

Purpose Capital Impact Report

For the Year ended 31 March 2023



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Left: Whakatōhea Mussels Ōpōtiki Processing Facility.

Previous: Matiu King, Eru Harawira and Paul Hansen plant kauri saplings during the ground-breaking ceremony for Lodestone Energy's Kaitaia site.

Introduction

Welcome to Purpose Capital's inaugural, public Impact Report!

As Impact Investors driving positive environmental and social change in New Zealand, it is important that we track and report on the impact of our investments.

In this report you will find our philosophy and approach, including our Theory of Change, a brief description of our rigorous assessment process, as well as how we choose impact measurement metrics.

Importantly, this report contains outcome measurements and impact updates for our portfolio companies. We also report on how we are scaling our impact through co-investment management and how we walk the talk through our own organisation's carbon measurement and reduction.

We are committed to continuously refining our activities to meet best practices in the nascent, yet rapidly maturing, field of impact investing, and look forward to reporting again in 2024!



Letter from the Executive Director



We launched the Purpose Capital Impact Fund (PCIF) to create positive environmental and social outcomes alongside financial returns. In so doing, we are demonstrating a new way to make investment work so that Impact Investing is mainstreamed, and positive outcomes increased.

If you are reading this report, it's likely that, like us, you care about impact. At Purpose Capital, we are very intentional in this regard. The impacts we seek to achieve through our investments are important and urgent, based on extensive research and due diligence, and the deep sector experience of our staff, investment committee, and Limited Partners.

Impact Investing is just one of many actions needed to drive social and environmental change in NZ, but it is an important lever, and we are proud of our contribution and thankful to all our partners on this journey.

Enjoy reading, and please get in touch if you have questions or feedback.

Yours Sincerely,
Bill Murphy

Philosophy and Approach

Our why.

Vision

To demonstrate how investment can protect and regenerate the environment, support the low/no carbon transition and provide opportunities for people to flourish as part of the new economy.

Mission

Use the power of investment to drive social and environmental change and demonstrate a new way to make money work.

