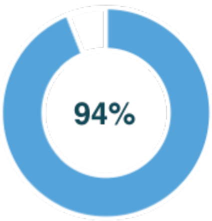
$73mn.

Grantees

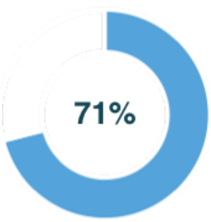
...of grantees say they would **not have raised investment** without the capacity building support, or they would have raised less investment and taken longer

Grantees say the capacity building support has contributed to:

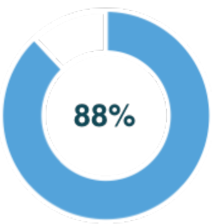
Tangible outputs (e.g. investor documents)



Improved skills and knowledge



Widened networks



Strengthened sustainability and scalability

Providers

...of providers say they **could not have worked with the grantee organisations** without the Growth Grant, would have worked less extensively with them or sacrificed their fees

Providers say the Growth Grant support has contributed to:

Financial sustainability of the organisation

Internal capacity building around investment readiness

Positioning as a key provider in the market

Understanding of needs of impact organisations, impact measurement and investor requirements

Introduction

The Impact Investment Ready Growth Grant

In 2014, the Australian Advisory Board on Impact Investing (AAB) published *Delivering on Impact*, which outlined a strategy for accelerating and growing the market for impact investments in and from Australia. One of the five pillars of the AAB's strategy was the establishment of a fund to support the growth of mission-driven organisations, both for-profit and not-for-profit[1]. The main objective was to enable these organisations to access capital by bridging the gap between their needs and investors actively seeking impact investment opportunities.

The strategy was implemented in March 2015 with the establishment of the Impact Investment Readiness Fund by Impact Investing Australia. The fund was co-designed with The Difference Incubator and received staged seed-funding of a total of $1.75m from National Australia Bank (NAB)[2]. In February 2017, the Impact Investment Readiness Fund was rebranded as the Impact Investment Ready Growth Grant (Growth Grant).

This coincided with the creation of a partnership between Philanthropy Australia and NAB to launch a related initiative, the Impact Investment Ready Discovery Grant (Discovery Grant). The Discovery Grant was designed to support earlier stage not-for-profits to explore sustainable revenue streams and enterprising opportunities. The $500,000 of available grant funding was allocated over two grant rounds in 2017.

This report therefore focuses on the activities, data and learnings of the Growth Grant.

The Growth Grant is designed as a holistic market development initiative. It addresses three fundamental market gaps (**Figure 1**):

Funding gap for mission-driven organisations. There are many impact-driven organisations in their growth stage that have a sustainable and replicable business model and the potential to secure investment. These organisations often need professional

---

[1] While the definition of "social enterprises" may be used differently across the eco-system, the terms "mission driven business" or "impact driven business", both for-profit or not-for-profit, are used interchangeably with "social enterprise" for the purpose of the Australian Advisory Board strategy

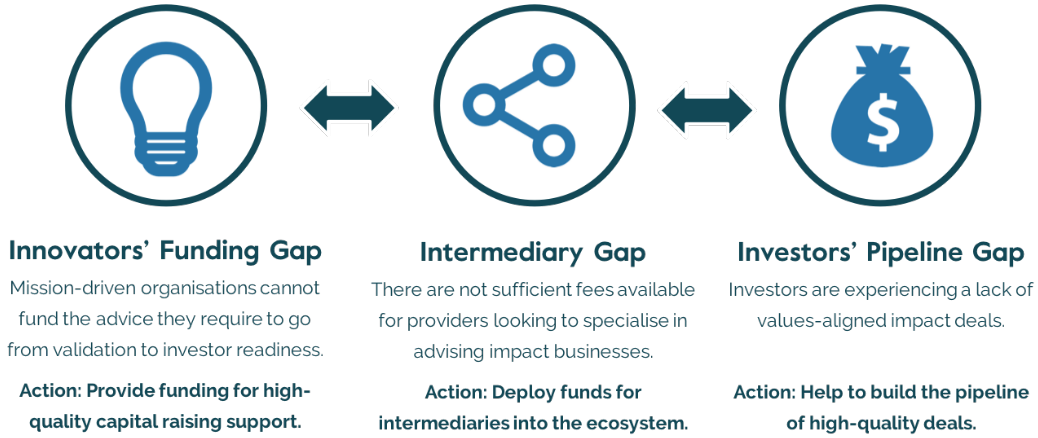
[2] Seed-funding of $1m, later increased to $1.75m

advisory support to get investment ready and engage with investors but struggle to fund such advice.

Capacity gap for intermediaries. An increasingly large number of professional advisors (providers[3]) want to support and work with mission-driven organisations. The fees available for capacity builders are currently insufficient and make it difficult to support a business model focused on work with such organisations.

Pipeline gap for investors. A growing number of investors want to invest in direct deals that have a positive impact on society and generate a financial return. There remains a lack of high-quality, values-aligned investible impact deals in Australia.

Figure 1: Market Gaps targeted by the Growth Grant



Source: Impact Investing Australia, Growth Grant Partnership Presentation 2017

[3] Providers are organisations or individuals who offer professional services and support the grantees to investment readiness.

About this Report

Over the past two and a half years, the Growth Grant has supported many extraordinary organisations that have a significant impact on the lives of people, our communities and the environment. While the ecosystem for impact businesses and mission-driven organisations has come a long way, there is still much unrealised potential to better support businesses that do good and do well.

Impact Investing Australia has gone through a dynamic learning journey in managing the Growth Grant. In the spirit of collaboration and sector development, this report shares the findings and insights from that experience with the broader impact investment community, both within and outside of Australia. It is hoped that the learnings, data and stories from this report combined with those of other market participants will open new avenues for broader, deeper and better support for mission-driven organisations on their way to investment readiness and scale.

The report is divided into 3 parts:

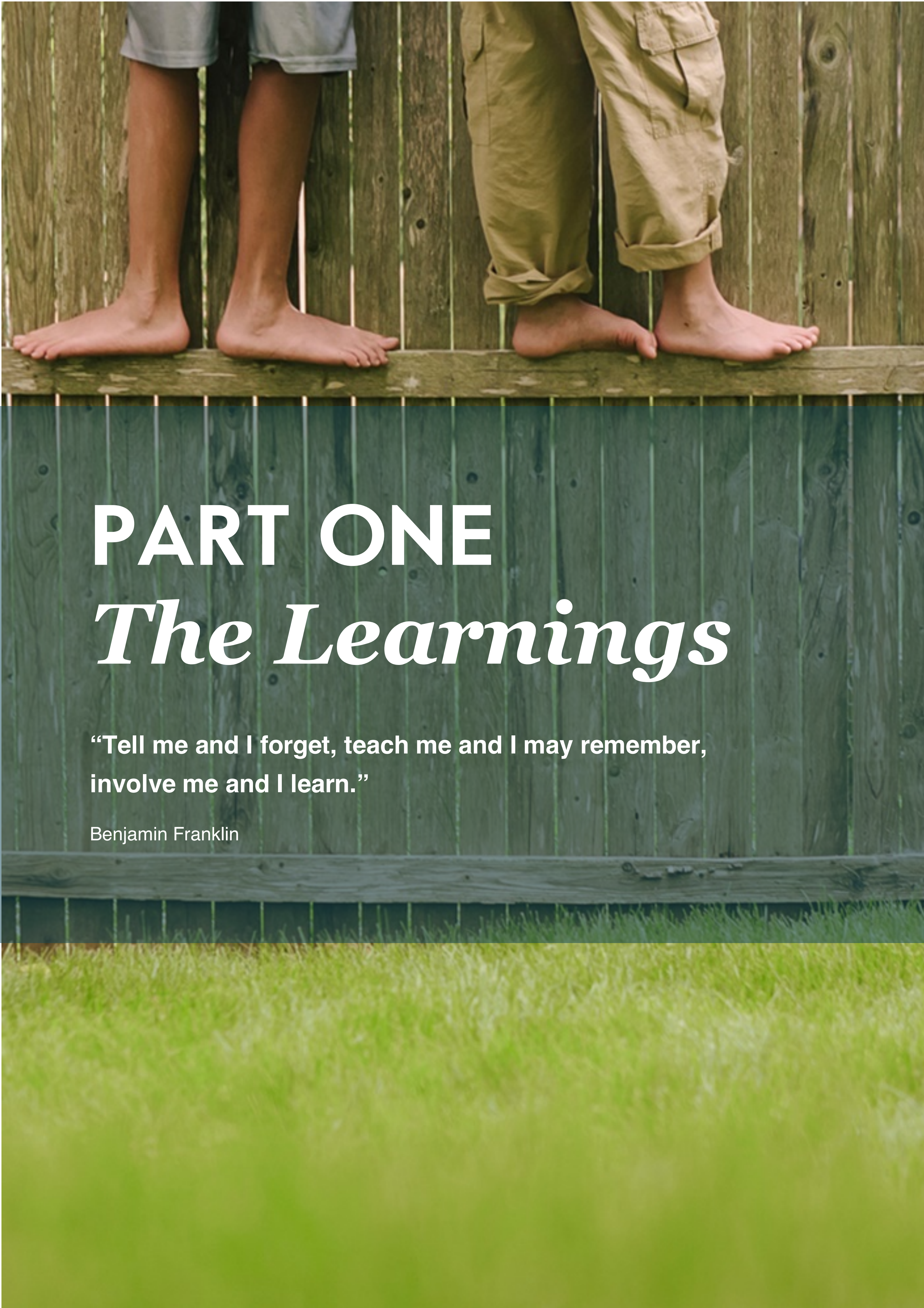
PART 1: The Learnings provides insights into the program design elements of the Growth Grants, shares key learnings from Impact Investing Australia's experience and recommends actions to close remaining market gaps.

PART 2: The Data draws on the results of an online survey of Growth Grant recipients and providers. It provides further insights about their organisations and assesses the impact of the Growth Grant on their capital raising and broader capacity building.

PART 3: The Stories is derived from a series of interviews with grant recipients, providers and investors. It shares their experiences, challenges, and perspectives on the broader market.

This report is targeted for use by a variety of stakeholders, including:

- Impact-driven businesses and not-for-profits who want to better understand the process to achieve investment readiness
- Investors, especially foundations, high net worth individuals, family offices and other private investors, with interest in direct investment in impact businesses
- Capacity builders and intermediaries who are, or are looking towards, working with impact-driven businesses. support mission-driven organisations for better societal outcomes
- National and international organisations who want to establish a similar program and/or initiative and are seeking learnings from other markets and experiences.



PART ONE
The Learnings

"Tell me and I forget, teach me and I may remember, involve me and I learn."

Benjamin Franklin

Good outcomes start with a good concept design. In developing a market, the implementation of any initiative needs to be dynamic and adaptive. PART ONE looks at the design elements of the Growth Grant, evaluates what has worked well and what evolved over time to meet the needs of the market, and offers recommendations for how mission-driven organisations can be better supported in the future.

DESIGNING FOR INVESTMENT READINESS

The Growth Grant is managed with the intention to stay flexible and allow for adaptation to market conditions. This flexibility has led to improved efficiency in the application process, the integration of learnings from experiences with past grantees and providers into subsequent evaluations, and improved support for the grantees and providers within the mandate of the Growth Grant.

Outlined below are eleven elements of the Growth Grant program design that are all considered valuable to the initiative's success.

For each of them, it is indicated whether they have been in place from the very beginning (Constant - C), adapted over time (Adapted - A) or newly developed (Developed - D).

1 Independent Growth Grant Panel (C)

The Growth Grant Panel consists of five independent members who assess eligible applicants and make recommendations for grant approval. The strength of the panel lies in the independence, diversity and expertise of its members with backgrounds in investment and/or impact-driven organisations.

Outcome: A rigorous assessment of grant applications that draws on broad expertise and diversity of members; strong governance underpinned by independence.

Specific eligibility criteria (C)

2

The general eligibility criteria for the Growth Grant are:

- A proven and trialled product or service and business model
- A clear approach to impact measurement
- A targeted capital raising of at least five times as much as the grant funding
- A timeline to raise equity and/or debt funding within the next 18 months
- A self-identified need for external advice to raise the capital that cannot be self-funded
- A provider with strong credentials

Outcome: Grant recipients have the best chance of raising the required investment amount in a timely manner. All stakeholders, applicants, providers and panel members are clear about the basis for decision-making for grant approvals. Growth Grant funds are deployed with leverage and impact.

3

Staged payment structure (C)

The first 70% of the grant is paid upon grant approval. The remaining 30% is payable only if the target capital is raised within the target time period. This staged payment structure was modelled on the approach of the UK Investment and Contract Readiness Fund.

Outcome: Providers have an incentive to remain committed until the targeted capital raising is completed. The risk for the Growth Grant to deploy funds to organisations that do not raise capital is reduced.

Openness to adaptation and flexibility (A)

4

While the Growth Grant Panel is rigorous in evaluating applications against the eligibility criteria, they also recognise that a lack of flexibility can hinder growth in a new market. In some situations, the Panel members exercise their expertise and judgment and apply a more flexible approach. This has occurred in relation to the use of the grant funds, the extension of the time to raise capital, and the business stage of the grantee.

Outcome: Grant recipients have the best chance of raising the required investment amount in a timely manner.

5 The Provider is integral in the application (C)

The enterprise, whilst the official applicant, must make their application together with a provider. Both take part in the interview. This is absolutely critical in assessing the alignment of the two parties around the objectives of the business and the capital raising.

Outcome: Both the applicant and the provider are fully committed to a successful capital raising. There is an opportunity to understand the quality and nature of the relationship between the two parties. Enterprise and provider are clear about the required steps to investment readiness.

6 Free choice of provider (A)

Applicants can select their providers themselves. The Growth Grant does not pre-approve or endorse providers. For some time, the Growth Grant website had a list with past and potential providers to support applicants who did not know relevant advisors. As too many applicants considered this list as an endorsement and limited consideration of providers exclusively to the list, the page was taken down. The panel evaluation process includes due diligence on provider credentials and expertise.

Outcome: Applicants can select the best provider based on their individual needs and existing relationships. Bias is minimised, and the Panel process retains independence.

7 Applications by invitation only (D)

Organisations who want to apply for a Growth Grant first submit an Expression of Interest (EOI) through a brief online questionnaire. A subsequent call with the potential applicant serves to evaluate whether the basic eligibility criteria are met. Only organisation which meet these criteria are then invited to apply. Less than 20% of EOIs proceed to the application stage. Since the EOI screening was introduced at the beginning of 2017, applications have decreased in quantity and improved significantly in quality.

Outcome: The requirements for a Growth Grant are clarified early on and applications from organisations that do not meet the eligibility criteria are reduced. Efficiency increases for both potential applicants and program management.

8 Focus on capacity-building support (C)

The Growth Grant funds are used to pay for the advisory services and capacity building support required in the lead-up to the grantees' capital raising.

Outcome: Grant funds contribute to capacity building within the organisation that is valuable in the long-term and beyond the initial capital raising. Providers are supported to build their own sustainable business models.

9 Agnostic to corporate form and impact type (C)

The Growth Grant is agnostic to corporate form and therefore open to both for-profit and not-for-profit organisations. The requirement for organisations to be impact-driven is purposefully broad. Impact must fall within 10 categories, ranging from environmental impact to aged care or training and employment (**Figure 2**). This broad approach is a key distinction of the Growth Grant compared to other grant programs in the market.

Outcome: The market can develop holistically across impact areas without bias to specific corporate forms. The Growth Grant complements the funds of trusts and foundations that may require Deductible Gift Recipient (DGR) status and/or be limited to specific impact areas.

