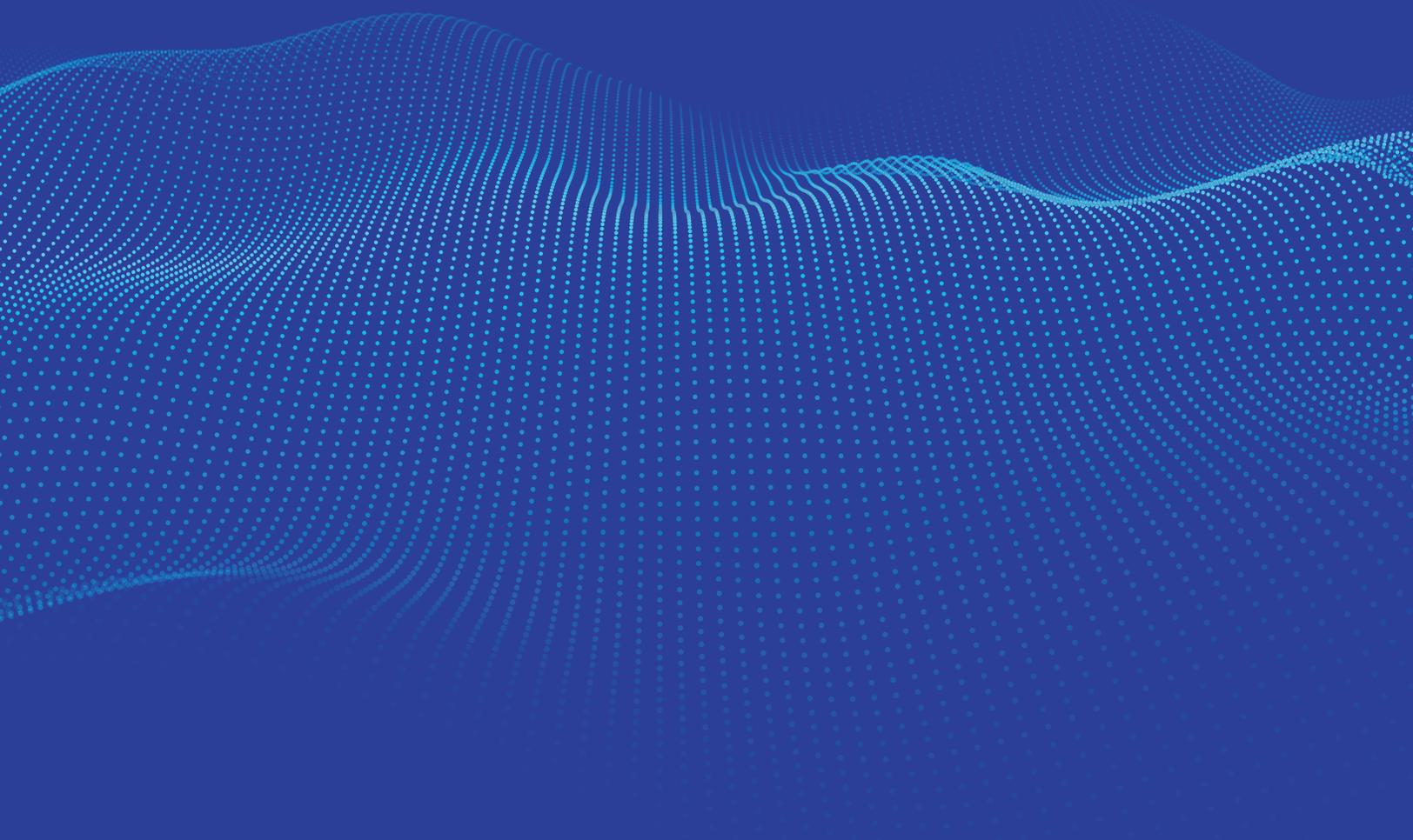




MCROCK
CAPITAL

RESPONSIBLE INVESTMENT REPORT 2021

THE RIGHT WAY



MESSAGE FROM THE CO-FOUNDERS

Greetings from out here on the edge. It's where we're most comfortable. And the perfect place to invite you on a mission with us—a mission to change the future of Digital Industrial investing.

If you're reading this, it means we share some common ideals—the idea that there is a right way.

What is the right way, exactly?

If we zoom out in space and time, looking at the planet from above, the answer is clear. You can see our impact on humanity and the planet itself, with a perspective that comes with a complete 360° view. After decades of making a difference, and ten years at the top of the mountain, we have a view of the Digital Industrial landscape like no other.

It began with a very personal mission to change the world by investing in companies that act in a way that other industrial businesses only speak about. There's lots of talk about the environment, social good and governance, but few take real action and hold themselves accountable to these standards.

We saw the role technology can play in helping industrial operations run better, faster, cheaper, safer and with lower environmental impact. We also saw the incredible opportunity to bring more diversity to these industries. We've seen, first-hand, companies with more diversity in their leadership teams create more value in their sectors and perform better because of that.

The way we see it the right way is good for the world and it's good for business.

This is the McRock Responsible Investment Report, and it sets a new standard. Today we share the tangible, visible and impactful measures we've put in place to implement our investment philosophy, for all the world to see, for us to live up to and for our industry to follow.

This is our journey. Come change the world with us, the right way.



Whitney Rockley and Scott MacDonald
Co-Founders, McRock Capital

2021 ESG HIGHLIGHTS

<p>\$182 million</p> <p>Assets under management (as of December 31, 2021)</p>	<p>17</p> <p>Portfolio companies since inception—13 active, 4 exits</p>	<p>Zero</p> <p>Portfolio company failures since inception</p>	<p>83.3</p> <p>Diversio Inclusion Score—12.3 points above industry average</p>
<p>50%</p> <p>Women team members</p>	<p>40%</p> <p>Women investment team members</p>	<p>50%</p> <p>Visible minority team members</p>	<p>60%</p> <p>Visible minority investment team members</p>
<p>Whitney received the Big Ideas Bold Leaders Award at the 2021 annual alumni awards of the Haskayne School of Business at the University of Calgary.</p>		<p>Three McRock portfolio companies—Poka, Miovision and Dott—participated in the G20 Innovation League Awards. Poka won the IoT and Wearables category and Dott placed second in the Smart Cities challenge.</p>	



Table of Contents

- MESSAGE FROM THE CO-FOUNDERS** 1
- 2021 ESG HIGHLIGHTS** 2
- OUR ESG JOURNEY—THE RIGHT WAY** 4
 - ESG Journey 4
- THIS IS US** 5
 - The Rise of Digital Industrial 5
 - About McRock 5
 - Our Team 6
 - Our Investors 7
- ABOUT THIS REPORT** 8
- OUR APPROACH** 9
 - ESG at McRock 9
 - Governance 10
 - Strategy 11
 - Risk Management 13
 - Metrics & Targets 13
- ESG WITHIN OUR FIRM** 14
 - Diversity & Inclusion 15
 - Business Ethics 19
 - Environment 20
- ESG IN OUR INVESTMENT PROCESS** 21
 - Our Responsible Investment Commitments 22
 - Our Responsible Investment Process 22
 - Material ESG Issues 24
- ESG IN OUR PORTFOLIO** 27
 - Portfolio Overview: How Our Portfolio Companies Address Global Challenges 28
 - Measuring ESG Performance in Our Portfolio 29
 - Portfolio Company ESG Spotlight—Action on Climate Change 31
- SASB INDEX** 37
- TCFD INDEX** 38
- ESG PERFORMANCE METRICS** 39

OUR ESG JOURNEY—THE RIGHT WAY

Our journey towards environmental, social and governance (ESG) didn't start with this report—it started right from our inception as a firm. In this report we're sharing where we've been and now we're looking ahead to how we will tackle the next stage of the journey. Doing it the right way means:

- Integrating diversity considerations throughout our investment cycle and carving out a niche as a venture capital (VC) industry diversity champion ([ESG in Our Investment Process—Social](#))
- Harnessing the potential of Digital Industrial to provide environmental sustainability solutions and accelerate the transition to a resilient, low-carbon economy ([ESG in Our Investment Process—Environmental](#))
- Supporting our portfolio companies to measure and account for the positive climate impact of their innovations ([ESG in Our Portfolio—Measuring ESG Performance in Our Portfolio](#))
- Applying best practice ESG guidelines within our investment process, including:
 - Sustainability Accounting Standards Board (SASB) Standards
 - Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations
 - Institutional Limited Partner Association (ILPA) ESG Data Convergence Project ([ESG in Our Portfolio—Measuring ESG Performance in Our Portfolio](#)).
- Walking the talk by incorporating ESG into how we run the firm ([ESG Within Our Firm](#)). If we expect our portfolio companies to operate responsibly, we need to lead by example. We're proud of these efforts, and our essential contribution to the global sustainability movement. Even if the impacts of our offices in Toronto and Calgary are small, every bit counts!