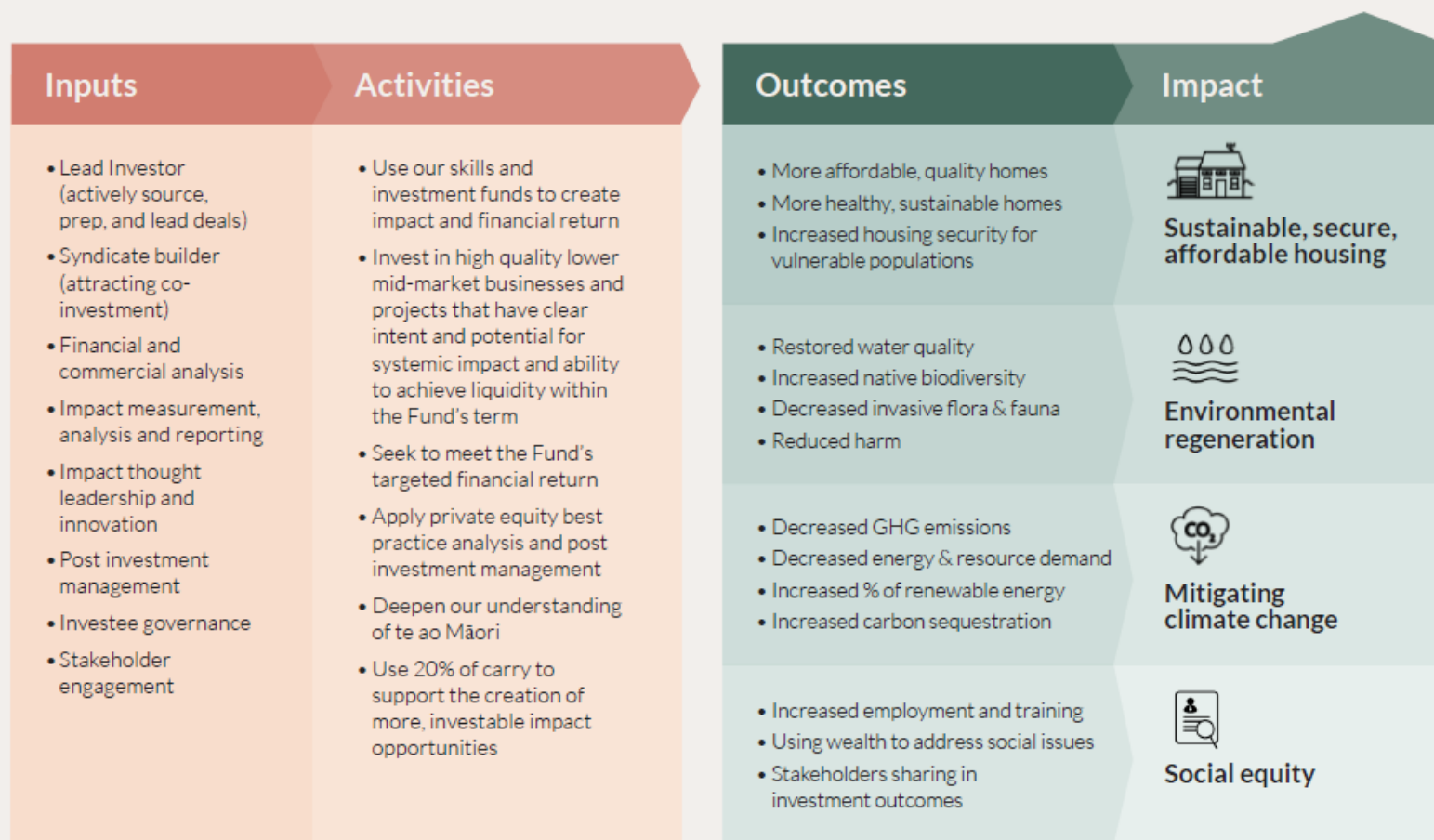
Strategy

We invest in projects and companies that have clear systemic impact potential and intent, ability to meet the Fund's financial return target and can achieve liquidity within the Fund's term.



Our Theory of Change

Using the power of investment to drive social and environmental change and demonstrate a new way to make money work.



Our Theory of Change

Mapping the path to the impact (systemic, long-lasting change) we are looking to achieve through our investments.

Assumptions:

- We recognise that Impact Investing is just one of many actions needed to drive social and environmental change in NZ, but we believe that strategic impact investment can play a key role.
- We aim to use knowledge, networks, investment, skills and leadership, working in partnership with others, including the commercial and philanthropic investment sectors and Māori to achieve our Vision.
- The intention is to provide confidence to the investment market so that investment funds flow into impact investments via our Funds, co and syndicated investment and blended finance.
- This will be done intentionally, within the bounds of our Fund's mandates and Statement of Investment Policies and Objectives (SIPO), and with rigorous due diligence in the measurement of both financial and non-financial (impact) risk and return.
- We will refine and improve our approach to impact investment and measurement over time.

Principles, Frameworks, and Standards

We strive to use best practices, including the complementary approaches summarised to the right.

Signatory to:



**Operating Principles for
Impact Management**

**IMPACT
MANAGEMENT
PROJECT**



PRINCIPLES

The Operating Principles for Impact Management (Impact Principles)¹ is hosted by the Global Impact Investing Network (GIIN), the leading global industry body for Impact Investing. Purpose Capital believe that our practices align with these Operating Principles and became a signatory in June 2023. This requires that we produce a disclosure report within one year, along with independent verification within two years.

FRAMEWORKS

The Impact Management Project (IMP)² builds global consensus on how to measure, manage and report impact. We have used the IMP Five Dimensions of Impact Framework since PCIF's inception. The dimensions help explain the intended impact as well as progress towards reaching the impact targets.

STANDARDS





IRIS+ metrics^{3,4} are standardized indicators that describe an organization's social, environmental, and financial performance. The GIIN offers IRIS+ as a free and public good to advance impact investing around the world. Purpose Capital aligns our metrics with IRIS+ indicators as much as possible while taking a pragmatic approach to using other, more context appropriate metrics when needed.

Outcomes and Impacts

In all our investments, we measure outcomes using defined metrics and track impacts using both qualitative and quantitative evidence.




Outcomes are finite, immediate, measurable results that are expected from a particular effort.

Impacts are broader, long-term effects that occur from a particular effort. Impact is the ultimate result or change that a particular effort aims to achieve.

