

## Case Study: Impact Investment in the UPPER WAIPA CATCHMENT

### WHAT

A scalable strategy to acquire and operate a portfolio of farmland, with the objective of achieving a significant environmental impact in the Waipā Catchment while making an appropriate risk adjusted return to investors.

Farms within Waipa Catchment and the wider Waikato region need to respond to stricter environmental regulations and 'social license to operate' expectations, including the impending carbon limitations.

The goal is to invest \$15M in two initial assets for the portfolio by buying two conventional dairy farms in the catchment (600 ha, 675+ cows), targeted for their impact on water quality, and converting them to certified organic dairy, accompanied by riparian planting, afforestation and wetland installation. This will be followed by investment of a further \$100M in farmland within the Waipa catchment, to follow the same organic conversion process, with similar environmental impact and financial return goals.

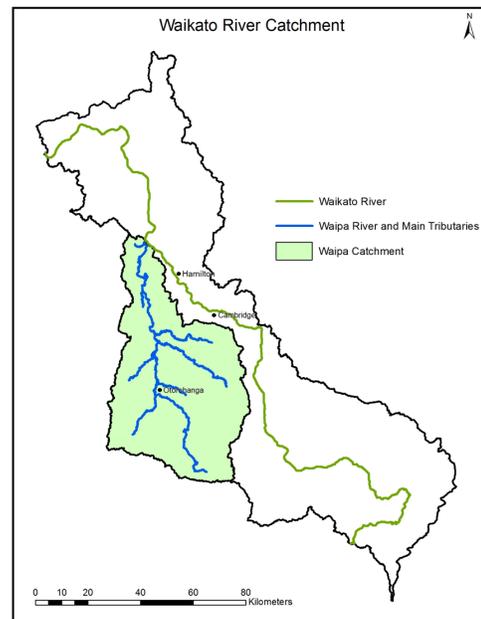
### WHO

A team of entrepreneurs with background in environmental management, organic farm conversion and investment structuring conducted a feasibility study in the Upper Waipā Catchment to investigate market-based solutions for addressing significant environmental challenges in the catchment while delivering a positive financial return on investment. The feasibility study and consequent due diligence for selected dairy farms was supported by Waikato River Authority and Waikato Regional Council.

### HOW

Significant scientific analysis of the catchment has identified the major sources of river water quality pollutants (nutrient, e.coli, sediment) in the Waipā and Waikato catchment. There is a clear opportunity to change management practices and land use and achieve **compelling environmental impact improvements** including reduced sediment pollutant runoffs, improved water quality throughout watershed, reduced carbon footprint.

Analysis of actual farm data indicates a **scalable opportunity** to invest significant capital into transforming land use on farms where the **highest environmental impact** can be achieved. Financial modeling based on conservative assumptions



indicates the strategy will yield **attractive cash and capital returns alongside the environmental impact.**

## **RETURN**

A 4-6% annual cash yield and 8-10% IRR over ten years are projected for the seed investment farms. The Bond is expected to be a 10+year 5.25% annual cash yield with shared equity in capital value growth.

## **IMPACT**

- >45% E. Coli reduction
- >40% reductions in nitrogen & phosphorous leaching
- >45% reduction in sediment
- >45% reduction in greenhouse gas emissions