



BLACKBIRD

PORTFOLIO IMPACT & ESG POLICY

Blackbird Ventures Pty Ltd

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1. Purpose

We believe that no company - however big, or small - is an island. For any company to thrive it must be cognisant of all its stakeholders: its customers, its employees, its shareholders, the community that surrounds it, and the very physical environment it exists in.

More than just avoiding harm, we believe that the companies that will become truly generational are those that seek to have a positive impact on the world around them. They will be the companies that will successfully attract and retain top talent, win great customers, and find the best investment partners.

We acknowledge that impact may be positive or negative and our mission at Blackbird is to enhance the positive impact and reduce the negative impact or mitigate the risk of negative impact (we talk in the next section about what 'impact' means to Blackbird).

This has always been an inherent part of Blackbird's philosophy, captured in two of our core values - "we make our kids proud" and "we think in decades not days". These values have led us to investing in companies that seek to change the world through technology, and work alongside founders building world-leading companies.

As we set out our vision to be generational owners of these generational companies, we want to be even more explicit about how our values, investment thesis and approach to impact intersect. And, importantly, how this is a responsibility and opportunity we think about over the course of a company's lifecycle, not just at the point of investment. We know this is critical to the long-term success of our investors, our portfolio, and our firm.

This policy sets out the approach we take at Blackbird to apply responsible investment principles throughout the company lifecycle. We expect that these principles will continue to evolve and change over time as we grow Blackbird, learn from companies in and outside of our portfolio, and realise our vision.

References to "we" or "Blackbird" in this policy are to Blackbird Ventures Pty Ltd and its affiliates, excluding Startmate.

2. Impact at Blackbird

At Blackbird, we define "**impact**" as the combination of a company's purpose (the "what") and its practices (the "how", often captured by ESG, or Environmental, Social and Governance). It is expressed in the change they seek to create in the world, as well as the many important operational choices they make as they grow. These include how they treat their customers and users, how they think about their commitments to the environment, and the kinds of workplaces they create for their teams. Impact is the combination of these two and can therefore be framed as the effect that a company has on all its stakeholders: its customers, its employees, its shareholders, the community that surrounds it, and the very physical environment it exists in.

We chose to use the word 'impact' rather than ESG at Blackbird because it better describes the tangible positive effect that we strive for our actions to have on the world. And we believe "impact" will be better understood and embraced by our founders and their teams.

2.1. Our Principles for Impact

Our approach to impact stems from our vision, mission, and values. In designing our approach, we have been guided by the following principles:

- *Ambitious and inspiring* - Blackbird passionately invests in ambition, and our impact approach reflects the same wild optimism for the future.
- *Led by opportunity not risk* - wherever possible, we focus on value creation not downside risk mitigation. We strive for compliance, but we always have a growth mindset.
- *Founder-focused* - we are true believers in founders, and seek to serve and amplify them and their teams first.
- *Authentic* - our approach lives in our actions every day, and we welcome debate and challenge on our thinking.
- *Good stewards of capital* - we will work with our investors to help further their impact activities.

2.2 Application to Early Stage Investing

As early stage investors, we back ambitious founders at the embryonic stages of their company's life. That means that our commitment to impact is as much about how we can help founders build great, thriving businesses as it is about the initial investment decision we take. While we have committed to not investing in certain businesses and industries (see Section 4 below), our impact approach leads us to focusing more on assessing the opportunity for a company to have a positive impact on the world (through their purpose and practices), than applying pre-screening guidelines.

It is worth drawing out some features of our approach that distinguish us from other funds.

First, we do not require all businesses we invest in to have "positive impact" explicitly built into their business model, as is the case for "impact-only" funds. We believe there is potential for companies whose underlying purpose is impact "neutral" to still achieve positive impact through their practices. This is all the more so when they grow to be market-leading companies in their industries, since by definition those companies interact with thousands, if not millions, of stakeholders through their operations.

Second, in aiming to be a company's first investors, we are necessarily taking risk on them in their earliest stages. There will be times when we have to take an educated guess on what the future of a company might look like, and we won't always get those judgments right. But to help us in making that assessment, we have developed a set of questions or factors that we consider when making an investment decision. These questions also guide the programs and support we offer to portfolio companies as they scale.

2.2.1 Impact Factors We Consider

Impact may be positive or negative and our mission at Blackbird is to enhance the positive impact and reduce the negative impact or mitigate the risk of negative impact. Below is a list of factors

that we take into account when considering a company's impact. These are also stored in the tool we use to manage investment decisions.