Outcomes	Impact
<ul style="list-style-type: none">• More affordable, quality homes• More healthy, sustainable homes• Increased housing security for vulnerable populations	 Sustainable, secure, affordable housing
<ul style="list-style-type: none">• Restored water quality• Increased native biodiversity• Decreased invasive flora & fauna• Reduced harm	 Environmental regeneration
<ul style="list-style-type: none">• Decreased GHG emissions• Decreased energy & resource demand• Increased % of renewable energy• Increased carbon sequestration	 Mitigating climate change
<ul style="list-style-type: none">• Increased employment and training• Using wealth to address social issues• Stakeholders sharing in investment outcomes	 Social equity

IMP for Assessing Impact

We use the IMP's 5 Dimensions of Impact Framework to assess impact investment opportunities.

 WHAT	What tells us what outcome the enterprise is contributing to, whether it is positive or negative, and how important the outcome is to stakeholders.
 WHO	Who tells us which stakeholders are experiencing the outcome and how underserved they are in relation to the outcome.
 HOW MUCH	How Much tells us how many stakeholders experienced the outcome, what degree of change they experienced, and how long they experienced the outcome.
 CONTRIBUTION	Contribution tells us whether an enterprise's and/or investor's efforts resulted in outcomes that were likely better than what would have occurred otherwise.
 RISK	Risk tells us the likelihood that impact will be different than expected.

IRIS+ Metrics for Measuring Outcomes

We choose metrics for each investee company that link to the outcomes in our theory of change.

We use IRIS+ metrics as much as possible. If the IRIS+ metrics don't fit the local context, we take a pragmatic approach to using the most appropriate metric.

Unless otherwise stated, data has been provided by the investee company and is not necessarily independently verified. As we bed in these measures over time, we will consider the workability of independent verification. The metrics reported reflect the total for each company. They are presented alongside ownership portion so that pro rata financial contribution can be inferred, if needed.

We acknowledge that these are only indicators along the path to long-term impact and expect our approach to measurement and reporting to be refined and enhanced over time.



Whakatōhea Mussels Ōpōtiki

In partnership with Bay Trust and Trust Horizon, PCIF has invested in Whakatōhea Mussels Ōpōtiki Limited (WMOL) - a New Zealand first and world leading open ocean mussel farm and processing plant - with a goal to bring prosperity back to Ōpōtiki and the Eastern Bay of Plenty.

The mussel farm – off the coastline of Ōpōtiki – is 3800 hectares of nutrient rich, clear, open ocean. Mussels are harvested daily and delivered directly to the processing plant.

NAME

Whakatōhea Mussels Ōpōtiki Limited

LOCATION

Bay of Plenty

SECTOR

Aquaculture

STAGE/TYPE OF INVESTMENT

Expansion

DATE OF INVESTMENT

30th June 2020 & follow-on 18th May 2022

AMOUNT OF INVESTMENT

\$2M & \$200k as part of a \$7.8m impact syndicate

NO. OF SHARES HELD / OWNERSHIP %

864,948/3.20% as part of impact syndicate holding 9.85%

WEBSITE

<http://www.openocean.co.nz>



Employees Earning a Living Wage or Higher

IRIS+ ID: OI4724

237

(on 31 March 2023)

2022 = **180**
2021 = **50**

Percentage of employees from Ōpōtiki

56%*

(on 17 May 2023)

*80% including 55 Solomon Island staff members residing full time in Ōpōtiki.

2022 = **85%**
2021 = **90%**

Year on Year improvement in A+ Score⁵

+17

2022 vs 2021. 2023 scores not yet available

A+ is a voluntary aquaculture sustainability improvement framework with a rating out of 75.

Outcomes

- Increased employment and training
- Using wealth to address social issues
- Stakeholders sharing in investment outcomes

Impact



Social equity

Impact Highlights

- Pioneering deep water aquaculture - the future of aquaculture in New Zealand due to its near zero environmental impact - and catalysing further aquaculture development throughout the Eastern Bay of Plenty and East Coast regions.
- Ōpōtiki is one of New Zealand's most socio-economically deprived towns. Aquaculture training and employment will allow many to move from government assistance to self-sufficiency.
- Addresses an issue of critical importance (economic opportunity) using a solution (aquaculture) identified by stakeholders (Whakatōhea Iwi and the wider Ōpōtiki community) to bring employment and opportunity back to the region.

Impact Update

There have been headwinds aplenty in the Company's first two years of operation: Covid, weather, employment...but through it all the Company has been established.

