

Responsible Investment Policy

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This Policy describes NZGCP's approach to integrating, managing, and reporting Environmental, Social and Governance (ESG) matters within its investment process.

NZ GROWTH
CAPITAL PARTNERS

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1. Related Internal Policies

- Induction
- Conflict of Interest
- Delegations
- Fraud
- Investment Valuation & Investment Valuation Procedures
- Mandate Management
- Reporting of Serious Wrongdoing (Whistleblowing)
- Staff Investment
- Transparency Statement

2. Legislative Compliance/Good Practice Guidelines

- Crown Entities Act 2004
- Standards of Integrity & Conduct, June 2007, State Services Commission
- Model Standards (Positive & Safe Workplaces, Speaking Up, Conflicts of Interest), April/August 2019, Public Service Commission
- Managing Conflicts of Interest: A guide for the public sector, June 2020, Office of the Auditor-General
- Owner's Expectations Manual, July 2012, Crown Ownership Monitoring Unit, The Treasury
- Responsible Investment Association Australasia, www.responsibleinvestment.org
- Responsible Investment Framework, v11 June 2020, Guardians of the New Zealand Superannuation ("the Guardians").
- Principles for Responsible Investment, www.unpri.org
- United Nations Global Compact, www.unglobalcompact.org
- United Nations' Sustainable Development Goals, www.sdgs.un.org

3. Background

When first establishing its Responsible Investment Policy (“Policy”) in 2007, New Zealand Growth Capital Partners (**NZGCP**) was guided by the United Nation’s six Principles for Responsible Investment (**PRI**). The PRI are a voluntary and aspirational set of investment principles incorporating Environmental, Social and Governance (**ESG**) issues into investment practice. The PRI are as follows:

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles.

Given its relative size, mandate constraints and the resources available, NZGCP will seek to apply PRI, to the extent reasonably practicable recognising the resourcing involved and relative early stages of market reporting capability under Principle 6. While our Aspire NZ Seed Fund (**Aspire**) is a more active investor, and therefore better positioned to apply PRI, we will seek to encourage underlying funds of the VIF 1.0 programme (**VIF 1.0**) and the Elevate NZ Venture Fund (**Elevate**) to, the extent practicable to do the same.

NZGCP also considers global initiatives that it believes reflect the views of the majority of the New Zealand public, especially if those initiatives are supported by the New Zealand Government. We will monitor and consider any geopolitical or other factors which impact our investing and/or investments and which could impact adversely on New Zealand’s international reputation.

NZGCP is also mindful of the New Zealand Government’s target of net zero emissions in New Zealand by 2050 and will develop strategies to further enhance its Policy to effect this within its portfolio.

We will seek to report ESG matters to our Board and key stakeholders on a regular basis (see Reporting below).

4. Purpose and Scope

As investors and influencers in the start-up investment ecosystem, we are conscious of our role and duty to “do things right”, acting in the best long-term interests of our shareholders and other stakeholders. This is consistent with our Cornerstone Beliefs and recognises that if we do not act in a responsible way it will not only impact on our reputation and the reputation of others but may also impact us in a commercially adverse way.

We believe that ESG issues can affect the performance of investment (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying PRI may better align investors, co-investors, and investee companies with the broader objectives of society.

This Policy describes NZGCP’s approach to integrating, managing, and reporting ESG matters within its investment process. For clarity, this means the investment processes governing NZGCP’s Aspire, Elevate and VIF 1.0 funds.

This Policy also sets out the ethical principles and identifies grounds for excluding companies from investment and acts a guide for assessing ethical principles and grounds for exclusion and/or exit in relation to the activities of co-investment partners, and/or investee company shareholders.

5. Application and Responsibilities

This Policy applies to NZGCP directors, employees (including all permanent and temporary staff), independent Investment Committee members of our funds, and contractors.

While the CEO is the nominal “owner” of this Policy, consistent with best practice governance, the NZGCP Board is ultimately responsible for the design, implementation, and adherence to this Policy.

The CEO is responsible for the overall implementation of this Policy and will report to the NZGCP Board in this regard.

