SOCIALLY RESPONSIBLE INVESTMENT POLICY PUNAKAIKI FUND LIMITED

13 November 2020

Version 1.1

1. INTRODUCTION

1.1. Punakaiki Fund Limited ("PFL") is an investor in high-growth New Zealand-based companies. It is structured as a New Zealand Limited Company and has contracted LWCM Limited ("the Manager") to source and manage its investments.

1.2. PFL's primary objective is to deliver shareholders significant returns over the medium to long term.[1] Investing for a longer time horizon requires a wide range of risks (both financial and non-financial) to be considered, which include Environmental, Social and Governance ("ESG") risks.

1.3. PFL considers that investing in a socially responsible way and considering ESG risks will help to deliver these returns to shareholders. It will also benefit society at large.

2. ESG ISSUES

2.1. Environmental issues are at the forefront of many today's ESG concerns. Carbon emissions and the associated climate crisis are considered by many to be the single most pressing issue facing the world today. There also a number of other environmental issues that are becoming an increasing focus of the public, including the improper disposal of plastics and other wastes, declining biodiversity and habitat loss. The unsustainable and interrelated nature of these activities points to the unsustainable nature of businesses that participate in them. There is a decreasing tolerance for investment in these types of business both from a environmental perspective, but also from a business sustainability and long-term financial return perspective.

2.2. Social issues play an important role in the public's perception of investments. Poor health and safety records or oppressive labour practices can damage a company's reputation and thus its long-term profitability, as well as lose its

[1] See the Statement of Investment Policies and Objectives for more details on PFL's investment objectives.

license to operate. Similarly, social trends, such as a growing concern about obesity, are likely to affect the long-term prospects of such sectors as food.

2.3. Weak corporate governance is a common thread found in many company failures. A lack of proper oversight by the board of directors, engagement in activities that are criminal or undesirable in nature, and incentives at companies that promote excessive risk taking are just a few of the examples that can be problematic for a company. This is a difficult balance when governing small and underfunded companies with an intrinsic chance of failure.

2.4. Examples of the categories of ESG issues are set out in the table blow.

Environmental Issues	**Social Issues**	**Governance Issues**
• Climate change • Pollution • Energy efficiency • Waste management • Water scarcity • Biodiversity	• Data protection/privacy • Diversity • Employee engagement • Community relations • Human rights • Discrimination	• Board composition • Bribery and corruption • Executive compensation • Political contributions • Protected disclosure schemes

3. POLICY

3.1. There are a multitude of approaches to Socially Responsible Investment, and PFL uses a combination of such approaches alongside its traditional investment methodology in the delivery of its investment objectives, including:

- **Exclusion** – negative screening is a front-end filter designed to avoid investment in any sector or industry which causes significant harm to people or the environment (see Section 5 for PFL's current exclusions); and

- **Engagement** – through the close relationships the Manager maintains with portfolio companies, PFL uses ownership leverage to encourage founders and management to consider ESG risks.

3.2. As a managed fund, PFL holds investments on behalf of a diverse group of individual investors, each of whom have their own set of personal values. Satisfying all investors' personal values through one investment policy is not possible. PFL considers it important to listen to and engage with its investor base and retain the flexibility to adapt its investment process if required.

4. ROLES AND RESPONSIBILITIES

4.1. The **Punakaiki Fund Board of Directors** is responsible for:

a) Ensuring the appropriate implementation of this policy by the Manager throughout their evaluation and ongoing management of potential investment opportunities.

4.2. The **Manager** is responsible for:

a) Applying the various approaches, and measuring potential risks outlined above when evaluating and managing potential investments.

b) Checking portfolio companies have appropriate levels of governance, and assisting where applicable, and taking action (including resigning) where unable to effect meaningful change.

c) Monitoring and encouraging the consideration of ESG risks by portfolio companies.

5. EXCLUSIONS

5.1. Unanimous PFL Board approval is required before PFL can invest in any business or enterprise which derives 10% or more of its revenue from its activities in any of the following listed industries:

a) pornography;

b) gambling;

c) alcohol;

d) tobacco;

e) weapons;

f) that have a materially negative direct or indirect environmental impact, including but not limited to:

i. fossil fuel extraction and/or sales of fossil fuel;

ii. the production, use, or improper disposal of plastics;

iii. non-sustainable farming practices;

iv. pollution; or

v. the production of significant greenhouse gas emissions.

5.2. The PFL Board will keep these listed industries under review and may consider adding additional industries, products or services for exclusion at any time.

5.3. Unanimous PFL Board approval is required before PFL can invest in any business or enterprise where its senior employees, its directors or the business itself can be characterised as, or have a history of:

a) Ineffectual governance (unless this can be remedied as part of a PFL investment or if it is appropriate or desirable for the size of the company);

b) Criminal activity (including bribery and/or corruption);

c) Performing or aligning with anti-social behaviour;

d) Mistreatment of employees;

e) Acting unfairly with customers or suppliers;

f) Having a poor approach to human rights;

g) Making poor ethical choices; and

h) Acting in a manner which may jeopardise its licence to operate or social licence.

5.4. The PFL Board will explicitly consider the directness of the link between an excluded industry or behaviour and each of its portfolio companies to ensure integrity between the intent of this policy and PFL's actions.

5.5. In the event an existing PFL investment changes such that:

a) the threshold in clause 4.1 is triggered;

b) the directness of the link with an excluded industry or behavious becomes of concern; or

c) any other circumstance which causes the existing PFL investment to be inconsistent with PFL's Statement of Investment Principles and Objectives;

the PFL Board shall determine the appropriate course of action with due consideration to the intent of this policy, and the effect of such course of action on the value of the PFL portfolio and on the value of the existing PFL investment.

6. REVIEWS

6.1. This Policy shall be reviewed:

a) every second year, on or near to the second anniversary of the previous review; and

b) may be reviewed more frequently as considered appropriate by the Board.

Version	Date Adopted
V1.0	August 2018
V1.1	November 2020