Over 400 people have been employed in order to get to a motivated, committed workforce of 170 locals – a challenging but outstanding achievement. To build to the number of staff required, the Company has employed and trained 55 Solomon Islanders on 3 year visas through through a specialist aquaculture program between the company and the Pacific Island Community Trust.

Employees have reported significant improvements in various aspects of their lives as a result of their association with WMOL. They have gained confidence and stability through permanent employment with many accomplishing personal milestones such as home and car ownership.

To deepen WMOL's social impact through employment, a researcher has been engaged by our syndicate, led by Bay Trust, to provide insights and recommendations.



NAME
New Ground Living (Bureta Park) Ltd

LOCATION
Bay of Plenty

SECTOR
Housing

STAGE/TYPE OF INVESTMENT
Expansion

DATE OF INVESTMENT
31 March 2022

AMOUNT OF INVESTMENT
\$2M as part of a \$4m impact syndicate

NO. OF SHARES HELD / OWNERSHIP
%
2,000,000/ 50.0% as part of impact syndicate holding 100%



Bureta Park Build to Rent

Working closely with New Ground Capital and Mike Greer Homes, Purpose Capital is focused on maximising the positive impact of this exciting new housing development in the central Tauranga suburb of Otūmoetai.

Upon the development reaching completion, Mike Greer will sell their portion (45 homes) on the open market. The Fund will stay invested in the remaining 44 homes. These will be long-term rental units managed by New Ground Living (NGL) with a portion allocated for Community Housing Providers (CHP).

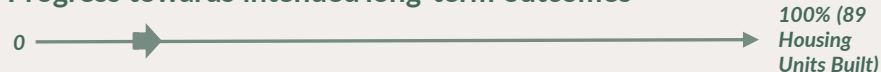
Number of Housing Units Financed
IRIS+ ID: PI5965

89

(on 31 March 2023)



Progress towards intended long-term outcomes



Status vs expectations: Slightly delayed due to consent challenges

(on 31 March 2023; subjective measures for illustrative purposes)

Outcomes

- More affordable, quality homes
- More healthy, sustainable homes

Impact



Sustainable, secure, affordable housing

Impact Highlights

- Increasing affordable housing stock for both renters and first homebuyers, and providing a much-needed example of housing intensification done well for Tauranga city.
- Promoting the 15-minute city⁶ concept of housing: most daily necessities and services can be easily reached by a 15-minute walk or bike ride. This is an important climate consideration given 63% of Tauranga's carbon emissions come from transport.
- Targeting a Homestar⁷ rating of 8 – indicating an easier to heat, healthier, cost-effective, and environmentally friendly home - with reduced power bills also improving financial resilience.
- Providing security of tenure: up to 10-year leases
- CHPs provide quality, affordable housing to those in need by limiting rent to 30% of household's income.
- We expect these homes to have better environmental footprints compared to other developments, with anticipated advantages including: High performance windows / insulation; Future proofing for EV charging; Rainwater harvesting; and Rooftop solar panels.

Impact Update

This project has experienced delays in the building consent process; however, we have had some notable progress, including internal agreement from our two local councils on the building level required at site. The release of legislation incentivising the build-to-rent sector with interest deductibility is also positive news for this project.

While in the land development phase, the impact outcomes we can report are limited. Future potential social impact metrics include:

- Number of families with multi-year tenancies
- Number of people in safe, warm, dry and healthy homes
- Tenant Satisfaction
- Security of tenure / Eviction rate
- Percent Affordable Housing



Homes for Tamariki

The Homes for Tamariki (H4T) Fund houses some of the most vulnerable children and young adults - young people with a variety of complex needs who are unable to be placed in the care of extended family or foster care.

The fund is the result of a partnership between New Ground Capital (NGC) and Oranga Tamariki (OT). OT identifies properties that are well located and suitable for their needs. H4T undertakes DD, acquires the property, and long-term leases them to OT. NGC then manages these properties - providing safe and secure homes for the young people to flourish and develop.

Children tend to stay for their more high-risk / high-need years (generally 13 – 18 years old). Given the support needs, these homes often cater for one or two children at a time before they re-integrate into society, allowing further children to move in.