Figure 2: Growth Grant impact areas

Source: Adapted from Addis, R et al, 2015, Blueprint to Market: Impact Capital Australia.

Quarterly application rounds (D)

10

There are four grant application rounds per year, each of which is open for approximately one month. Expressions of Interest can be submitted at any time.

Outcome: There is a clear structure and timelines for applicants and efficiency for the program management. Sufficient opportunities are offered throughout the year to ensure organisations can apply or re-apply when they are best positioned to do so.

11

Feedback to applicants (D)

Each applicant who proceeds to the interview stage and is unsuccessful has the opportunity for a feedback call with a Panel member who outlines the reasons for the decision.

Several organisations who have received this feedback have reported it as being very valuable in providing them with a much clearer understanding of their gaps in achieving investment readiness and next steps.

Outcome: All applicants have a valuable and constructive experience and gain insights, independent of the grant outcome. Broader market development and education around impact investment readiness are supported.

Key Insights and Recommendations

The Ecosystem

The Growth Grant provides much needed support within the impact investing ecosystem

Comments from both the interviews and online survey were highly supportive of the need for the Growth Grant. It was described as "invaluable" and as "playing an important role" to support mission-driven organisations and further develop the market for investments in such businesses. The Growth Grant proves that even comparatively small amounts of catalytic capital applied in the right way can enable organisations to raise larger investment and achieve scale. To make such a program successful requires a lot of deliberation in the program design, including setting the right incentives and flexibility in its execution.

Recommendation: Consistent with the Australian Government Social Impact Investment Readiness policy initiative, a fund of the nature of the Growth Grant is needed to further support this stage of market development. The Growth Grant itself will require recapitalisation to continue beyond its next round in the first quarter of 2018.

Gaps in early stage support remain unresolved

The small share of successful Growth Grant recipients, relative to the number of interested organisations and applicants, highlights the gap in high-quality support at an earlier business stage, usually during the trial and prototyping stage. Accelerator and incubator programs alone are not fully closing this gap. A recent field scan carried out in late 2017 by the Australian Advisory Board on Impact Investing supports this finding. People spoke of "a need to support innovation and the development of investment opportunities from conception through early incubation, investment readiness and growth in order to develop a stronger pipeline of investment ready opportunities. Some people noted that they thought more needed to be done to support the early stage development and growth of social businesses and social enterprise in order to support that pipeline development and help build out the impact investing field."[5]

Recommendation: Support at early stages will be critical to further develop the pipeline of future investment ready organisations. This challenge is similar to the experiences in the traditional Venture Capital space. Early stage angel investor networks with an impact focus should provide support through financial resources, expertise and mentorship. As more and more not-for-profit organisations are exploring sustainable revenue streams that build the foundation of future impact investments, foundations and philanthropists should focus some of their grant making on these efforts. An example of a mechanism for this was demonstrated by the Impact Investment Ready Discovery Grant. Government initiatives could be extended from economically-focused innovation funds to also support social innovation. For broader market development, it is critical that funding is available for both for-profit and not-for-profit organisations.

Geographic concentration is evident

Growth Grant applicants and providers are geographically concentrated, especially in Victoria, New South Wales and Queensland. This is consistent with the development of other types of impact investments such as Social Impact Bonds (SIBs) and may speak to both a capacity and awareness issue around impact investing in the other states, noting that South Australia issued its first SIB in 2017.

Recommendation: The current funding constraints of the Impact Investment Ready Growth Grant program restricts active awareness building 'on the ground' in underrepresented states. This issue can be strategically addressed after a successful recapitalisation of the Growth Grant. States can implement social enterprise and social procurement initiatives similar to those of the Victorian government[6]. The establishment of an Office of Social Impact Investment as in New South Wales can serve as a go-to place and a centralised platform to develop supportive state policies.

---

[5] Hill, R & Addis, R, 2017, *Views from the impact investing playing field in Australia on what's happening and what's needed next*, Australian Advisory Board on Impact Investing

[6] See Victoria State Government, Social Enterprise Strategy

There are capacity gaps for contract readiness

Case studies such as Vanguard Laundry Services (see page 61) demonstrate that investment readiness can be interlinked with contract readiness. Support for technical capabilities and capacity building to help social enterprises secure contracts drives scale, with or without the related need for investment. The need for such support is underpinned by increasing government policy moves towards social procurement.[7]

Recommendation*:* Policy makers and philanthropic funders should consider extending support within the social enterprise sector to broader capacity building and include contract readiness support. This may include not only the preparation for government contracts, but also the preparation of social enterprises to service contracts with larger corporations across industries.

Mission-Driven Organisations

The type of capacity building may vary widely depending on individual needs

Organisations have individual needs for investment readiness support. Skills development and support is frequently required in areas such as: financial modelling, information memorandum preparation and investor connections. However, other skills may be very specific to each business and/or the industry. Vanguard Laundry Services, for instance, engaged a laundry consultant and SRPC's advisors with a focus on renewables.

Recommendation: Investment readiness support needs to allow for flexibility in the use of funds to cater to the individual needs of social enterprises and the market. It is highly recommended that any initiative providing funding support is preceded by a phase of consultation with potential recipients and the broader ecosystem to understand how the deployment of funds can have the highest expected long-term contribution to the market.

---

[7] The case studies and experience of the UK Investment and Contract Readiness fund (ICRF) also demonstrate that support for contract readiness can drive social ventures to the next stage of growth. One such example is FCMS, a UK social enterprise providing urgent health and wellbeing services that had been previously unsuccessful in securing a large-scale contract. Following support from the ICRF, FCMS were successful in securing an £8m bid. Whilst FCMS had a good track record in service delivery, they felt that the ICRF-funded support made a "phenomenal" contribution on the financial modelling aspect of their bid, making it more robust and detailed. (see Ronicle, J & Fox, T, 2015, *In Pursuit of Readiness: Evaluation of the Investment and Contract Readiness Fund*, UK)

A trusted relationship between the enterprise and their provider is critical

Relationships between businesses and providers often develop over time. Organisations can find it challenging to find the right capacity building advisor to work with. Reasons include a dispersed provider market, preferences of providers, and the specific needs of the business. The provider choice is critical and can be decisive for the success of the capital raising.

Recommendation: Enterprises should consult with a number of providers, understand clearly the different services they offer and be very selective in deciding who to work with and build relationships early on. This process may take time. Investment readiness support should consider aspects such as the relationship between the provider and applicant and the skills and expertise of the provider before making any funding decision.

There is a knowledge gap in the understanding of investment readiness

There is a knowledge gap in relation to what constitutes investment readiness within many mission-driven organisations. Founders concentrating on building and developing their business may not understand the requirements of investors and the process of capital raising.

Recommendation: It is recommended that founders develop an understanding of funding sources, funder requirements and mechanisms early on, as it leaves them better positioned in conversations with advisors and investors when considering a capital raising. Investment readiness support should also target early stage education of investment requirements. While there are few widely accessible resources specific to the Australian market, several international organisations have developed high-quality online courses and material to support investment readiness education globally. Examples include CASE Smart Impact Capital and Roots of Impact's Social Finance Academy[8].

[8] For more information, see www.casesmartimpact.com/capital/ and www.roots-of-impact.org/social-finance-academy/

Capital raising requires internal alignment within the enterprise

It is critical that the entire executive team and the Board of an organisation support the capital raising. This may seem obvious, but a number of early applicants to the Growth Grant did not initially have this alignment. Such a lack of alignment increases the probability of an unsuccessful capital raising.

Recommendation: Enterprises should ensure alignment across their organisation before attempting any capital raising. Investment readiness programs should ensure that alignment exists before providing funding for capacity building support.

Providers

There are some exceptional providers in the ecosystem, but more are needed

More providers and of high quality are required to better support mission-driven organisations towards investment readiness. The most successful providers seem to combine experience in investment readiness, a strong network of aligned impact investors, an understanding of the specific needs of mission-driven organisations, and a commitment to the organisations they support to and beyond the close of the capital raising. More support and capacity building is required to enable providers to deliver exceptional services to impact-driven organisations, especially in areas that are specific to this kind of organisation (e.g. impact measurement, evaluation and other related impact investor requirements).

Recommendation: Investment readiness support must focus not only on the social enterprise itself, but also on the role of intermediation. Providers also require support to build sustainable business models and contribute to the growth of the sector. The Growth Grant, for example, requires recipients to apply and work with a primary provider, which helps to ensure that the grant funding is applied to the payment of that provider's services.

Strong provider “buy in” is an important aspect of a successful capital raising

Good providers take full accountability for the success of their client’s capital raising. They take the time to understand the exact needs and current gaps of the organisation they support and move beyond the business’ own evaluation of its needs.

Recommendations: It is recommended that providers do not take on the capacity building work unless they are aligned with the mission of the business and have the skills, expertise and commitment to support its successful capital raising. As the industry evolves, the establishment of an accreditation system related to impact investment providers could help social enterprises with provider choice. In the interim, it is important for programs such as the Growth Grant to determine strong supplier “buy in” before supplying funding. Ultimately, this will be to the benefit of all parties involved in terms of optimising the resources spent for a successful capital raising.

Larger professional services firms are involved, but mainly engaged for specialist services

Larger professional services firms are starting to get involved in supporting mission-driven organisations. Currently, this support is predominantly limited to technical or specialist services, such as legal or accounting support. Organisations that provide the all-round investment readiness support and commit to the businesses’ successful capital raisings are mostly smaller capacity building organisations. Specialist services are often subcontracted under an arrangement for broader capacity support.

Recommendation: As impact investing grows in size and scale, the business opportunities for larger professional services firms in this space will become increasingly attractive. The ones that enter the sector and build internal capacity early will be best placed to reap these benefits. It is recommended that those professional services who are interested in this growing market begin supporting investment readiness and social enterprises now to develop an understanding of the non-traditional aspects of impact investing, such as impact measurement and metrics.

Investors

Trusts and Foundations are starting to consider corpus investment in social enterprises

Trusts and Foundations are stepping up to consider corpus investments in mission-driven organisations that are ethically in line with their granting objectives. Consistent with fiduciary duties, the same professional processes and techniques are used for due diligence on impact businesses as they are for mainstream investments.[9]

Recommendation: The year 2017 saw the Ford Foundation commit US$1bn of its $US12bn endowment assets to mission-related investment to be made over the next 10 years. For Australia, it is recommended that Trusts and Foundations at least start to better understand the impact and mission-alignment of their corpus investments as an initial step towards a more targeted commitment and/or asset allocation. They can then take this further and learn from early pioneers who have already made first investments (see story of the Myer Foundation, page 73).

Debt funding is heavily tied to assets

Debt funding in impact investment is still heavily dependent on assets to secure the loans (e.g. Ethical Property Australia, Vanguard Laundry Services). This is particularly the case as early-stage businesses are often the lacking continuity of a reliable revenue stream required to service debt. This is potentially a bigger issue for not-for-profits, as their corporate form makes them largely reliant on debt funding.

Recommendation: Governments, trusts and foundations should examine more closely the potential role they can play in helping the flow of debt investment to social enterprises. Where possible, property assets can be transferred or “granted” to the social enterprise as a catalyst for debt investment[10]. As US examples involving leaders like the Kresge Foundation and MacArthur Foundation illustrate, guarantees can be used very effectively

---

[9] Internationally, KL Felicitas Foundation began making impact-first corpus investments in late 2010. The Foundation also provides grants alongside many of its impact investments in order to help build the capacity and strength of the recipient enterprise (see KL Felicitas Foundation, *Strategy Overview*)

[10] This may be precluded for Trusts and Foundations by deeds and/or lack of DGR or Charitable status of the enterprise

to leverage capital by providing cover for first losses and/or to reduce the cost of funding for the social enterprise[11].

Traditional Venture Capitalists are barely involved

There is little involvement of traditional Venture Capitalists (VC) in investments in mission-driven organisations in Australia. This may relate to a misalignment of values and incentives as well as current capacity gaps in areas like impact measurement. The Giant Leap Fund is an example of a specialist investment fund in which both returns and impact are targeted and tracked.

Recommendation: Internationally there is movement in this area with Private Equity firm TPG Capital recently raising US$2bn for its emerging market impact investment focused Rise Fund. While fund manager incentives remain return-based, the investment mandate and process are targeted at impact. Over time, impact is expected to become a component of mainstream investment decision making along with financial risk and return. In the short term, support for specialist funds and intermediaries to build investible product is likely to be required. For example, a traditional Venture Capital firm would be more likely to look at building an impact targeted product if investor demand was apparent and initial seed feeding more readily assessable. Impact Investing Australia has been working on establishing a wholesale fund, Impact Capital Australia (ICA) to provide this support for fund and product development. Funding support for ICA itself is currently the subject of discussion with both the Australian Government and the major Australian financial institutions.

[11] Schiff, H & Dithrich, H, 2017, *Scaling the use of guarantees in US Community Investing*, GIIN Issue Paper

PART TWO
The Data

“The goal is to turn data into information, and information into insight.”

Carly Fiorina

PART TWO focuses on data analysis. It explores the grantees' and providers' experience with the investment readiness process and evaluates the Growth Grant's contribution to the investment readiness of mission-driven organisations and development of strong providers.

Evaluation Methodology

Data for the Growth Grant evaluation was gathered from two specifically designed surveys; one for past grantees and the other for their providers[12] (see Appendix A). Internally generated numerical data tracking key performance metrics of the Growth Grant and data from application forms complements the surveys. In the cases where grantees worked with more than one provider, the survey was completed by the ‘primary provider’ namely the one who was seen as having contributed the most significantly to the investment readiness process.

At the time of the survey, 22 grants had been approved with 20 different primary providers. Of the approved grants, one was pending payment and another two had just been paid. As a result, these three grantees were not included in the survey. Two providers supported two grantees each in their capital raising. Overall, this resulted in 19 grantees and 18 providers being asked to complete the survey. Responses were received from 17 grantees and 17 providers. This data was, where possible, complemented by internal data about the organisations and capital raisings. This resulted in varying sample sizes for some of the questions of 17 to 22 for grantees, and 17 to 20 for providers. Sample sizes were smaller for questions that referred to successful capital raisings, as they were only answered by organisations that had progressed to that point.

[12] Investors have not been included in the evaluation, as their experience lies beyond the direct influence of the Growth Grant.

THE GRANTEES AND PROVIDERS

Grantees

More than two-thirds of all grantees are based in Victoria or New South Wales. Queensland and Western Australia represent 18% and 14% of the grantees respectively. No grants have been distributed to organisations in the Northern Territory, South Australia, the Australian Capital Territory or Tasmania (**Figure 3**).

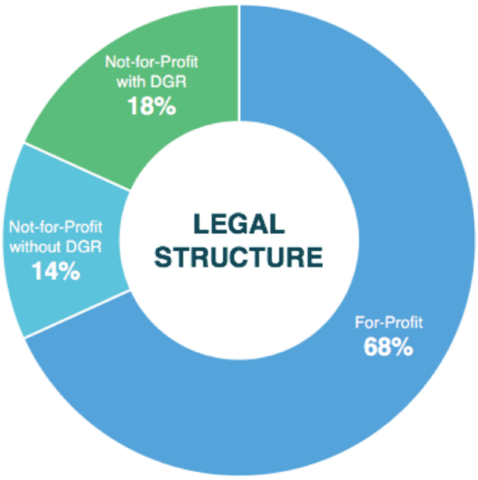
Figure 3: Grantees by State and Territory

n=22, HQ where more than one location

The reasons for the unequal distribution cannot be derived from the data. One likely cause is that the higher concentration of stakeholders of the impact investing sector in highly represented states led to an increased awareness about the grants program. Conversations with market participants in underrepresented states have indicated that the entire sector is at an earlier stage in these regions, and businesses require more foundational support before proceeding to investment readiness.