ESG Journey

2012	Scott and Whitney co-found McRock as the first investment firm focused exclusively on the Industrial Internet of Things (IIoT)
2017	Whitney becomes the first woman to chair the Canadian Venture Capital & Private Equity Association (CVCA)—establishing and chairing its first Diversity & Inclusion (D&I) Committee and Taskforce
2018	Scott and Whitney launch the thought leadership vlog and McRock Live series
2020	We roll out the Diversio for Portfolios tool for current and prospective portfolio companies
2021	We become a signatory to the Institutional Limited Partners Association (ILPA) Diversity in Action initiative We achieve certification to Diversio's Diversity VC standard
2022	We become a signatory to the Principles for Responsible Investment (PRI) We join the ILPA ESG Data Convergence Project We initiate the McRock Climate Opportunities Project to help portfolio companies measure and account for the positive impact of their Digital Industrial technology solutions on GHG emissions We publish our first Responsible Investment Report

THIS IS US

The Rise of Digital Industrial

We came here to change the world and we built McRock Capital as the vehicle to make it happen. Nearly two decades of investing in the industrial and energy sectors gave us front row seats to the impact these industries have on people, communities and the environment, locally and globally. That’s when we started McRock, with the mission to invest in companies accelerating the Digital Industrial Revolution with better, safer and climate-focused technologies.

The last decade has seen rapid advances in networks and availability of low-cost data storage enabled by cloud computing. For the first time in history, we could see machines and devices in rugged and remote locations connect, network and communicate with each other and their human operators in an “Industrial Internet of Things” (IIoT).

This was the beginning of a mega-trend where big industrial companies would begin to leverage the IIoT to reduce operational costs and disruptions and enhance efficiency. For the past ten years, we’ve dedicated ourselves to unearthing and supporting founders looking to upend the IIoT.

The new frontier in the Digital Industrial Revolution is combining next-generation data analytics, through artificial intelligence (AI) and machine learning, with data from a range of field devices, machines and equipment. As we look to the future, the time is right to look beyond the “things” within the IIoT and direct our focus on Digital Industrial software and its transformational potential for the economy and sustainability.

If you want to change the world, partner with people brave enough to find new and better ways. That’s just what we’re doing. Check out these innovators in [ESG in Our Portfolio—Portfolio Overview](#).

About McRock

We are McRock and we’re here to change the world, doing what we do best, investing globally in companies that are accelerating the Digital Industrial Revolution and supporting lasting, positive impact in their sectors. Founded in 2012 by Scott MacDonald and Whitney Rockley with offices in Toronto and Calgary, Canada, McRock is a team of wickedly specialized, high-performing people who are also kind, humble and a whole lot of fun.

	<p>Signatory of:</p> 		
<p>Signatory—Institutional Limited Partners Association (ILPA) Diversity in Action initiative</p> <p>Participating General Partner—ILPA ESG Data Convergence Project</p>	<p>Signatory—Principles for Responsible Investment (PRI)</p>	<p>Member—Canadian Venture Capital & Private Equity Association (CVCA)</p> <p>Board Member—Scott MacDonald, Co-Founder</p>	<p>Certified to Diversio’s Diversity VC Standard</p>

Our Team



**Scott MacDonald,
Co-Founder**



**Whitney Rockley,
Co-Founder**

"The right way is not the easiest way, but our dedicated approach to Responsible Investment will improve investment returns while delivering positive climate impact. A true win-win for people and the planet."

"Responsible Investment not only drives performance but is the right thing to do."



**Siddharth Srivastava,
Vice President**

"While the Responsible Investment landscape is changing and complex, disciplined managers will find strategies to deliver returns. RI values are compatible with the investment world."



**Ha Nguyen,
Vice President**

"Responsible Investment is not one-size-fits-all. Companies should align their core values with different RI approaches and not lose sight of the key investment philosophies and disciplines."



**Udit Bhatnagar,
Vice President**

"The investment decisions we make impact large industries. Keeping ESG considerations out of our decision making is NOT a choice as it impacts future generations and the planet."

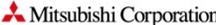
**Shohei Nagatsuka,
Investment Team**

**Akira Tanabe,
Investment Team**

**Susan Malik,
Head of Finance &
Operations**

Our Investors

Corporation

	Cisco is the global leader in IT and networking
	Shell is a leading international energy company
	Caterpillar is the world's leading manufacturer of construction and mining equipment
	Électricité de France is a French multinational electric utility company
	Mitsubishi is a global integrated business enterprise
	AspenTech is a leading provider of software and services for the process industries
	Wilson Sonsini Goodrich & Rosati is a premier legal advisor for technology companies

Financial

	Export Development Canada (EDC) is a Canadian financial Crown corporation that supports Canadian companies to succeed globally
	CPP Investments is a global investment manager that invests the assets of the Canada Pension Plan
	Business Development Canada (BDC) is a Canadian financial Crown corporation that supports entrepreneurs
	Teralys Capital is a Canadian private markets investment firm
	HarbourVest is a global private markets investment firm
	Alberta Enterprise Corporation (AEC) invests in VC funds that promote innovation in Alberta
	Fonds de solidarité-FTQ is a Québec development capital fund that invests in small and medium enterprises
	Kensington Capital Partners is a Canadian private markets investment firm
	Lionhill Global is the family office of Novotex Textiles and Novel Investment Partners
	Band Capital is the investment company of the Manix Family business, a 4 th generation family in Alberta, Canada

ABOUT THIS REPORT

Our Responsible Investment Report describes how we implement our *Responsible Investment Policy*. We are committed to reporting annually on responsible investment activities as well as our approach to ESG at the firm level and we will seek to enhance our reporting year over year.

Unless otherwise stated:

- The scope of data and information in the report is firm-wide and portfolio-wide
- Data covers the reporting period of January to December 2021
- Financial data is stated in Canadian dollars

The terms “McRock”, “our”, “we”, “us”, and other similar terms denote McRock Capital.

We seek to follow best practices by aligning our reporting to the following ESG disclosure standards:

- Sustainability Accounting Standards Board (SASB)—Asset Management & Custody Activities Standard
- The recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)

The content of this report also reflects our commitments as a signatory to the Principles for Responsible Investment (PRI), a member of the Institutional Limited Partners Association (ILPA) Diversity in Action initiative, a supporter of the ILPA Industry Code of Conduct Guidelines: Harassment, Discrimination and Workplace Violence and a participant in the ILPA ESG Data Convergence Project.

Venture Capital 101

We are proud of McRock and we want our Report to be read by as many people as possible including people who may be unfamiliar with the world of venture capital. Some key terms are defined below.

- **Venture Capital (VC):** Investment targeted at start-up, early-stage and growth-stage tech companies
- **Portfolio Companies:** The companies that receive venture capital investment from GPs
- **Founders:** The entrepreneurs who set up and run the portfolio companies
- **General Partner (GP):** The firm that runs a VC investment fund—selecting and monitoring the portfolio companies and partnering with them to help them grow and prosper
- **Limited Partner (LP):** The investors that provide capital by investing in the funds run by GPs—these include investors such as financial institutions, pension funds, as well as major corporations, family offices and individuals

