PENDER VENTURES

Signatory of:

PRI Principles for Responsible Investment

RIA Responsible Investment Association

Responsible Investment Policy – Venture Capital
Lead: Maria Pacella

How our organization defines ESG:

ESG refers to any environmental, social or governance factor that could positively or negatively affect the risk or return of an industry, sector or fund. These factors can be company specific, like board independence, or systemic, like climate change. Some of the issues we may consider are listed in the appendix to this policy. We consider "ESG strategy" to be synonymous with "Responsible Investment" strategy.

ESG issues matter to our Venture Capital mandates because:

ESG Investing is about principles and processes within the funds and portfolio companies regarding Environmental, Social, and Governance criteria. Accessing corporate ESG data that is comparable, consistent and material can be critical to long-term enterprise value creation. As we invest and work closely with early-stage companies, we believe we have the rare opportunity to help incorporate ESG in such a way as to maximize long-term financial value from the start. The Venture Capital team aims to support companies that can make a positive impact in the world and to uphold high governance standards that promote inclusiveness.

Scope of ESG considerations for our Venture Capital mandates:

ESG integration refers to the systematic and explicit inclusion of ESG risks and opportunities in the investment process. ESG factors are considered and incorporated into three stages (life cycle of investment) of our venture capital investment process – screening and due diligence, investment decision and documentation, and on-going engagement.

- Screening and Due Diligence – Systemic ESG factors are considered in the screening process through both positive and negative screening. The investment team seeks investment opportunities where there is alignment to the funds' mandate and systemic ESG framework as described below. Systemic ESG risk is also continually assessed when screening and sourcing prospective investments. Approaches to assessing ESG risk vary depending upon the category of risk and are deemed material. Risk assessments can include engagement with third-party consultant experts, extensive interviews with all stakeholders in the prospective investment, internal materiality analysis and reference/background checks.
- Investment Decisions and Legal Documentation – The investment team considers systemic and idiosyncratic ESG risk and opportunity during the decision-making process. Summary findings during due diligence are documented and communicated to all decision-makers applicable to the Fund mandate. During the closing processes, the investment team also collaborates and communicates directly with the management teams of its prospective investment. This collaboration during the closing process

enhances ongoing engagement post investment. Of note, when the investment team has influence, it will incorporate ESG reporting requirements into legal documentation.

- Ongoing engagement post-investment – Post-investment, the investment team monitors and reports upon systemic and idiosyncratic ESG factors. The investment team continually collaborates and engages with portfolio companies to both mitigate material ESG risk and capitalize on ESG opportunities. Collaboration and engagement includes:
    1. encouraging and promoting our investment team to quantify climate change impact, where appropriate;
    2. engaging with portfolio investments to ensure continual improvement of human capital management practices; and
    3. continually monitoring privacy and security risks in current investment companies, and effectively acting where and when needed. The investment team reports upon this engagement on an annual basis.

Responsibilities:

The Portfolio Managers of the mandates are accountable for achieving the policy's commitments. Portfolio Managers and investment analysts review ESG issues and integrate their findings into overall investment analysis and decisions, as well as handling engagement activities. ESG considerations in VC are materially important from both a risk and an opportunity standpoint due to the long duration and illiquid nature of these investments. In addition, our VC mandates will often structure investments with meaningful ownership and/or board rights that enable greater influence in engagement.

Implementation and engagement:

The Pender Ventures investment team seeks to continually improve its processes and procedures across investment decision-making, portfolio engagement and reporting standards. The implementation of an ESG integration strategy for Venture Capital mandates will be measured through portfolio companies' alignment with 6 of the 17 individual UN Sustainable Development Goals (SDGs) as described in the Appendix.

The Venture Capital mandate requires that the ESG strategy address the following systemic ESG Factors within the investment process: environmental impact (including climate change), human capital management (including diversity and inclusion) and Privacy and Security.

Systemic ESG issues are directly incorporated into these processes as we assess both risk and opportunity.

<u>Environmental Impact and Climate Change</u>

Opportunity: The technological solutions of our current portfolio companies and prospective investments can often tangibly impact environmental and climate change challenges. Research shows the climate change crisis is accelerating, meaning demand for solutions that positively impact climate change will continue to increase in the foreseeable future. This macro backdrop should correlate with improved business

outcomes for the businesses that build these solutions and higher potential investment returns compared to businesses that contribute to global warming.

Risk: As an investor in growth-stage technology companies, climate change risks are mostly nonmaterial for our current and prospective portfolio companies. However, the investment team still assesses this risk across the investment life cycle. The potential investment in technological solutions that service resource-intensive industries is the biggest potential climate change-related risk. When assessing prospective investments that service these industries, the investment team will unequivocally look for positive impact that can materially reduce the environmental footprint of these industries. Further, the investment team will absolutely seek to avoid technology businesses that could contribute to the increased use of material resources and/or face significant regulatory risk in these industries.