Of the 22 supported organisations, 68% are for-profit entities. Approximately half of the not-for-profit organisations (NFPs) have DGR status (Figure 4). Some of the not-for-profits have established or are considering establishing a new for-profit entity.

Figure 4: Legal Structure of grantees



n=22

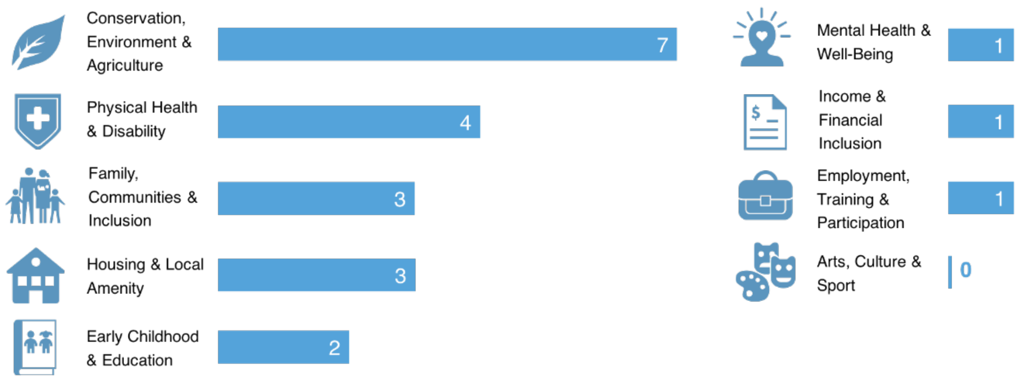
A for-profit structure is often chosen to overcome structural and funding limitations of not-for-profits and provide the option to raise equity capital.

While grant funding is mostly open to not-for-profits, the constraint of debt funding and servicing that debt can be challenging in the early stages of enterprise development. This is particularly the case when the organisation is still building sufficiently strong revenue streams or assets that can meet debt funders' requirements. The Discovery Grant was introduced to address some of these earlier stage developmental and funding issues for not-for-profits.

About one-third of grantees generate mainly environmental impact, and about two-thirds mainly social impact (Figure 5). Of those with a social mission, the impact areas Physical Health and Disability; Families, Communities and Inclusion; and Housing and Local Amenity are most strongly represented.

Issues like disability and affordable housing are receiving significant attention both politically and in the public arena. One of the grantees, Hireup (see page 44) was established in response to the National Disability Insurance Scheme (NDIS). Since then, many more businesses have provided solutions leveraging the NDIS. This is an example of how a public policy change has sparked innovation and new approaches for using business as a solution to societal challenges.

Figure 5: Grantees by primary impact area

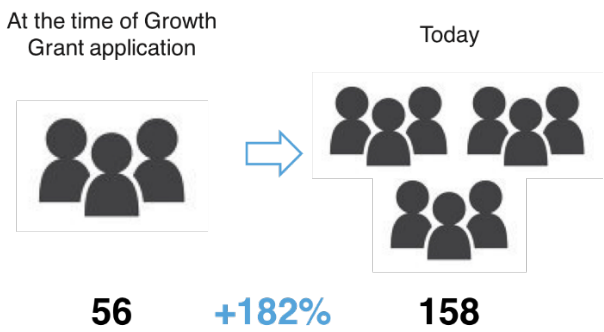


n=22

As yet, no grants have been awarded to organisations in Arts, Culture and Sport. Initial expressions of interest in this area came from smaller organisations that are reliant on philanthropic funding.

The total number of full-time equivalent (FTE) team members across all grantees has grown from 56 at the time of application to 158 at the time of the survey, resulting in a 182% increase in employment (Figure 6).

Figure 6: Total team members of grantee organisations



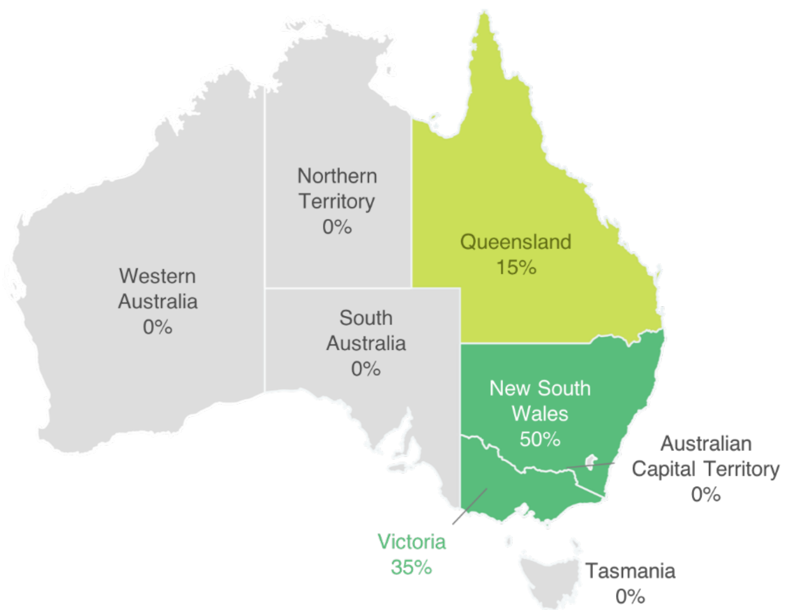
n=17

The time frame between grant application and the survey varies significantly between the grantees. Organisations that have successfully raised capital have, on average, quadrupled their team size since applying for the grant. This suggests that the process to get ready for and take on investment contributes significantly to the organisations' employee growth. On average, grantee organisations have 9.2 FTE team members, ranging from zero employees in the case of volunteer-led Sydney Renewable Power Company (page 58) to over 30 employees for Hireup and Vanguard Laundry Services (page 61). The strong growth in employment further proves the positive benefits of these mission-driven organisations to our communities in both a social and economic sense.

Providers

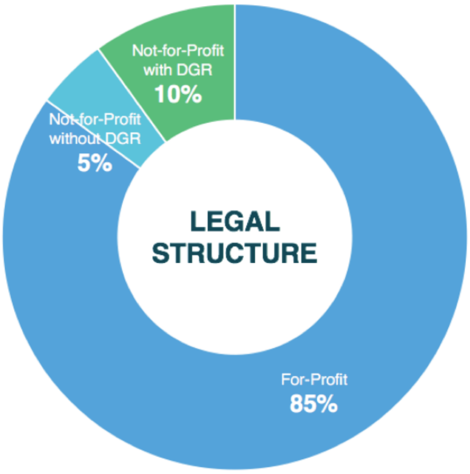
Half of the providers are based in New South Wales (50%), followed by Victoria (35%) and then Queensland (15%) (Figure 7). Of the 20 providers, 85% are for-profit entities (Figure 8). Both the geographical distribution and the split of legal structures are similar to the grantee organisations.

Figure 7: Providers by State and Territory



n=20

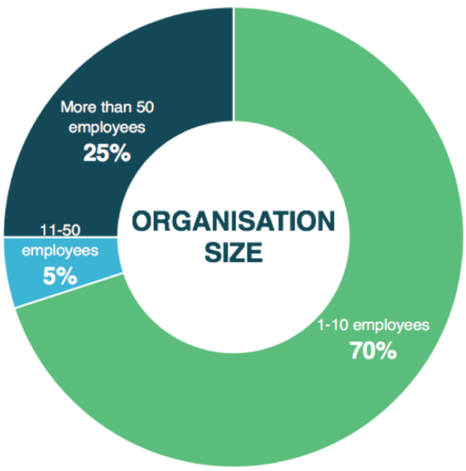
Figure 8: Providers by legal structure



n=20

The vast majority of providers are small organisations with 1 to 10 employees (70%), (Figure 9) and focus entirely on working with mission-driven organisations (76%). One primary provider indicated they have a specific business unit or team focusing on work with mission-driven organisations, and three work with such organisations sporadically.

Figure 9: Organisation size of providers



n=20

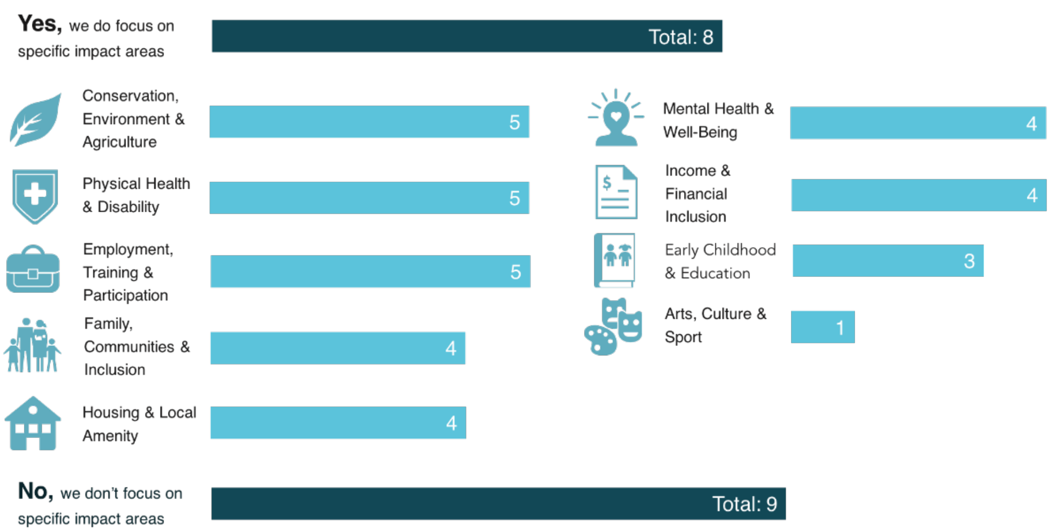
There is an important distinction in the types of providers. The first type are organisations that provide specialist services, like legal or accounting support. These services are often provided by larger professional services firms and while necessary for a successful capital raising, are not sufficient on a standalone basis. If an entrepreneur has support for specialist services but does not have the broader capacity required to raise capital this can jeopardise their success.

The other type of providers are those with a more holistic approach to capacity building. These providers ensure that all the pieces are in place to complete the capital raising and often develop strong, long-term relationships with the organisations they work with. They are typically smaller organisations and draw on associates and partners as required to complement their skills.

The findings above are consistent with the survey data which showed that the most commonly offered services by primary providers (70% of which were smaller organisations), were investor connections and engagement; development of financial models and business valuation; and business model refinement and operational strategy. Legal support and accounting and tax were mentioned least frequently, consistent with the representation of the larger professional services firms.

About half of the providers do not focus on any specific impact area (53%) (Figure 10). Of the ones that do focus on one or more societal issues, the distribution between the impact areas is relatively even, except for Arts, Culture and Sport which was only mentioned once. As the market develops further and more mission-driven businesses contract professional advice, providers may diversify more and specialise on certain impact areas.

Figure 10: Providers by focus on impact area



n=17, select all that apply

How grantees and providers collaborate

Both grantees and providers were asked whether the initially contracted services were for specialist support in a specific area, or broader capacity building support across several fields of expertise. The objective was to understand whether there was a discrepancy in what grantees believed they needed to get ready for investment and their actual needs. The results show that most grantees contracted providers for specialist support (59%), while a strong majority of providers (71%) indicated that they worked with the organisation across a range of areas (Figure 11).

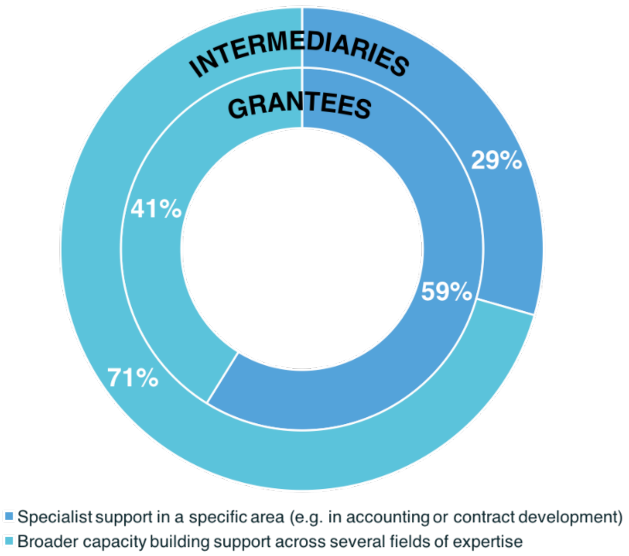
This suggests that impact-driven organisations may often need support beyond the areas they initially identify themselves. The services most frequently contracted, according to grantees (Figure 12) included: the development of financial models, an investment case and a business valuation; and business model refinement and operational strategy. Accounting and tax as well as outcomes and impact measurement were mentioned the least frequently.

These findings do not necessarily mean that such services are less important overall. For instance, given their mission focus many businesses have already established initial impact measurement approaches at the time they prepare for investment readiness. The preparation for the capital raising may involve further work on these models to make them as rigorous as investors expect, which is a broader capacity gap in the market[13]. To be eligible for the Growth Grant, applicants are expected to have their initial impact measurement approach in place and have evidence of the effectiveness of their solution.

[13] See Hill & Addis 2017

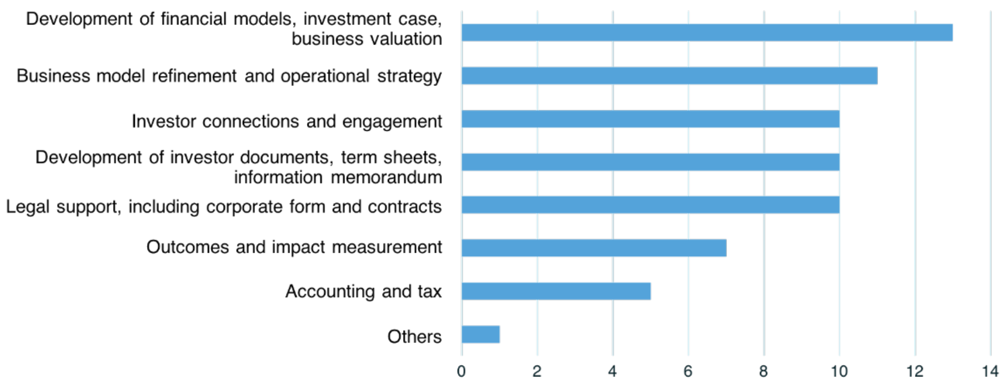
Figure 11: Types of services contracted

Provider Response (outer ring), Grantee Response (inner ring)



n=17 (Providers), n=17 (Grantees)

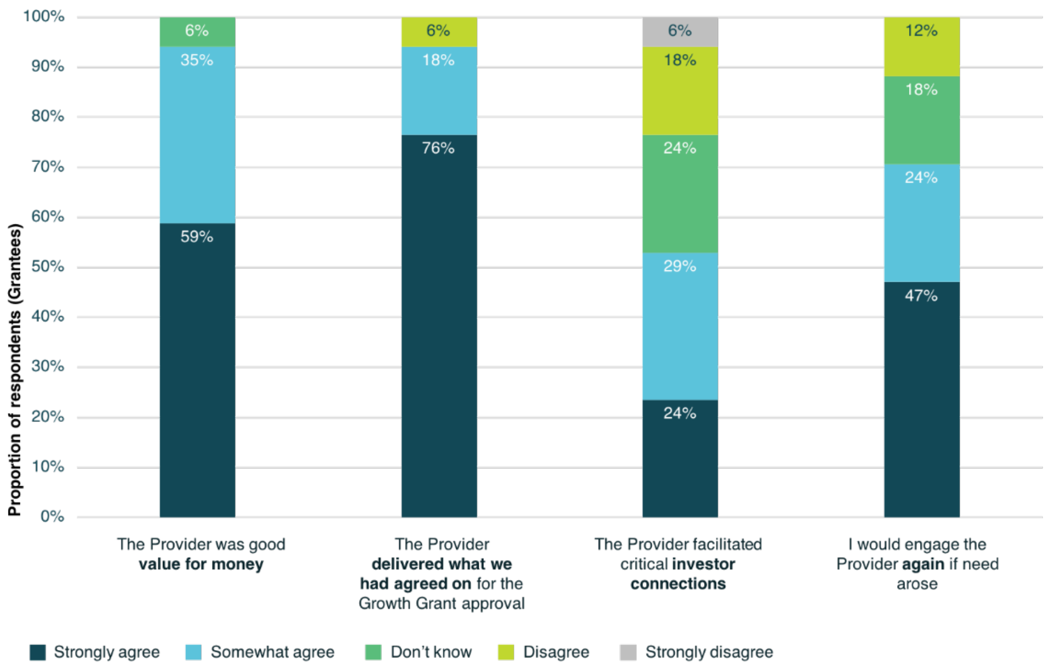
Figure 12: Services contracted by grantees



n=17

Grantees were asked to rate their satisfaction with the investment readiness services of their providers (Figure 13). A resounding 94% said that they strongly agreed or somewhat agreed that their provider was good value for money and delivered what had been laid out in the grant application. Only 53% strongly agreed or somewhat agreed that the provider facilitated critical connections to investors. Of the organisations which have successfully raised investment and answered the survey, only one disagreed that their provider facilitated investor connections. The experience of the grantees surveyed suggests that facilitating investor connections is a critical role of the provider and is often decisive in the success of the capital raising.