OUR APPROACH

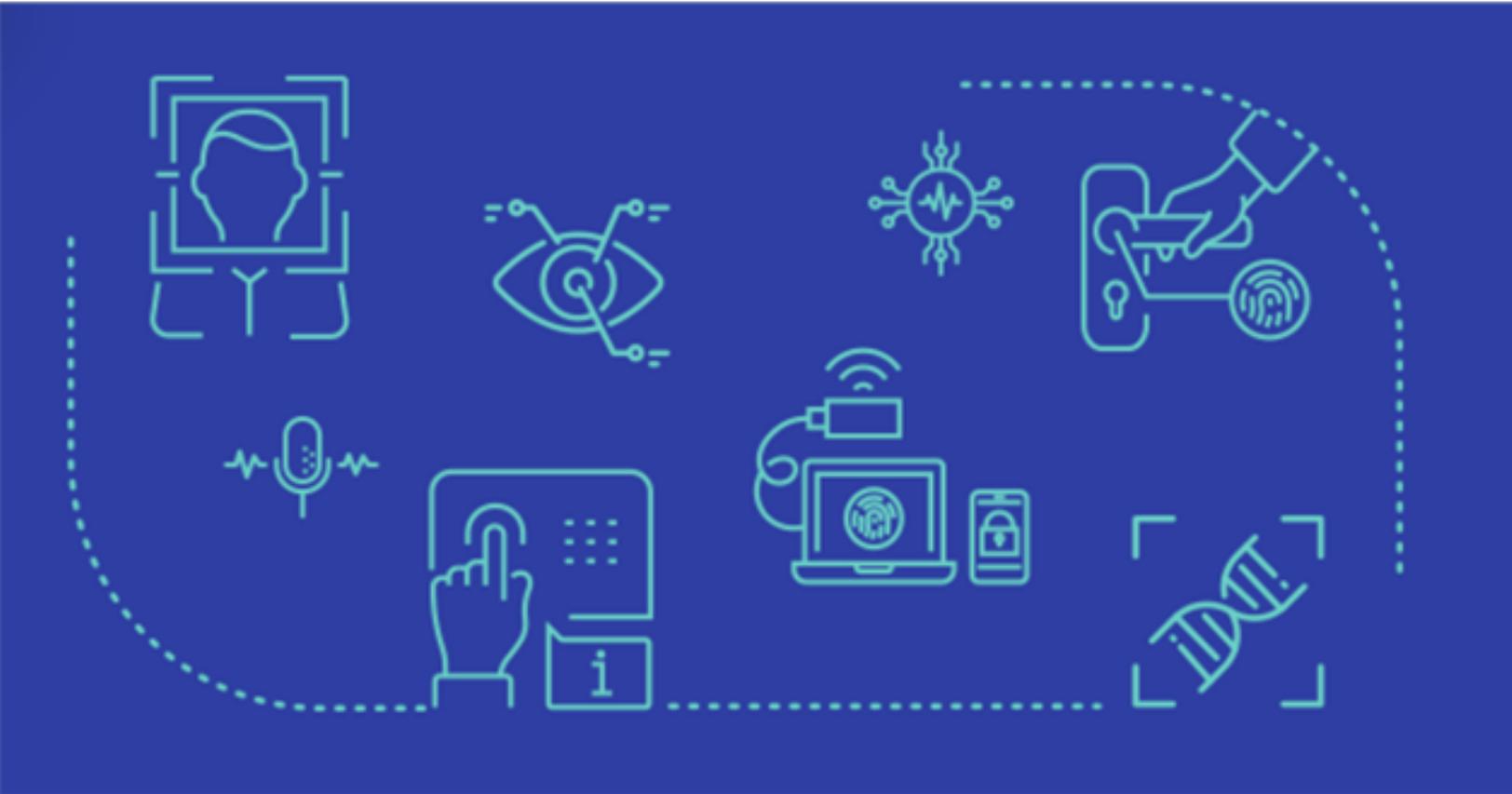
ESG at McRock

“We believe Responsible Investment drives the performance of our firm and our underlying portfolio companies, in addition to unlocking new business opportunities and ways of operating.”

With an exclusive focus on investment in the Digital Industrial space, we recognize the transformative power of technology and big data in the transition to a more sustainable economy. But we don't just want to invest responsibly, we also want to be a responsible firm. We are committed to making a positive impact as entrepreneurs, influencers and investors. To do so, we aspire to incorporate best practices through a holistic approach to ESG, encompassing:

- **ESG Within Our Firm:** How we consider ESG in the way we run the firm
- **Responsible Investment:** How we consider ESG in the way we invest
 - **ESG in Our Investment Process:** How we incorporate ESG in our investment strategy and in pre-investment due diligence and post-investment monitoring of portfolio companies
 - **ESG in Our Portfolio:** How we monitor the ESG performance of our portfolio companies

Our approach is formalized in our *Responsible Investment Policy*.



Governance

ESG Responsibilities

Our co-founders are primarily responsible for ensuring that ESG considerations are incorporated into our investment process and operations, including:

- Approving the *Responsible Investment Policy*, reviewing it annually and updating it as necessary
- Facilitating, monitoring and providing oversight of the implementation of the *Responsible Investment Policy* and incorporation of material ESG issues within the investment process
- Ensuring McRock’s capacity to implement the *Responsible Investment Policy*, by making resources available and through appropriate communication, training and education on ESG

All McRock team members are responsible for:

- Developing and maintaining processes to support implementation of the *Responsible Investment Policy*
- Reporting to the co-founders on progress in implementation of the *Responsible Investment Policy*

As a small firm, all our team members are closely involved in our Responsible Investment and ESG activities, and we meet regularly to discuss enhancements to our approach. To ensure that we incorporate best practices, we bring in external ESG advisory resources as necessary.

Climate Governance

Our co-founders have the highest level of accountability within the firm for management of climate-related risks and opportunities within our investment process and operations. All McRock employees participate in assessment, management and monitoring of climate risks and opportunities. [\[TCFD Governance \(b\)\]](#)

ESG Policies

Policy	Purpose	Date of Approval / Last Update
Responsible Investment Policy	How we consider ESG in the way we invest and the way we run our firm.	April 25, 2022
Code of Conduct: Diversity, Violence, Discrimination and Harassment Policy	Our commitment to provide a safe and respectful working environment, consistent with the ILPA Code of Conduct Guidelines.	September 19, 2019
Diversity & Inclusion Overview	Our commitment to diversity and inclusion, consistent with ILPA Diversity in Action initiative Foundational Commitment 1.	August 6, 2021
Code of Ethics	Our commitment to integrity, loyalty and honesty.	June 17, 2015
Policy Regarding Personal Investments	How we limit potential conflicts of interest between McRock Funds and our personal investments.	April 9, 2019
Computer Usage Policy	Guidelines for using company network and computer facilities.	January 10, 2022
Network Disaster Recovery Policy	Procedures for IT network disaster recovery, including critical technology platforms and telecom infrastructure.	January 10, 2022

Strategy

We believe companies harnessing the potential of the Digital Industrial Revolution to provide solutions to sustainability challenges present a significant and growing investment opportunity. By integrating consideration of material ESG issues into investments, we can better identify value creation opportunities and mitigate risks; by engaging portfolio companies to pursue improved performance on material ESG issues, we can better protect and enhance the value of our investments. We strive to seize the right opportunities, quickly. Recognizing the risks and opportunities presented by material ESG issues and the impact they can have on our business and investment strategy is part of the agile mindset that has driven the success of our firm since inception.

As a small, office-based firm, our biggest ESG impacts are indirect ones associated with our investments. Nevertheless, we believe we should demonstrate responsibility in our own operations, just as we expect portfolio companies to operate responsibly. Therefore, at the firm level, we prioritize compliance with applicable ESG laws and regulations and seek to follow ESG best practices.

Firm-Level ESG Issues

- [Diversity & Inclusion](#)
- [Business Ethics](#)
- [Environment](#)

Investment Process and Portfolio-Level ESG Issues

- Environmental
 - [Climate Change](#)
- Social
 - [Diversity & Inclusion](#)
 - [Data Privacy](#)
- Governance
 - [Corporate Governance](#)
 - [Digital Industrial Governance](#)
 - [Intellectual Property \(IP\)](#)
 - [Data Security](#)
 - [IT Systems and Infrastructure](#)

Climate Strategy

We are committed to incorporating climate risks and opportunities into our business and investment strategy. We seek to enhance our approach to evaluating and quantifying the actual and potential impacts of climate change for our portfolio, which we assess to be primarily on the opportunity side. We have identified climate-related opportunities for several of our portfolio companies, and we are partnering with them to leverage these opportunities, including through the McRock Climate Opportunities Project to assess the positive greenhouse gas (GHG) emissions impact potential of specific companies that provide climate-related technology solutions. Several of our portfolio companies provide solutions that support adaptation to the physical impacts of climate change, enhance energy efficiency or increase efficiency in renewable energy generation. Through participation in the ILPA ESG Data Convergence Project, we are encouraging all portfolio companies to measure and report their GHG emissions, which will facilitate further analysis of their potential climate risk exposure ([ESG in Our Portfolio—Measuring ESG Performance in Our Portfolio](#)). At the firm level, we assess the impact of climate change for our operations to be relatively limited. We will explore the resilience of our firm strategy under various climate change scenarios, with a focus on impacts for the portfolio. [[TCFD Strategy \(a\) and \(b\)](#)]

