

Impact Report & Reflections 2020-21



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Welcome

Welcome to our Impact Report and Reflections for 2020-21. This year we have included some reflections on the state of the market for impact investment and social enterprise in WA from a broader range of stakeholders and supporters – we hope you enjoy it!

About Impact Seed

Founded in 2015, Impact Seed is a proud B-Corp and WA's leading advisory and market builder for Impact Strategy, Impact Measurement, Social Enterprise Venture Building & Impact Investment.

We work with corporates, not-for-profits, foundations, entrepreneurs and investors and have three areas of work:

1. Impact Measurement and Management

- Building fit-for-purpose strategic impact frameworks,
- Measurement and evaluation,
- Development of Impact Management Strategy (IMS), verification and audits, and
- Communication of Impact.

2. Impact Venture Consulting

- Investment readiness building for impact ventures,
- Incubation, capacity building and bespoke business building support for new purpose-driven social and environmental impact enterprises,
- Helping existing businesses to transition into impact, and
- Certified B-Lab B Consultant.

3. Impact Investment

- Origination and deal sourcing for impact investors,
- Assisting impact businesses with raising capital, and
- Impact investment management.

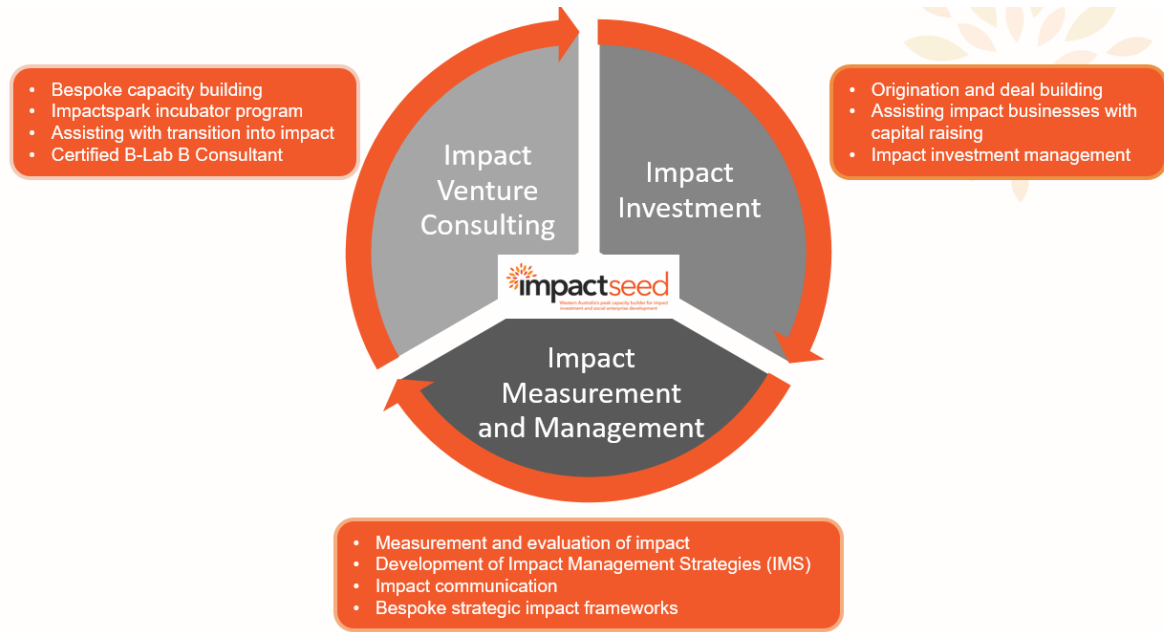


Figure 1: Impact Seed Offerings

Background and context

The global and Australian impact investing and social entrepreneurship markets are growing rapidly – in fact, they are estimated to be amongst the fastest growing industry sectors in the world. Recent estimates suggest that the markets are valued at \$1 trillion globally.

The Australian market continues to grow rapidly alongside the global market to an estimated \$29 billion in 2020 (growth of 457% in 3 years). Surveys conducted by the Responsible Investment Association of Australasia find that overwhelmingly impact investors’ expectations are being met or exceeded.¹

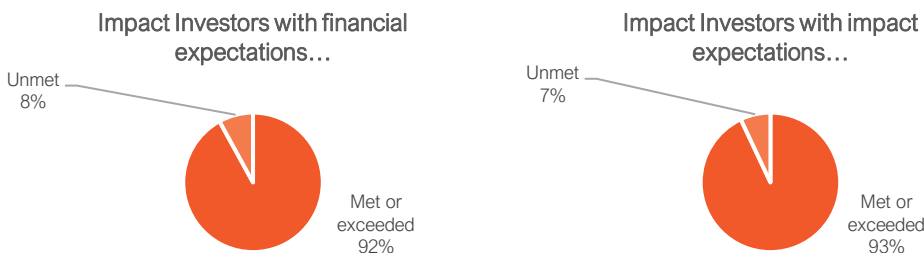


Figure 2: RIAA Benchmarking Impact Report-demands and expectations of impact investors

Australia’s impact investing market is largely focused on environmental outcomes (87 percent). However, impact investment products targeting social outcomes increased tenfold by AUM to \$2.5 billion between 2017 and 2019.¹

In mid-2021, Impact Seed conducted our own survey of key participants in the Western Australian market to understand more about the current state of the Western Australian impact investing and social entrepreneurship markets.

¹ Impact Investment Group (2020). *New Data of Australian Impact Investing*. Online.

In total, we had 17 respondents to the survey from a relatively even spread across a range of for-profit, not-for-profit and government entities who engage in a range of environmental and social issues. These respondents played the following roles in the WA market:

- prospective and current impact investors,
- individuals/organisations providing support for transactions to occur,
- individuals/organisations supporting investment readiness and business development of social enterprises,
- social enterprises, and
- Government.

The analysis of the following questions has been undertaken through textual analysis (i.e. the answers were open-ended, and we have organised the responses into categories where they were similar).

When asked how they felt the Perth and Western Australian social enterprise and impact investing markets had changed over two years, **76 percent of respondents felt that there had been positive growth in the markets.**

This was reflected in two key sentiments. The first was a growing awareness, interest and recognition of the market. The second sentiment was that the market was developing, maturing and gaining momentum. A further 20 percent of respondents felt that while the market was growing, it was slower than anticipated.