The Aspire and Elevate Investment Directors are responsible for implementing this Policy into their respective funds and will work with their teams to ensure implementation and adherence to the Policy. To the extent practicable, and in conjunction with the CEO, the Aspire and Elevate Investment Directors will seek to influence investee companies, investee funds, and where possible, co-investors, to adopt similar policy principles.

This Policy will be reviewed annually, and at that time, we will review the extent to which we have applied the Policy in our investment process, and the Policy’s effectiveness.

6. Policy Integration

ESG considerations are integrated into all aspects of the NZGCP's investment activities. We focus on:

- For underlying funds of Elevate and VIF 1.0, and Aspire, developing guidelines to integrate ESG considerations across different types of investments, including identifying both risks and opportunities relating to ESG matters.
- Ensuring effective engagement with external investment fund managers and partners and investee companies to better understand their ESG policies and practices, and where possible, influence them.
- Considering investments which provide positive social returns in addition to the required financial return.
- Maintaining an objective, transparent and practical decision-making process in response to investee companies breaching our Responsible Investment Policy standards.

We consider ESG factors when we identify investment opportunities, assess investment risk, undertake due diligence, and make decisions as an investor (either at initial investment or follow-on stage). For investments made by the Elevate Fund, we will also require external investment fund managers to assess their own portfolios and assess the risks and opportunities within them.

7. Positive intent

The nature of our investments is generally in technology based high-growth companies that are actively looking to solve global problems across the globe. We will monitor risks associated with our investments and seek to mitigate them, as and when they arise.

Our objectives in creating this Policy are based on international best practice (including the PRI, the Responsible Investment Association Australasia (RIAA) and UN global compact) together with the objectives of the New Zealand Government (both nationally and internationally, as those objectives relate to NZGCP) including:

- increased diversity in the workforce and in particular the start-up ecosystem;
- positive economic impact of our investments;
- increased wellbeing;
- increased positive social impact of our investments; and
- a target of a net zero carbon New Zealand economy by 2050.

We will actively seek out opportunities to invest in, and engage with and support, investments and management teams that are working towards these objectives.

Consistent with our public/private co-investment model, we recognise that the Aspire Fund will always be a minority investor alongside private capital. However, this does not mean we will take a passive approach to managing our investments. While we will have limited opportunity to influence an investee company's behaviours, but we will be an active decider of who and what we invest in and will actively monitor our investments and events which impact upon them. We will support investments in companies that seek to develop solutions to address the above ESG issues and will decline investments that are significantly exacerbating them.

For the Elevate and VIF 1.0 funds, we will encourage the underlying funds to adopt a similar approach but also to target more proactive progression of their underlying investments. This will include, in the first instance, identifying risks and opportunities to improve their performance on these matters.

8. Exclusions and/or Exit

Our first approach is to constructively engage with companies as per our Positive Intent section above. However, some companies' business models and practices will be inconsistent with our Policy and therefore these will be precluded from investment. However, consideration to invest will be given where an investee company provides a genuine and achievable commitment to remedy the issues that contradict our standards.

When deciding to exclude, decline or exit an investment, NZGCP will refer to the exclusion activities outlined below. NZGCP will adopt a transparent and objective process, taking account of the principles which align with the PRI, International conventions, New Zealand law, New Zealand Government policies and objectives and the investee company's involvement in the excluded activities.

8.1. Exclusion

Unless NZGCP can engage constructively with an investee company to proactively remedy any potential breaches of our Policy, companies will be excluded from NZGCP investment if they are (to the extent that such involvement is a material constituent of their business) involved in the design, manufacture or sale of any product or service including but not limited to those which:

- will knowingly and materially adversely impact the climate or the environment; or
- will be used (or could reasonably be expected to be used) as a weapon (or component of a weapon) against, or to cause physical harm to, civilians. This exclusion includes but is not limited to civilian automatic and semi-automatic firearms, magazines, or parts, or chemical or biological weapons; or
- involve the use of child labour, forced or compulsory labour or any other human rights abuses; or
- promote any form of discrimination based on race, culture, gender, sexual orientation, or other prohibited grounds; or
- relate to addictive products (including nicotine-based) or recreational cannabis products; or
- relate to illegal drug use; or
- relate to meat or other products of any endangered animal species; or
- are illegal in the country in which it is used or intended to be used; or
- relate to adult entertainment (including the promotion of pornography of any description); or
- otherwise have the potential to damage New Zealand's international reputation.