ESG Priorities for 2022

Status as of date of publication: Completed In progress

Activity	Firm Level	Investment Process	Portfolio Level	E	S	G	Status
Undertake a gap analysis of our current ESG approach against best practices	●	●		●	●	●	<input checked="" type="checkbox"/>
Review ESG expectations for Digital Industrial companies		●	●	●	●	●	<input checked="" type="checkbox"/>
Review climate-related risks and opportunities for the portfolio		●	●				<input type="checkbox"/>
Update our Responsible Investment Policy	●	●		●	●	●	<input checked="" type="checkbox"/>
Enhance and document ESG incorporation in portfolio due diligence and monitoring framework		●	●		●		<input type="checkbox"/>
Support assessment of GHG emissions reduction potential of portfolio companies with climate technology solutions focus			●	●			<input checked="" type="checkbox"/>
Participate in ILPA's 2021 ESG Data Convergence Project		●	●	●	●	●	<input checked="" type="checkbox"/>
Enhance reporting to LPs on ESG matters	●			●	●	●	<input type="checkbox"/>
Participate in four D&I initiatives annually	●	●	●		●		<input type="checkbox"/>
Provide a summer internship for a qualified New Canadian/visible minority candidate	●				●		<input checked="" type="checkbox"/>
Measure our carbon footprint at the firm level	●			●			<input type="checkbox"/>
Publish inaugural Responsible Investment Report	●	●	●	●	●	●	<input checked="" type="checkbox"/>

Risk Management

Our co-founders are ultimately accountable for firm-wide risk management, including ESG risks. Whitney takes the lead on risk management. Firm-level ESG risks are mitigated through our policies and procedures ([Our Approach to ESG—Governance](#)). Portfolio-related ESG risks are addressed through our pre-investment due diligence process and post-investment engagement and monitoring of portfolio companies ([ESG in Our Investment Process—Our Responsible Investment Process](#)).

Given the small size of our team, we work together to identify potentially material ESG issues, with support from external ESG advisors. In our pre-investment and post-investment processes, we seek to identify and consider all material ESG issues that could impact the value of portfolio companies. However, Digital Industrial is a new frontier for ESG, with few established ESG guidelines and standards. Recognizing this challenge, in identifying material ESG issues specific to the Digital Industrial space or to individual companies, we leverage our internal expertise, the expertise of our external advisors and ESG guidelines and standards, including the SASB Standards for Technology & Communications industries and the TCFD recommendations. We will continue to enhance the integration of ESG factors into the firm's overall risk management processes.

Climate Risk Management

We recognize that climate change poses significant long-term challenges that have the potential to substantially impact investments. We also recognize the opportunity for companies harnessing the potential of the Digital Industrial Revolution to provide climate solutions. We acknowledge the Paris Climate Agreement goal to limit the rise in global average temperature to well below 2°C above pre-industrial levels and preferably to 1.5°C, which requires the global economy to achieve net-zero GHG emissions by 2050. We also acknowledge the TCFD recommendations on disclosure of climate-related risks and opportunities. We seek to enhance our approach to identification and management of climate-related risks and will review climate-related risks and opportunities for the portfolio. [[TCFD Risk Management \(a\), \(b\) and \(c\)](#)]

Metrics & Targets

Currently we collect diversity metrics at the firm level and portfolio level. Diversity statistics are incorporated into quarterly fund reporting to LPs.

We have set diversity targets at the firm level ([ESG Within Our Firm—Diversity & Inclusion](#)) and portfolio level ([ESG in Our Portfolio—Measuring ESG Performance in Our Portfolio](#)).

In 2022 we joined the ILPA ESG Data Convergence Project, through which portfolio companies will be encouraged to report a range of standard ESG metrics, including GHG emissions, renewable energy consumption, board diversity, work-related injuries, hiring and employee engagement. McRock is committed to enhancing ESG performance disclosure and seeking greater alignment with select ESG disclosure frameworks over time.

Climate Metrics & Targets

Although our firm-level GHG emissions are likely immaterial, in 2022 we plan to explore options for measuring our carbon footprint. At the portfolio level, we are supporting select portfolio companies to quantify the GHG emissions reduction potential of their technology solutions. We are also participating in the ILPA ESG Data Convergence Project, through which portfolio companies will report their Scope 1 and 2 GHG emissions, with the option to provide Scope 3 emissions ([ESG in Our Portfolio—Measuring ESG Performance in Our Portfolio](#)). [[TCFD Metrics & Targets \(a\)](#)]

ESG WITHIN OUR FIRM

In This Section

- Diversity & Inclusion
- Business Ethics
- Environment

Diversity & Inclusion

Why This Matters for McRock

“Investing in the right businesses has been instrumental to McRock’s success. However, investing in the right people has been equally, if not more, important. The people we depend on aren’t accidents of proximity or privilege.”

VC firms require highly skilled talent to make successful investments, yet the industry has a low level of diversity, implying that firms are failing to make effective use of the potential talent pool. There is evidence that diverse groups make better decisions in the investment context. McRock was founded with diversity and inclusion (D&I) as a key pillar. Our D&I mandate is to attract, retain and develop a diverse team through an inclusive culture, with a goal to drive performance.

Diversity refers to the range of human differences, which include but are not limited to visible dimensions such as race, gender and ethnicity as well as invisible dimensions such as religion, political beliefs and sexual orientation. Diversity also recognizes human differences in personality.

Inclusion refers to creating an environment in which people feel involved, respected, valued and connected, and to which individuals bring their authentic selves (ideas, backgrounds and perspectives) to their work with colleagues, entrepreneurs and investors.

Our Approach

As a signatory to the ILPA Diversity in Action initiative, we are committed to D&I at the firm level, including tracking diversity in hiring and promotions and setting goals and implementing practices for inclusive recruitment and retention, as set out in our *Diversity & Inclusion Overview*.

We are conscious that we may have unconscious biases. As we moved from a two-person shop to build a world-class investment team, our co-founders researched tools that we could use to neutralize bias in selecting potential new team members. We asked candidates to take a Plum talent assessment survey to explore human potential rather than relying on subjective criteria. Next, we used Spark Hire to conduct one-way video interviews in which every candidate got a chance to answer the same questions. Finally, we conducted blind case studies, reviewing each case study without knowing which candidate prepared it. Only after comparing the results from these three steps did we move on to in-person interviews, at which point our natural biases became an aware second thought and not the first impression that drove the formation of our opinions about the candidates.

We regularly assess workplace inclusion through Diversio.

We provide paid summer internships to recent graduates and young professionals from underrepresented groups. The interns experience many aspects of the VC business and have frequent interactions with all members of the investment team, including our co-founders.

Our team members are encouraged to be active in industry efforts to introduce underrepresented groups to the opportunity to make a rewarding career in private markets ([Case Study—Changing the Face of Venture Capital](#)).

The Diversio [Diversity VC Standard](#) is a global D&I certification standard that measures investor representation, inclusivity and accountability. McRock was part of the inaugural North American cohort to achieve certification in 2021.

Aligned to ILPA’s Code of Conduct Guidelines, our *Diversity, Violence, Discrimination and Harassment Policy* formalizes our commitment to provide a safe and respectful working environment for our team members,

portfolio company team members and all who do business with McRock. We were one of the first Canadian investors to adopt the ILPA Guidelines.

Our Policies

- Code of Conduct: Diversity, Violence, Discrimination and Harassment Policy
- Diversity & Inclusion Overview

Our Performance

"Diversity drives innovation—when we limit who can contribute, we in turn limit the problems we can solve." – Telle Whitney, former CEO, Institute for Women in Technology

We've always known diversity is the right way to build a business and in all our years of investing we've seen diversity drive performance time and again. That's why we set aggressive targets for advancing diversity in an industry that has historically fallen behind.

Diversity is the right way for people and for business. In 2018 we set targets to enhance our team's diversity:

- At least 50 percent of our team should be women and at least 50 percent should be visible minorities
- At least 40 percent of our investment team should be women and at least 60 percent should be visible minorities

We met these targets by 2019 and are committed to maintaining diverse representation.

Diversity at McRock [SASB FN-AC-330a.1]—As of December 31, 2021¹

Full Team	ACTUAL					TARGET
	2017	2018	2019	2020	2021	Minimum
Category						
Women	60%	50%	50%	50%	50%	50%
Visible Minorities	20%	20%	50%	50%	50%	50%

Investment Team	ACTUAL					TARGET
	2017	2018	2019	2020	2021	Minimum
Category						
Women	50%	40%	40%	40%	40%	40%
Visible Minorities	25%	60%	60%	60%	60%	60%

Our 2021 Diversity Inclusion Score was 83.3 which is 12.3 points above the industry average.

¹ Diversity data does not include seconded staff and interns.