Respondents reflections on the development of the Perth and Western Australian social entrepreneurship and impact investing markets over the past 2 years

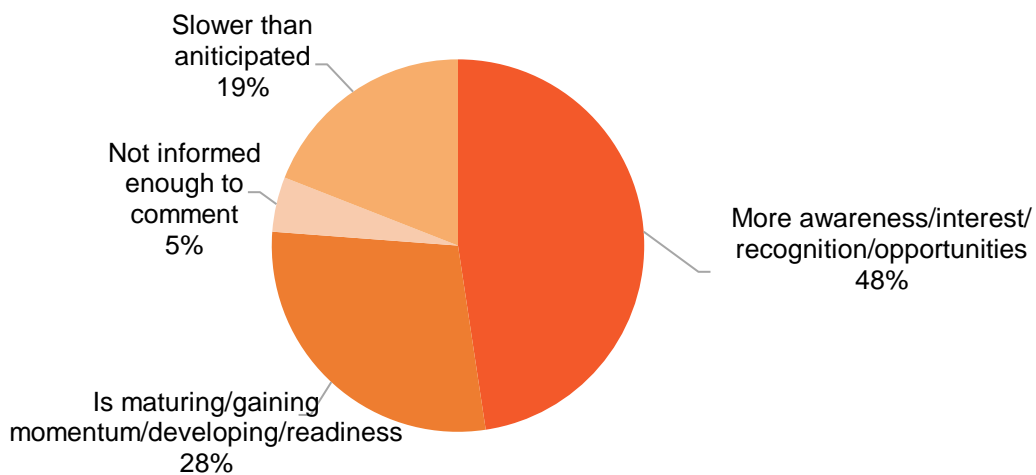


Figure 3: Reflections from WA stakeholders on WA social enterprise and impact investment markets

Respondents reflected that the biggest influences on the changes they observed were due to the global pandemic and climate change crisis along with socio-cultural shifts in society to be more concerned in ethical and responsible business practices and investment. Increasing investment and general awareness of the sectors and Impact Seed’s work in supporting the social impact sector were also identified as key influences too.

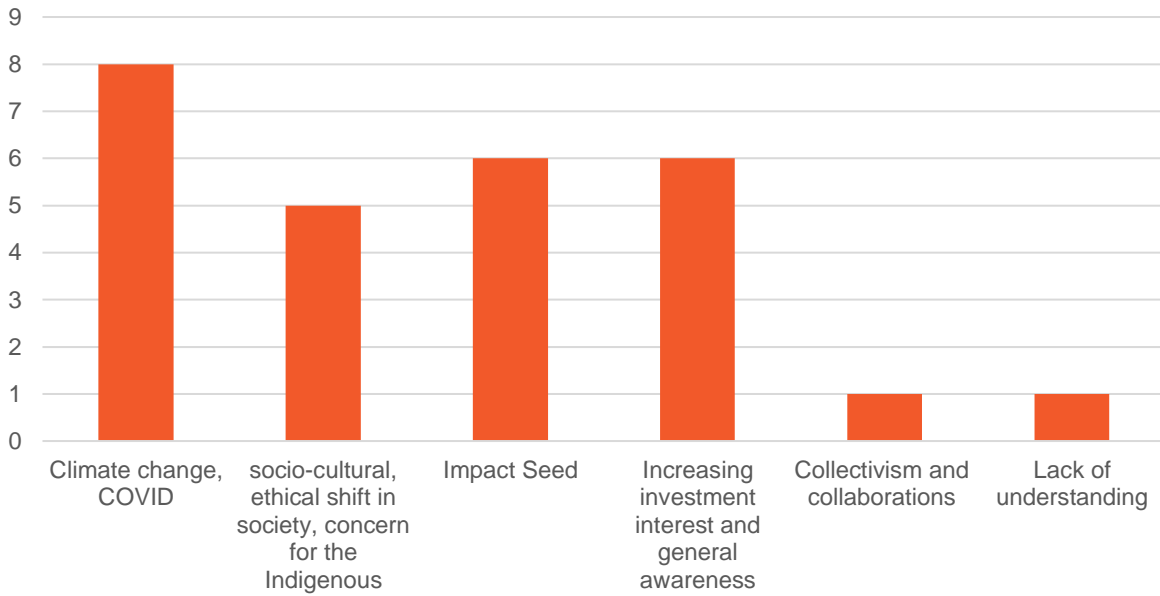


Figure 4: Drivers for change in WA market over time

When asked about local, state and federal government support and engagement in the markets, 70 percent of respondents reflected that there was limited interest or no appetite from government.

Respondents reflected that to continue to grow the Western Australian social enterprise sector increased understanding, clarification and communication and financial support were required. Additional common responses were government support, both ideological and financial and increased capacity building in the sector.

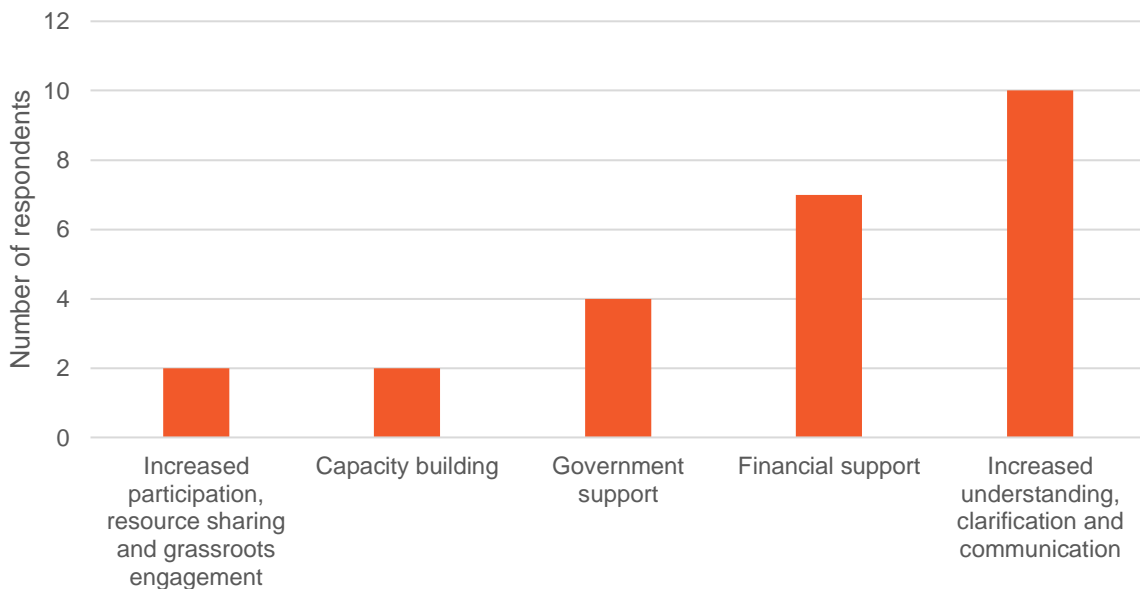


Figure 5: What the WA market needs to grow social enterprise

To continue to ensure the impact investing market continues to develop in WA, respondents felt that increased articulation of the outcomes that impact investing is targeting and development of case studies along with further education, policy and leadership within the sector were key requirements.