We expect these to change over time but at the date of this policy they include:

- i. Does this business model enable products/services to be delivered in a more resource efficient way than the status quo?
- ii. Does this business model (including its supply chain) lead to significant: air and water pollution; deforestation; energy usage (including data centres); water use in scarce conditions; biodiversity loss?
- iii. Does this business change its customers' lives in a positive way? Are customers particularly satisfied, and how do you know?
- iv. Does the business have the potential to have a detrimental effect on people's lives, might it affect certain people unfairly or exacerbate social problems?
- v. Does the company seek diversity in its workforce and management? Gender, ethnicity, age etc.
- vi. Are there any risks of modern slavery in the company or its supply chain?
- vii. Does the company measure and prioritise employee engagement and culture?
- viii. Do we think the founders and their governance structures are aligned with generating long-term, generational value? For example, does the company have any unusual share classes or voting structures which might hinder decision making? Is generational value embedded in executive and team remuneration?
- ix. Does the capitalisation table show a reasonable level of founder and employee ownership?
- x. Does the company's impact and ESG positioning (including sources of revenue) offer up opportunities or risks in the event of an exit? For example, do we imagine if the company ever went to an initial public offering or was sold to another buyer that there would be a premium or a discount on the price because of the industries from which it derives some or all of its revenues?

3. Impact in the Investment Process

We make two kinds of investment decisions:

- i. a first investment where we have not previously invested in a given company; and
- ii. a follow-on investment into an existing portfolio company.

Prior to either kind of decision to invest, the investment team considers the positive and negative impacts of a company's business model on social and environmental factors (the "what" or purpose); and how the proposed company operates with regards to all its stakeholders, its impact on the physical environment, and its corporate governance (the "how" or practices). We weigh these factors

before deciding to invest, and - where we decide to proceed - use them to guide our work with founders post-investment.

3.1 Investment Decision Process

3.1.1 Preparing for a Company to Pitch

In preparation for bringing a company in to pitch the investment team, the deal lead must consider the company's positive and negative impacts, drawing on - but not limited to - the impact factors listed above.

The deal lead must then confirm that the investee company's business model is not on the Internal Prohibited Investment List (see Section 4). This list comprises all the businesses or industries Blackbird is contractually prohibited from investing in.

3.1.2 Pitch Feedback

Based on the company's pitch, each investment team member considers the potential positive and negative impacts, and how risks of negative impacts might be mitigated. These are captured in a post-pitch feedback form then discussed among the group.

3.1.3 Due Diligence Process

Following a preliminary decision to proceed further with the proposed investment, the deal lead works with the prospective investee company founders to further refine their view of the impact the company may have. Part of this work involves investigating any ESG concerns that have been raised as part of discussions with others in the investment/legal team and where practical gathering evidence of ESG related issues or achievements.

3.1.4 Investment Committee Decision

Prior to a final decision by the relevant Blackbird fund's investment committee to invest in the company, the deal lead prepares an investment paper which documents, amongst other things, the impact work completed by the team. This is considered by the Investment Committee when making an investment decision.

Blackbird believes that impact factors have an effect on the ultimate financial returns of our investments and these are taken into account when making our investment decisions.

3.2 Transaction documentation

Blackbird has three template "riders" available for inclusion in term sheets and transaction documents, in cases where Blackbird is negotiating those documents as a lead investor. These riders are compulsory to request in all term sheets and transaction documents:

- i. *Inclusion* - this rider states that is our intention to invest in companies that are consciously working to create a diverse leadership team, and that we ask each portfolio company to include an "inclusion rule" in its "people" policy so that at least one woman

and/or member of a population currently underrepresented within the company will be formally interviewed for any open executive position.

- ii. *ESG* - this rider specifies that the investee company will take ESG and modern slavery issues into account as part of its business and will engage with Blackbird as needed to adopt and develop internal ESG policies and practices that identify and address ESG opportunities and material ESG and modern slavery risks, which are risks that are likely to impact the value of the company over the medium to long term or have a negative impact on the reputation of Blackbird or its investors. The rider requires the company to agree to promptly inform Blackbird if it becomes aware of any material ESG or modern slavery incident or issue concerning or affecting the company from time to time. The rider also provides an acknowledgement by the investee company that it will provide certain ESG information or updates to Blackbird, upon request.
- iii. *Sustainability* - this rider contains one compulsory and one optional section:
 - a. *Compulsory* - For all companies, we include a rider that requires the company to commit to including an annual environmental review as an agenda item in at least one board meeting per year, at which the senior management team and the board will consider how the business can support sustainability and climate change mitigation through its operations; appointing at least one person in the senior management team who will take the lead on these initiatives; and working with Blackbird (and any other interested investors) to determine how the company's efforts with these initiatives will be measured.
 - b. *Optional* - For later stage companies, or where the company's exposure to environmental concerns is likely to be material, we instead include a rider that draws on wording set out by "Leaders for Climate Action", of which Blackbird is a member. This obliges the investee company to adopt an "Environmental Policy" within a specified time, and sets out a number of objectives relating to measuring and reducing the company's carbon footprint.