Since 2018, we’ve also set a goal to undertake at least four D&I initiatives each year, which can include events we host or co-host, speaking engagements, blogs and vlogs. In 2021, despite the impact of COVID, we were able to exceed this objective:

- Whitney became an advisor to [BKR Capital](#), a VC fund focused on investing in black-led companies in the technology space.
- We sponsored [HerStory](#)—a pitch competition for female entrepreneurs hosted by Alberta Innovates and The51.
- Ha co-led Canada-wide Female Founders, Funders and Fortifiers virtual events with BDC.
- We participated in ILPA’s quarterly Diversity, Equity & Inclusion Roundtables.
- Whitney spoke at Caterpillar’s first [Diversity & Inclusion Conference](#).
- We continued to mentor senior female team members at our portfolio companies.

Responding to COVID

It can easily be imagined that transitioning to virtual working was less of a challenge for McRock than for many other businesses. Nevertheless, recognizing the impact that lockdowns and isolation could have on mental and physical health, we rolled out a “Kick the COVID Blues” program for the team, paying for fresh food delivery and virtual workouts. Through the pandemic we have tracked and reported to our LPs on the implications of COVID for our strategy and funds, including Digital Industrial sector and market impacts, opportunities in post-COVID digitalization, the health of the McRock team, firm-level and portfolio company-specific operational impacts.

ILPA Diversity in Action Initiative

McRock is a signatory to the [ILPA Diversity in Action](#) initiative, a way for GPs and LPs to publicly signal concrete steps they are taking to advance D&I in their organizations and in the VC industry more broadly. To find out how Diversity in Action is changing the VC industry, check out [Diversity in Action—Sharing Our Progress](#).

Diversity in Action Framework	Status	McRock’s Action
Intention & Accountability		
Foundational 1: Has in place a Diversity, Equity & Inclusion (DEI) statement or strategy, communicated publicly, and/or a DEI policy communicated to employees and investment partners, that addresses recruitment and retention	Y	Website: Diversity at McRock <i>Diversity and Inclusion Overview</i>
Optional: Has assigned senior level DEI accountability, aligned with an investment or senior management role	Y	Our co-founders, Scott and Whitney, have the highest level of accountability for D&I. Whitney takes the lead for this topic.
Talent Management & Inclusive Culture		
Foundational 2: Has in place organizational goals that result in demonstrable practices to make recruitment and retention more inclusive	Y	ESG Within Our Firm—Diversity & Inclusion—Our Approach
Foundational 3: Tracks internal hiring and promotion statistics by gender and race/ethnicity	Y	ESG Within Our Firm—Diversity & Inclusion—Our Performance Website: Diversity at McRock

Optional: Provides unconscious bias training for employees on an ongoing basis		Under consideration.
Optional: Has in place diverse employee resource groups	N/A	This action is difficult to implement in a small firm – instead, we focus on industry engagement.
Optional: Incorporates contributions towards advancing DEI into employee performance reviews	Y	ESG Within Our Firm—Diversity & Inclusion—Our Performance We include D&I objectives as part of our annual goals.
Investment Management		
Foundational 4: Provides DEI demographic data for any new fundraises	Y	ESG in Our Investment Process—Social—Diversity & Inclusion
Optional: Tracks gender and race/ethnicity statistics within portfolio company boards/management teams	Y	ESG in Our Portfolio—Measuring ESG Performance in Our Portfolio We have joined the ILPA ESG Data Convergence Project.
Optional: Commits to encourage and promote diversity within boards of directors at portfolio companies	Y	Website: Diversity at McRock <i>Diversity and Inclusion Overview</i> <i>Responsible Investment Policy</i>
Optional: Provides DEI demographic data for all funds i.e., not solely new fundraises	Y	ESG in Our Investment Process—Social—Diversity & Inclusion
Industry Engagement		
Optional: Supports DEI research in the private markets industry by participating in surveys that capture data on diversity in the workforce	Y	We have joined the ILPA ESG Data Convergence Project. McRock also participated in the research for the CVCA/Diversio State of Diversity & Inclusion Report .
Optional: On a programmatic basis, supports industry efforts to educate underrepresented groups about careers in private markets	Y	ESG Within Our Firm—Diversity & Inclusion—Changing the Face of Venture Capital

Case Study: Changing the Face of Venture Capital

“When I retire, I want to be able to look back and see far more partners from underrepresented groups leading VC firms in Canada. I want to hear about the many different people who founded and ran successful tech companies that rivalled the tech giants of our time. I know we can get there if we do our part to encourage everyone to stay the course and simply never give up.” (Whitney)

“I am so proud of the amazing culture of D&I we have built at McRock. I am proud that our entire team has worked hard to change the VC industry so that some of the challenges that Whitney and other underrepresented people faced during their careers become a thing of the past. I am proud of my first decision ten years ago—to partner with a woman.” (Scott)

It’s no secret that the VC industry has lagged on diversity. According to the 2021 CVCA/Diversio [State of Diversity & Inclusion Report](#), 81 percent of Canadian VC partners are men, and 77 percent are white. Nevertheless, these statistics are now showing a more positive trend, with representation of women increasing by 8.4 percent and visible minority representation increasing by 5.2 percent since 2019. Alongside our efforts to promote diversity within the firm and in our portfolio, our team members have taken a leading role in VC industry diversity initiatives, and we are pleased to see that these efforts are beginning to have an impact. To ensure we make this a priority for the team, we have a target of undertaking at least four D&I initiatives each year.

Championing Diversity at CVCA

The Canadian Venture Capital & Private Equity Association (CVCA) is the voice of Canada's private capital industry. In 2017 co-founder Whitney became the first-ever woman chair of CVCA. Whitney launched and led the first CVCA Diversity & Inclusion Taskforce and Committee and took part in CVCA's 2018 cross-country tour to speak to women business school students about careers in VC and private equity.

Elevating Diverse Founders

It's not enough to increase diversity within VC firms—it's also vital to ensure that diverse founders have equitable access to VC funding. Ha co-founded Alberta Female Founders, Funders, and Fortifiers (4F), a networking group to promote the advancement of women in the tech space. In 2021 Whitney became an advisor to [BKR Capital](#), a VC fund focused on investing in black-led companies in the technology space. We also sponsored [HerStory](#)—a pitch competition for women entrepreneurs hosted by Alberta Innovates and The51.

Educating and Mentoring Diverse, New and Emerging Entrants to the VC Industry

Canada is an immigration country, but it can be tough for New Canadians to build a network and navigate unfamiliar career requirements. From 2018 until COVID hit, Siddharth took part in events designed to help highly skilled immigrants become successful in their adopted homeland, organizing get-togethers and participating in panel discussions on capital markets opportunities. Scott and Udit are also supporting emerging Canadian VC professionals through the Ivey Academy/CVCA Canadian Private Capital Investment School (CPCIS). Scott became an instructor for the CPCIS negotiation course in 2020 and Udit volunteers as an "investor-in-residence" for aspiring VCs.

Diversity Thought Leadership

Diversity is a key topic within our thought leadership communications, including our regular [blogs and vlogs](#). We have also profiled the efforts of industry leaders in diversity through the annual [McRock IIoT Symposium](#).

Business Ethics

Why This Matters for McRock

We operate in a highly regulated industry in which trust is paramount and investment managers have a duty to protect the interests of their investors.

Our Approach

Over the past ten years, we have built a reputation for integrity among our LP and portfolio company partners and within the wider VC industry. We seek to demonstrate responsibility in our own operations, just as we expect portfolio companies to operate responsibly. Therefore, at the firm level, we prioritize compliance with applicable laws and regulations and seek to follow best practices for ethical business conduct.

Specifically, we have established the following commitments and policies:

- Our *Code of Ethics* and associated policies formalize our commitment to transparency and accountability grounded in sound business ethics. We are committed to upholding strong corporate governance practices and to the prevention of extortion, bribery, corruption and financial crime.
- We are committed to financial probity, including properly recording, reporting and reviewing financial and tax information and clearly defining responsibilities, procedures and controls in our management structures.
- Aligned to ILPA's Code of Conduct Guidelines, our *Diversity, Violence, Discrimination and Harassment Policy* formalizes our commitment to provide a safe and respectful working environment.

- Our *Computer Usage Policy* and associated policies formalize our commitment to data security. As investors in the Digital Industrial space, we are acutely aware of the importance of data privacy and security. We have a rigorous approach to protecting the data of our investors, portfolio companies and our own firm. In this context, we have taken the strategic decision to store sensitive LP information with a well-regarded third-party fund administrator which operates in a SOC 1 Type II controls environment.

Our Policies

- Code of Ethics
- Policy Regarding Personal Investments
- Diversity, Violence, Discrimination and Harassment Policy
- Computer Usage Policy
- Network Disaster Recovery Policy

Our Performance

Since inception, we have not received any fines or sanctions for violations of business ethics or financial industry regulations [SASB FN-AC-510a.1].