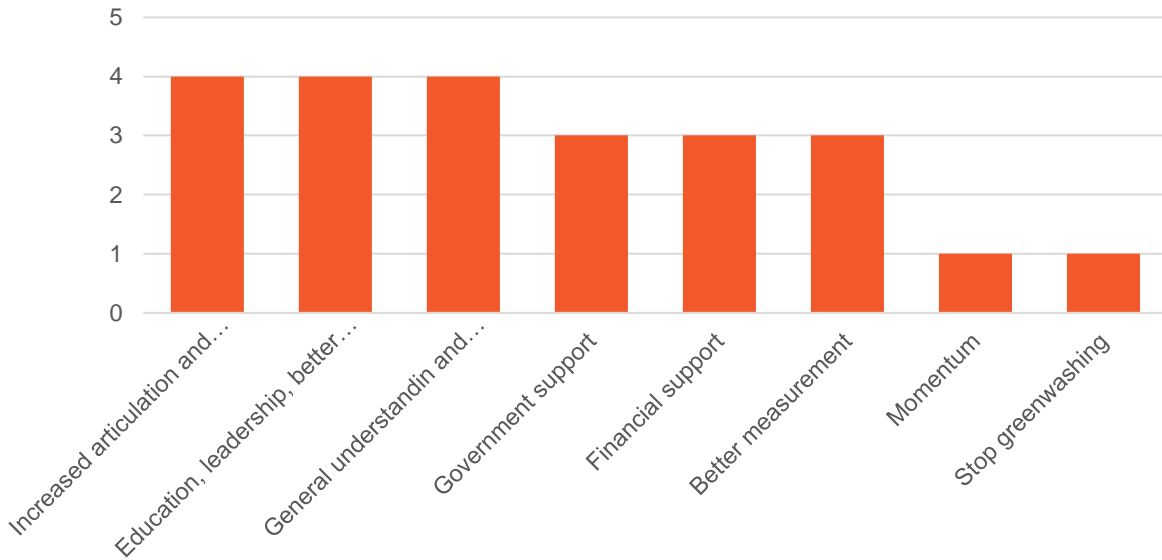
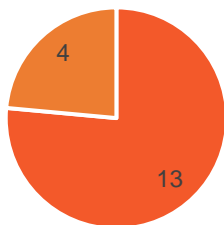


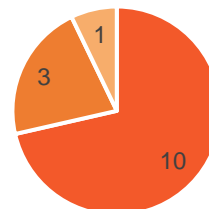
Figure 6: What the WA market needs to grow impact investment

Overall, the Western Australian impact investing market is growing. Activity is occurring, with 76.5 percent of respondents indicating that they are aware of impact investment occurring in the previous two years (Figure 7). However, it still exists a relatively small scale, both in the number of transactions occurring (Figure 8) and their size (Figure 9). Figure 8 demonstrates that most respondents (10) were aware of 0-5 transactions occurring. Only one respondent was aware of more than 10 transactions occurring. Unfortunately we did not capture any information about what those transactions are so that we could analyse their impact.



■ Yes ■ No

Figure 7: How many respondents were aware of II transactions over the past two years



■ 0 to 5 ■ 6 to 10 ■ 11 to 20

Figure 8: Number of II transactions respondents were aware of over the past two years

Figure 9 demonstrates that most of the investments (9) that respondents were aware of were in the \$50k - \$500k range. There were no investments that respondents were aware of that were over \$5M, and only 1 was over \$1M, indicating that the state of the market as it is in WA is still limited.

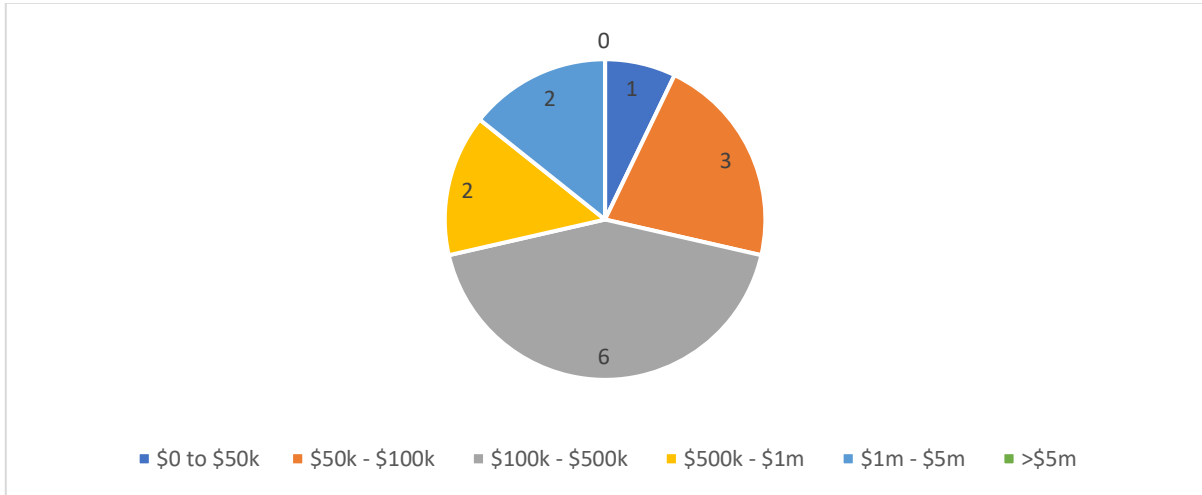


Figure 9: Average size of impact investments that respondents were aware of

The market also appears to be largely targeting market-rate investments (Figure 10) across a diverse range of outcomes (Figure 11).