Figure 13: Satisfaction with provided investment readiness services

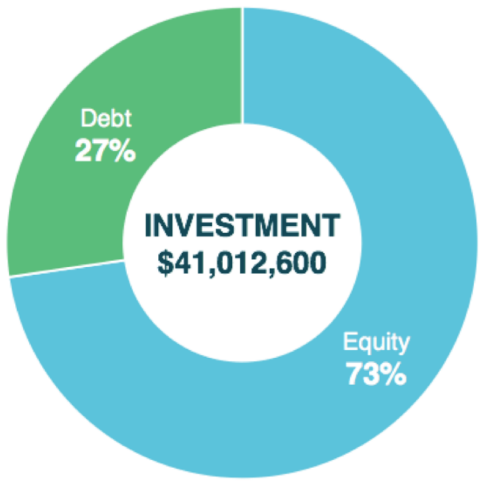


n=17

INVESTMENT OUTCOMES

At the time of the survey, 10 of the 22 grantees had successfully raised a total of more than $41mn in capital. Nearly three-quarters by value was equity funding, the balance debt. (Figure 14) The split between equity and debt funding is not surprising given the stage of maturity of the businesses and the large number of for-profit grantees. Approximately two-thirds of each of the debt and the equity funding can be attributed to the $26mn in capital raising of Ethical Property Australia. As a property company, Ethical Property Australia is a rare example of an organisation that was able to raise significant debt funding from a major financial institution due to the security provided through fixed assets (see page 55).

Figure 14: Amount and type of investment raised by grantees

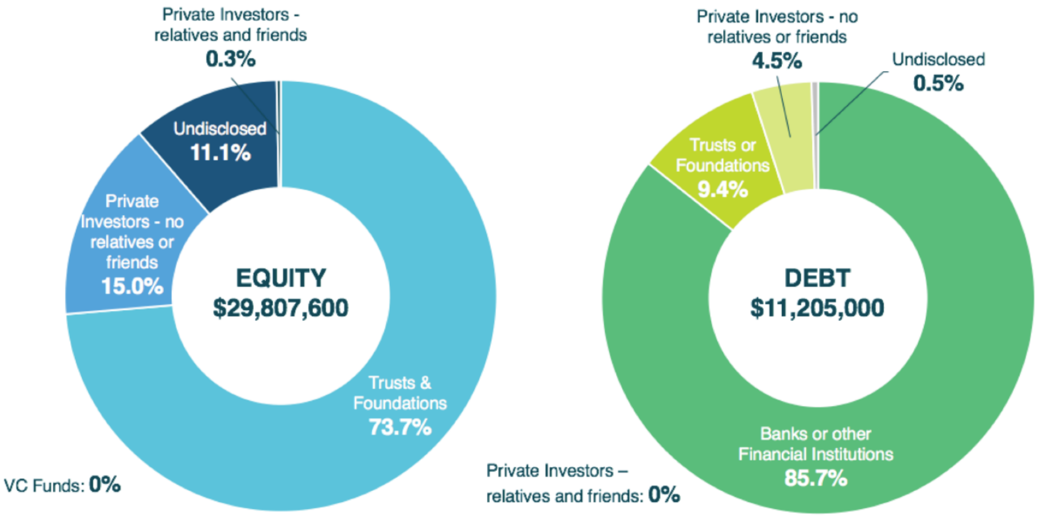


n=9

Eleven grantees were still engaged in the process of preparing for their capital raising or in conversations with investors at the time of the survey. Three grantees had closed a second funding round. One grantee indicated that they were not planning to raise the target investment anymore.

The performance grant component of the Growth Grant lapses if an organisation's target investment has not been raised within the time frame set out in the grant agreement and no extension has been approved. This does not mean that the grantee will cease all capital raising efforts and/or abandon aspirations of business growth. So far, irrespective of the outcome of capital raisings all grantee businesses have continued.

Figure 15: Amount and sources of equity and debt raised by grantees



n=9

Trusts and foundations contributed nearly three-quarters of all equity investments. Broader market developments show that trusts and foundations are increasingly considering impact investments from their corpus to align their investing practice with the mission of their granting (see interview with the Myer Foundation page 73).

Private investors invested about $5mn, most of which has been equity funding. These private investors are not related to, or friends of, the grantees. This distinction was made to better understand the importance of different funding sources at various stages of business development. The findings are consistent with more traditional start-ups. Funding from relatives and friends is likely more relevant at the earlier stages of company establishment when the investment amounts are lower. The Growth Grant targets businesses that are more established and in their early growth phase.

Venture Capitalists (VC) were also given as a potential response for sources of capital, however none of the grantees indicated any investment had been raised from this investor type. Conversations with both providers and grantees suggest that reasons for the lack of VC involvement include the high financial growth and return expectations of VCs within a short period of time and a lack of alignment and commitment to the organisations' social mission. Given VC's generally important role in early-stage funding, initiatives like TPG's $US2bn Rise Fund, albeit Private Equity, should be further explored for potential modification and applicability for the Australian market.

Most of the debt funding was supplied by banks or other financial institutions. All debt funding from this investor type can be attributed to two deals that had the required physical assets to secure the loans. Generally, most of the grantee organisations do not have the required assets and/or a long enough track record of reliable revenue streams to secure traditional debt funding. It is likely to require more flexibility in structuring and a broader set of funders some of which may provide the required assets or equity to attract the debt investors to better support mission-driven organisations at early stages of development.

Impact of Growth Grant support

Enabling the capital raising

To evaluate the impact of the Growth Grant itself, grantees were asked whether they believed they would have raised capital without the support of the grant. Providers were asked whether they could have worked with the grantees without the grant funding.

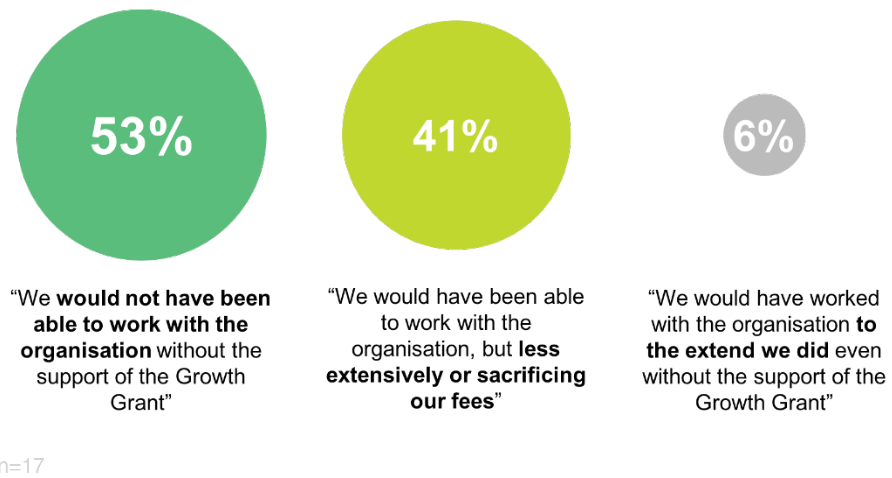
Of the survey respondents who had already raised capital, two-thirds said they believed they would not have secured the investment without the support of the Growth Grant, and one-third expected that they would have raised less, or it would have taken them longer. None of the grantees said they expected they would have raised the same amount of capital without the Growth Grant.

More than half of the providers said they would not have been able to make available their services to the grantees were it not for the Growth Grant, and 40% would have had to sacrifice their fees or decreased their commitment to the enterprise. Only one provider said they would have worked with the grantee to the same extent they did without the Growth Grant.

Figure 16: Contribution of Growth Grant to capital raising by grantees

n=9

Figure 17: Contribution of Growth Grant to provider's ability to work with grantees



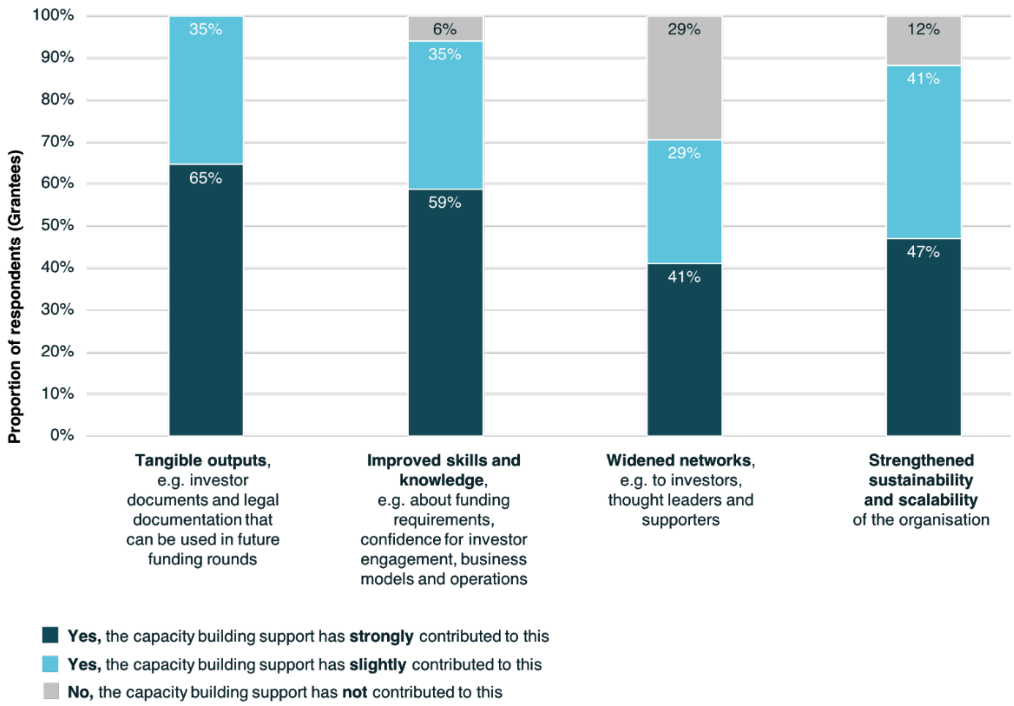
Broader capacity building

Grantees and providers were asked whether the Growth Grant has supported them to build capacity within their organisations more broadly. While the core mission of the Growth Grant is to support investment readiness, the aspiration is that grantees gain broader skills and knowledge through working with a provider that will be valuable to their organisations into the future.

All grantees said that the work with the providers had produced tangible outputs that can be used in future funding rounds, and 94% reported improved skills and knowledge in topics relating to capital raising (**Figure 18**). Further, 88% of all grantees reported strengthened sustainability and scalability of their organisation. The work with the providers had the least impact on widened networks. While a broad range of business networks are essential for entrepreneurial success and long-term growth aspirations, they may become more relevant and expand as businesses develop and scale.

Figure 18: Sustained capacity building for grantees

How has the work with the Provider(s) contributed to the following aspects of sustained capacity building within your organisation?



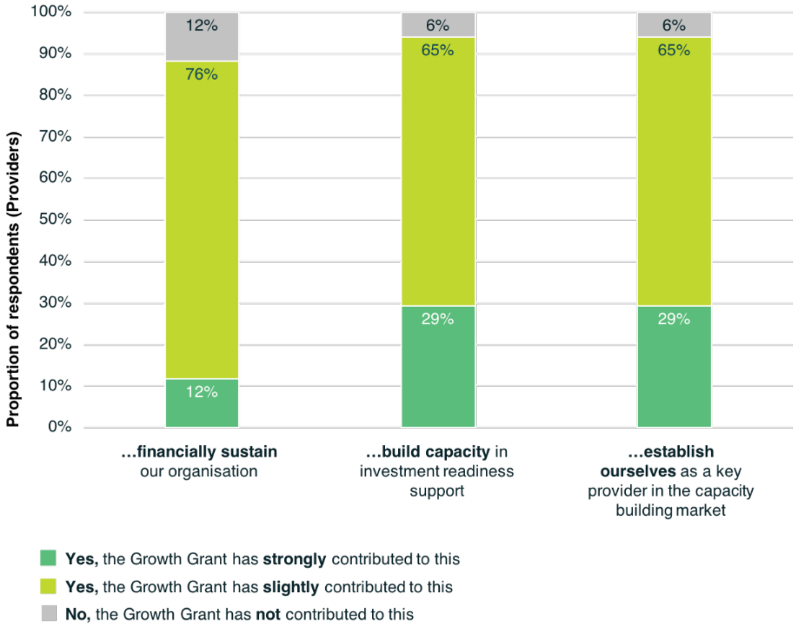
n=17

Most providers said that the Growth Grant has contributed to their financial sustainability (88%), internal capacity in investment readiness support (94%), and establishment in the market (94%) (Figure 19).

The majority of providers reported only a slight contribution to those areas, rather than a significant contribution. Reasons for that may be that one contract to work with a grantee can only have a minor impact on the long-term sustainability of a business. Moreover several providers already had elevated profiles within the market before engaging in the Growth Grant.