Community Giving

Since 2020, we have made an annual donation to [Holiday Helpers](#), an organization that provides customized holiday season packages including gifts, decorations and festive food to low-income families with children in the Greater Toronto Area.

Environment

Why This Matters For McRock

Most of our environmental impact occurs through our investment portfolio (see [ESG in our Portfolio](#)). While we may be a small firm with limited direct impact on the environment, we prioritize being an environmentally conscious firm because this is important to our team.

Our Approach

We are currently exploring the potential to measure our direct carbon footprint.

Our Toronto head office is located at the Light Factory (219 Dufferin Street) a renovated heritage industrial building. The building has LEED certification for Existing Buildings: Operation and Maintenance. It is fitted with individual unit heating and air conditioning controls and energy-saving lighting. The building's **Energy Star energy efficiency score of 81 puts it in the top 20 percent of commercial buildings**. Recycling programs have been established for tenants. The building diverts 45 percent of its waste from landfill and has achieved 22 percent water savings.

ESG IN OUR INVESTMENT PROCESS

In This Section

- Our Responsible Investment Commitments
- Our Responsible Investment Process
- Material ESG Factors
 - Environmental
 - Social
 - Governance

Our Responsible Investment Commitments

With an exclusive focus on investment in the Digital Industrial space, we recognize the transformational power of technology and big data in the transition to a more sustainable economy. We believe companies harnessing the potential of Digital Industrial to provide solutions to sustainability challenges present a significant and growing investment opportunity.

Our *Responsible Investment Policy*, which was updated in 2022, sets out our approach to incorporating ESG considerations to our investment process both pre- and post-investment, through:

- **ESG integration:** By integrating consideration of material ESG issues into investments, we can better identify value creation opportunities and mitigate risks.
- **ESG engagement:** By engaging portfolio companies to pursue improved performance on material ESG issues, we can better protect and enhance the value of our investments.

As a further demonstration of our commitment to responsible investment, in April 2022 we became a signatory to the **Principles for Responsible Investment (PRI)**—the leading global coalition for responsible investors. As a signatory, we commit to six principles:

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles.

We also participate in Responsible Investment initiatives to help advance ESG both within both our portfolio and across the VC industry, including through **CVCA**, **ILPA Diversity in Action** and the **ILPA ESG Data Convergence Project**. In addition, we take into account the **Organization for Economic Co-operation and Development (OECD) Responsible Business Conduct for Institutional Investors**, which provides guidance on addressing any significant adverse impacts associated with investment portfolios.

Our Policies

- Responsible Investment Policy

Our Responsible Investment Process

“We are very active with our portfolio investments, so we only invest in a select number of high-potential companies—a maximum of 10 to 12 per fund. We work hard with each of them, as we believe that we can help every entrepreneur in our portfolio to be wildly successful.”

Our co-founders are primarily responsible for ensuring that ESG is effectively incorporated throughout our investment cycle.

We take a partnership approach to investment. **We typically sit on the Boards of our portfolio companies**, allowing us to develop strong relationships with management and creating significant potential to encourage progress on material ESG issues through engagement, driving self-sustaining ESG practices that support company growth and positive environmental and social outcomes.

How do we incorporate ESG to the investment process?

Pre-investment [SASB FN-AC-410a.2]

- Each of our senior investment professionals is responsible for ESG due diligence on potential deals.
- ESG information is gathered through our Due Diligence Questionnaire, meetings, calls and use of third-party tools such as Diversio and Plum to identify ESG value creation opportunities or risks.
- If material ESG issues are identified, they may be included in discussions with the Investment Committee and external advisors may be engaged to carry out additional due diligence.
- If we identify a need for improvement on a material ESG issue we engage and work with the potential portfolio company to develop a corrective action plan.
- Our preference is to engage where there is a need for improvement on material ESG issues. However, we exclude investment in technologies where the primary purpose is warfare or weapons-related.
- ESG findings and next steps are documented, including in Investment Committee documentation.
- As appropriate, we may include ESG terms in deal documentation and agreements with portfolio companies.

Post-investment [SASB FN-AC-410a.3]

- We communicate to portfolio companies our commitment to responsible investment.
- To manage ESG risks and value creation opportunities, we monitor ongoing progress of portfolio companies on material ESG issues.
- We encourage the management teams of portfolio companies to identify and raise material ESG issues to relevant decision makers, including the Board of Directors.
- Through our participation on the Boards of portfolio companies, we work with their other investors to encourage progress on material ESG issues.
- Where there is a need to improve management or performance on ESG issues, we work with portfolio company management to support development of a corrective action plan.
- We document ESG issues that are being monitored or managed, progress towards resolution and next steps.
- Portfolio companies are expected to inform us of significant ESG incidents and the steps taken to address them.
- We support portfolio companies' efforts to report externally and internally on their ESG approach and performance related to material ESG issues. Through our participation in the ILPA ESG Data Convergence Project, we encourage portfolio companies to develop consistent reporting on material ESG issues. Every quarter, portfolio companies report a range of performance metrics that include ESG metrics, such as diversity. These metrics are included in quarterly LP reporting.

Exit

- At exit, we assess the portfolio company's progress on material ESG issues and identify lessons learned.

Material ESG Issues

Some of the most prevalent ESG issues for Digital Industrial companies are discussed in this section.

In our pre-investment and post-investment processes, we seek to identify and consider all material ESG issues that could impact the value of portfolio companies. However, Digital Industrial is a new frontier for ESG, with few established ESG guidelines and standards. Recognizing this challenge, in identifying material ESG issues specific to the Digital Industrial space or to individual companies, we leverage internal expertise, the expertise of external ESG advisors and ESG guidelines, including the SASB Standards for a range of technology & communications industries and the TCFD recommendations.

What we're increasingly seeing is that innovation and sustainability outcomes are becoming intertwined. For example, does a Digital Industrial application increase productivity and energy efficiency? Or does a start-up recognize that the best young talent is drawn to more sustainable companies?

Environmental

Climate Change

At McRock, we like to invest in companies that solve a problem—and climate change is a systemic issue that presents risks and opportunities for businesses in almost every sector. While the first Industrial Revolution kick-started the modern era of climate change, the Digital Industrial Revolution has the potential to facilitate the transition to a more sustainable economy.

We seek to mitigate climate-related risks in our portfolio and to support the transition to a low-carbon economy by identifying sustainable value creation opportunities, including companies that provide sustainability solutions. To an increasing extent, climate change considerations will be integrated throughout our investment process, both pre-investment and post-investment. We will engage with portfolio companies to address climate risks and opportunities and support and encourage portfolio companies to report on climate metrics and targets, such as GHG emissions produced and avoided. Refining our approach to climate integration is a priority for 2022.

We continue to enhance our approach to evaluating the actual and potential impacts of climate change for our portfolio, which we assess to be primarily on the opportunity side. We have identified climate-related opportunities for several of our portfolio companies and we are partnering with them to leverage these opportunities, including measuring and accounting for the positive climate impact of their innovations ([ESG in Our Portfolio—Measuring ESG Performance in Our Portfolio](#)). Several of our portfolio companies provide solutions that support adaptation to the physical impacts of climate change, enhance energy efficiency or increase efficiency in renewable energy generation.

Through participation in the **ILPA ESG Data Convergence Project**, we are encouraging all our portfolio companies to measure and report their GHG emissions, which will enable further analysis of their climate risk exposure.

Social

Diversity & Inclusion

Recognizing the value creation potential of including diverse perspectives, and the historical and continuing diversity challenges within VC and technology companies, we prioritize diversity and inclusion (D&I) as a material ESG issue for all portfolio companies.

The Diversio [Diversity VC Standard](#) is a global D&I certification standard that measures investor representation, inclusivity and accountability. McRock was part of the inaugural North American cohort to achieve certification in 2021. The standard identifies what VCs can do to increase D&I across their portfolio and provides recommendations for implementation of D&I policies by portfolio companies.

As one of the first Canadian adopters of ILPA's Industry Code of Conduct Guidelines, we are committed to engaging portfolio companies to provide a safe, respectful working environment. Our portfolio-level commitments are formalized in our Diversity, Violence, Discrimination and Harassment Policy.

We use Diversio for Portfolios for data collection and analysis of current and prospective portfolio company D&I performance in areas including culture, career development, workplace safety and recruitment. At the pre-investment stage, we conduct a diversity assessment, including assessment of diversity practices and representation of women and visible minorities.

