

Pender ESG Policy

Scope of the Policy

This policy describes PenderFund Capital Management's ("Pender") approach to integration, managing and reporting on Environmental, Social and Governance ("ESG") matters within its investment process. Fundamental to this Policy is our responsibility to act in the best interests of the unit holders. PenderFund believes that incorporating ESG matters into investment decision making process and active ownership practices are key to protecting and growing wealth for our investors over time.

Objectives

Purpose of this policy is to formalize a set of guidelines to incorporate ESG criteria into our investment process:

- a) For **unitholders** we seek to provide better risk-adjusted returns by analyzing potential ESG risks impacting their investments;
- b) For **investment team** we can add more value to our research, portfolio-management and risk-management analysis;
- c) For **regulators and other stakeholders**, we seek to demonstrate efforts to incorporate ESG matters into the investment process, and to contribute to the industry's advancement in this area.

Environmental, Social, Governance Responsibility Principles

Pender will be focusing on various environmental and social issues which could impact our investments, particularly when we believe it may be a material issue. Pender may engage in the review of any one or more issues of a portfolio investment company listed below:

- **Environmental** – Green house emissions, air quality, energy management, water & wastewater management, waste & hazard materials management, ecological impacts.
- **Social Capital** – Human rights & community relations, customer privacy, data security, access & affordability, product quality & safety, customer welfare, selling practices & product labeling.
- **Human Capital** – Labour practices, employee health & safety, employee engagement, diversity and inclusion.
- **Business model & innovation** – product design & lifecycle management, business model resilience, supply chain management, material sourcing & efficiency, physical impacts of climate change.

- **Leadership & governance** – Business ethics, competitive behavior, management of the legal & regulatory environment, critical incident of risk management, system risk management.

Good Governance Principles

Pender will be focusing on various governance issues which could impact our investments. Pender may engage in the review of any one or more activities or issues of a portfolio investment listed below:

- Compliance with relevant laws and regulation in countries of operation.
- Standards of business integrity, ethics and work against bribery and corruption.
- Clearly defined responsibilities and procedures in company management structures with appropriate internal control mechanisms.
- Level of board independence.
- Communication and disclosure of how ESG matters are managed.

Proxy Voting Guidelines

Pender strives to be an active investor by engaging with the companies in which we invest and/or by taking advantage of our voting rights to help effect change when needed. In doing so, we will be voting on proposals that involve ESG issues on a case-by-case basis. We have identified the proxy voting mechanism as effective way to drive good corporate governance. Pender will be supporting the following views on proxy issues in general for publicly traded securities and as appropriate for privately-held investments:

Board of Directors

- a) The majority of the Board should be independent of management. However, there may be exceptions for founder-led, private, family-owned companies or where there is material ownership by another party. In addition, we recognize that due to significant financial and other incentives to serve on Boards, independent directors, in many cases, are not truly as independent as often perceived.
- b) Audit, Compensation and Governance committees of Board should be consisting of majority of independent member from management.
- c) The roles of Chair of the Board and Chief Executive Officer should be separate*.
- d) Diversity as represented at the board level is preferred, assuming such candidates are qualified and competent.

Executive compensation

Pender will actively support compensation arrangements which align executive compensation with shareholder interests and motivate management to increase long-term shareholder value and fall within market competitive ranges.

Protection against takeover bids

Pender will generally support various takeover defenses that are aligned to the growth of long-term shareholder value and allow reasonable time for a firm to generate a competing bid.

PENDER

Forward thinking. Finding value.

Independence of external auditors

To preserve its independence, the vast majority of an auditing firm's revenue from the invested company should be generated from audit-related work versus other sources.

Shareholders' rights

Each situation will be evaluated on an individual basis, but we will generally not support transactions that do not treat shareholders equally.

Overall Engagement with Company

There have been occasions where we have considered intervention to be appropriate, where less public dialogue has failed to achieve a desired outcome and where we have determined the company's actions could affect shareholder value. Where appropriate, we will consider the views of other investors in deciding when and how to engage with companies.

Proxy Voting and Corporate Action Procedures

All proxy voting decisions are made internally based on recommendations from our investment analysts. With their in-depth knowledge of companies, they factor in the circumstances which may apply to each vote rather than using a box-ticking approach or relying on external service providers.

Advocacy

- We will be monitoring ESG practices of entities in which we invest and, through a cooperative dialogue with companies and related investments when able, encouraging that ESG matters be addressed.
- We will seek appropriate disclosure on ESG issues from entities in which we invest.
- We will encourage others in the investment industry to promote and enhance ESG practices in their investment process.

Compliance Monitoring

- The Pender's ESG committee is led by our Chief Investment Officer (CIO) and a senior member of Finops/Compliance.
- This policy will be reviewed at least annually by the ESG Committee.
- Clients may obtain information about proxies upon request. Pender discloses all proxy voting information to the public on our website: <https://www.penderfund.com/legal-and-financial/>.
- Our guiding principle as an organization is to always act in the best long-term interests of unitholders. In line with this overarching principle we decide, on a case-by-case basis, whether our clients' interests are best served by engaging with companies and/or by the sale of the shares of underperforming companies.

Ver 2. November 2020