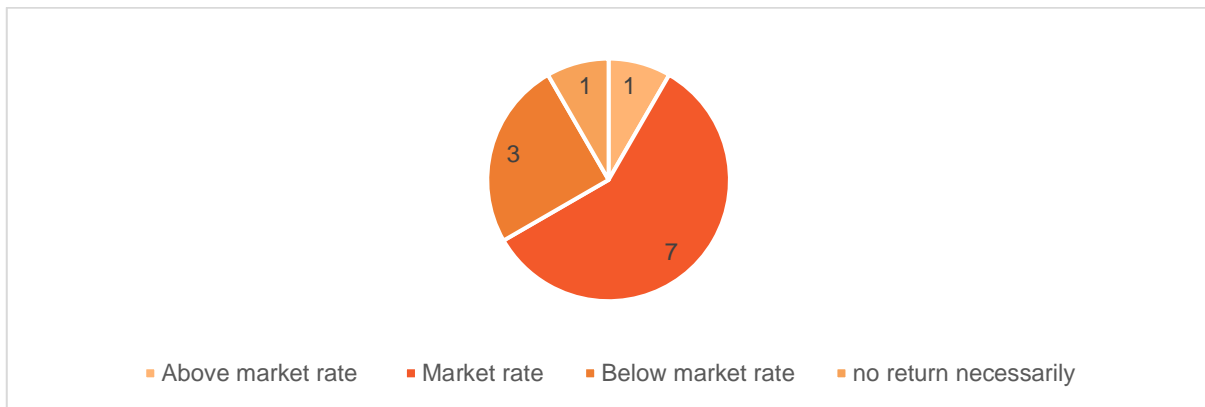


Figure 10: Target return on investments

Figure 10 demonstrates that the target rate return for most investments that respondents were aware of was market rate return (7), with a smattering of responses either side of that.

Finally, Figure 11 demonstrates that the investments target outcomes were across a diverse range of areas, and fairly evenly spread across those areas, including Aboriginal and Torres Strait Islander business, renewable energy, vulnerable populations, environment and climate change.

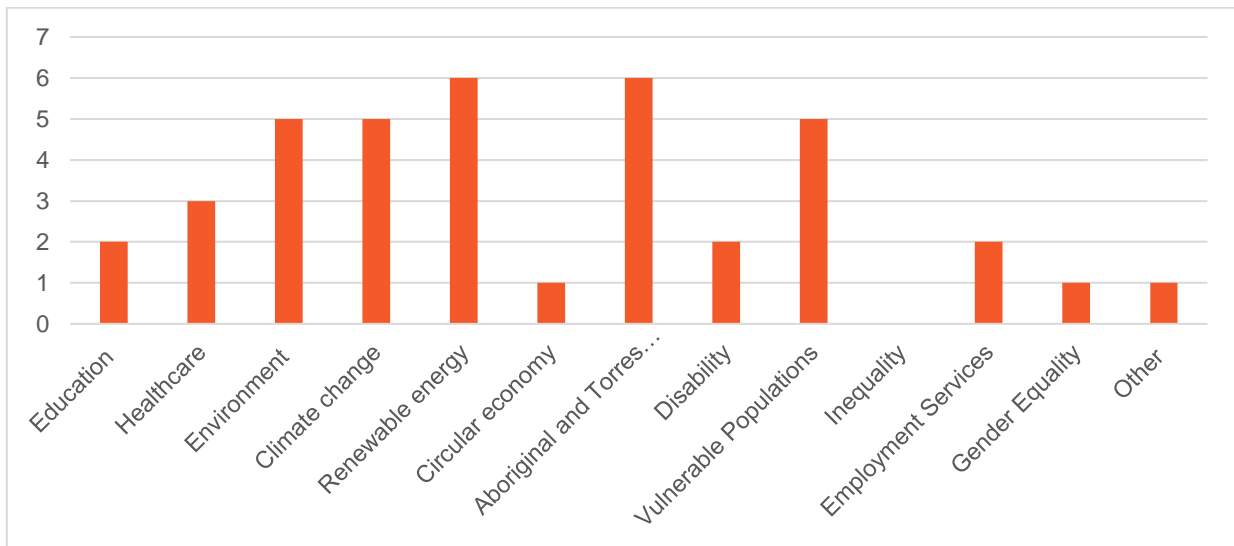


Figure 11: Outcome areas for investments that respondents were aware of

It is important to note two points about this data:

1. Some respondents included transactions that they were aware of from across Australia (4). In our next survey to external stakeholders, we will focus our instructions on Western Australia.
2. Some of the transactions may be 'double counted' – as we did not ask for details of the transactions beyond the information provided, we cannot be sure that more than one respondent has not reported on the same transaction. Once again, we will remedy this in future surveys, and ask for transaction details for the purposes of the robustness of data only.

Our Work

Throughout 2020-21, we undertook the following work:

