



Verification

Purpose Capital Limited
Independent Verification Report

Independent Verification Report containing results of the assessment to confirm
Purpose Capital Limited's alignment with the Operating Principals for Impact Management

Introduction

This report presents the findings of an independent verification conducted to assess Purpose Capital’s alignment with the 9 Operating Principles for Impact Management.

The verification aims to ensure that Purpose Capital’s policies, processes, and practices adhere to these global standards for managing and reporting impact investments.

The scope of this verification encompasses an evaluation of Purpose Capital’s strategic intent, impact management systems, transparency practices, and compliance with the requirements of the Impact Principles.

The assessment involved reviewing key documents, analysing internal processes, and engaging with relevant stakeholders to validate adherence to the Impact Principles.

Assessment Summary

Impact Principle	Description	Alignment
Principle 1	Define strategic impact objective(s), consistent with the investment strategy.	Exceptional
Principle 2	Manage strategic impact on a portfolio basis.	Adequate
Principle 3	Establish the Manager’s contribution to the achievement of impact.	Exceptional
Principle 4	Assess the expected impact of each investment, based on a systematic approach.	Strong
Principle 5	Assess, address, monitor, and manage potential negative impacts of each investment.	Strong
Principle 6	Monitor the progress of each investment in achieving impact against expectations and respond appropriately.	Strong
Principle 7	Conduct exits considering the effect on sustained impact.	Exceptional
Principle 8	Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.	Strong
Principle 9	Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.	Exceptional

Alignment Ratings

- Exceptional: Minimal improvement necessary
- Strong: Minor improvements possible
- Adequate: Noticeable improvements needed
- Basic: Significant improvements required

Methodology

The verification process was undertaken by The Lever Room and employed a systematic and evidence-based approach to assess Purpose Capital’s alignment with the Impact Principles.

The following methods were used:

1. **Document Review:** An in-depth analysis of relevant policies, procedures, and reporting materials, including impact investment frameworks, operational documents and publicly disclosed reports.
2. **Stakeholder Engagement:** Interviews and consultations with Purpose Capital’s key personnel to understand the organisation’s strategies, decision-making processes, and operational practices.
3. **Comparative Analysis:** Benchmarking Purpose Capital’s practices against the Impact Principles framework to identify strengths and areas for improvement.
4. **Validation of Evidence:** Cross-referencing provided evidence with observed practices to ensure accuracy and reliability of the findings.
5. The methodology was designed to provide a **comprehensive, objective, and transparent assessment**, ensuring that the verification reflects Purpose Capital’s actual practices and commitment to impact management.

Summary of the Work We Performed

The scope of this verification covered the following areas:

<i>Strategic Intent</i>	<i>Impact Management Systems</i>	<i>Transparency and Disclosure</i>	<i>Compliance with Verification Requirements</i>
<ul style="list-style-type: none"> • <i>Assessment of how Purpose Capital aligns its investment strategy with its impact goals and mission.</i> 	<ul style="list-style-type: none"> • <i>Evaluation of the processes, tools, and frameworks Purpose Capital uses to manage and measure the social and environmental impact of its investments.</i> 	<ul style="list-style-type: none"> • <i>Examination of the organisation’s practices in communicating its impact results to stakeholders, ensuring alignment with the principles of openness and accountability.</i> 	<ul style="list-style-type: none"> • <i>Review of Purpose Capital’s adherence to verification protocols and its commitment to ongoing alignment with the Impact Principles.</i>

The verification focused on the activities and outcomes reported by Purpose Capital for the fund assets as at 30 November 2024. It included all impact investment activities within the organisation’s portfolio, as well as relevant policies and operational procedures.

Summary Assessment Conclusions

The Lever Room has independently verified the alignment of the Purpose Capital fund with the Impact Principles. Key takeaways from The Lever Room's assessment are as follows:

Principal 1: Define strategic impact objective(s), consistent with the investment strategy.

Purpose Capital has clearly defined strategic impact objectives that guide its investment decisions, aligning with the Sustainable Development Goals while focusing on issues that are particularly relevant to Aotearoa New Zealand, such as mitigating climate change, sustainable affordable housing, social equity, and environmental regeneration. These impact objectives emphasise supporting low-carbon transitions and promoting social well-being.

All investments need to meet the following requirements: intentionality, contribution, financial return, impact measurement, and (ideally) contribute to systemic change. Specific areas of interest include social equity within Māori communities and the urgent need for sustainable development given New Zealand's climate commitments.

Principal 2: Manage strategic impact on a portfolio basis.

Purpose Capital monitors each investment's progress using both quantitative metrics and qualitative analysis, ensuring that the unique activities and outcomes of each project are captured.

Stakeholder engagement plays a role in Purpose Capital's approach, they actively collaborate with community groups, co-investors, and partner organisations to secure support and relevance for each investment.