4. Prohibited Investments

Blackbird has identified some businesses/industries into which we will not invest due to significant adverse ESG considerations. We also from time to time may agree with certain of our investors that we will avoid a particular type of business or industry (due to such investors' own internal ESG policies).

We keep a register of such prohibited investments internally (which is updated from time to time), and the register is referred to as part of our pre-investment decision-making framework.

5. Impact Post-Investment

Blackbird's mission is to invest in wild hearts, with the wildest of ideas, right at the beginning. We aim to go on a multi-decade journey with ambitious founders and their teams as they grow generational companies.

We believe there are significant opportunities to help those founders to build world-leading companies that achieve real-world impact. Whether that is through the material scaling of their social or environmental mission and/or the positive impact they have on their stakeholders.

For this reason, as custodians and part-owners of these businesses, we seek to develop tools, resources, and guidance to live up to that responsibility and opportunity. We do this through a blend of:

- data collection that allows us to diagnose and measure progress, and
- ongoing support and engagement, including programs, resources, and relationships.

5.1 Reporting

As part of our portfolio reporting to our own investors, we collect and summarise company-level impact and ESG data, which covers themes including team diversity and engagement, climate and sustainability initiatives, and governance.

In the company profiles we include in each Fund report, alongside other elements of long-term company success like business, traction, product and team updates, we share details of ESG developments, including any major ESG-related issues. We seek to continuously improve the breadth and relevance of these measures over time, balancing the desire for data with the needs and capacity of our portfolio companies given their stage of growth.

5.2 Ongoing Support and Engagement

This is one of the most important elements of how we operationalise responsible investing at Blackbird. It is focused on action and continuous development relating to impact factors, and reflects the generational orientation of our investment practice and firm values.

5.2.1 Deal Lead Relationship

The deal lead responsible for a particular company builds close relationships with our portfolio founders and their teams. This enables Blackbird to understand the nature of an investee company's impact and, where possible, encourages the company to improve its ESG practices.

Deal leads are expected to be aware of ESG risks or opportunities the investee companies are facing, including modern slavery risks. They are responsible for proactively raising ESG topics with founders, and considering ways Blackbird can assist the company to take advantage of the opportunities or to deal with any risks, or amplify positive impact within the business. Where there are material risks the deal lead will report back to the senior investment team members.

5.2.2 Board Seats

Where Blackbird team members are a Director or "observer" of portfolio company boards, the relevant Blackbird team member uses this position to advocate for improved practices and processes with regards to impact, as appropriate to the maturity and resources of the company.

Where there are material risks, the Director/observer will report back to the senior investment team members.

5.2.3 Founder & Operator Success Programs

As part of our Founder Success Team programs, we aim to provide practical resources and advice to founders, on topics such as how to operationalise diversity, equity and inclusion in hiring and management, how to measure and mitigate climate risks in their businesses, and how to identify and address ESG and modern slavery risks and opportunities. We are building out extensive libraries of tools, resources, and guidance for portfolio companies to draw on as they implement new policies and adopt new practices.

Where relevant, we are also investing in more in-depth projects with portfolio companies to support them on impact-related issues. These range from building out their philanthropic activities, improving people policies, better measuring and scaling their product impact, and obtaining carbon neutral certification.

5.2.4 Founder & Operator Communities

In keeping with our foundational belief in the power of founders and community, we have built a strong ecosystem of founders and operators designed to help them draw on each other as they scale their businesses. This community can help founders learn from the decisions of others and discuss approaches to common challenges, including on impact-related topics. We also proactively connect teams that we believe would benefit from each other's experiences.

6. Impact and ESG Training

To ensure deal leads are well prepared to identify impact risks and opportunities and to discuss these with founders, each member of the Investment Team will complete impact (ESG) and modern slavery training and keep this training up to date as considered appropriate by Blackbird's Head of Impact/Operating Principal and Compliance Officer.

Other parts of the Blackbird team may be also required to complete impact training from time to time as deemed necessary by the Blackbird's Head of Impact/Operating Principal and Compliance Officer.

7. Responsibilities

It is important that impact is a team-wide activity and is built into everything we do. A committee made up of one representative from each of the Blackbird Operations Team, Impact Team, and the Blackbird Investment Team (as rotated from time to time) are together responsible for the implementation of this policy.