NAME
Homes for Tamariki Limited

LOCATION
New Zealand

SECTOR
Housing

STAGE/TYPE OF INVESTMENT
Property

DATE OF INVESTMENT
6 May 2022

AMOUNT OF INVESTMENT
\$2M as part of a \$2.1m impact syndicate

NO. OF SHARES HELD / OWNERSHIP %
2,000,000/ 59.7% as part of impact syndicate holding 62.7%

NewGround
Homes for Tamariki

Number of Housing Units Financed
IRIS+ ID: [PI5965](#)

4

(on 31 March 2023)

Number of children and young people with permanent homes
IRIS+ ID: [PI4060](#)

5

(on 31 March 2023)

“The house itself was lovely, I’d happily live there, and a real tribute to the OT people who did all the various subtle but important modifications to make it fit for purpose.”

John Birch, Chair of PCL, after a visit to one of the homes

Outcomes

- Using wealth to address social issues

Impact



Social equity

Impact Highlights

New Zealand came last in children’s mental well-being and third to last in overall child well-being in a 2020 UNICEF report⁸. The most vulnerable children – in state care due to a lack of family or it being unsafe for them to be with family – are often in emergency housing or motels due to a lack of other options.

This investment meets our target outcomes of increased housing for vulnerable populations, and more broadly, contributes to social equity and the NZ government’s child well-being priority, complimenting the work of other agencies supporting these children.

The high-quality homes provided by H4T have flow on benefits through lessened demand on the country’s healthcare, welfare, and justice systems. A 2019 OT report on the social effects of moving children from suboptimal housing to safe and secure housing found:

- School truancy & suspensions decline by 35% & 46% respectively
- Attainment of NCEA level 2+ increases by 49%
- Serious offending declines by 45%
- Hospitalisations decrease by 11%
- Year long employment at age 20 increases by 23%

Impact Update

Feedback from a case manager helps convey what one of these home means for a child who has had to relocate several times over the last 2 years due to homes being unsuitable for their needs, not allowing for the safety of the team, or non-accommodating landlords:

“For some people, a home is just that: a home, but to [Child] this home is his entire world! The investor of this home has sent a loud message that states, “you are accepted, and you are deserving to be a part of this community, you belong!” I want the investor to know: without you, this story could have been very different, but because of you he gets the opportunity to live his best life! And now I sit here at my desk with tears as I think about this entire journey, but instead of frustration and desperation, it’s actually happy tears that someone cared enough to help someone they have never even met. Thank you!”



NAME
Lodestone Energy Limited

LOCATION
Bay of Plenty, Waikato & Northland

SECTOR
Renewable Energy

STAGE/TYPE OF INVESTMENT
Project

DATE OF INVESTMENT
17 October 2022

AMOUNT OF INVESTMENT
\$2M as part of \$10M impact syndicate

NO. OF SHARES HELD / OWNERSHIP %
2,000,000 / 0.71% as part of impact syndicate holding 3.54%

WEBSITE
<https://lodestoneenergy.co.nz/>



Lodestone Energy

Purpose Capital raised and led a \$10m equity investment syndicate into Lodestone Energy, a \$300m business pioneering Utility-Scale Solar Agri-voltaics in the Coromandel, Bay of Plenty, and North Island. Agri-voltaics enables dual land use, allowing both farming and solar photo-voltaics to co-exist.

Energy Capacity of Product
IRIS+ ID: [PD2713](#)

325 GWh p.a.

(Assumes 5 sites and a 25+ year lifetime)

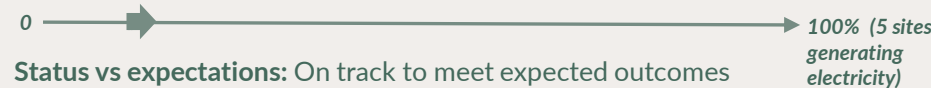
Energy Generated for Sale: Total*
IRIS+ ID: [PI8706](#)

0 GWh


(1 April 2022 – 31 March 2023)
**Primary Energy Source (OJ3781): 100% Solar-PV*



Progress towards intended long-term outcomes



(on 31 March 2023; subjective measures for illustrative purposes)

Outcomes	Impact
<ul style="list-style-type: none"> Decreased GHG emissions Increased % of renewable energy 	 Mitigating climate change

Impact Highlights

- Pioneering Utility-Scale Solar Photovoltaics⁹ and increasing the quantum of installed solar generation in New Zealand.
- Contributing significantly to the national effort to decarbonise New Zealand’s energy sector and meet our 2050 zero carbon goal¹⁰.
- Once it is built, Lodestone is likely to be the largest grid scale solar development in New Zealand.
- The initial five sites are expected to generate 375,000,000 kWh per year, which is enough electricity for 55,000 homes (e.g. all the homes in a city the size of Hamilton), or 150,000 electric cars.
- Two sites are in the Eastern Bay of Plenty (Waioatahe and Edgecumbe) and one of the sites is in Whitianga, Waikato.