Summarized across the investment process, the investment team:

1. Actively screens for technology businesses that can positively impact climate change.
2. Looks to assess positive and negative impact to the climate crises during due diligence when applicable.
3. Encourages and promotes our current investments to quantify climate change impact, where appropriate.

Human Capital Management / Diversity and Inclusion

Opportunity: Our investment thesis is that people are the most important asset in early-stage technology businesses. As such, best practices in human capital management are paramount to the ability to generate above-average returns. To capitalize on this opportunity and effectively help portfolio companies in their human capital efforts, we have a Head of People Strategy on the investment team. The Head of People strategy works with portfolio companies and the investment team throughout the investment process.

The investment team views diversity and inclusion as a subsegment of human capital management. Research has shown diversity is positively correlated with better business outcomes. For example, diverse and inclusive organizational cultures are 8-times more likely to achieve better outcomes and companies with diverse management teams generate 30% better multiples on invested capital. Further, the investment team continues to prioritize building out a diverse investment team. To further capitalize on the diversity and inclusion opportunity, the team also actively works with portfolio companies to continually improve diversity and inclusion practices post investment.

Risk: Human capital risk can have a material effect on an investment's performance. These risks include potential for legal action, retention and recruitment challenges and culture or morale impacts. All of these risks have the potential to impact the financial and operating performance of our portfolio companies. The investment team and Head of People Strategy actively assess these risks throughout the investment

life cycle. Likewise, diversity and inclusion risks can also have material impact. Most notably, a non-diverse culture can lead to myopic thinking that can stifle innovation and directly affect operational metrics. As such, diversity and inclusion risks are also continually assessed throughout the process and holding period of any investment.

Summarized across the investment process, the team:

1. Actively screens for diverse and inclusive businesses.
2. Assesses human capital management practices (including DEI) during the investment due diligence process. These assessments include but are not limited to: ensuring proper creation and adherence to policies, interviewing current and former employees of human capital practices and seeking to understand the cultural priorities of each prospective investment.
3. Engages with portfolio investments to ensure continual improvement of human capital management practices throughout the holding period of the investment. Engagement includes participation in board committees related to human resources (such as compensation committees), tracking and monitoring diversity and inclusion statistics, ensuring adherence and effective communication of policies within the company and active recruitment efforts to enhance diversity and management and board levels.

Privacy and Security

Opportunity: Privacy and security is an ESG factor that is incorporated into the investment process. In terms of opportunity, a recent survey from IDG[1] suggests that more than half of CIOs indicated a need for budget increases to improve security. This sentiment is a macro trend that creates an opportunity to invest in technological solutions that help solve privacy and security concerns for other businesses. Data and privacy opportunities may be related to cybersecurity solutions and/or B2B platform solutions that enhance legacy and at-risk business processes. Tangible impact is viewed favourably by the investment team and positive screening may occur during the investment process.

Risk: Privacy and security is routinely a material risk factor inherent in investing into B2B software and health-tech. As such, the investment team focuses significant efforts to properly assess privacy and security risk throughout the investment process. During due diligence, the investment team will hire or review external third party cyber and technology risk assessments. These assessments are incorporated into the investment decision-making process. Post investment, the investment team actively monitors cyber and security risk as part of its responsibility as board members and fiduciaries. Monitoring may involve the creation of special committees and/or engagement with third-party experts.

Summarized across the investment process, the investment team:

1. Considers privacy and security investment opportunities.

[1] Foundryco.com - State of the CIO Study 2022

2. Assesses privacy and security risks during the due diligence process, including but not limited to: hiring third-party experts, reviewing security and privacy policies, conducting interviews with current and former customers, reviewing compliance attainment and adherence (such as SOC II) and review of technology development practices.
3. Continually monitors privacy and security risks in current investment companies and effectively acts where and when needed. Monitoring privacy and security risks can include active engagement at the board level, monitoring compliance audit findings, hiring third party experts and aiding recruiting efforts (such as hiring a CTO).

Corporate Governance

Opportunity: We believe strong corporate governance can lead to out-performance in shareholder returns. Based on these empirical findings, and the investment team's own assessment of the importance of effective governance, the investment team seeks strong corporate governance structures in its portfolio investments that reflect the stage and size of the respective investee company. It's important to note that strong governance can help mitigate all other Systematic ESG Risk Factors, which, in and of itself, is an opportunity. Further, strong governance structures can help align strategic thinking; increasing the effective strength of all stakeholders as they pursue common goals. Effective and strong corporate governance is rooted in a principles-based approach. The investment team will seek to ensure these principles are in place prior to an investment and/or work with its respective portfolio companies where gaps may occur. The investment teams' principles of strong corporate governance are as follows:

- A corporate culture that respects and seeks to remain in accordance with all applicable laws and regulations of the jurisdictions in which the business takes place.
- All stakeholders of a business act with integrity towards each other, understand and respect the essence of a long-term partnership and operate under the pretences of transparency and trust.
- Conflicts of interest are disclosed and/or avoided, when possible, to not undermine the partnership.
- Diverse and independent expertise is welcomed and encouraged at the board level and throughout the organization.
- Each board member fully understands and respects their fiduciary responsibility to the business and its stakeholders.
- Board oversight on corporate strategy and governance matters is encouraged by management, while members of the board understand and respect the boundary of their obligations. Board members seek to effectively provide resources and expertise to management, and management can depend on the board when resources and expertise are sought.

