
DELEGATED AUTHORITY POLICY

23 October 2024

Version 1.4

1. INTRODUCTION

- 1.1. Punakaiki Fund Limited (“PFL”) is an investor in growth companies. PFL is structured as an investment company and has contracted 2040 Ventures Limited as its external manager (“Manager”) to source and manage its investments.
- 1.2. The Management Agreement between PFL and the Manager sets out the Manager’s responsibilities and certain authorities conferred which allow the Manager to undertake investment activities on behalf of PFL.
- 1.3. Additionally, the day-to-day operations and other management/administrative activities of PFL are undertaken by the Manager, in conjunction with direction provided by the PFL Board (the “Board”) from time-to-time.

2. PURPOSE

- 2.1. The purpose of this Delegated Authority Policy (“the Policy”) is to:
 - a) detail the framework within which delegation of authorities are exercised within PFL; and
 - b) detail the authorities delegated to the Manager by the PFL Board.
- 2.2. This Policy provides the authority and discretion to:
 - a) commit PFL’s funds (other than for investments) and the subsequent payment for goods and services purchased in the course of PFL’s operations which is integral to the exercise of PFL’s financial governance;
 - b) undertake communications to PFL shareholders and other stakeholders, and undertake other operational activities on behalf of PFL; and
 - c) issue shares in PFL for both cash consideration and in exchange for shares in companies that are within PFL’s investment mandate as set out in PFL’s Statement of Investment Policies and Objectives (“SIPO”).

3. LEGAL FRAMEWORK

- 3.1. Sections 128(1) and 128(2) of the Companies Act 1993 provide that:

“The business and affairs of a company must be managed by, or under the direction or supervision of, the board of the company.

The board of a company has all the powers necessary for managing, and for directing and supervising the management of, the business and affairs of the company.”

This is confirmed (and paraphrased) in clause 13.1 of PFL’s Constitution.

- 3.2. Clause 13.3 of PFL’s Constitution (based on section 130 of the Companies Act 1993), goes on to provide that:

“Subject to any restrictions in this Constitution and the (Companies) Act, the Board may delegate to a committee of Directors, a Director or employee of the Company, or any other person, any one or more of its powers other than the powers listed in Schedule 2 of the (Companies) Act.”

- 3.3. PFL exercised these delegation rights under the Companies Act 1993 and its Constitution when it entered into the Management Agreement with the Manager.
- 3.4. For the avoidance of doubt, nothing within the Policy shall be interpreted or construed as conferring authority to enter into a Major Transaction as defined in the Companies Act 1993.

4. DELEGATED AUTHORITIES GRANTED BY MANAGEMENT AGREEMENT

- 4.1. The Management Agreement between PFL and the Manager dated 22 March 2024 (which replaced and hence supersedes the Management Agreement dated 25 March 2014) sets out the authorities conferred to the Manager to seek out, manage and divest investments on behalf of PFL. In particular, clause 2.4 sets out these broad terms:

“Subject to the specific limitations set out in this Agreement, for the purpose of performing its obligations under this Agreement, the Manager shall have the powers and authorities of a natural person to acquire, sell and otherwise deal with and manage the Portfolio and to do all things and execute all documents necessary for the purpose of, acquiring, selling or otherwise dealing with and managing the Portfolio as agent of the Company, provided that nothing in this Agreement shall authorise the Manager to act as agent of the Company or any Investment Entity in excess of the authorities and powers conferred on the Manager pursuant to this Agreement, the Investment Mandate (defined term), the CAP and the Delegated Authority Policy (the Policy), unless otherwise expressly approved by the Board. For the avoidance of doubt, to the extent of any inconsistency between the rights, authorities and powers set out in this

Agreement and those set out in any of the Investment Mandate, CAP and/or the Delegated Authority Policy, the relevant provisions of the Investment Mandate, CAP and/or the Delegated Authority Policy (as applicable) will take priority.” (Defined terms are per the Management Agreement)

- 4.2. Clause 2.4 of the Management Agreement provides the Manager relatively wide-ranging powers in respect of PFL’s investments, however clauses 2.5 to 2.10 of the Management Agreement list a series of restrictions to these powers. The restrictions which relate to PFL assets and operations, and as such requiring PFL Board approval by the Manager, are set out in clause 1.1 of Schedule 1 of the Policy.
- 4.3. In addition to the broad powers granted to the Manager by clause 2.4 of the Management Agreement in respect of PFL’s investee companies, the Management Agreement also delegates authority to the Manager in respect of the following:
- a) To appoint (as advisers to the Manager and/or to a PFL investee company) such legal, accounting, investment banking, specialist consultant and other advisers as it considers necessary or desirable for performing its obligations, or exercising its powers, under the Management Agreement (clause 2.10);
 - b) To arrange all equity capital raised by the Company including, but not limited to equity placements, rights issues and the exercising of the Company’s options (clauses 5.1 to 5.3); and
 - c) To arrange for the provision of general administrative and back-office functions and administrative services for PFL, including employing staff on behalf of the company (clause 4.1).