We work closely with management teams of portfolio companies to develop D&I strategies and practices, providing resources, tools and guidance. We require each of our portfolio companies to report diversity metrics each quarter, which we report to our LPs. Where possible, we participate in the Human Resources and Compensation Committee for all our portfolio companies.

As a signatory to ILPA's Diversity in Action initiative, we are committed to engaging portfolio companies on best practices relating to D&I and to monitoring their diversity performance. Performance data can be found in [ESG in Our Portfolio—Measuring ESG Performance in Our Portfolio](#).

Data Privacy

The Digital Industrial space leverages the power of data to drive and shape technologies that make operations safer and more efficient. But with this great power comes great responsibility to ensure ethical use, storage and sharing of data. Most of the data our portfolio companies work with is about machines—not people. This means our portfolio companies are unlikely to be using, storing or sharing sensitive personal data. If they gather location or demographic information, such as the location of employees for safety monitoring, it is anonymized. In general, we do not invest in companies whose business model focuses on collection, processing, storage or monetization of personal data.

In our investment due diligence, we take a case-by-case approach, assessing the type of data collected and what it is used for. This helps us analyze actual or potential data privacy concerns. We also assess data security to determine the company's capability to protect any sensitive data. We recognize there may be grey areas and that we cannot monitor every line of code used by portfolio companies. To address these concerns, we proactively engage with portfolio companies to discuss the types of data being collected and the use case.

Governance

Corporate Governance

Effective corporate governance underpins financial, operational and sustainability performance, but it can sometimes be an afterthought for start-up companies. We are committed to using our influence to facilitate good corporate governance practices across our portfolio. We seek to partner with companies that align with our values of transparency, accountability and compliance with legal requirements and best practices.

During pre-investment due diligence, we assess the governance quality of potential portfolio companies, including the roles of the management team and Board and whether there are clear communication channels between them. Post-investment, we aim to serve on the Boards of all our portfolio companies.

Digital Industrial Governance

A range of technology-related governance issues present significant risks and opportunities for most companies in the Digital Industrial space:

Material ESG Issues	Why This Matters	Risk	Opportunity
Intellectual Property (IP)	IP presents significant value creation and erosion potential for technology start-ups. Given the potential financial and operational risks associated with patent infringement claims, free and clear IP is a critical investment consideration.	●	●
Data Security	As well as data security, physical hardware security is also a significant risk in the IIoT, where any port can be a point of attack that can shut down systems and endanger safety. Specialist cybersecurity companies can present investment opportunities, particularly in the Digital Industrial space.	●	● (specialist data security companies)
IT Systems and Infrastructure	The stability and resilience of the IT systems and infrastructure that portfolio companies rely on to deliver their services, including third-party cloud computing services, is critical to their ability to satisfy customers.	●	

ESG IN OUR PORTFOLIO

In This Section

- Portfolio Overview: How Our Portfolio Companies Address Global Challenges
- Measuring ESG Performance in Our Portfolio
 - ILPA ESG Data Convergence Project
 - Targeting Enhanced Diversity at Portfolio Companies
 - McRock Climate Opportunities Project
- Portfolio Company ESG Spotlight
 - Portfolio Case Study #1: Miovision—Managing Traffic for More Sustainable Cities
 - Portfolio Case Study #2: Dott—Managing Green Mobility Through Life-Cycle Thinking
 - Portfolio Case Study #3: Clearpath Robotics—Monitoring the March of the Penguins
 - Portfolio Case Study #4: Worldsensing—Monitoring What Matters for Safer Communities
 - Portfolio Case Study #5: SkySpecs—Predicting a Future of More Efficient, Reliable and Sustainable Wind Energy

Portfolio Overview: How Our Portfolio Companies Address Global Challenges

As of December 31, 2021

The Goal	The Problem	The Solution	Portco	Founders
Affordable and Clean Energy	Renewable energy reliability	Autonomous inspections and predictive failure intelligence to optimize operations and maintenance	SkySpecs	Danny Ellis Tom Brady Jonathan Bendes
Decent Work and Economic Growth	Unsafe, inefficient factories and warehouses	Navigation AI and robotics to automate movement-based tasks	Clearpath Robotics	Matt Rendall Ryan Garipey Bryan Webb
	Security of physical spaces	Facial recognition, fever detection and analytics	Invixium	Shiraz Kapadia
	Workforce shortages in logistics and warehouses	Autonomous vision and robot supervision software	Plus One Robotics	Erik Nieves Shaun Edwards Paul Hvass
	Inefficient training and knowledge management	Factory floor worker performance app for on-the-job learning, knowledge access and process improvement capture	Poka	Alex Leclerc Antoine Bisson
	Operational anomalies and disruptions	Real-time data processing to improve productivity, product quality and safety	Praemo	Michael Martinez
	Unsafe industrial worksites	Intelligent technology and real-time data collection for worksite safety and visibility	Triax	James Franklin
Industry, Innovation and Infrastructure	Lack of access to the efficiency benefits of connectivity	Human-machine interface and smart surface solutions	E2ip	Eric Saint-Jacques
	Lack of access to efficiency benefits of AI in traditional industries	Enable companies with limited data sets to benefit from machine learning for visual inspection and product defects	Landing AI	Andrew Ng
	Inefficient analysis of information in contracts and legal documents	AI data solution for legal document analysis	ThoughtTrace (acquired 2022)	Nick Vandivere
	Impact of manmade disasters created by infrastructure failure	Remote monitoring and anomaly detection for critical infrastructure	Worldsensing	Ignasi Vilajosana
Sustainable Cities and Communities	Traffic congestion creating air pollution, GHG emissions and economic costs	E-mobility products and analytics	Dot	Henri Moissinac Maxim Romain
	Traffic congestion creating air pollution, GHG emissions and economic costs	AI for traffic signal planning and operations	Miovision	Kurtis McBride
Peace, Justice and Strong Institutions	Impact of natural and man-made disasters and unrest	Global disruption monitoring powered by big data and AI	Samdesk	James Neufeld Ashlyn Bernier

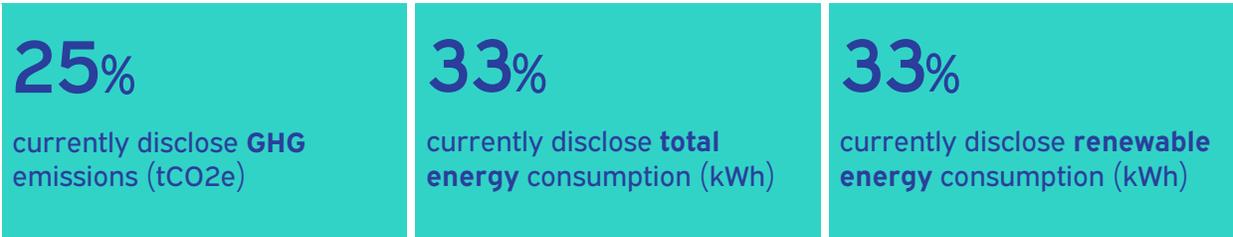
Measuring ESG Performance in Our Portfolio

ILPA ESG Data Convergence Project

Responding to a patchwork of differing investor requests and requirements on ESG can be a burden for portfolio companies. Through the [ILPA ESG Data Convergence Project](#), leading global GPs and LPs have partnered to align on a standardized set of ESG metrics and a mechanism for comparative reporting by private companies in their portfolios. Participating firms have agreed to report a core set of ESG metrics across six categories drawn from existing ESG frameworks, including GHG emissions, renewable energy, board diversity, work-related injuries, net new hires and employee engagement.

How did our portfolio companies perform on ESG in 2021?

ENVIRONMENTAL



SOCIAL



Targeting Enhanced Diversity at Portfolio Companies

For diversity to flourish at the top, companies need to create a diversity pipeline from entry level upwards. As well as board diversity data derived from the ILPA Data Convergence Project, we collect data on diversity in the management and workforce of our portfolio companies. Recognizing that there is scope for improvement, we have set targets to improve representation of women and visible minorities by 2026.

Portfolio Company Diversity Data Fund I	Average Percentage (as of December 31, 2021)			
	Management	Full Team	2026 Target (Management)	2026 Target (Full Team)
Women	26%	24%	30%	30%
Visible Minority	13%	29%	15%	30%

Portfolio Company Diversity Data Fund II	Average Percentage (as of December 31, 2021)			
	Management	Full Team	2026 Target (Management)	2026 Target (Full Team)
Women	29%	22%	30%	30%
Visible Minority	6%	30%	15%	30%

McRock Climate Opportunities Project

While we're delighted that 25 percent of our portfolio companies are already measuring GHG emissions, we'd like to make that 100 percent. But a company's GHG emissions are only part of the climate change story.