8.2. Exit

Circumstances may arise post investment, which place or may place an investee company in breach, or where a co-investor or investee company shareholder engages in activities which breach our Policy, including but not limited to the exclusion grounds outlined in section 8.1 above.

The nature of the breach or potential breach may vary in seriousness or reputational impact and a degree of practicality and/or pragmatism will be necessary when considering the circumstances which have arisen. NZGCP will objectively exercise its judgment when determining the degree of seriousness or potential reputational impact of those circumstances, recognising that an exit may not be in the best interests of the investee company nor NZGCP.

Our investments are in the main illiquid and in most cases of a minority nature. To the extent possible and practicable, NZGCP will seek to engage constructively with the investee company, co-investor(s) or investee company shareholder(s) as the case may be, to identify a practical solution for remedying the breach or situation giving rise to a potential breach of our Policy.

The situation is further complicated for investments via underlying the Elevate or VIF 1.0 funds. NZGCP will adopt the same practical considerations and approach when assessing any breaches or potential breaches of our Policy, recognising the additional constraints of indirect investment and intermediary funds.

If NZGCP deems the situation to be serious, and if it cannot be resolved constructively and/or practically, and after all other reasonable options have been exhausted, NZGCP will seek to exit its investment in the investee company.

The exclusion and exit grounds of this Policy apply to all investments where NZGCP holds shares directly, or indirectly through its investments in other funds. Any funds that NZGCP invests in will need to provide evidence that they have adopted and monitor compliance to a policy or policies similar to NZGCP's Policy.

Changes to the exclusion grounds list is delegated to the CEO in consultation with the NZGCP Board and will be periodically reviewed by the CEO and Aspire and Elevate Investment Directors.

9. Portfolio monitoring and compliance

We will monitor our portfolio on an ongoing basis to ensure compliance with these exclusion grounds. We may use specialist screening agencies to identify companies involved in these activities. We may also receive relevant information from other organisations with expertise in this field or from the companies themselves.

- We will also monitor our portfolio companies to understand the impact that they are having from an ESG and wider economic perspective, including:
 - Environmental impact
 - Social impact
 - Diversity
 - Economic impact (including jobs created, taxes paid etc)
 - Wellbeing of employees, customers, and other stakeholders
 - Risks and Opportunities relating to ESG issues

We will seek to ensure, where commercially and reasonably practicable, given our usual minority shareholding basis, that all investments we make, include an ability for us to exit those investments if they subsequently breach any of our exclusion grounds (including changes made to those exclusion grounds from time to time). We will review our commercial agreements periodically to assess the degree of compliance with this aspiration.

10. Transparency and Reporting

NZGCP is committed to transparency and will as is reasonably practicable and within our resourcing constraints report on progress against ESG key metrics.

The Executive team will report any breaches of this Policy to the NZGCP Board and the Limited Partners Advisor Committee (**LPAC**) of Elevate at the following scheduled meeting.

To the extent that any breaches or potential breaches are material or may have a significant adverse impact on the reputation of NZGCP or any of its stakeholders, such breaches shall be reported as soon as possible to the NZGCP Board, the Guardians, MBIE and any potentially impacted Minister under the “no surprises” rule.

11. Document History

Version	Date	Changes/Modifications	Approved by:
v1	Dec 2007	Initial Policy Document	Board
v2	June 2020	Modified to recognise establishment of Elevate fund and to align to recommendations from the Guardians' Responsible Investment Framework. Policy renamed from Socially Responsible Investing to Responsible Investment Policy.	Board
v3	May 2021	Modified to update Policy wording and to address circumstances where an investee company shareholder or co-investor in an investee company engages in activities which breach or potentially breach the intent of this Policy.	Board

Owner: CEO
Approved by: Board Review
Date: May 2022

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