5. FINANCIAL DELEGATED AUTHORITIES

Quarterly Management Fee

- 5.1. Clause 1.1 of Schedule 1 of the Management Agreement states that the Manager will be paid a management fee, each quarter, that is an amount equal to 25% of the aggregate of:
- a) \$250,000; plus
 - b) 1.5% of the PFL’s Asset Value (as defined in the Management Agreement).
- 5.2. Clauses 7.2 and 7.3 of the Management Agreement state that the quarterly management fee payable to the Manager must be paid quarterly in advance on the first business day after the closing Asset Value for the previous quarter has been approved by the PFL Board, provided that this approval occurs no later than 10 business days after the end of the previous quarter.

- 5.3. Under clause 7.4 of the Management Agreement, if the PFL Board is unable to approve the Asset Value within 10 business days after the end of the previous quarter, then an interim management fee will be calculated in accordance with that clause, and will become immediately due and payable, with any remainder to be paid once the Asset Value for the previous quarter has been approved by the PFL Board.
- 5.4. In order to facilitate the payment of the management fee, the Manager shall be authorised to make a payment from PFL to the Manager when any of the conditions set out in 5.2 and 5.3 are applicable.

Administration Fee Payments to the Manager

- 5.5. The Manager shall be authorised to make payments from PFL to the Manager in respect of any payments owing to the Manager in accordance with the Administration Policy, with the timing of those payments to be in accordance with clause 4.1 of the Administration Policy (as amended from time-to-time).

Brokerage Fee Payments to the Manager

- 5.6. The Manager shall only make payments from PFL to the Manager in respect of settling any outstanding payments owing to the Manager in accordance with clause 7.9 (brokerage) of the Management Agreement with express permission of the PFL Board.

Performance Fee Payments to the Manager

- 5.7. The Manager shall only make payments from PFL to the Manager in respect of settling any outstanding payments owing to the Manager in accordance with clause 7.8 (Performance Fee) of the Management Agreement with express permission of the PFL Board.

Other Payments to the Manager

- 5.8. The Manager shall be authorised to make payments from PFL to the Manager in respect of other payments owing to the Manager as a result of activities specifically identified in clause 8.3 of the Management Agreement, where the Manager has incurred those costs directly, providing that the value of individual payments is less than NZ\$2,000. Where the amount of an individual payment is above NZ\$2,000, prior permission from the PFL Board will be required to incur the cost, with this permission not to be unreasonably withheld. This permission may, from time-to-time, be granted through the use of an approved annual budget, or other Board authorisations.

Other Payments to Third Parties

- 5.9. The Manager shall be authorised to make payments from PFL in respect of payments owing to third parties by PFL as a result of activities detailed in clauses 4.1 (Administration Services) and 5.1 (Fund Raising Services) and those specifically identified in clause 8.3 of the Management Agreement, providing that the value of an individual payment is no greater than NZ\$20,000. Where the amount of an individual payment is above NZ\$20,000, prior permission from the PFL Board will be required to incur the cost. This permission may be granted through the use of an approved annual budget, or other Board authorisations.

6. OPERATIONAL DELEGATED AUTHORITIES

Issuance of Equity Securities

- 6.1. The Manager is permitted to issue new shares, options and other equity securities in PFL, on behalf of PFL, providing the issuance of those securities has been previously approved by the PFL Board. For clarity:
- a) The PFL Board need only approve the type, price and characteristics of the security, the minimum individual parcel size and potentially the total offer volume, (although volumes will be determined by market demand where no minimum or maximum volume has been specified by the PFL Board);
 - b) The Manager may issue new shares arising from the exercise of existing options in PFL, providing the issuance of those options has previously been approved by the PFL Board;
 - c) The Manager may issue new PFL shares in return for cash as well as in exchange for shares in New Zealand companies that are suitable investments for PFL, providing that:
 - i. the issuance of those PFL shares;
 - ii. the price of those PFL shares; and
 - iii. the price of the shares being acquired;for that specific purpose has been previously approved by the PFL Board;
 - d) The Manager will ensure that the requirements of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 and PFL's Anti-Money Laundering and Countering Financing of Terrorism Programme are met;
 - e) The Manager will ensure that the requirements of the Common Reporting Standard (as amended by the modifications set out in Section 185O and Schedule 2 of the Tax Administration Act 1994) are met;

- f) The Manager will ensure that the requirements of the Financial Markets Conduct Act 2013 and associated applicable regulations are met; and
- g) The Manager will ensure that the requirements of the Takeovers Act 1993 and the Takeovers Code are met, and that it meets its obligations under PFL's Takeover Response Policy, if any and if applicable, at all times.