Figure 19: Impact of the Growth Grant on the providers

The Growth Grant has helped to…

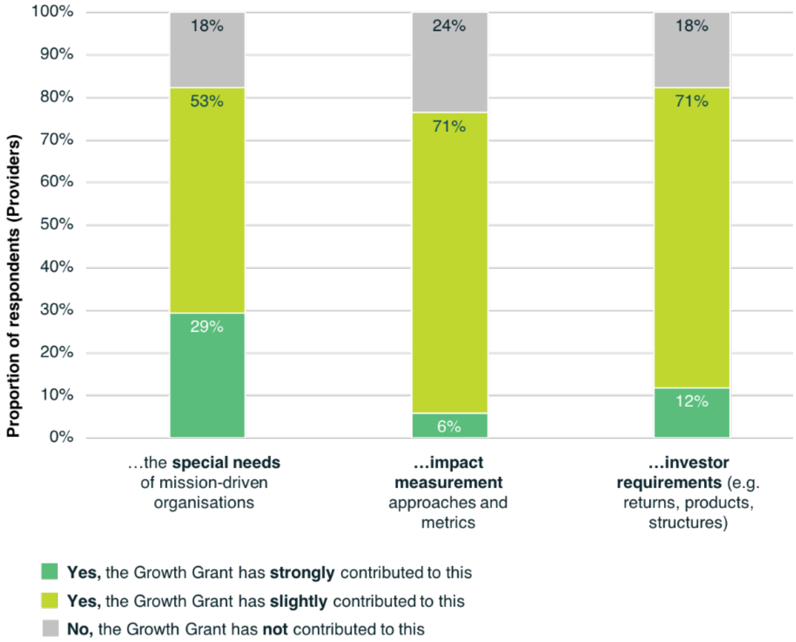


n=17

In relation to sustained capacity building, providers were also asked whether the Growth Grant contributed to developing a better understanding in several areas related to investment readiness. The results show the Growth Grant contributed most to the understanding of the special needs of mission-driven organisations. Over three quarters of providers found that the Growth Grant has strongly or slightly contributed to their understanding of impact measurement approaches and metrics (76%) and investor requirements (82%). Capacity building is needed and critical for the providers themselves to better support mission-driven organisations across the market.

Figure 20: Sustained capacity building for providers

We now have a better understanding of...



n=17

PART THREE
The Stories

“Storytelling is the most powerful way to put ideas into the world.”

Robert McKee

In PART THREE, we bring life to the stories behind the data. Six grantees who have successfully raised investment, 'The Visionaries', two providers, 'Their Champions', and two investors, 'The Believers', have shared with us their experiences, highs and lows and views on the sector through a series of in-depth interviews. The following pages provide excerpts from these interviews, distilling the most valuable content and insights and reflecting the diversity of experiences and views.

THE VISIONARIES

Hireup: Busting the trade-off myth

What is your theory of change?

For me, thinking deeply about the theory of change of a purpose-driven organisation in a for-profit context is a really interesting process. At the heart of Hireup, and our theory of change, is our fundamental belief that people are better off when they are enabled, encouraged and supported to do things for themselves, as opposed to having things done for or to them.

This is pertinent in the disability sector. For many decades, services have been designed and structured to be done on behalf of people. We work back from that point and think about how we can design a smart product that contributes to that end goal. The NDIS [National Disability Insurance Scheme] provides a great opportunity due to its focus on individual choice and control.

For Hireup, there are four main tenets that support our theory of change and contribute to this outcome: building a cohesive community, delivering excellent support around that community, building a product that works for the user, as well as using the most elegant and up to date technology.

Why and when did you decide to raise funding, and what did you need the investment for?

The first question is: Why did we set up as a for-purpose Pty Ltd, rather than a not-for-profit organisation? My sister and I had set up a charity ourselves and we saw both all the good that NFP organisations can do, as well as the challenges that they face. For over four years, we struggled with funding and our theory of change. That caused a lot of distraction from our actual work and limited our impact because we were constantly insecure about where the next grant or donation may come from.

Jordan O'Reilly
Co-Founder and CEO

"Hireup is an online platform for people with disability to find, hire and manage support workers who fit their needs and share their interests."

$70,000
Grant

35.7x
Leverage

$2.5m
Investment

When we built Hireup, we realised that the NDIS brought a massive reform. We had to act fast, and we knew we had to build something outstanding in a short period of time. We also saw the pitfalls of the NFP approach, which is often slower and less efficient. Both my sister and I knew from the very beginning that we wanted to start Hireup with all the heart, soul and the intentions of the social impact work of a NFP organisation; but with the focus, discipline, structure and freedoms of a for-profit company. That conflicted us and we did not really know where to go or what to do until we hit upon the idea of a for-profit, for-purpose company. It allowed us to bring those two concepts together.

"At the beginning of my journey, someone said to me that if you get your investors wrong, it can be a bad thing, but if you get it right, it is like having the best teammates ever on the bench to support you."

We also knew early on that we would need to raise capital to build the expensive technology and hire highly skilled people. In the first year, we focused on testing and developing the product as quickly as possible to find out what works. We soon got a lot of traction and needed to raise capital for several things: Number 1, to build and invest in our technology. Number 2, to build and invest in our team. If we wanted to be the best, we had to hire the best. Number 3, we wanted to invest in marketing to promote what we were doing.

We were not comfortable with the traditional view of raising capital. For my sister and I, Hireup has never been about profit or financial return, but about social impact. We knew that we did not want to raise money from traditional Venture Capitalists. It was only through Quentin and Amanda Miller from Impact Generation Partners that we found out about impact investing. We suddenly realised that there was a subculture emerging in the investment world that we had never heard of before, and it felt like the light on the hill. It was the promise of a group of people who cared about social and environmental impact as much as, if not more than, the financial return. We understood that we had to use the capital responsibly and effectively to incentivise great people to invest, but we could invest with the aim of creating just as much social and environmental impact and benefit for the community. That was the moment that we realised we had done the right thing.

How did you find Impact Generation Partners (ImpactGen) as your advisors, and how did you work together with them?

We connected through mutual contacts at the Foundation for Young Australians. Amanda Miller just picked up the phone and called me one day. It was like serendipity. We could see the values alignment from the first moment, as they have a deep desire to support great ventures with the potential to have huge social impact. We got straight to work. My sister and I knew exactly what we wanted to bring to the community and what they needed, but we had no corporate experience. ImpactGen were fantastic in bringing these corporate skills and a deep understanding of business to our organisation and, over a six-month period, they helped us become ready for investment.

What did you perceive as the greatest challenge to secure the capital?

For me, there are two clearly distinct sides of the coin. The first was before we met ImpactGen, and the second is after we met them.

I think our story shows the importance of brilliant corporate advisors that are aligned with our mission. Before meeting ImpactGen, I had spoken to dozens of people from other parts of the financial investment and corporate world. We were going in circles. Nobody could tell me how to build a business that focuses on social impact. That was by far the biggest issue – feeling that we were by ourselves in caring about doing business for good. In the end, the challenge was in access to the networks, access to the understanding that this can be done and access to education.

All that changed the day that I met Amanda and Quentin. It felt like that was the top of the hill and we started to snowball down the other side. They had open arms and welcomed us into this world of people who care about what we were trying to achieve for the community. From that point, the challenge was that we had to upskill in many areas. We worked incredibly hard, but we knew what we were doing it for and were led by an advisory company who were the epitome of professionalism and strong morality. Once we found our way through that, all the rest of it fell in place. We did all the work necessary to become investor ready and went out at the right time to speak to potential investors. We could select the people that we wanted to work with and the investment process went smoothly from that point.

Photo courtesy Hireup

How did you find your investors and what were you looking for in them?

We found the investors through the networks of Impact Generation Partners and we also went back to many people in our own network that we had met along the way. It was an easy and straightforward process to find people who ticked our boxes, i.e. who believe what we believe, who care about the welfare of people with disabilities and their families; who care about getting a better deal for support workers in the Australian disability sector; and who care about the success of the NDIS. Every one of our investors fulfils those to a tee. At the beginning of my journey, someone said to me that if you get your investors wrong, it can be a bad thing, but if you get it right, it is like having the best teammates ever on the bench to support you. I think our story is one of finding a small group of brilliant teammates who have added immense value to the business and helped us to scale our impact far quicker than we ever could have done it alone.

Do you see any trade-off between financial or social objectives for Hireup?

I strongly disagree with that idea. The thinking around combining a high-scale business with high-scale social impact is not particularly mature and people misinterpret that as not being possible. Hireup is an example of a business that has the potential to be commercially successful but has always been and will always be primarily focussed on the impact on the community. The more we get it right for the people that we are supporting, the more the organisation will grow, and I believe that is a great thing.

What are your top 3 tips to other for-purpose entrepreneurs who think about raising capital?

First, back yourself and back the idea that you can build a for-purpose business. You do not have to compromise between your commercial and social impact success. Second, if you want to raise capital, find a corporate advisor who is qualified, believes what you believe and is focussed on positive social and environmental impact. You will know within one day whether people really care about that or whether they are just talking about it. Third, find the right investors and the right supporters. Do not settle for anything but the absolute best.

Maths Pathway: Using the power of outcomes measurement

What is Maths Pathway's business model?

We engage directly with schools, which adopt the learning and teaching model of Maths Pathway across at least one student cohort (for instance, all year 7 students). We charge the school an annual subscription on a per student basis, covering the delivery of the program, the training and professional development of teachers, and ongoing proactive support and consulting. We also provide the curriculum, content, pedagogy and assessment. The schools typically pass that cost on to parents, but that varies depending on sector, state and how the schools choose to operate.

The business model was closely modelled based on what we were replacing. What we do is much more than a textbook, but schools were used to the idea of thinking of a textbook as a curriculum resource. Given that Maths Pathway schools no longer require a textbook, we could design the business model to be largely cost-neutral for schools, and to fit in with their current resourcing models.

How do you measure whether you are successfully delivering on your social mission?

For us, outcomes and impact measurement are central to the way we run our organisation. Our Board reports include an impact section as well as a financial section, and they are both examined equally. We make decisions in a way that is designed to balance the depth and scale of our impact, the measurement of which is increasingly complex.

Our simplest impact metric is "student growth": the rate at which students are learning mathematics. We compare that to the rate of learning in traditional maths classes, as well as the rate of each individual student's learning prior to Maths Pathway.

The goal is to have students growing at least one year per year, but even if a student is growing less than that, they can still be

Richard Wilson,
Co-Founder and CEO

"Maths Pathway is a data-driven learning and teaching model that transforms the way schools teach mathematics. We are moving from a one size fits all model to a model that is both highly individualised and respects and amplifies the role of the teacher."

very successful if they are learning twice as fast, and gaining deeper understanding, than they were before. We also look at the teachers' and students' attitudes and mindsets to mathematics, and to learning in general. Do they have a growth mindset when it comes to learning? Do teachers believe that every student can learn mathematics? To what extent do both teachers and students see learning as a process, not as a bunch of worksheets to fill in? Mindsets are harder to measure quantitatively, and we are currently working on the relevant metrics.

How do your societal outcomes and your business decisions interact? Do you ever experience tensions between the two?

There are often tensions between financial and social goals, but we are very clear on our business model, our core mission and our values. For instance, it would be simpler and more profitable in the short term to focus on selling to the student only, leaving the teachers and the school as an entity out of our considerations. That would change our product development strategy, engagement strategy and the financials. We decided to recognise the critical role that teachers play in successful education and integrated them in all our considerations. Students are our ultimate beneficiaries, but we cannot neglect the role of other pieces of the puzzle if we want to achieve real and lasting impact.


Photo courtesy Maths Pathway

The same applied when we raised capital; investors had to accept the mission. Of course, they care about the commercial aspects of our business, and that their capital is used productively, but they also have very long timeframes. None of our investors came on board with a short-term exit strategy.

How did you ensure values alignment between the organisation and investors?

It varies depending on the investor. One of our incoming investors required us to sign an impact agreement, i.e. a term sheet that is specific to impact. That agreement included committing to becoming a certified BCorp. From our side, we always set very clear expectations around why we do what we do, and what we expect from investors that get involved. We made it very clear that we were not interested in investors looking only for short-term gains.

How did you work with your provider?

We spent a lot of time in front of white boards together. It was a very interpersonal, hands-on process, powered by a lot of coffee (or tea, in Ronan's case). We talked about the finances, valuations and other examples in the industry and from overseas. But valuation is absolutely not a science, it is an art. In fact, it is probably not even an art, it is just a 'sense' that investors come up with. For us, it was important that Ronan [Lehane, provider] was like a walking dictionary. When investors talked about things like pre-money and post-money, options, equity, etc. Back in the early days, we did not know what any of that meant. Ronan helped us to understand these terms and their implications.

"It was clear that advice was valuable to us, but equally that we were raising money because we did not have money, so how were we going to pay for that advice?"

What was your biggest learning?

My expectations going into a capital raise were probably based on my impressions from Silicon Valley and the US. It just doesn't work like that here. There is not as much money in our market, especially at that early stage, and especially for deep impact / education businesses. You certainly do not get the same valuations here. There were several times when we genuinely considered setting up the business in the US. However, that would have sacrificed too much of our impact goal, so we stayed. The difficulty raising money was the biggest learning. We had this great idea, we had traction, we had customers, we had revenue, we had all the ingredients — but it was still really, really hard to raise money.

What are your top tips for entrepreneurs who are thinking about raising capital?

First, think very carefully about whether equity funding is your preferred source of funding, particularly early on. Investors can be fantastic (and we have a great Board now), but investment comes with more strings attached and is a lot more work than you think. If you do choose to go after equity capital, focus on getting the right investors. If you feel that they do not get you, or do not get your business, or you do not think they believe in your mission, you should run fast and far (no matter how much money they have).

Second, play hardball. This is hard if you have never raised before, but it is the main thing I would do differently from the start. Do not be intimidated by people's reputation, or by the chance that they might walk away from a deal. Know what you want and what you are prepared to give for it. Also, remember that no-one else cares more about your actual mission than you do. If an investor or group of investors are not going to come to the party, you will find somebody else who will.

Where is Maths Pathway heading in the next few years?

We have been growing rapidly in Australia and will continue to do so. We are focusing on maintaining our impact as we scale, but we are exploring the challenge of other international markets to bring the benefits of our model to as many students as possible. In the end, we are here to change the way the world thinks about learning.

Final words

Remember that just being in education does not make you an impact business. You should know what you are actually trying to achieve, and how that will genuinely make people's lives better. And if you are going to call yourself an impact investor, you should think very carefully about what impact means. You should really care about the impact, not just the appearance of impact.

Too many people baulk at complex, systemic problems. No problem is too big to solve. If you have some big crazy hairy problem that you want to go after, do it. If you want to do that in education, feel free to come and talk to me.

Yume: Creating value along the supply chain

Why did you start Yume?

There are 3.9m tons of food wasted at the commercial level, not including any household food waste. The four major food rescue organizations turn over about 44,000 tons annually, at a cost of about $30mn in philanthropic funding a year. I believed that there was a way we could scale more efficiently. That was when I came up with the idea of technology solving the problem. How could I help bring more food to the food rescue organisations and how can we get access to support the primary producers (suppliers) when sales fall through with their traditional buyers? No farmer wants to dump their food. How could I give them another avenue to market whilst also increasing produce going to food rescue? Yume's wholesale platform was the answer.

Suppliers can list any product for free, whether it is salmon or fruit or vegetables. Buyers can browse for free. Once a deal between the supplier and the buyer happens, Yume will take a very small percentage clip of the transaction, which makes us financially viable. There is no charge for produce that is donated to food rescue organisations.

What was your funding and investment journey?

Originally it was my money. I used my own money out of my mortgage because I really believed in the idea. I realised quite quickly that it was going to take a little bit more money than I had in savings and approached angel investor Pitzy Folk. I said "Look Pitzy, I have got this great idea. I want a world without waste and to transform the food industry. I have this revolutionary idea and I think you should get on board." He was the first person I approached, and he said yes and provided some investment. We started getting traction and really pushed forward and spent a lot of money on technology. We are only as good as our product. We realised that we were really onto something and started to develop a very detailed financial model that projected what Yume and the wholesale platform would look like over five years, and

YUME

Katy Barfield,
Founder and CEO

"Yume is an online marketplace that allows wholesale suppliers and buyers of food to connect with each other and ensure that edible food does not end up in landfill."

