

Responsible Investment Beliefs & Principles

Mission

To actively manage first quartile, differentiated strategies over the long term for like-minded investors.

Investment Philosophy

We seek to:

- Understand the quality of a business or security
- Obtain more value than we are paying for
- Deploy capital in flexible mandates
- Mitigate downside risk

Defining 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. We consider “ESG strategy” to be synonymous with “Responsible Investment” strategy.

ESG strategies tend to conform to at least seven distinct forms¹. ESG Integration, which refers to systematic and explicit inclusion of ESG risks and opportunities in the investment process, is the strategy that applies across all Pender mandates as a multi-asset class manager. Individual mandates may also deploy other ESG strategies in addition to ESG Integration.

Levels of ESG integration will vary depending on considerations outlined in “Pender’s ESG Principles”. The level of ESG integration and, if applicable, other additional strategies of Pender investment mandates are outlined in their respective Responsible Investment Policies.

¹ See Appendix A

We believe ESG issues matter because:

- Accessing corporate ESG data that is comparable, consistent and material can be critical to long-term enterprise value creation.
- It can potentially improve the quality of fundamental equity and credit analysis in both public and private markets by incorporating a broader information set beyond financial statements.
- Incorporating ESG analysis into our investment process is consistent with our investment philosophy: It helps to better understand the quality of a business or security, better determine factors that may impact value, deploy capital in flexible mandates and mitigate downside risk.

Pender's ESG Principles

Our ESG principles outline our approach. Together, they provide a framework that we apply across different asset classes and mandates.

- I. We apply our organizational ESG framework and principles across Pender's mandates, while adapting our approach to what is most suitable for each asset type or strategy.
- II. As a multi-asset class manager, the level of ESG integration or strategy at the asset type or strategy level is dependent on an assessment of five considerations:
 1. Risk and reward considerations – ESG considerations are part of our holistic approach to investment and business analysis. The relative importance of ESG issues can vary by security or investment approach relative to traditional risk and reward considerations.
 2. Materiality – We consider sustainability factors that are financially material for short, medium and long-term enterprise value.
 3. Estimated duration of the investment of the individual holding or underlying strategy – We believe ESG considerations tend to be greater as the time horizon is extended. In the long term, we believe ESG considerations that can potentially have an impact on the intrinsic value of a business or security will ultimately be reflected in security prices. Short-term, trading-oriented strategies could have minimal considerations, whereas securities with a longer anticipated holding period are more likely to include systematic and explicit inclusion of ESG risks and opportunities.
 4. Ownership stake within the context of the company and/or portfolio - Ownership stakes where we have meaningful influence on management or are significant weightings within a portfolio will generally receive greater consideration in the context of ESG issues.
 5. Investment mandate considerations – Portfolio managers deploy capital in flexible mandates that aim to deliver on our mission. This may also include additional ESG strategies to meet client requirements or the investment process of the Portfolio Manager.

Continuously monitor long-term ESG trends

Once a year, we will compile a list of emerging ESG trends and topics to identify potential research areas. Priority will be given to topics that could:

- Have a greater magnitude and probability of affecting the financial performance of our investments
- Affect a higher percentage of Pender's investments
- Represent a reputational risk to Pender and our clients
- Impact the overall integrity and sustainability of capital markets over the long term

Reporting and Monitoring

- 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. Our Responsible Investment Beliefs & Principles and Responsible Investment Policies will be reviewed at least biennially by the Committee.
- We have established reporting cycles and policies to keep ourselves accountable. We are signatories of UN PRI (United Nations Principles for Responsible Investment) and are therefore required to report on our responsible investment activities annually through the PRI Reporting Framework.
- Additional reporting and monitoring activities may vary by asset class and/or mandate and may be further detailed in their respective Responsible Investment Policies.

Appendix A

The Seven Distinct Forms of Responsible and Ethical Investment

APPROACH	TRADITIONAL INVESTMENT	RESPONSIBLE & ETHICAL INVESTMENT						PHILANTHROPY	
		ESG Integration	Exclusionary/negative screening	Norms-based screening	Corporate engagement and shareholder action	Positive / best-in-class screening	Sustainability-themed investing	Impact investing	
METHOD	Providing limited or no regard for environmental, social, governance and ethical factors in investment decision making	Explicitly including ESG risks and opportunities into financial analysis and investment decisions based on a systematic process and appropriate research sources	Excluding certain sectors, companies, countries or issuers based on activities considered not investable due principally to unacceptable downside risk or values misalignment	Screening of companies and issuers that do not meet minimum standards of business practice based on international norms and conventions; can include screening for involvement in controversies	Executing shareholder rights and fulfilling fiduciary duties to signal desired corporate behaviours - includes corporate engagement and filing or co-filing shareholder proposals, and proxy voting guided by comprehensive ESG guidelines	Intentionally tilting a proportion of a portfolio towards solutions; or targeting companies or industries assessed to have better ESG performance relative to benchmarks or peers	Specifically targeting investment themes e.g. sustainable agriculture, green property, 'low carbon', Paris or SDG-aligned	Investing to achieve positive social and environmental impacts - requires measuring and reporting against these, demonstrating the intentionality of investor and underlying asset/ investee and (ideally) the investor contribution	Using grants to target positive social and environmental outcomes with no direct financial return
INTENTION	Avoids harm								
	Benefits stakeholders								
	Contributes to solutions								
FEATURES AND OUTCOMES	Delivers competitive financial returns								
	Manages ESG risks								
	Contributes to better system stability and economic sustainability								
	Pursues opportunities and creates real-economy outcomes								

Source: Responsible Investment Association Australasia (RIAA) Responsible Investment Spectrum.

Appendix B

Throughout the entire investment process, Pender may incorporate any one or more activities or general issues of a portfolio investment listed below as part of its investment strategy:

Environment

- GHG Emissions
- Air Quality
- Energy Management
- Water & Wastewater Management
- Waste & Hazardous Materials Management
- Ecological Impacts

Social

- Human Rights & Community Relations
- Customer Privacy
- Data Security
- Access & Affordability
- Product Quality & Safety
- Customer Welfare
- Selling Practices & Product Labelling
- Labour Practices
- Employee Health & Safety
- Employee Engagement, Diversity & Inclusion

Governance

- 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
- Competitive Behaviour
- Critical Incident Risk Management
- Systemic Risk Management
- Diversity