Selling Payment Shares

- 6.2. Under PFL's SIPO, the Manager may only dispose of existing PFL investments following formal approval from the PFL Board. In situations where approval is given for the sale of an investment and that transaction is settled in the shares of the acquiring company ("Payment Shares"), the Manager may dispose of those Payment Shares without seeking further approval from the PFL Board.

Transfer of Equity Securities

- 6.3. The Manager is delegated the authority to approve and process any bona fide requests for the transfer of PFL equity securities, providing that:
- a) The requirements of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 and PFL's Anti-Money Laundering and Countering Financing of Terrorism Programme are met;
 - b) The requirements of the Common Reporting Standard (as amended by the modifications set out in Section 185O and Schedule 2 of the Tax Administration Act 1994) are met;
 - c) The requirements of the Financial Markets Conduct Act 2013 and associated applicable regulations are met; and
 - d) The requirements of the Takeovers Act 1993 and the Takeovers Code are met and the Manager meets its obligations under PFL's Takeover Response Policy at all times.
- 6.4. The Manager, via PFL, is permitted to operate auctions and/or act as a clearing house or underwriter for the sale of shares (and options if applicable) between PFL shareholders and other parties. These activities may include PFL taking receipt of share or option sale proceeds from share or option buyers and redistributing those proceeds to the sellers, providing that those proceeds are held by PFL on trust for the transacting parties.
- 6.5. The Manager shall not unreasonably withhold the transfer of PFL's equity securities between applicants. Where the transfer has not been permitted by the Manager, the matter should immediately be referred to the PFL Board.

Operation of Bank Accounts and other Financial Facilities

- 6.6. The Manager is authorised to operate all of PFL’s existing bank accounts and financial facilities such as brokerage and foreign exchange accounts. The establishment of new financial accounts and facilities will require the approval of the PFL Board.

Communications

- 6.7. Subject to adhering to any legal and regulatory requirements, and the requirements of PFL’s Communications Policy, the Manager is authorised to:
- a) Send communications to PFL shareholders relating to the day-to-day operation of PFL including, but not limited to, announcements in relation to new investments, divestment, capital raisings (including the exercise of options) and general administrative matters;
 - b) Co-ordinate PFL’s strategy in dealing with the media, including making press releases, engaging in social media, media interviews and providing opinions. This also extends to providing updates, postings comments and answering questions to non-shareholders during capital raising processes;
 - c) Coordinate Annual Shareholders’ Meetings and present the Manager’s report and/or founder reports at those meetings;
 - d) Liaise with potential investors and investor/capital markets channels (such as investment banks) outside of periods of capital raising as a method of building PFL’s profile in the capital markets; and
 - e) Conduct advertising for the purposes of retail and wholesale offers (or other capital raising event) within the constraints set out from time-to-time by the PFL Board.

Regulatory Compliance

- 6.8. The Manager is authorised to administer PFL’s regulatory compliance requirements, including:
- a) Anti-Money Laundering and Countering Financing of Terrorism Act 2009 requirements, including nominating one of its employees as a Compliance Officer;
 - b) Common Reporting Standard (as amended by the modifications set out in Section 185O and Schedule 2 of the Tax Administration Act 1994) requirements;
 - c) Financial Markets Conduct Act 2013 and associated applicable regulatory requirements;
 - d) Takeovers Act 1993 and the Takeovers Code requirements; and

- e) Health and Safety at Work Act requirements, including nominating one of its employees as a Health and Safety Officer.

6.9. In respect of the previous paragraph, nothing within the Policy removes the statutory responsibilities of PFL Board in relation to their regulatory responsibilities.

6.10. The PFL Board must immediately be informed whenever the Manager identifies a meaningful reputational, financial or regulatory risk in the course of undertaking regulatory compliance duties as per the requirements of the Risk Management Policy, and the Crisis Management Plan.

7. NON-PERMITTED ACTIVITIES

7.1. Activities which are specifically not permitted to be undertaken by the Manager without the prior approval of the PFL Board are set out in Schedule 1 of the Policy.

8. ASSOCIATED POLICIES

Special Delegation

8.1. The PFL Board may provide special delegation to employees (to the extent relevant) of or contractors to PFL, or to the Manager, providing that this delegation is in writing, specifying both limits and any special conditions.