$100,000
Grant

26x
Leverage

$2.6m
Investment

what it would cost us to build that. We had the MVP [Minimum Viable Product], but we wanted to develop a product that was scalable anywhere in the world. We put that model together, had an information memorandum, and that is when we went out to investors and applied for the Impact Investment Ready Growth Grant, which is a terrific fund. The support really helped us to get ready for investment. It is a huge process, much bigger than I could ever have imagined. The Growth Grant was invaluable. I did not even know how much I needed it before I had it and was in the process.

The capital raising was extraordinarily challenging. The amount of information that was required to attract the investment we were seeking was enormous. We had so much information that needed to be gathered and really sophisticated, detailed financial models that had to be built from scratch. The Growth Grant allowed us to engage Impact Generation Partners to build models that spoke to our investors. They also helped us in selecting the right profile of investors that would buy into our mission and our vision and could give to a social enterprise like Yume for impact purposes. Our information memorandum was over 85 pages long. It was a very big process and we were lucky enough to attract, on top of the grant, some pro bono support to put together robust research about the addressable market size and gain support from lawyers and accountants.

"We also report on [our societal impact] in our weekly team meetings. It is as important to us as the revenue."

I did not know a lot about impact investment before I embarked on the capital raising and received the grant. It was exciting. Coming from the not for profit sector, I was very familiar with the limitations on what you can do. Yume is a for-profit social enterprise, our mission, vision and our environmental and social impact are built into the core of who we are. That means that we can deliver to trusts, foundations and other investors not only a financial return but also, equally important in their eyes (and ours), the social and environmental returns. I am encouraged by the number of large family foundations that are segmenting a percentage of their corpus for impact investing.

Why do you think Yume was an attractive investment proposition for foundations?

I think it is very important that foundations look at the nature of their investments. If you make investments into mining as an environmental foundation, you have to consider the net impact of that against your mission. With impact investment, those things are completely aligned because investments are also having environmental and social impact. I think that is wonderful.

Some of the foundations that have invested in Yume are very passionate about farmers and agriculture. Yume is a wonderful tool for smaller and larger primary producers, because they can sell produce that would not otherwise make it to market. We provide a new avenue to market for wonky vegetables, oversupply and cancelled orders. For some family foundations, it was around the primary producers and the social impact for them. For others, it was around the fact that Yume is a one stop shop for businesses, and therefore enables any large food supplier that has produce available to sell it on the platform. If it does not sell, we can offer it for donations. Investors loved the simplicity and how streamlined the process is. It allows us to have a visibility of products that food rescue organizations do not have.

Photo courtesy Yume

How do you measure your societal outcomes?

We have an algorithm that captures the CO_2 emissions and embodied water for every kilogram of food that is sold. We are introducing statements on our invoices that allow our suppliers to see their environmental impact. We also calculate the number of meals through the kilograms of food donated and report on both to the board. We also report it in our weekly team meetings. It is as important to us as the revenue. The two are intertwined in a unique model whereby every kilogram of food that we sell has an environmental or social impact.

What are your top tips for entrepreneurs who are thinking about a capital raising?

What I loved about our process is that if we had not been transparent, and if we did not have a robust model that delivered environmental and social outcomes, we would not have made the grade. I hope that standard continues, and the integrity is upheld in impact investing. I suggest you get ready for a long process if you are planning to raise impact capital. But if you have a great product that delivers a positive impact, then go for it, because there are sufficient funds out there for more than good ideas. To everyone who has a great impact investment opportunity - Go get it! People are out there waiting.

Ethical Property Australia: Changing the game with the right structure

How did Ethical Property Australia get established?

I am the founding CEO of Ethical Property Australia. I worked for the Ethical Property Company in the UK for over 10 years, decided to relocate to Australia and met up with Paul Steele, who is the CEO of donkey wheel trust. donkey wheel owned a building in Melbourne that was run similarly to Ethical Property buildings. Together, we decided to launch Ethical Property in Australia. I moved my family over here, donkey wheel and Ethical Property UK both invested into the new company, and we have spent the next four years building the company.

How do you evaluate whether you achieve your desired societal outcomes?

Our desired outcome is to enable our tenant organisations to have a bigger impact.

We conduct a quantitative annual tenant survey that evaluates whether being in our building has helped them achieve their strategic objectives, run their day to day operations better, and whether the space we offer provides good value. The results are reported in a score. This year, we achieved 84 out of 100.

We also collect qualitative, anecdotal stories of things that would not have happened without being located in our properties. For instance, connections they made, joint projects and shared staff members between organisations.

Within Ethical Property Australia, we measure several criteria to evaluate how we are doing internally, as well as in comparison to other companies. That includes staff and board diversity, salary ratios between highest and lowest paid, and travel time to work. Many of those measures are required to comply with our BCorp certification.

Peter Allen
Founder and CEO

"We create spaces that make a difference. We bring organisations that deliver social or environmental impact together in a building and find ways in which they can share services and facilities to save money and create value from being in a community of like-minded people and organisations."

We also look at the environmental performance of the buildings, such as monthly energy and water use, and we have programs in place to reduce our consumption further. We benchmark our performance against industry standards and we set targets for those improvements for all buildings.

At what stage did you decide to raise investment, and what for?

There are two parts to the business. There is Ethical Property Australia, which is the management and development company, and there is the Ethical Property Commercial Fund, which owns the buildings. The model that has been used in other countries is for the company to own everything, without having a separate fund. Our initial intention here was to do the same, but as we started to look at the opportunities in Australia we realised that there are different risk and return profiles for investors on different types of property. For instance, city centre office buildings in Melbourne and Sydney will be very different from a shared warehouse food hub in Bendigo. It makes sense to raise investment into different vehicles for these different property types, and this is where the Growth Grant came in. We applied for the grant to pay for specialist advice to help solve this problem. The result was the establishment of the Ethical Property Commercial Fund, which owns the multi-occupancy office buildings managed by EPA.

Photo courtesy Ethical Property Australia

Who were the investors in that project, and how did you find them? What were you looking for?

The largest investor is donkey wheel trust through the building they already owned, donkey wheel house. They identified that there was an advantage in transferring the building into the Fund, rather than owning the entire building. By owning the equivalent number of units in the Ethical Property Commercial Fund, they have more flexibility with the capital and can sell a few of those units to invest somewhere else without having to sell the entire building and risk it losing its purpose. The other investor is the Graeme Wood Foundation, a private foundation set up by a high net-worth individual who supports a lot of cutting edge social change organisations. Graeme wanted to do more to support organisations campaigning at the Federal Parliament and identified that purchasing Endeavour House in Canberra would help do that. We will be raising more capital this year to expand into Sydney and add to the Melbourne portfolio.

We also have a loan facility from National Australia Bank. One advantage in accessing this institutional capital was that we have the buildings as security – and commercial property is a well-understood asset.

How do you ensure that your mission does not get diluted?

The Constitution of the Fund refers to a set of principles, called the Quintessentials, which all Ethical Property "family members" sign up to. They govern things like criteria for tenancy, limits to the percentage of ownership of any one shareholder and our commitment to reporting on the triple bottom line. The trust deed of the Fund refers to the Quintessentials and makes us accountable to them as managers.

"The Difference Incubator really helped me to understand the investor side and that it is a double-sided market. We are serving our tenants, and we are also serving our investors. We went back to the basics with our entire business

What was the biggest contribution of The Difference Incubator as your provider?

It was probably stepping back and asking ourselves: How else could this be done? We knew where we wanted to get to, we knew from Ethical Property's history in Europe a few ways that it could be done, but we needed to understand the other ways to do it. It was the bigger picture creative thinking.

Final words

We are proud that we are demonstrating that you can make money and do good at the same time, and that property is more than a purely financial decision. We obviously recognise that the financial component is critical - we need investors to buy buildings, and we pay them returns on their investment. But for us, it is all about the organisations who are in the buildings, the good that they can do because they are located there, and the change and positive impact that is having on society. Because we are enabling organisations to do more good, we are seeing increasing demand for our properties which in turn pays the rent that generates returns for investors. You could say that Ethical Property is changing the way we all profit from property.

Sydney Renewable Power Company: Creating impact investments for retail investors

What does SRPC do, and what is your role in the organisation?

Along with the rest of the board, I am a volunteer Director of SRPC. We all perform executive duties on a voluntary basis. That includes the statutory requirements that apply to board members of a public company.

We set up SRPC to see more creative approaches to renewable energy, as well as offer community members and local ambassadors a way to directly support and invest in renewables. Another benefit of the organisation is that it allows volunteers to gain professional expertise and contribute to an outcome they care about without having to be a solar engineer. We also provide an opportunity for skilled volunteers, from lawyers, accountants to digital marketing experts, to use their skills in the renewable energy space.

What role does outcomes and impact measurement play in your organisation?

The simple metric is the amount of renewable energy installed and the electricity output of the system. We are on track to generate over 500 megawatt hours of solar electricity this year.

Given that one of our main goals is to encourage community investments into renewables, we also measure the amount of capital we raise. Our share offer of $1.4 million was fully sold.

There are also less tangible metrics. For instance, we have shared our precedent legal documentation with various other projects. A community solar project drew upon our constitution, which saved them money and made their project more viable. In developing SRPC, we tested and learned which business models are viable and feasible for solar projects at different scales, and we share those learnings with other projects.

Andy Cavanagh-Downs, Director

"Sydney Renewable Power Company has developed a renewable energy project that facilitates community-based impact investment."

Why did you decide to raise funding, and what did you need the investment for?

The challenges of climate change cannot be solved by philanthropy alone. We deeply *believe that we need to catalys*e investment for a rapid and large-scale deployment of renewable energy. We wanted to create returns for people and show ways that it can be done. That was an important aspect in explaining why we raised funding and not donations. We used that money to fund the solar installation, so there is a direct connection between the use of the investment and the outcomes created.

"For retail investors, accessing impact investment and renewable energy offerings is very hard. We wanted to broaden the potential investor base to retail investors. Offering access to investment to local people and to retail investors was an important driver for us."

What did the process from your Growth Grant application to investment readiness look like?

Firstly, the Growth Grant allowed us to plan and access services effectively before we had any revenue. We had to create the investment offering and set up the entire organisation ahead of physically installing the asset and generating revenue. That caused a financing issue that we had to address.

Secondly, no one had done this before. We had a lot of experience and expertise to draw upon, but no one has ever set up a volunteer-run public company and approached ASIC with such a share offer. It was hard to anticipate how that would be received, how much legal resource it required or what services and budget we needed to access. That is why the grant funding was invaluable because it allowed us to pay for these services.

The third aspect were the share registry services. There is a lot of administration associated with processing all the applications and maintaining the share registry and we wanted to provide a lot of assurance and comfort to ASIC and potential shareholders. The grant enabled us to do that.

Who were your target investors?

It is easier for wholesale investors to access interesting investment offerings, whether that be in renewable energy or in the broader investment market. For retail investors, accessing impact investment and renewable energy offerings is very hard. We wanted to broaden the potential investor base to retail investors. Offering access to investment to local people and retail investors was an important driver for us.

What was the most surprising aspect of your capital raising?

It struck me how many volunteers were willing to contribute their time to create the outcome. We had a whole spectrum of industries, professions and backgrounds. People really wanted to contribute to make a difference and we intentionally tried to make it easy and effective. I was reassured by how many people want to create outcomes for the betterment of our society.

Photo courtesy Sydney Renewable Power Company

Vanguard Laundry Services: Driving success with a strong vision and the right mix of capital

What is your theory of change?

People with mental illness that have not worked for five years or more and rely on government services like Disability Support Pension and Advanced Health Services spend more time in the mental health ward, have more contact with justice and are more reliant on support like pharmaceuticals and psychological services. Our theory of change is that employment improves their mental health, provides a sense of contribution and allows them to develop new skills. This, in turn, leads to significantly less reliance on government services.

How do you measure whether you successfully deliver and achieve those social outcomes?

We have received funding from the AMP Foundation to partner with the Swinburne Centre for Social Impact. We are doing a three-year longitudinal study on qualitative and quantitative results in line with our theory of change to measure our impact.

How did you find the right advisor for your capital raise?

I had done some projects with Social Ventures Australia in the past. When I had the opportunity to build a social enterprise laundry, I approached several providers. They all said it was a great opportunity, but it was too big – we had never built anything like that. Social Ventures Australia stepped up and said: “If you get the contracts signed, we will work with you and make this happen”. There were more missing pieces to the puzzle, but SVA were the only organisation we approached that would take the leap of faith and devote the extra due diligence and time to make it work.

Vanguard LAUNDRY SERVICES

Luke Terry,
Founder and Managing Director

“Vanguard Laundry Services (VLS) is a commercial laundry employing people who are long term unemployed and living with mental illness. Vanguard is Australia's largest mental health focused social enterprise.”

$71,500
Grant

30.8x
Leverage

$2.2m
Investment

"We need to look at options on how we can fund entrepreneurs to fail and succeed. Vanguard was very lucky in that we did succeed, but for every Vanguard there are projects that fail, and we still need to fund those attempts. (...) There are projects that will give strong financial returns, but projects like Vanguard start off with smaller returns. We hope that one day we will be able to get those larger financial returns, but until then, we need investors like ours who are willing to come in early."

What was the most difficult or unexpected aspect of reaching investment readiness?

We brought in several partners who had run laundries before, but no two laundries or markets are the same. We had to make some big assumptions for Toowoomba. At the beginning, we were not aware of all the implications of our offering, our location etc. We were set up to service hospitals, but we also service the accommodation market and, to a smaller extent, the uniforms market. The distinct product mix of our organisation means that we operate differently from other laundries. It was important that we consulted people with expertise in financial modelling and considered different possible scenarios.

You got over 70 partners involved to establish VLS. How did you make that happen?

Vision. After that, people wanted to know whether VLS could work financially, what the funding gaps were and how we would close them. It was the biggest chicken and egg game that I have ever played.

There was a clear sequence to the funding. First, we needed to have the contract (anchor contract with St Vincent's Hospital); then we needed the land, which was purchased by local philanthropists; then we needed the funding to pay for the planning approval for the land, which was probably the hardest part because no one was willing to fund that. Without the planning approval, we could not have proceeded. We got through that stage thanks to pro bono partners. One of our local investors gave us $20,000 in cash to pay for the services that we could not get for free. Several architects and engineers did bits and pieces for free. The landowner contributed a lot of free project time. Altogether, that made about $250,000 in engineering, architect, council and project management fees. This stage was extremely hard. Our sector is focused on outcomes, and this funding has the risk that there is no outcome, yet it is required. We had to be very entrepreneurial to make it work and that is where the vision comes in.

Once all that was done, we could apply for government funding. There was an opportunity to get a million dollars, but we got rejected twice. One day we received a phone call from (the Australian Prime Minister) Malcolm Turnbull saying that they were giving it to us out of a discretionary fund. That was incredible.

Photo courtesy Vanguard Laundry Services

All the other philanthropic funding only came in once we had the land and the government support. We needed another million dollars from philanthropy. There were many organisations that all contributed a piece to the puzzle and all of them had different requirements and needed to be staged. The Paul Ramsay Foundation contributed $600,000. A local investor contributed $500,000 that we have to repay over 10 years. The terms are very generous – 5% interest rate with non-compounding interest and no repayment for the first two years. Then Westpac came in with $1.6 million on similar terms.