Purpose Capital is currently solidifying its portfolio wide impact measurement approach. As part of this work, it plans to align with the ESG Data Convergence Initiative from EDCI. Further development of a portfolio wide impact management process including Measurement, Evaluation and Learning (MEL) for example could be beneficial. Future plans to leverage EDCI-aligned ESG metrics could strengthen MEL processes.

Principal 3: Establish the Manager's contribution to the achievement of impact.

Purpose Capital plays an active role in enhancing the impact of each investment, contributing through both financial and non-financial means. Their contributions are structured and documented during the due diligence process, ensuring a clear understanding of how Purpose Capital's involvement adds value.

Purpose Capital's impact contributions can include providing growth capital, taking governance roles (such as board seats or observer positions), and leveraging their network to connect investee companies with relevant expertise and resources.

Principal 4: Assess the expected impact of each investment, based on a systematic approach.

Purpose Capital assessment process includes applying the Impact Management Project (IMP)'s Five Dimensions of Impact Framework, which examines the "What, Who, How Much, Contribution, and Risk" dimensions of each investment's impact. Purpose Capital utilises IRIS+ metrics, where practical.

Principal 5: Assess, address, monitor, and manage potential negative impacts of each investment.

Purpose Capital systematically identifies and mitigates potential negative impacts for each investment as part of its due diligence process. They address ESG risks by integrating them into initial assessments and ongoing monitoring, with a particular focus on issues such as modern slavery, supply chain risks and potential environmental harm.

Principal 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

Purpose Capital has established a process for monitoring the progress of each investment in achieving impact against expectations. Impact metrics are tracked, with most investees providing updates at least annually and, where feasible, quarterly. These metrics include both quantitative and qualitative activities and outcomes.

This regular monitoring allows Purpose Capital to respond proactively if an investment is not meeting its impact expectations. By taking active roles within investee governance, such as board observer or director positions, Purpose Capital ensures that it can make adjustments to maintain alignment with its original impact objectives. Their hands-on management approach enables adaptive responses to any emerging challenges or opportunities, optimising impact outcomes across their portfolio.

Principal 7: Conduct exits considering the effect on sustained impact.

Purpose Capital integrates exit planning into its initial investment strategy, with a focus on ensuring that impact is sustained post-exit. Although Purpose Capital's relatively young fund has not yet conducted any exits, they emphasise the importance of maintaining impact continuity in each investment's lifecycle. They consider potential exit strategies during due diligence, evaluating how different exit options could affect the sustainability of impact outcomes.

Regular reviews of each investee's progress toward liquidity or exit events help ensure that any divestment aligns with Purpose Capital's long-term impact goals. By structuring investments with sustained impact in mind, Purpose Capital demonstrates its commitment to preserving positive outcomes beyond their direct involvement, underscoring their dedication to long-lasting social and environmental benefits.

Principal 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

Purpose Capital is committed to continuous improvement, reviewing and documenting impact outcomes to refine their approach over time. They conduct regular impact reviews, identifying successes and areas for improvement across both financial and non-financial outcomes. These insights inform adjustments to their impact management strategy and contribute to the evolution of their investment methodologies.

Lessons learned from past investments are shared with stakeholders and where appropriate documented in annual impact reports, demonstrating Purpose Capital's dedication to transparency. By consistently revisiting and refining their approach, Purpose Capital ensures that their impact management process remains effective, responsive, and aligned with the latest best practices in impact investing.

Principal 9: Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.

Purpose Capital has publicly disclosed its alignment with the Operating Principles for Impact Management and plans to conduct regular independent verification of its impact practices. Their most recent disclosure affirms adherence to these principles across all investments managed within the Purpose Capital Impact Fund, highlighting a transparent commitment to accountability.

About The Lever Room

Based in Aotearoa New Zealand, with global expertise, we've been working as a trusted partner to help organisations measure and manage impact since 2008.

A respected leader in the space, we have walked alongside corporates, iwi, NGOs, investors, and governments who have confidently trusted our experience to help solve complex strategy, measurement and management issues.

Our experience in understanding the broader sustainability context ensures we are well placed to exercise our professional judgement to maximise positive impact and limit any unintended consequences. We bring all of this experience into the room in our work with partners, ensuring the outcomes of our work are trusted and will hold up to public scrutiny.

The Lever Room is headquartered at 20 Crummer Road, Grey Lynn, Auckland 1021. For further credentials and information visit www.leverroom.com

As outlined above, this verification encompasses the following scope:

- Strategic Intent
- Impact Management Systems
- Transparency and Disclosure
- Compliance with Verification Requirements

The verification report focused on the activities and outcomes reported by Purpose Capital for the fund assets as at 30 November 2024. It included all impact investment activities within the organisation's portfolio, as well as relevant policies and operational procedures.



Rebecca Mills
Managing Director

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ROOM