Risk: Inverse to the opportunity of effective governance, poor governance can lead to shareholder underperformance and permanent impairment of capital. Poor governance is often a result of a breach in one or more of our governance principles. As such, the investment team seeks to avoid portfolio investments with signs of

misalignment with these principles. During due diligence, the investment team assesses current governance structures and seeks to uncover areas of misalignment. Findings from these assessments will be incorporated into the investment decision-making process. The investment team also commits to monitoring governance risk during the investment holding period and proactively seeks to mitigate such risk. Strong governance also includes the investment team's dealing in the eco-system. As such, the investment team will also seek to ensure and incentivize all investment team members, employees and other stakeholders of the investment team to uphold the effective governance principles.

Summarized across the investment process, the investment team:

1. Seeks investments with a history of strong corporate governance that are aligned with the investment team principles.
2. Assesses corporate governance during the investment process and factors findings from such assessments into the investment decision-making process.
3. Continually monitors corporate governance risks during the investment holding period and proactively mitigates such risk when and if they occur. Further, we seek to ensure and incentivize all investment team members to uphold the effective governance principles.

Reporting:

- Pender's Responsible Investment Committee is led by a senior member of the investment team. The Committee meets at least quarterly. This Committee meets quarterly to discuss relevant ESG-related issues that impact our investment activities.
- We report responsible investing and portfolio impact at the Fund mandate level. We use a framework based on the United Nations' Sustainable Development Goals (UN SDGs) as applicable to the respective Venture capital investment mandates.
- The Venture Funds mandate will seek to report upon alignment with the UN SDGs on an annual basis. This reporting aims to both quantitatively measure impact and qualitatively share impact highlights of each company. Diversity, Equity and Inclusion (DEI) statistics are also gathered and reported upon on an annual basis.
- The PTIF LP I Impact Reports offers examples of the impact reporting structure. For PTIF LP I, six UN SDGs were chosen that best align with the Venture Fund mandate. The impact report segregates the UN SDGs into three themes, "Better Lives", "Better Inclusiveness", and "Better Planet". These themes reflect our desire to seek investments that better our world and people's lives, and a commitment to actively measure this impact.
- We commit to report any tangible impact across each investment portfolio company.

Review of Policy:

The Responsible Investment Policy specific to Ventures Capital mandates will also be reviewed on a biennial basis.

Legal and regulatory factors:

Pender is a British Columbia-incorporated company and therefore is subject to the laws of British Columbia and certain federal laws of Canada. Pender is registered as an Adviser in the category of Portfolio Manager ("PM"), an Investment Fund Manager ("IFM") and an Exempt Market Dealer ("EMD") in British Columbia, Alberta and Manitoba; an IFM in Newfoundland and Labrador, a PM, EMD and IFM in Ontario; and an EMD and IFM in Quebec, pursuant to the applicable provincial securities acts. Pender is governed by the provisions of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations ("NI 31-103").

The British Columbia Securities Commission ("BCSC") is Pender's principal regulator. Pender is subject to the British Columbia securities laws, including the Securities Act R.S.B.C. 1996 c.418 (the "Securities Act"), regulations and rules made under the Securities Act and the BC Rules or BC Instruments. Most of the BCSC's rules are harmonized with other Canadian securities regulators and are referred to as National Instruments ("NI") or Multilateral Instruments.

Fiduciary responsibility is the duty to act for the benefit of another party in matters coming within the scope of the relationship between them. A fiduciary must place this obligation first in all dealings and must avoid potential conflicts of interest with this obligation and other inappropriate conduct. This duty sets a high standard that exceeds that which may be acceptable in many other business relationships. As fiduciaries, each Pender employee must strive to ensure that all Pender Funds and private clients of Pender are treated fairly.

The CFA Institute Code of Ethics and Standards of Professional Conduct, as amended from time to time, is fundamental to Pender's values and essential to ensure the fair treatment of the Pender Funds and private clients of Pender by setting high standards of education, integrity, and professional excellence. High ethical standards are critical to our firm's ongoing success. As such, Pender has adopted the CFA Code. Further details may be found in the Pender policies and procedures manual ("PPM").