Impact Update

The “0GWh generated to date” indicates no solar farms have been completed and are therefore not generating energy yet, which is in line with our expectations.

All 5 sites are consented, and construction is underway at the Kaitaia and Edgecumbe sites.

The company remains on track to achieve the minimum anticipated impact on which the investment was made. If the company is successful in securing additional solar farm sites, these impact expectations will be exceeded.

Additional opportunities to increase positive impact under consideration include: minimising the embodied emissions of the solar PV installations, using batteries to increase grid flexibility, community solar, regenerative land-use, native tree planting.

Encouraging Impact Investing.

How we scale our impact.

\$21.7M

Fund Size

\$14.8M

Co-investment
under management

\$36.5M

Total assets under
management

Being one of the first impact investment funds in New Zealand we use our experience to encourage others to invest for impact.

Leading Deals

We take on the due diligence, term negotiation and first investment commitment to give others the confidence to invest for impact along side us.

Syndication

For those who co-invest with us we offer Syndication services which include administration services, post investment management and investment updates and valuation.

Thought leadership

We share our learnings and research through regular posts, white papers and contributions to publications like "[Investing in Degrowth](#)" and "[The Degrowth Opportunity](#)". We support the development of the Impact Investing ecosystem in NZ through involvement with the Impact Investing Network, Mindful Money, and The Centre for Sustainable Finance Toitū Tahua.

Performance

Through demonstrating the effectiveness of our approach, Purpose Capital aims to increase the amount of capital invested in impact investments from asset and fund managers as well as private and philanthropic wealth.

Purpose Capital

Walking the talk.

Awards

Purpose Capital Limited is proud to have been recognized with two awards this year:

- 2022 Mindful Money Awards “Best Impact Investment Fund”
- Tauranga Business Awards “Community Impact Award 2022”



Carbon measurement, emissions reduction and offsets

Our FY 2022 business operation’s Scope 1,2, and 3 emissions footprint was 5.27 tCO₂e. This was our first year measured.

We seek to reduce emissions wherever possible - working from home, busing to work, EV’s for business travel, minimizing air travel and increasing energy efficiency & decreasing waste within our shared office space.

We have offset 120% of our remaining carbon footprint with certified carbon credits. For FY 2022, we chose credits from the Mason Hills project to support the active regeneration of former cattle grazing land back to native forest.

We will work with each of our portfolio investments to set carbon reduction targets and a sinking lid on offsets.

We will continue to focus on reducing our emissions as much as possible and only use offsets where absolutely necessary.



[Mason Hills Forever Forest project](#) in Kaikōra, Canterbury



References

1. The Operating Principles for Impact Management: <https://www.impactprinciples.org/9-principles>
2. The Impact Management Project's Five Dimensions of Impact: <https://impactfrontiers.org/norms/five-dimensions-of-impact/>
3. IRIS+ Metrics: <https://iris.thegiin.org/metrics/>
4. IRIS+ and the IMP: <https://iris.thegiin.org/document/iris-and-impact-management-project/>
5. A+ Framework: <http://www.aplusaquaculture.nz/#a-plus-home>
6. 15-minute city concept: <https://www.c40knowledgehub.org/s/article/Why-every-city-can-benefit-from-a-15-minute-city-vision>
7. Homestar: <https://www.nzgbc.org.nz/homestar>
8. UNICEF Child Wellbeing Report Card 16 (2020): <https://www.unicef-irc.org/publications/pdf/Report-Card-16-Worlds-of-Influence-child-wellbeing.pdf>
9. Utility-Scale Solar Photovoltaics: <https://www.drawdown.org/solutions/utility-scale-solar-photovoltaics>
10. New Zealand's Climate Change Response (Zero Carbon) Amendment Act 2019: <https://environment.govt.nz/acts-and-regulations/acts/climate-change-response-amendment-act-2019/>



www.purposecapital.co.nz

For questions, feedback, or more information, please reach out to us at info@purposecapital.co.nz or follow us on [LinkedIn](#).