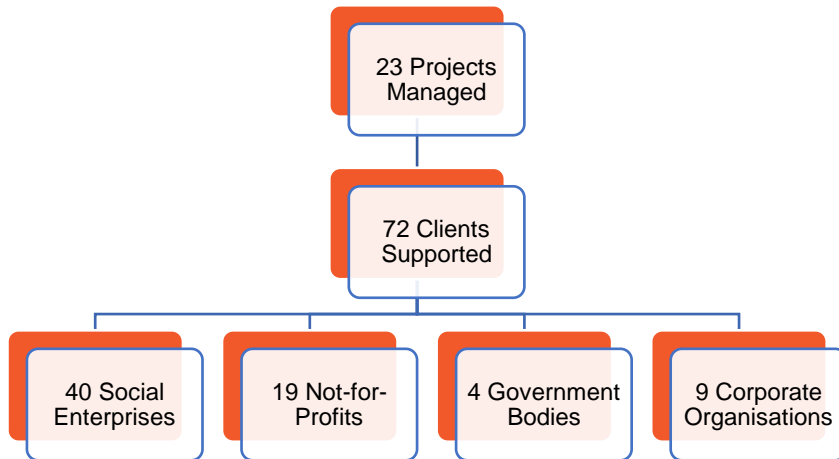


Figure 12: Impact Seed activities

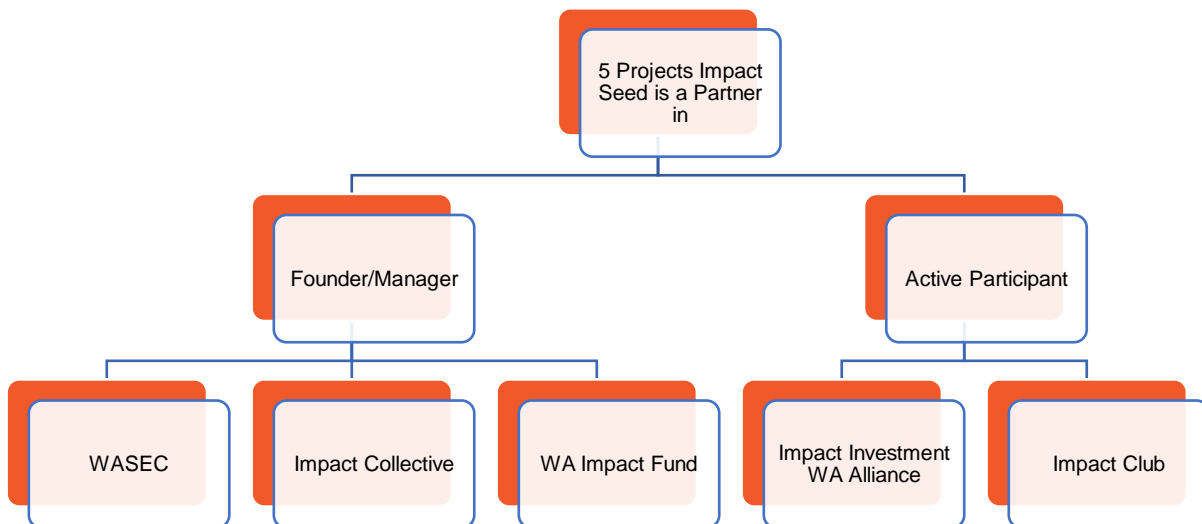


Figure 13: Key strategic market-development initiatives Impact Seed is involved with

Our Impact

Impact strategy, measurement and management is one of Impact Seed's core business activities, both as a service we provide to clients and partners, as well as an essential tool we use to understand the effectiveness of our work.

Measuring the impact of our work allows us to understand how we are influencing the development of the Western Australian social enterprise and impact investing markets, and thus, achieving our mission.

Over the past several months, we have gone through a journey to better define our desired impact and how our actions intend to achieve them. For the first time, we have surveyed our clients, participants and other stakeholders in these markets to understand if, and how, Impact Seed is creating our intended impact.

Overall, we are making a difference.

As an impact advisory and market builder, our work is setting best practice, coordinating partners and participants, and increasing the knowledge of a variety of stakeholders in impact investing, social enterprise and impact measurement.

We've complemented our education and advocacy work with action, directly supporting diverse social enterprises, not-for-profits, impact investors and the government on their various journeys of business development, making investments and managing their impact.

"[Impact Seed] has played a crucial role in ensuring the market isn't compromised by opportunists and worked to create an inclusive environment that yields value-based outputs. Without Impact Seed, the social enterprise and impact investing sector wouldn't have anywhere near the profile it has now..."

– Survey Respondent

"[Impact Seed] position as a 'market builder' and from the outside seem to have been effective. Without [Impact Seed] doing it, I'm not sure who else would have 'owned' it. Yet, you've also deliberately created structures that try to ensure you aren't always 'at the centre' of it, so it becomes dependent or too associated with you. In that way, you've changed the landscape and inspired many others to be active in it."

– Survey Respondent

We are very grateful to all our partners in their consistent support and shared optimism in what we're collectively endeavouring to achieve.

Our impact framework

Impact Seed’s mission/vision is to create a thriving, diversified, innovative market for impact investing and social entrepreneurship in Western Australia, which supports positive social, cultural, environmental and economic impact(s) for Western Australian communities.

The actions we take to achieve this, and their associated intended short-, medium- and long-term outcomes are summarised in the Program Logic, below.

