



Matū

Ethical Investment Policy

September 2019

In the fund FAQ documents sent out to prospective Limited Partners, it states that we will not “invest in any unethical areas (as defined from time to time by the Matū General Partner)”. While ultimately a case-by-case approach may be taken, it is helpful for us to have an internal calibration of what the fund believes is ethical or not, and to have some clear guidelines that can be communicated externally to prospective investees (companies that we could invest in) and investors (people who could invest in the fund) to show what our expectations are. This policy is living, and should be amended as necessary to reflect changes in society and changes in the standards held by the people in the fund. This policy is owned by the **Investment Committee**, as they make the final decisions on all investment opportunities, and must be comfortable with the ethical considerations being asked of them.

1. Principles

Our fund has a number of principles and values that underpin our work, drawn from Māori tikanga. The most relevant for this ethical investment policy is **kaitiakitanga**. Our fund must take a long-term view on the impacts of our actions and investments, and so we must ensure that what we do leaves the world in the same or better condition than we found it in. We must work to a high quality to ensure that what we do is sustainable, and leave the world in a place that is suitable for future generations.

Some other principles that can help us determine if something is ethical or not include:

- **Harm Minimisation:** Our investments should not actively make people’s lives worse. Sometimes, indirect effects may be unavoidable (e.g. an investee company overtaking an incumbent in the industry and causing redundancies). However, direct negative impacts such as worsening people’s health, destroying cultural practices or taonga, or long-term environmental damage should not be acceptable to the fund.

- **Rights Against Discrimination:** Our investments should not discriminate against people based on factors about themselves that they cannot choose. This includes discrimination against people on the basis of ethnicity, race, gender, age, sexual orientation, or disability. Sometimes, an investment may have a target market that unavoidably excludes a segment of society. However, a product or service that actively causes harm to a group of people or actively discriminates against

them should not be acceptable to the fund. Founders or teams who behave in a discriminatory or predatory manner should also not be considered suitable for investment by our fund.

- **Positive Impact:** Our investments should not just avoid being bad; they should seek to provide benefit and value to their customers, and make improvements to society and the world as a whole. This is as much a principle about the values and intentions of the team behind the project as it is about the product or service offering. An investment opportunity that merely continues the status quo with no broader positive impact should not be acceptable to the fund. This naturally comes as part of our desire to invest in companies with global disruptive impact.

2. Specific Exclusions

Things we will not invest in include:

- **Munitions and Weapons:** including the production of, or the supply of parts for, military or commercially-available weapons and/or firearms
- **Tobacco, Alcohol, and Drugs:** companies whose primary purpose is to manufacture or supply manufacturers of substances that actively cause harm to the health of consumers/users, especially where those substances are illegal under NZ law
- **Gambling:** companies whose primary purpose is to supply gambling products or services, that lead to detrimental psychological and physical effects for end users
- **Adult Content:** companies whose primary business is in prostitution or pornography
- **Human and Animal Rights:** companies whose products or services rely upon the discrimination, exploitation, or suppression of people or animals anywhere in the world, including child labour, slavery, poor working conditions, unsafe clinical trials, or coercive acts
- **Corruption:** companies who rely upon the use of corruption and/or bribery to access markets around the world
- **Environmental Harm:** companies who produce or supply producers of products that have long-term environmental impacts, such as fossil fuels, products that produce harmful pollution (e.g. livestock effluent), and products that directly rely on unsustainable extraction of natural resources (e.g. whaling or phosphate mining)
- **Unethical Use of Data:** companies who use data about users or customers to exploit them for financial gain without genuine opt-in consent or compensation

3. Due Diligence

This policy requires that the research team of the General Partner consider ethical issues when conducting Due Diligence into investment opportunities. Founders should be asked to articulate both what good they are doing beyond generating revenue and profit, and also to justify why they are not actively generating harm. Issues should be highlighted in the Due Diligence report, even if they do not fall under the specific exclusions above.

4. Grey Areas

All ethical investment policies suffer from the fact that there are subjective grey areas that cannot be easily defined as ethical or unethical. An example would be a company that sells a chemical testing product, with a tobacco processor as a customer. The company does not sell tobacco itself, but its product is tied to the manufacture and sale of tobacco products.

Investment opportunities that could have ethical issues associated with them should be flagged by the research team or project champion at Preliminary Due Diligence. The General Partner will decide, on a case by case basis, if investment opportunities that do not clearly fall under one of the previous exclusions are acceptable or not. Within the General Partner, this should be on a consensus basis where possible. All General Partners should be comfortable with the investment opportunity before progressing to Full Due Diligence. It should be noted that in some cases, ethical issues may only arise or become known during Full Due Diligence, at which point the Project Champion should make a decision about whether the project should progress to the Investment Committee or not.