8.2. A delegation provided, as set out in the previous paragraph, shall be revocable at the discretion of the PFL Board.

Revocation

8.3. Any changes recommended to the Delegated Authority Policy by the PFL Board can only be made with prior agreement by the Manager.

8.4. The PFL Board has the right to alter any delegations as provided for under the Management Agreement with the prior agreement of the Manager.

Monitoring and Compliance

8.5. It is the responsibility of the PFL Board to ensure that there are adequate financial controls to safeguard the financial resources of PFL.

8.6. Full compliance with the Policy is required by the Manager and employees and contractors (if such special delegation has been provided to PFL employees and contractors by the PFL Board).

Consequences of Non-Compliance

8.7. Failure by the Manager to comply with the Policy will be dealt with by the PFL Board, who at their discretion may use the processes outlined in clause 11 of the Management Agreement (“Term and Termination”).

- 8.8. Failure by a PFL employee or contractor (to the extent relevant) to comply with the Policy might amount to misconduct or serious misconduct on the part of the staff-member (which may result in PFL taking disciplinary action), or may result in the contractor's service to PFL being terminated.

Operating Expenditure Splitting

- 8.9. Operating expenditure amounts may not be split into smaller amounts, or across time periods, in an attempt to engineer compliance with the Policy. Any attempt to split a transaction amount will be considered a breach of the Policy.

Other Matters

- 8.10. No person or group of persons may exercise a delegated authority on behalf of PFL if they stand to materially gain personally from the transaction, or if they have some other conflict of interest, other than those specifically envisaged as accruing to the Manager under the Management Agreement and the Policy. Non-material personal gains from the transaction are not intended to be limited by this clause, such as the accrual of benefit via a membership scheme such as Airpoints or Flybuys.
- 8.11. The exercise of a financial delegation must be in the best interests of PFL and be executed in good faith.
- 8.12. Where applicable, delegations may only be exercised within approved annual:
- a) Business plans; or
 - b) Operating budgets.
- 8.13. All authority limits in this policy are exclusive of goods and services tax (if any).

9. CONFLICTS BETWEEN DOCUMENTS

- 9.1. Should any clause in the Policy conflict with any clause in PFL's Constitution or the Management Agreement, then PFL's Constitution or the Management Agreement (as the case may be) shall take precedence.

10. REVIEW

- 10.1. The PFL Board and the Manager will review the Policy:
- a) every third year on or near to the third anniversary of the previous review;
 - b) at any time, there is a material change to the Constitution, the Management Agreement, the corporate structure of PFL or any legislation or regulation which impacts the policies outlined in the Policy; or

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c) at any other time as they see fit.

10.2. Any change to the Policy must be authorised by both the PFL Board and 2040 Ventures.

SCHEDULE 1: ACTIVITIES NOT PERMITTED WITHOUT BOARD APPROVAL

- 1.1. The following activities are not permitted to be undertaken by the Manager without the prior approval of the PFL Board:
- a) Investing PFL assets into a transaction that would result in a breach of the Socially Responsible Investment Policy;
 - b) Investing PFL assets into a transaction that would result in any form of breach of the SIPO;
 - c) Dealing, on behalf of a PFL investee company, with companies and other entities related to the Manager, which gives rise to fees, brokerage and commissions (per clause 2.6 and 2.7 of the Management Agreement);
 - d) Assigning any portion of activities to raise equity capital by PFL to third parties (per clause 5.1 of the Management Agreement), noting that this limitation does not extend to the Manager entering into brokerage and associated promotion arrangements with third parties;
 - e) Setting investment values, including writing down of investment values;
 - f) Opening bank accounts, using financial instruments or entering into financial arrangements, establishing a debt arrangement, setting funding requirements, hedging foreign currency receipts or expenses, or approving counterparties;
 - g) Establishing preferred supplier agreements, or entering into significant purchase contracts;
 - h) Making employment (to the extent relevant) related decisions on behalf of PFL, including making offers of employment;
 - i) Paying fines, and paying or agreeing to donations, sponsorship or koha;
 - j) Writing off debt;
 - k) Issuing any type of equity security or contracting PFL to issue any type of equity securities;
 - l) Issuing a PFL monthly or quarterly report or any external investor presentation or financial report;
 - m) Issuing a PFL interim or annual report;
 - n) Seek a shareholders' resolution from PFL's shareholders; or
 - o) Issuing the formal announcement and papers for the Annual General Meeting.

Version	Date Adopted
V1.0	2 February 2016
V1.1	2 February 2018
V1.2	15 February 2019
V1.3	12 February 2021
V1.4	23 October 2024