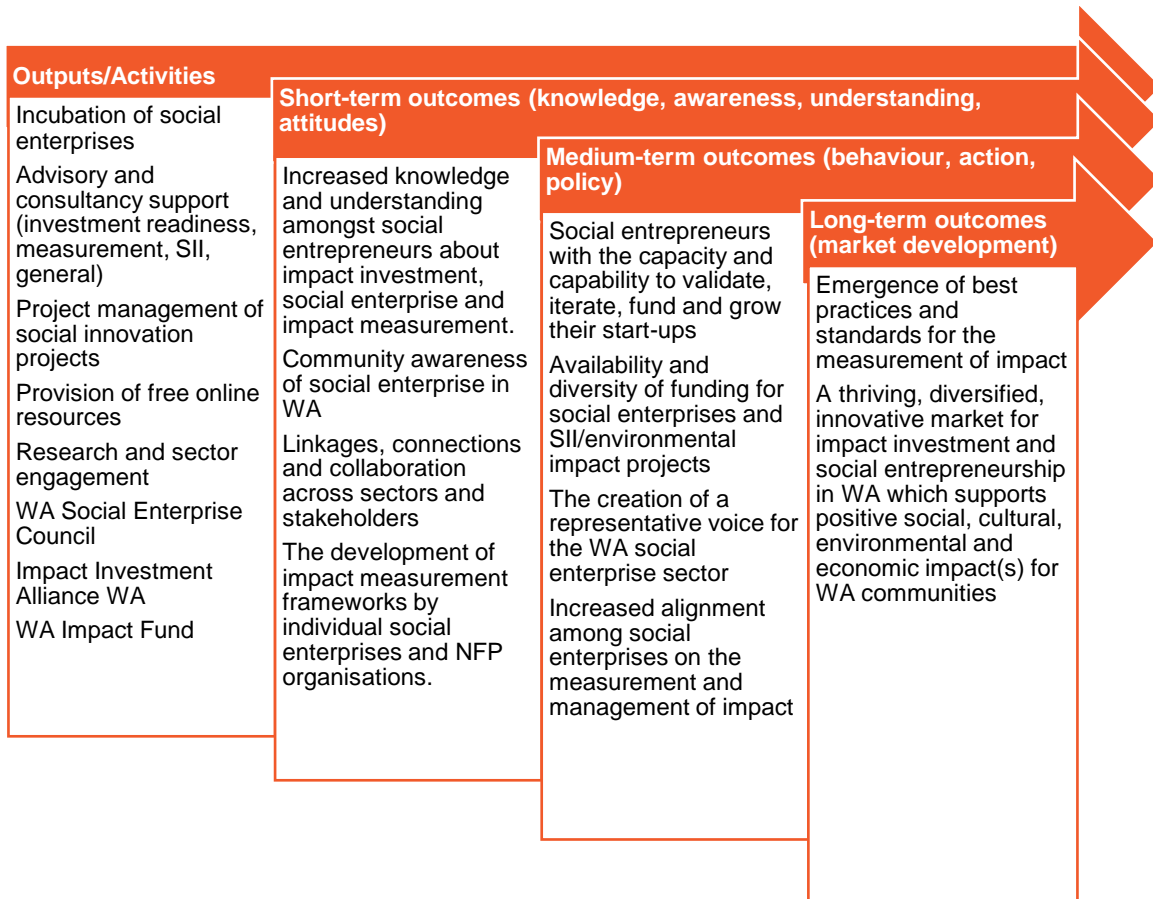


Figure 14: Impact Seed program logic model

Theory of Change: Through providing knowledge, mentorship, leadership and direct support to both demand and supply sides of the impact investing and social entrepreneurship markets, Impact Seed builds the capacity and capability of system stakeholders in order to develop a thriving, diversified and innovative market for impact investment and social entrepreneurship in Western Australia.

To achieve this, we work with a diverse range of stakeholders within Western Australia and the wider Australian markets.

These include:

- Social entrepreneurs and enterprises,
- Impact investors,
- Investors (high-net-worth individuals, institutional, corporate, etc),
- Philanthropists,
- Corporates,
- Government – state and local,
- Not-for-profit organisations and Aboriginal organisations.

Methodology

To compile this report, we collected data through several methods:

1. Review of our own activities over the past 12 months: this was completed retrospectively with staff completing a spreadsheet of the different system stakeholders they had engaged with, the topic which they had engaged about and the time they spent collaboratively working with the stakeholder. This was recorded for both stakeholders under paid contracts and those for whom we completed pro-bono work.
2. Surveys of system stakeholders who we have worked and collaborated with, as well as some whom we haven't. Through specific surveys targeted towards different services we provided to clients, and targeted to gather the perspectives of those that we haven't worked with, we asked questions both about the work of Impact Seed and about reflections on the impact investment and social enterprise sectors at large.

Overall, the response rate to some of our surveys was low. This is partially due to the retrospective nature in which they were sent out. Overall, we received 12 responses from clients, and 17 responses from system stakeholders including government bodies and other impact investors ranging from high-net-worth-individuals to Impact Seed's Eastern States counterparts.

Our key strengths and where we need to improve

Through the survey responses, several of our key strengths were identified. These were our effective and responsive communication with clients and deep knowledge about the markets we are operating within. We pride ourselves in providing clients with practical, feasible, bespoke solutions. We are well networked across the Australian social enterprise and impact investing sectors, working effectively to build meaningful connections and relationships with a variety of parties.

We are also endeavouring to continually improve the ways we work to meet the needs of our clients, partners and other system stakeholders to achieve our mission. To do this, we are continuing to develop compelling case studies on where social entrepreneurs and impact investors have been successful within Western Australia. We are also growing our team to meet the growing demand for our work, professionalise our processes and support more system stakeholders to collaborate and succeed.

Throughout the next 12 months and beyond, Impact Seed will continue to modify our impact measurement system to continue to grow our understanding of the Western Australian social entrepreneurship and impact investing markets and the influence we are having within it.

Our impact for 2020-21

We are continuously improving upon our own systems and processes to measure our impact comprehensively, however, we are very satisfied with the data from this year. The following sections are organised into short and medium-term outcomes, where we have the data available to report against them.

Increased knowledge and understanding amongst various system stakeholders about impact investing, social entrepreneurship, and impact measurement. (short-term outcome)

Impact Seed spends considerable time working with all of our stakeholders, both through our core business activities and through our advocacy work, improving the knowledge and understanding of these system stakeholders. We do this collaboratively in meetings with clients, through organising and delivering public forums and workshops and by participating in other system stakeholder's public events and workshops about social entrepreneurship, impact investing and impact measurement.

Over the course of the past 18 months, Impact Seed has worked collaboratively with clients through 196 meetings discussing and workshopping impact investing, social entrepreneurship, and impact measurements.

In addition, Impact Seed took 162 pro-bono meetings with other various stakeholders to discuss the same topics.

Over the past 18 months, Impact Seed delivered 24 public events and workshops both independently and in collaboration with others. Across all of these events, there were an estimated 928 attendees in total.

As part of our recent surveying, we asked respondents if they had an increase in knowledge and understanding about impact investing, social entrepreneurship, and impact measurement. Overall, on average survey respondents indicated that they had improvements in knowledge in the areas that were relevant to the project we undertook with them. This is shown in Figure 15, below.

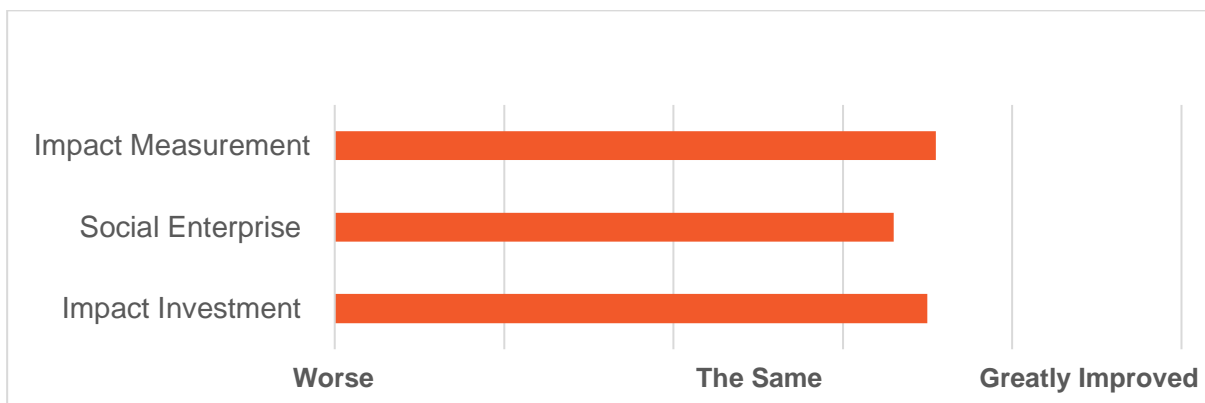


Figure 15: Improvement of knowledge of Impact Seed clients

Figure 15 demonstrates that we are being effective in improving the knowledge of system stakeholders across our three core areas. Improving the knowledge of participants in these markets is a necessary step to building their capability, and wider community understanding, of these nascent markets.