As a final check, the Investment Committee has grounds under this policy to reject an investment opportunity if it determines that the opportunity contravenes the principles defined in this policy. Within the Investment Committee, this should also be on a consensus basis where possible (with the exception of the General Partner representative). If the Investment Committee rejects the investment opportunity, the Project Champion has the opportunity to go back and work with the team to try and address ethical concerns, and the project may be presented again for consideration in the future.

5. People

Just as the product/service offering of a company may be important, the people involved should also behave and act in an ethical way. The General Partner should also consider whether the people involved in any investment opportunity have a history of unethical behaviour. People should behave kindly, honestly, and transparently in order for us to have a positive and trustworthy relationship. This most importantly applies to founders, but also applies to co-investors, partners, and suppliers. If the decision is to continue to progress the opportunity, then this must be highlighted during Full Due Diligence so that the Investment Committee is aware and can factor it into their decisions.

Similarly, there is an obligation on the General Partner to ensure that the Limited Partners who have invested into the Matū Fund do so with integrity. Where possible, Matū should ensure that the money that is invested into the fund should not have been obtained in an unethical way. While it is not always possible to determine the exact sources of funds, the General Partner should make best efforts to ensure that the reputation and mana of Matū is protected.

6. Future-Proofing

One of the most challenging aspects of investing in early-stage science and technology is that the the company can change significantly after any investment has been made. The company may produce a new product, a new application may be found, or the team may change and/or behave in a way that is contrary to the principles of Matū.

Our investee companies should include in their reporting some consideration about the Environmental, Social, and Governance (ESG) factors that are material to long-term returns. The presence of new risks should be disclosed, and mitigated where possible. Where something new of concern has appeared, the General Partner should consider the potential impact, and decide whether to report it to the Investment Committee or not.

The Investment Committee is empowered under this policy to decide that Matū should divest from any investment if it becomes apparent that an investee company has breached our ethical expectations. It should be noted that it is not always possible to actually divest immediately, and Matū's responsibility is still to maintain and retain value for the fund as much as possible. The General Partner will make best efforts to find ways to divest from the investment if necessary. However, it should do so carefully, and in a way that tries to preserve the mana of the Fund and its investors.

7. Kotahitanga

While ethics can be very subjective, the aim of this policy is to bring the General Partner(s), Limited Partner(s), Investment Committee, and Investee Companies together onto a common page so that we can all progress forward together in an ethical and safe way. It is important that concerns are heard and taken seriously, and no person should be compelled to participate in something that they believe is unethical. Investee companies in particular should take this policy seriously, as the onus falls on them to act and behave in an ethical way, in order for our fund to be able to invest in them, continue to maintain those investments, and provide support.

This policy sets out specific exclusions, and procedures for what to do when cases are not clear cut. The intention of this policy is to ensure that all people within the Fund are well informed about potential ethical issues, to help guide people through the underlying processes without this policy getting in the way of decision making, and to empower people to take responsibility and own the decisions that they make.

8. Te Reo Māori Glossary

Tikanga – a set of procedures, customs, protocol that represent “the Māori way of doing things” that have been developed as tradition over time and are embedded in the social context.

Kaitiakitanga – guardianship, stewardship, particularly with regards to looking after the land, natural resources, and people in the long-run.

Taonga – treasures (particularly culturally significant objects, resources, ideas, techniques).

Mana – in this context, mana refers to spiritual power and standing.

Kotahitanga – oneness, unity, solidarity, collectively moving together.

9. Matū Fund Definitions

Investment Committee – the group of independent people who make the final decision about whether an individual investment should be made into an opportunity or not.

General Partner – the group of people who run the fund, including the General Partners and staff.

Limited Partner – the group of people who invest into the fund.

General Partners – the individuals who lead the General Partner team.

Research Team – the individuals conducting full due diligence on an investment opportunity (usually Venture Associates, Analysts, Interns).

Project Champion – the individual in the General Partner team that is taking ownership and shepherding a project through the investment process.

Due Diligence (DD) – the Matū DD process is in two main stages; a quick Preliminary Due Diligence designed to triage investment opportunities, and a Full Due Diligence that is more in-depth. Progression between a Preliminary and Full DD requires a Project Champion to be identified and a decision made to invest the resources into conducting a Full DD.