"It wasn't until we engaged with Impact Investing Australia and were successful in receiving the Impact Investment [Ready Growth Grant] that we truly knew the amount of investment we needed. Before that, we only had a rough idea."

Now we have just been looking for a private investor for our $800,000 Series B, which will fund more equipment and linen for our growth so that we can go beyond 15 tons a week. The terms of the investment allow us to repay when we can with flexible open-ended terms at 1% interest. We love our investors and their commitment to lower returns that can be directed into creating stronger outcomes for people living with mental illness.

What is your top tip for other impact entrepreneurs who are thinking about raising capital?

Be relentless. [As a non-profit organisation], we do not have all the traditional business tools in place, but we do have access to support that traditional businesses often do not have - wonderful mentors, philanthropists and training. You must put a lot of extra effort in, and you have to be relentless in knocking on a lot of doors. We have secured 70 partners, but we spoke to about 200.

THEIR CHAMPIONS

Impact Generation Partners: Committing fully beyond early stage

What has motivated you to start Impact Gen?

ImpactGen is passionate about moving capital into businesses that solve social or environmental problems as well as providing financial returns. We believe that the businesses that do good will be the ones that do well. That is what motivates us.

What stage are businesses usually at when you consider working with them?

Many businesses that we meet with are too early in their development for our help to be of value. We can be of assistance when the enterprise has generated some traction, has customers and knows what does and does not work. It needs to have a solid business model and know that its product is the right fit for the market. At that stage, it knows that the next step is to raise capital to grow the company in order to scale financially and socially. We have consciously decided to engage at that stage based on our skill set. Quentin [Miller] is a corporate advisor, and I have been an advisor in philanthropy. We bring strong and trusted relationships with philanthropic foundations, family offices and private investors to the table.

You get approached by a lot of businesses that want to work with you. Why Yume and Hireup?

We have several criteria to decide which businesses we want to work with. Primarily, we look at the environmental or social issue that the business is solving and whether it will be able to generate market rate financial returns. We like to work with founders that

IMPACTGEN
IMPACT GENERATION PARTNERS

Amanda Miller
Co-Founder

"Impact Generation Partners advises, invests in and supports enterprises that deliver financial as well as social and/or environmental returns. In addition, we educate and advise a range of investors on how to engage in impact investing. We are passionate about and committed to building the impact investing ecosystem in Australia."

Provider for:

hireup

YUME

have had lived experience and are passionate and obsessed about solving a problem because it has been a pain point in their own lives. We also consider how big the market is, and what share of the market the business is likely to obtain, as we are looking for businesses that are highly scalable, in order to have significant social or environmental impact as well as attractive financial returns.

"Within the venture capital space, there is a real gap in early stage seed funding. Many people have great ideas, but they need seed funding to run a pilot and develop the basic technology to prove whether the idea works. It would be great if there was some philanthropic or government funding for that stage.

What does it look like when you work with a business?

We like to develop a close relationship with the founders and team. We spend a lot of time face to face and in front of whiteboards. For instance, if the business has a basic financial model we test all the assumptions that they have and develop a rigorous model. We also help the founders to refine the metrics to measure the social or environmental impact. We advise on the structure of the investment offering and work with the founder(s) and team to draft a short deck, a long deck and an information memorandum that can be used with investors.

We arrange for the business to meet with potential investors right from the start - not to ask for investment, but for a 'warm up round'. We meet with investors so that they know we are working with this organisation for their capital raising. The founders do a very basic pitch and get feedback. That reveals aspects we might not have considered and provides a better understanding of what investors are focused on. Sometimes, potential investors are subject matter experts and can give us very detailed views on a specific sector, or they have technological expertise and ask detailed questions about the platform. After the warm up round, we work with the feedback and rework the materials before setting up another meeting with interested investors. The business does a more detailed pitch and we usually leave potential investors with the documentation. For any follow-up questions, we are a filter between the entrepreneur and the investor and support the due diligence process. Larger foundations often require a meeting with the investment committee and a meeting with the board that we attend together with the business founder(s).

Our role continues during negotiations with investors. We look at the cap table, i.e. the investors' positions before and after the capital raising, work out a valuation and an offer price. That is often a very detailed and technical conversation with the founders. Once we have determined the investment and equity for all investors, we negotiate the shareholder agreement (together with the assistance of lawyers) and issue share certificates. We also stay involved after the capital raising. We generally take a seat on the board, work with the company to report back to investors regarding financial and social or environmental returns on a quarterly basis and continue to manage the investor relations.

What does our ecosystem in Australia need to further prove impact-driven business on a larger scale?

Within the venture capital space, there is a real gap in early stage seed funding. Many people have great ideas, but they need seed funding to run a pilot and develop the basic technology to prove whether the idea works. It would be great if there was some philanthropic or government funding for that stage.

We also need more advisory support to help on the investment side and the stage before that, i.e. the development of the business. One of the reasons why both Quentin and I have enjoyed coming into this space from the corporate world is that it is a collaborative space where people are driven not only by the dollars, but by solving the significant issues that the world is facing. We are all working together to make that happen and I believe that we will.

What would be your top three tips for an organisation on their way to investment readiness?

First, choose your investors carefully. If you have a good enough idea, you will be in a position to do that. Look for investors who are driven by the same values, who can assist strategically and add value beyond the dollars. Second, be humble, do not be afraid to ask for advice. Do not ever feel you have to know all the answers, because you will not succeed that way. Third, stay true to yourself. The investors will be backing you, and you will go on the toughest journey of your life. You will just get over one hurdle of surviving for the first year, then it will be an even bigger one for the next year. If you are going to spend all of your time backing this idea and making it work, you need to be doing something that is true to yourself.

Social Ventures Australia: Providing support from idea to capital raising

How did your work with Vanguard Laundry Services (VLS) fit into the broader picture of your organisation?

SVA provides investment readiness support to organisations through a combination of our impact investing, consulting and venture philanthropy services. Prior to VLS, we have provided investment readiness support to other organisations, including STREAT's acquisition of the Social Roasting Company and arranging the Goodstart Early Learning transaction. VLS was a unique opportunity because we had invested in Luke Terry's first business and already had a strong relationship.

At what stage was VLS when you decided to raise capital? What did the journey towards investment readiness look like?

We have supported VLS since the idea stage. The organisation has been operating for nine months now and we are still on the board. When Luke approached us, the organisation was not yet established. We had initial conversations with the CEO of St. Vincent's Hospital who became the first major client. We built a financial model, SVA contributed an early grant to hire a specialist consultant and we were involved in guiding the negotiations on the contract. Then we brought in lawyers to establish the business, secure DGR status and tax exemptions and drafted the Constitution.

What gave you the confidence to support such an early stage business?

To be honest, early stage businesses are generally hard work and very risky propositions. We knew Luke very well and banked on the contract with St. Vincent's Hospital. However, the organisation still required a mix of repayable capital and grant funding to get it across the line.

Alex Oppes
Director, Impact Investing

"Social Ventures Australia is a non-profit organisation that works with partners to reduce social disadvantage within Australia. We have three streams of activity: impact investing, venture philanthropy and consulting."

Provider for: Vanguard Laundry Services

What were the main challenges for the capital raising itself?

It was a very complex deal with many partners involved, from the Australian Government to the Paul Ramsay Foundation, the Ian Potter Foundation, local architects, major banks and rebates from the Council on the development approval fees. It was a challenge to sequence all that. Minter Ellison luckily provided pro bono support for the legal documentation and this helped with the sequencing of events. The hardest aspect was that VLS was a capital-intensive startup with no track record. That required many true believers.

For you personally, what were the main learnings in that process?

It is going to take much more time and effort than you think it will. I have learnt a lot from working with Luke because we complemented each other well; we always joke that he is the accelerator and I am the brake. I have learned the value of faith in a vision and I admire his tenacity. He just ran through brick walls time and time and time again. It all comes back to the quality of the entrepreneur. We choose our partner organisation carefully because we are putting our reputation and the sector's scarce resource on the line for them.

"There is no perfect business or social enterprise; what counts is the openness that builds trust over time."

What are the three top tips that you would give a social entrepreneur if they are thinking of raising capital?

The first aspect is revenue streams. For us, what separates most organisations that we work with from those that we do not is whether they have the revenue streams or contracts locked in that are required for investment. It is much harder to fund something that has no track record and no locked-in revenue streams. With VLS, we were lucky to have a contract from St. Vincent's Hospital. It would have been difficult for us to raise a large amount of capital without this. Secondly, be prepared to speak to a lot of people. It takes patience, preparation and a lot of coffees. Thirdly, engage early. Most of our investments take 12 to 24 months between the first contact and investment. That can be from our end, e.g. through the processes of our investment committee, but most often it is because the investee is not yet ready to take on capital. I like it when investees come to us and share what they are doing early on, even at a high level, and bring us along their journey. Keep your potential investors updated and be transparent in the process.

THE BELIEVERS

Pangaea Impact Investments: Investing strategically to add value for impact

Why did you start Pangaea Impact Investments?

We started Pangaea at the beginning of 2016. After my wife and I exited the business that we had been involved in, we were in a fortunate position to redesign our future and reconsider where we spend our time. We realised that we wanted to use our capital and our business experience and expertise for social impact. We established Pangaea as our private investment vehicle that focuses on private equity investments into enterprises that deliver a positive social impact in areas that we particularly care about.

Our primary focus is in education and training and how it can improve life opportunities, particularly for disadvantaged people. We are also looking at opportunities within the disability sector, especially those related to children.

We have made two investments so far. The first was a debt facility that we provided to Pollinate Energy and the second one was a larger, more strategic equity investment into Maths Pathway.

How did you find out about Maths Pathway?

We first saw Maths Pathway at a conference. At that time, we were very early in our own impact investment journey. Given our background in education, we understood what Maths Pathway was trying to achieve and were hugely impressed by the founders' passion and enthusiasm. We had ongoing conversations over nine months. Maths Pathway had already completed their first capital raising with the support of the Growth Grant. We looked at their capital raising requirements and, more importantly, what strategic expertise they needed at a board

Pangaea Impact Investments

Anthony Bohm,
Founding Partner

"Pangaea Impact Investments invests in social enterprises. More than just providing capital, we bring expertise in strategic planning, business model design, customer acquisition and operational execution. We have been involved in successful start-ups, consolidation plays and turn-arounds."

Investor in:

MATHS PATHWAY

level. It was helpful that we had such a long courtship process. It took several months and their idea of what capital they required changed (in the right ways) over that period.

What other criteria do you consider for your investment decisions?

The first thing we look at, and that knocks out most businesses, is whether they have a strong impact hypothesis and whether the impact is embedded in the DNA of the business. We look at that even before we consider financial metrics, the business model or the investment hypothesis. The concept of intentionality is incredibly important to us and it is not sufficient if the social impact is a by-product. For Maths Pathway, it was evident from the first meeting that they have set out to solve a social problem they care deeply about.

"The first thing we look at, and that knocks out most businesses, is whether they have a strong impact hypothesis and whether the impact is embedded in the DNA of the business."

There are many businesses in the education space. For instance, there are online tutoring businesses that want to disrupt the traditional market. I can see the commercial opportunity, but I cannot see the impact angle and the desire to solve a social problem. That may be a passive investment opportunity for us, but we would not see it as an impact investment. Once we have ticked the 'impact' box, we treat that business exactly like we would treat any other commercial investment. We look at the financial metrics, the business model, the scalability, the challenges and where we can add value beyond capital. Pangaea is a strategic investor and we want to be actively involved in the business. That means that there are many great businesses with a strong impact hypothesis that we would not invest in. We consider how much value we can provide.

How important is impact measurement for you?

For us, impact measurement is critical. We do not make seed stage investments. We look at businesses that are post-revenue and have evidence that they solve a problem or evidence that suggests that a solution will work within a certain period post investment. We would not invest in a business that has not yet worked out what metrics are meaningful. In the case of Maths Pathway, they were laser-focused on the metric of Learner Growth. It shows whether learners grow faster with Maths Pathway than without. There is a lot of complexity in the metrics, but they were crystal clear on a focus on growth for the whole learner group.

When we prepared the investment case, we also got it straight about where our impact metrics and commercial metrics might clash. A classic case for that would be in price changes. For instance, once Math Pathways has been integrated in enough schools and it would be hard for the schools to opt out, prices could be increased. We remain very realistic about the conversations that may come up, but we are all committed to developing a sustainable business that solves a social problem. From there, we will find a healthy place in the middle.

What are your financial return expectations?

We generally say that we seek a commercial rate of return. We are not willing to discount our financial return for impact. We believe that once you are willing to sacrifice the financial return and have a sub-optimal business model, it fundamentally will not be sustainable. It must be commercially robust in any environment. That is why Maths Pathway, and their business model, are inherently scalable and will be highly profitable.

The question is: What is a market rate of return? The market does not factor in negative externalities, negative environmental impact or negative social impact. We are not belligerent in saying that we must get 8% to 10% year-on-year compound growth return. We just say that the business model at least must be commercially robust and stand up for mainstream investors. That also makes sense for the longer-term play. If a business like Math Pathways wants to achieve their growth objectives, they will have to raise more significant capital from mainstream investors. We think that is exciting because we have to educate traditional investors about why the business is important from a commercial perspective and also have them understand the impact that is embedded in the DNA of the organisation.

From your perspective, what has to happen to grow investments into impact businesses?

There is a growing awareness around impact investing and the issue today is still the pipeline of investment-ready deals. That is where the Growth Grant plays an important role in helping the investor community to distil a broad range of businesses and help them to get to a point where they can take on serious investment.

Myer Foundation: Leading the way by backing exceptional founders with strong advisors

What do the Myer Foundation and the Sidney Myer Fund do?

The Myer Foundation and the Sidney Myer Fund are two separate entities that were established from the Myer fortune. Whilst they have different legal structures, they are managed as a coherent portfolio of complimentary funding programs. In my role as a Program Manager, I look after several portfolios within the Foundation and the Fund. One of my specific responsibilities is social finance and impact investing.

When and how did Myer become interested in impact investing?

I first came across the idea of impact investing about four years ago and started to explore that field with Leonard [Vary, CEO]. When we entered a period of strategic consideration in 2013, impact investing became one of the things that underpinned our new strategy. The Sidney Myer Fund is a more conservative entity with an investment set-up that does not lend itself well to impact investing. We decided to make grants to intermediaries working on growing the pipeline of impact investment ready enterprises through the Fund. With The Myer Foundation, we have committed to invest a part of our corpus in impact investments.

Who introduced you to your first impact investment deal?

Whilst we had committed to invest part of our corpus in investments with a blended return, we were struggling to find an appropriately structured fund that would give us both a financial return and a high level of confidence in the social or environmental impact of the enterprises in their portfolio. We sat on that decision for a couple of years but did not disperse any funds. One of our funding programs is the Myer Innovation Fellowship. It is designed to support innovative ideas that

THE MYER FOUNDATION

Elena Mogilevski,
Program Manager

"As two key entities of Myer family philanthropy, the Myer Foundation and the Sidney Myer Fund engage with the community to promote a just, creative, enlightened, caring and sustainable Australia."

Investor in:

hireup

YŬME

potentially can change Australia for the better. The program attracts a lot of social enterprises, including Hireup. Jordan O'Reilly received a Myer Innovation Fellowship, which allowed us to get to know him for about six months before he sought investment. At that stage, we were highly confident in his capacity to deliver and understood his business model well.

Besides that, having Impact Generation Partners package the deal was extraordinarily significant. There were a few other Myer Innovation Fellows that we considered investing in, but they did not have professional advisors. When there is no financial modelling and no legal agreements in place, this is a real barrier for early startup enterprises to even have a first serious conversation with investors.