Social entrepreneurs have the capacity and capability to validate, iterate, fund and grow their start-ups. (medium-term outcome)

In the medium term, we intend for the knowledge we build in system stakeholders, notably social enterprises to be translated into improved capacity and capability to establish and successfully operate their start-up.

The work we undertake with social entrepreneurs is wide ranging and occurs under programs such as Groundswell, through direct engagement with social entrepreneurs and through pro-bono engagement. Over the past 18 months, we have supported 40 social enterprises to further develop their business ideas, structure their business, receive support building a skilled team in the business, develop Impact Management Strategies, write, and refine business cases and financial models, complete grant applications, and to grow their network and partnerships.

Over time, we will continue to measure how the support we provide to social enterprises assists them along their “journey to investment readiness”. Of those that we surveyed, several have reflected that they have progressed along this journey, see Figure 16, below.

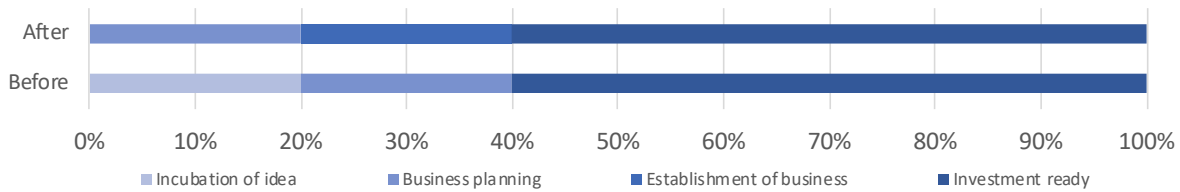


Figure 16: Improvement of knowledge of social enterprises Impact Seed has provided advice or support to.

Noting that this represents only a few of the social entrepreneurs that we have worked with, Figure 16 illustrates that for these organisations, we are having an influence in helping them to progress towards and achieve investment readiness. Supporting social entrepreneurs in their journey to receive investment, scale and financial sustainability is crucial to our long-term mission to build a thriving, diversified and innovative market in Western Australia.

Understanding of the current and potential capacity of the social enterprise sector in Western Australia. (short-term outcome)

In order to build wider community awareness of the social enterprise sector in Western Australia, Impact Seed engages through social media and online platforms such as our Facebook page, LinkedIn page, Twitter, Instagram, and through our newsletter.

At present we have the following reach to the wider community via these platforms. We are always working to write informative thought pieces and posts, share updates about our work, inform the community about the benefits and challenges of the social enterprise sector, share sector-wide best practice, and encourage others outside of our immediate network to engage with us and the sector.

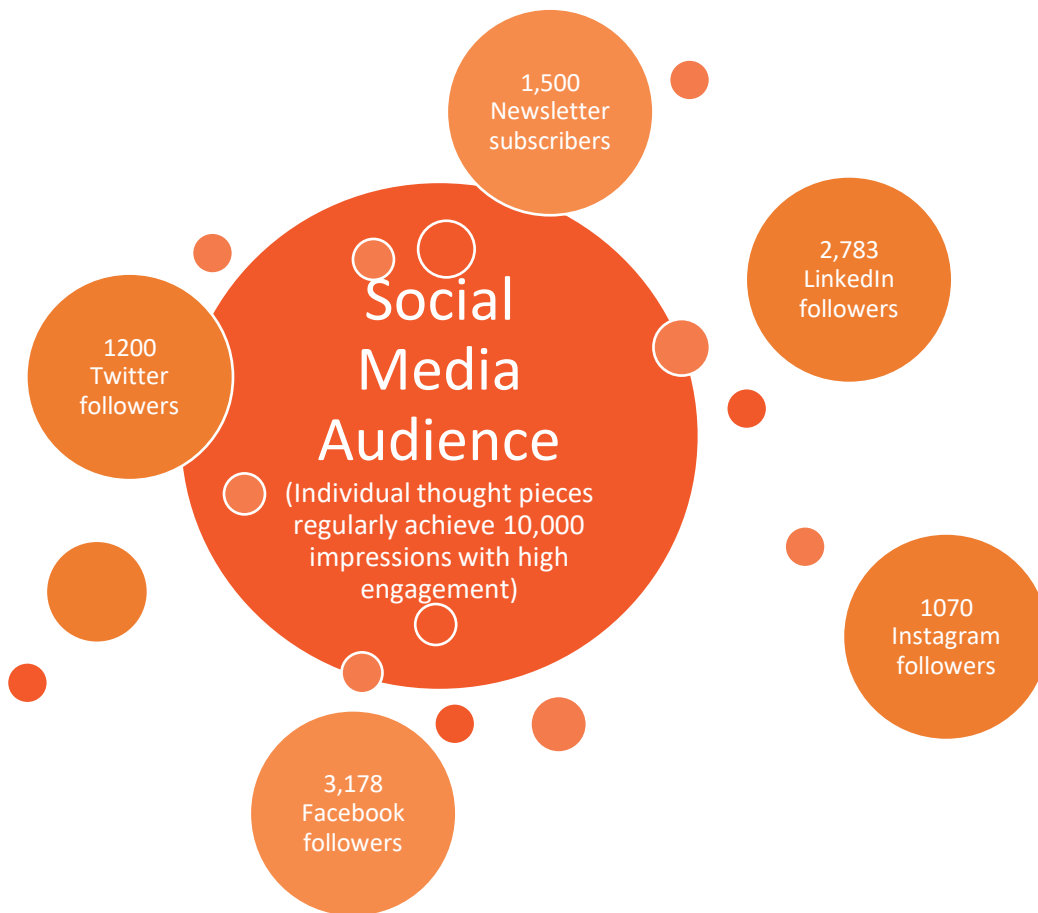


Figure 17: Impact Seed social media reach

For an organisation with a small team, our reach and engagement from our social media audience is a result of our passion for the sector, dedication to sharing our thoughts and curating articles about best practice and articulating our thoughts on recent events in the sector, both within Western Australia and globally.

We constantly endeavour to continue to grow our online network finding new and innovative ways to engage with a wider audience to grow knowledge, understanding and support for the work we, and our partners and clients do.

Linkages, connections, and collaboration across sectors including foundations, corporates, government agencies, not-for-profit organisations, and the finance sector. (short-term outcome)

A core part of Impact Seed's work as an advisory and market builder is building connections and relationships between system stakeholders and other sectors. This can support partnerships between social enterprises and potential funders or connect them with mission-aligned partners to support their operations.

Notably, in our venture development work, when a social enterprise is investment ready, we make relevant introductions to investors. Since January 2020, we estimate that we have made 7 introductions between social enterprises and potential investors. Part of our ongoing improvement of our measurement practice is to undertake longitudinal research to find out how many of our activities which require a longer lead time to achieve outcomes have actually achieved outcomes.

Availability and diversity of funding for social and environmental impact investment projects, and social enterprises. (medium-term outcome)

Impact Seed works closely with potential impact investors to improve their knowledge of impact investing and to find and undertake due diligence on potential investment opportunities. Expanding the availability and diversity of funding, at all stages of the capital pipeline.

Investments made through Impact Seed's introductions include:

- Feedmee for \$250,000
- Climate Clever for \$350,000
- Kardan for \$2,000,000

With regards to grant funding, Impact Seed has supported several organisations with successful grant applications to progress on their growth journey. These include:

- Impact Collective for \$150,000
- Environs Kimberley for \$300,000
- ABC Foundation Containers for Change for \$300,000.

The creation of a representative voice for the Western Australian social enterprise sector. (medium-term outcome)

Impact Seed undertook an extensive social enterprise sector mapping project in 2019, to create the authorising environment for the development of a peak body for social enterprise in WA.

It then convened a founding board for WASEC and funded its initial activities through to the Social Enterprise World Forum 2022. The public launch event was held in April 2021 in front of over 100 people with a keynote from the Federal Assistant Minister to the Prime Minister, Patrick Gorman MP.

WASEC is the peak body for the Western Australian social enterprise/for purpose business sector. It advocates for and works with new and existing social enterprises to create a thriving, collaborative social enterprise sector in Western Australia, where social enterprise is the first choice for consumers, business and government. It provides the sector with a collective voice to promote market development including:

- Social procurement across government, business and not for profit sectors
- Social enterprise accreditation
- Robust impact & outcomes measurement frameworks
- Fit-for-purpose legal and financial structures and support
- Provide ethical, values-driven stewardship of what it means to be defined as a social enterprise.

At the time of writing, WASEC has over 100 members, with 400 community followers, and will evolve into a sustainable membership-based non-profit organisation creating thriving social enterprise communities through sector through leadership, advocacy, networking and learning and development opportunities.

The development of impact measurement and management frameworks by individual system stakeholders. (short-term outcome)

One of our three core business activities, is working with social enterprises, not-for-profits and other system participants such as impact investors and corporate social responsibility funds to better understand, measure and articulate their impact.

Impact Seed has worked with 16 social enterprises and 3 not-for-profits on their impact measurement and management. A further 3 investors and corporates have developed and implemented updated Impact Management Strategies (IMS).

Those who responded to the surveys indicated that they had further progressed in their journey to managing their impact – using the impact data they collect about the impact they are having in business and/or programmatic decisions. This is observed in Figure 18.

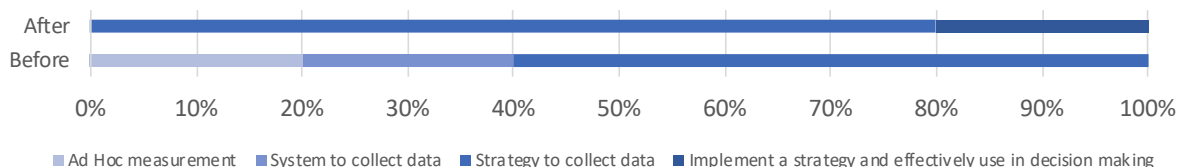


Figure 18: Support provided to clients on impact measurement and management.

Progressing as many systems stakeholders from just understanding their impact, to actively managing their impact is crucially important for the development of the social entrepreneurship and impact investing markets as accurate and transparent impact measurement underpins the credibility of system stakeholders.

Increased alignment among system stakeholders on the measurement and management of impact. (medium-term outcome)

The measurement and management of impact is a continually evolving and improving field of work. Aligning different participants, especially those receiving investment and funding with those who are investing and grant givers, is crucially important to the smooth operation of the market and its growth.

In our impact measurement and management work, we work to align the outcomes-based measurement frameworks to other system-level outcome-based frameworks and impact frameworks including the WA Outcome-Based Measurement Framework, the UN Sustainable Development Goals and Closing the Gap.

As more and more social enterprises, not-for-profits, investors and corporates are aware of impact measurement and management, there will be greater alignment between these organisations on what, how and why they measure their impact.

Case Example: Woodside

Throughout 2019-20, Impact Seed worked with Woodside's Corporate Social Responsibility (CSR) team to evaluate the success of the first 5 years of the \$20 million Woodside Development Fund. This fund focuses on supporting both Australian and global organisations who are investing in early childhood education and development. As part of this process Impact Seed provided a series of recommendations to reform the existing data collection process and outcome-based hierarchy.

As part of phase 2 of this project, Impact Seed worked closely with the current grant recipients and Woodside's CSR team to align the reporting that the grant recipients are providing to Woodside, and ensure that it is easily aggregated to be reported to Woodside's senior leadership and other stakeholders. This formed part of a larger process to write an Impact Management Strategy for the Woodside Development Fund to guide their ongoing impact measurement and reporting for the remaining 5 years of the fund.

*State Government policy and/or engagement reflecting support for impact investing, social entrepreneurship, and impact measurement. **(medium-term outcome)***

Impact Seed works advocated to local and state levels of government to increase the support they provide to the sector. Impact Seed has provided 12 instances of technical support to government in order to do this and one submission to change regulation/policy – this was a contribution towards the Impact Investment WA Alliance Policy Paper.

In the longer term, Impact Seed has made an additional 6 contributions to change regulation or policy and the local and state government levels.