What are you looking for in organisations that you consider investing in?

We have done two investments so far and I can only speak from that perspective. These two organisations had started trading and generating revenue. From there, we rely on projections to underpin the investment decision.

We look very closely at the people behind the business, which is similar to our grant making approach. We knew Jordan and had great confidence in him. We did not know Katy [Barfield, CEO of Yume Food] that well, but it was easy enough for us to check her credentials. In addition, I cannot underscore the importance of Quentin and Amanda [Miller] in both investments enough. Having someone to sit down with to analyse the business model and present it in a way that spoke the same language as people from the investment community was extremely useful.

Do The Myer Foundation and the Sidney Myer Fund focus on a specific impact area that also impacts your investment decision?

We have clearly defined areas that we fund with our grant making, but we do not try to align our impact investments with our program areas, simply because it is too hard. We have been considering impact investment for four years now and we have made two investments.

For both of those deals, you invested alongside other foundations. Did you share the due diligence?

For Hireup we did not. We did the due diligence ourselves - the Myer Family Company did the financial due diligence and I did the social due diligence. However, several foundations invested on the back of our investment and we undertook the negotiations around legal aspects and the shareholder agreement for Hireup on behalf of the philanthropic investors. It was even more collaborative with Yume; the Vincent Fairfax Family Foundation did all the financial due diligence and we did environmental and social due diligence. We shared those and once the decision was made that we would be investing, we undertook the negotiation of the legal agreements.

How do you do social and environmental due diligence? What role does impact and outcomes measurement play?

For us, the outcomes metrics need to be clearly quantifiable. For instance, it cannot just be to 'improve general wellbeing'. During our due diligence, we want to clearly articulate what social or environmental outcomes the business is trying to achieve and how that can be measured. Besides the quantitative aspect, case studies give us confidence in the fact that the organisations are making a difference.

What has to happen for foundations like Myer and others to make more impact investments?

Our initial dream was that we would invest in a fund and not engage on a deal by deal basis. We were clear that we did not have the capacity to assess deals individually and get involved in all the excitement around negotiations of contracts, etc. However, we did not find a fund that would satisfy our requirements. We still hope for such a fund. The cost of individual deals is a real barrier for us and other investors. 'Goldilocks' moments like Hireup and Yume do not happen often. Either deals do not make much social or environmental sense, or they do not make financial sense. We would need an appropriately diversified fund with much stronger social and environmental measures than previous iterations in the market.

What are your financial return expectations?

We do not have a set target number. We may accept below market rate of return if that was more than compensated by the social return, even though I am not sure how exactly we would measure that. From a portfolio perspective, we may have some investments that return at or above market rate and some with concessionary returns. Both Yume and Hireup are exit strategy businesses so we are not expecting dividends any time soon. If they do well, we will make a lot of money once they are sold, but, before that happens, we cannot even tell what we may get.

How would you summarise your main learnings on your impact investing journey so far?

The journey towards impact investment is a long one. It takes time until the foundation's staff understands the terminology. There is often a language barrier because people who sit on investment committees speak the finance language and grant makers speak the language of grant making. You need to translate between those two to draw parallels.

Somebody needs to build up the skills to be able to traverse that landscape. That step took us a while.

I have also learned that confidence in the leadership of the business is incredibly important. Our experience shows that if we do not consider the people behind the business ready for investment, it is not going to happen.

REFERENCES

Addis, R., Bowden, A. and Simpson, D. (2014): *Delivering on Impact: The Australian Advisory Board Breakthrough Strategy to Catalyse Impact Investment*, Australian Advisory Board on Impact Investing.

Addis, R., McCutchan, S. and Munro, P. (2015) *Blueprint to Market: Impact Capital Australia*, Impact Investing Australia.

Hill, R., Addis, R. (2017) *Views from the impact investing playing field in Australia on what's happening and what's needed next*, Australian Advisory Board on Impact Investing available at https://impactinvestingaustralia.com/resources/reports/.

Impact Investing Australia (2017) *Growth Grant Partnership Presentation,* unpublished internal document.

KL Felicitas Foundation, *Strategy Overview,* available at http://klfelicitasfoundation.org/impact-investing-overview/strategy-overview/, accessed 04/01/2018.

Ronicle, J., Fox, T. (2015) *In Pursuit of Readiness: Evaluation of the Investment and Contract Readiness Fund*, UK, available at https://www.sibgroup.org.uk/sites/default/files/files/ICRF%20Evaluation.pdf.

Schiff, H., Dithrich, H. (2017) *Scaling the use of guarantees in US Community Investing*, GIIN Issue Paper, available at https://thegiin.org/research/publication/guarantees-issue-brief.

Victoria State Government (2017) *Social Enterprise Strategy*, available at https://economicdevelopment.vic.gov.au/__data/assets/pdf_file/0008/1435868/10371_DEDJTR_EDEI_Social_Enterprise_Brochure_A4_WEB_FINAL.pdf.

APPENDICES

Appendix A: About IIA and the AAB

Impact Investing Australia, IIA

Impact Investing Australia was established in 2014 in response to an industry-identified need for dedicated leadership, facilitation and capacity building. Its primary role has been to provide strategy development and execution support for the Australian Advisory Board on Impact Investing.

Responsible for driving the implementation of the Australian Advisory Board on Impact Investing's strategy to catalyse the market for impact investing, Impact Investing Australia provides a focal point for market development in Australia, as well as participating in international efforts to grow the market globally.

For more details, see www.impactinvestingaustralia.com.

Australian Advisory Board on Impact Investing, AAB

The Australian Advisory Board on Impact Investing provides leadership and strategy for accelerating the growth of the impact investment market in Australia, as well as informing global market development through the Global Social Impact Investment Steering Group (successor to the Social Impact Investment Taskforce established under the UK Presidency of the G8).

Established in 2014, the Board comprises a number of Australia's most experienced leaders spanning the finance, business, not-for-profit, philanthropic and community sectors; each committed to growing the opportunities for investments that deliver measurable social and environmental outcomes alongside financial returns.

For more details, see www.australianadvisoryboard.com.

Our Partners and Supporters

Impact Investing Australia and the Australian Advisory Board on Impact Investing's work is made possible through generous support from our partners.

G&S Consulting
C Thorn
P Munro
D&L Madhavan

Impact Investing Australia and the Australian Advisory Board on Impact Investing are pleased to partner with the RIAA Impact Investment Forum

Appendix B: The Questionnaires

GRANTEE SURVEY

Your Organisation

1. Which state / territory is your organisation based in? *If you operate in several states, please select the location of your headquarters.*
    - NSW, VIC, QLD, ACT, NT, TAS, WA
2. What is your primary impact area? *Choose one only.*
    - Early Childhood and Education
    - Employment, Training and Participation
    - Housing and Local Amenity
    - Physical Health and Disability
    - Arts, Culture and Sport
    - Conservation, Environment and Agriculture
    - Family, Communities and Social Inclusion
    - Income and Financial Inclusion
    - Mental Health and Well-Being
3. What is your current legal structure?
    - For-profit
    - Not-for-Profit (with DGR)
    - Not-for-Profit (without DGR)
4. Are you a BCorp?
5. How has the size of your team developed since you applied for a Growth Grant?
    - FTE team members at the time of application for the Growth Grant
    - FTE team members today

Investment Journey

6. After having received an Impact Investment Ready Growth Grant, has your organisation successfully raised capital?
    - Yes, we have raised the capital under the Growth Grant AND gone on to raise an additional funding round
    - Yes, we have completed the capital raising under the Growth Grant.
    - No, we are still in the process of preparing for the capital raising.
    - No, we are unlikely to raise capital under the Growth Grant.

    When did you raise the investment(s)? (Month/Year)
7. How much equity and/or debt funding have you raised? *Please enter $ amount for the type(s) of funding you accessed. Enter '0' where you didn't access that type of funding.*
    - Equity funding
    - Debt funding
8. Equity funding: Which equity investors have invested in your organisation, and how much did they contribute to the total investment amount?
    Please indicate the number of investors and their combined investment amount for each investor type as follows: <number of investors of that type>, <amount of total investment from this investor type>

EXAMPLE:
Private investors - relatives or friends: 1, $200,000
Private Investors - no relatives or friends: 5, $750,000
Family Offices: 0
Trusts and foundations: 2, $400,000
VC Funds: 0

- Private Investors - relatives or friends
- Private Investors - no relatives or friends
- Trusts or Foundations
- VC Funds

9. Debt funding: Which debt investors have invested in your organisation, and how much did they contribute to the total investment amount?
Please indicate the number of investors and their combined investment amount for each investor type as follows:
<number of investors of that type>, <amount of total investment from this investor type>
EXAMPLE:
Private investors - relatives or friends: 0
Private Investors - no relatives or friends: $200,000
Banks or other Financial Institutions: $350,000
Trusts and foundations: 0

- Private Investors - relatives or friends
- Private Investors - no relatives or friends
- Banks or other Financial Institutions
- Trusts or Foundations

Growth Grant support and capacity building

10. What kind of support did you engage your Provider(s) for?
    - Specialist support in a specific area (e.g. in accounting or contract development)
    - Broader capacity building support across several fields of expertise

11. Which were the services you contracted the Provider(s) for? *Please select all that apply*
    - Development of financial models, investment case, business valuation
    - Development of investor documents, term sheets, information memorandum
    - Business model refinement and operational strategy
    - Outcomes / impact measurement
    - Investor connections and engagement
    - Legal support, incl. corporate form and contracts
    - Accounting / tax
    - Others

12. Please indicate how much you agree to the following statements regarding your primary Provider
The primary Provider is the capacity builder who you have most worked with in the investment readiness process.
    - The Provider was good value for money
    - The Provider delivered what we had agreed on for the Growth Grant approval
    - The Provider facilitated critical connections to investors
    - I would engage the Provider again if need arose

    - Strongly agree
    - Somewhat agree

- Don't know
- Disagree
- Strongly disagree

13. Contribution of Growth Grant support: How critical was the Growth Grant support for your capital raise?
    - We believe that we would not have raised the investment without the support of the Growth Grant
    - We believe that we would have raised investment without the support of the Growth Grant, but it would have taken us longer or resulted in a smaller investment amount
    - We believe that we would have raised the same investment without the support of the Growth Grant

14. Sustained capacity building in your organisation: Has the work with the Provider(s) contributed to the following aspects of sustained capacity building within your organisation?
    - Tangible outputs, e.g. investor documents and legal documentation that can be used in future funding rounds
    - Improved skills and knowledge, e.g. about funding requirements, confidence for investor engagement, business models, operations
    - Widened networks, e.g. to investors, thought leaders and supporters
    - Strengthened sustainability and scalability of our organisation

    - Yes, the capacity building support has strongly contributed to this
    - Yes, the capacity building support has slightly contributed to this
    - No, the capacity building support has not contributed to this

PROVIDER SURVEY

Your Organisation

1. Which state / territory is your organisation based in? *If you operate in several states, please select the location of your headquarters.*
    - NSW, VIC, QLD, ACT, NT, TAS, WA

2. What is your current legal structure?
    - For-profit
    - Not-for-Profit (with DGR)
    - Not-for-Profit (without DGR)

3. Are you a BCorp?

4. Which services do you offer to mission-driven organisations? *Please select all that apply*
    - Development of financial models, investment case, business valuation
    - Development of investor documents, term sheets, information memorandum
    - Business model refinement and operational strategy
    - Outcomes / impact measurement
    - Investor connections and engagement
    - Legal support, incl. corporate form and contracts
    - Accounting / tax
    - Others

5. What is your focus on working with mission-driven organisations?
    - Our entire business specialises in working with mission-driven organisations

- We have a business unit / special team within our company that specialises in working with mission-driven organisations
- We work with mission-driven organisations sporadically, but don't have a dedicated business unit or team

6. What is the size of your organisation (team members full-time equivalent)?
   If your entire business specialises in working with mission-driven organisations:
   Only enter 'organisation total'.
   If you have a business unit / team within our company that specialises in working with mission-driven organisations:
   Enter the total number of company employees in 'organisation total'.
   Enter the number of team members working with mission-driven organisations in 'working with mission-driven organisations'.
   - Organisation total
   - Working with mission-driven organisations

7. Do you focus on specific impact areas? *Please select all that apply, or 'No' in case you don't have a specific focus*
   - Early Childhood and Education
   - Employment, Training and Participation
   - Housing and Local Amenity
   - Physical Health and Disability
   - Arts, Culture and Sport
   - Conservation, Environment and Agriculture
   - Family, Communities and Social Inclusion
   - Income and Financial Inclusion
   - Mental Health and Well-Being
   - No, we don't focus on any specific impact areas

Growth Grant Support

8. Contribution of Growth Grant support: How critical was the Growth Grant support to your work with the grantee?
   - We would not have been able to work with the organisation without the support of the Growth Grant
   - We would have been able to work with the organisation, but less extensively or sacrificing our fees
   - We would have worked with the organisation to the extend we did even without the support of the Growth Grant

9. What kind of support did the Growth Grant recipient engage you for?
   - Specialist support in a specific area (e.g. in accounting or contract development)
   - Broader capacity building support across several fields of expertise

10. How would you describe the impact of the Growth Grant on your organisation?
    Note: For larger corporate advisors, 'organisation' refers to the part of your business that advises smaller impact-driven business

    The Growth Grant support has helped us to...

    - ...financially sustain our organisation
    - ...build capacity in investment readiness support
    - ...establish ourselves as a key provider in the capacity building market

    - Yes, the Growth Grant has strongly contributed to this
    - Yes, the Growth Grant has slightly contributed to this
    - No, the Growth Grant has not contributed to this

11. What level of sustained capacity development within your organisation has been enabled by the Growth Grant?

Note: For larger corporate advisors, 'organisation' refers to the part of your business that advises smaller impact-driven business

The Growth Grant has enabled a better understanding of...

- ...the special needs of mission-driven organisations
- ...impact measurement approaches and metrics
- ...investor requirements (e.g. returns, products, structures)

- Yes, the Growth Grant has strongly contributed to this
- Yes, the Growth Grant has slightly contributed to this
- No, the Growth Grant has not contributed to this

ACKNOWLEDGEMENTS

Impact Investing Australia is grateful to everyone who contributed to this report.

We thank all grantees and providers for their time in completing the surveys used in the report.

We would like to particularly thank all interview participants for sharing their experiences and insights:

Peter Allen (Ethical Property Australia)
Katy Barfield (Yume Food)
Anthony Bohm (Pangaea Impact Investments)
Andy Cavanagh-Downs (Sydney Renewable Power Company)
Amanda Miller (Impact Generation Partners)
Elena Mogilevski (Myer Foundation)
Jordan O'Reilly (Hireup)
Alex Oppes (Social Ventures Australia)
Luke Terry (Vanguard Laundry Services)
Richard Wilson (Maths Pathway)

We would also like to thank the external Growth Grant Panel members for their ongoing contribution to this initiative and commitment to supporting impact-driven organisations:

Anthony Bohm
Katherine Leong
Daniel Madhavan (Chair)
Corinne Proske
Past members:
Ben Gales
Fiona Rowland

Thank you to the other members of the Impact Investing Australia team,
Rosemary Addis (Chair)
Poppy Cluett
Sabina Curatolo

Finally, we would like to thank the Australian Advisory Board for their support. Particularly Rosemary Addis (Chair) for her oversight and advice and David Bennett for his ongoing strategic guidance.

Any errors or mistakes in this document are the responsibility of the authors.