Climate change has the potential to create both risks and opportunities for companies:

RISKS		OPPORTUNITIES
Transition	Physical	
<ul style="list-style-type: none"> ● Policy & Legal: GHG emissions pricing, regulation and reporting obligations, climate litigation ● Technology: Substitution of products and services by lower-emission options ● Market: Reduced demand and increasing supply costs ● Reputation: Negative consumer and stakeholder perceptions 	<ul style="list-style-type: none"> ● Acute: Extreme weather events ● Chronic: Changing weather patterns, rising sea levels 	<ul style="list-style-type: none"> ● Resource Efficiency: Developing more efficient products and services ● Energy Source: Lower-emission energy, participation in carbon markets ● Products & Services: Developing new solutions addressing climate risks and opportunities ● Markets: Access to new markets ● Resilience: Adapting to the impacts of climate change

We assess the actual and potential impacts of climate change for our portfolio companies to be primarily on the opportunity side. In fact, many of the companies we invest in will have a net-positive impact on GHG emissions, because they provide climate-related technology solutions that allow other companies and organizations to reduce their own GHG emissions.

The question is: how much of a positive impact? And how can companies use this information to enhance value?

We believe in engaging with our portfolio companies to help them enhance all aspects of performance—and that goes for ESG performance, too. But talk is cheap, and we know that measuring GHG emissions impact isn't easy. That's why in 2022 we are putting our money where our mouth is, supporting relevant portfolio companies to explore climate opportunities by providing technical expertise to undertake tasks such as:

- Preparing a GHG emissions inventory
- Quantifying positive climate impact—in other words, how much the company's Digital Industrial solutions can help their customers to reduce their own GHG emissions
- Finding ways to leverage quantifiable evidence of positive climate impact to create additional value, for example, by creating credible GHG emissions offsets that can be traded in carbon markets

Portfolio Company ESG Spotlight–Action on Climate Change

“Every investment is a shared journey. When you look for revolutionary technology, you end up finding passionate people, and sometimes, an unforgettable anecdote.”

Most, if not all, our portfolio companies are harnessing the potential of the Digital Industrial Revolution to provide solutions to environmental sustainability challenges. In the following pages we profile how five of our companies are innovating to help companies, communities and scientists scale up today’s green economy, make sustainable technologies even greener, reduce GHG emissions and tackle the physical impacts of climate change.

MIOVISION

PORTFOLIO CASE STUDY #1:

Managing Traffic for More Sustainable Cities

FOUNDED: 2005
EMPLOYEES: 271
LOCATION: WATERLOO, ONTARIO, CANADA
MCROCK INVESTMENT: MARCH 2018
MCROCK BOARD SEAT: YES



If we asked you to visualize a source of transport emissions, a red traffic signal might not be the first image that comes to mind. But fossil fuel vehicles emit most GHG emissions (and other pollutants) through fuel consumption while accelerating—that’s why they get better fuel economy at a steady speed on the highway than they do in stop-and-go driving in the city. So, managing traffic networks in a way that reduces the number of times drivers need to stop and accelerate can have a measurable impact on GHG emissions. Makes sense, right? Miovision thought so. And built a business around this very concept.

Their technology uses artificial intelligence to process traffic video feeds and generate accurate data on road use by vehicles, bikes and pedestrians. This can be used to optimize traffic signal networks, operation and timing, and support urban planning, helping reduce congestion and improving the transportation experience for all road users.

We thought that sounded pretty cool, so we invested. (It wasn’t quite that simple. There was actually a lot of work that went into evaluating them as an investment prospect—it’s what we have to do every time we raise capital for a new portfolio company.) One of the many things we looked at was the company’s potential to make a positive impact on climate change and support long-term sustainability. Guess what. It’s pretty significant.

For example, did you know that in 2020, around 24 percent of Canada’s total GHG emissions were generated by transportation—the majority from freight and passenger trucks and cars? Investments in public transit, electric vehicles, micro-mobility and initiatives that encourage walking and cycling are all part of the solution, but realistically, fossil fuel vehicles will continue to be part of the urban transportation scene for years to come and reducing their emissions footprint is a priority. Miovision is helping to bridge that transition. They estimate that they can help cities reduce GHG emissions by up to 200 tonnes per intersection per year with their technology. That’s the equivalent to the emissions of about 44 cars for each intersection.

We’re happy to be along for the ride. Since 2005, Miovision’s systems have detected more than 30 billion vehicles and 1.5 billion pedestrians. And today Miovision serves nearly 1,500 customers in 63 countries. They think it’s a pretty cool initiative, too.

DOTT

PORTFOLIO CASE STUDY #2:

Making Green Mobility Greener Through Life-Cycle Thinking

FOUNDED: 2018

EMPLOYEES: 544

LOCATION: AMSTERDAM, NETHERLANDS

MCROCK INVESTMENT: APRIL 2021

MCROCK BOARD SEAT: GUEST



Dott is targeting less than 20g CO₂ eq/km in all markets, including through a 100 percent electric logistics fleet and use of renewable energy to charge its vehicles. Excellent.

But Dott isn't just seeking to provide green transportation that is emissions-free in operation—it focuses on the sustainability of the entire life cycle of its vehicles. This is the real ingenuity behind their sustainability goals. By building vehicles to last, they can better use the scarce materials and energy used in manufacturing. For example, Dott aims to exceed the 5-year lifespan for their vehicles and their first-generation scooters are still on the road three years after launch. By designing for the environment, Dott can further reduce the impact of vehicles at the end of their operating life. They are working to reuse, upcycle or recycle 100 percent of used vehicles or parts, including batteries.

There's a catch. Isn't there always?! Batteries are a major sustainability challenge for electric micro-mobility vehicles. They are made of mined materials, have not traditionally been designed with repair in mind and are challenging to recycle. Dott has a solution for that too, as they are looking beyond responsible battery disposal towards scalable re-use applications for batteries: their first battery "second life" project is now live, helping to store energy for a solar power farm. Ultimately, the goal is a circular economy approach in which battery components are designed to be reused again and again. Dott is partnering with battery experts Gouach to implement repairable battery solutions for micro-mobility vehicles. Apart from benefits in terms of materials efficiency and hazardous waste prevention, Gouach estimates that the repairable design could reduce a battery's carbon footprint by as much as 70 percent.

So yes, bring on more e-bikes and scooters! And we'll keep doing our part to support companies like Dott that keep their eyes on long-term life-cycle solutions and not quick-fix bandaids.

Fewer cars, more bikes. Could reducing greenhouse gas emissions really be that simple? Well yes, and no. Companies like Dott are working to make us less reliant on fossil fuel-powered vehicles by providing accessible micro-mobility vehicles (scooters and e-bikes) to complement public transit systems that are powered by renewable energy. But there is a whole lot more to their approach to tackling climate change than that.

Let's look at those micro-mobility vehicles first. Dott enhances traceability, safety and service quality for cities and riders across Europe by combining their hardware and software expertise with operational excellence. It's a fully integrated approach that brings vehicles, tech, management, maintenance and control operations in-house. Very cool. Those Europeans are way ahead of us in North America when it comes to embracing the shift away from fossil fuels.

Some recent data shows there is still a lot of work to do, though. In 2020, average GHG emissions intensity from new passenger cars registered in the European Union were 108g CO₂ eq/km.

CLEARPATH ROBOTICS

PORTFOLIO CASE STUDY #3:

Monitoring the March of the Penguins

FOUNDED: 2009

EMPLOYEES: 297

LOCATION: KITCHENER, ONTARIO, CANADA

MCROCK INVESTMENT: AUGUST 2020

MCROCK BOARD SEAT: YES



If the IIoT had a rallying cry it would probably be “better, faster, cheaper, safer.” Isn’t that the goal behind every organization’s digital transformation? Clearpath Robotics is taking it a step further. Their goal is to automate the world’s duller, dirtier and deadliest jobs. Sounds like the stuff of an action-packed reality show, but it’s true.

Clearpath Robotics is creating safer and more efficient work environments using navigation AI and robotics to allow automation of movement-based tasks in factories, warehouses and operational sites. Some of those workplaces obviously pose greater risks than others. (Remember that thing about automating dull jobs?) But consider this: their robots are now on the move on every continent, including possibly the world’s most hostile work environment—Antarctica. Definitely not dull. Dirty? Maybe. Deadly? If extreme cold in a barren and remote locale counts as deadly, then, yes!

Why do they need robotics in Antarctica? The company’s 2020 “PartnerBot” Grant Program put customizable robotic technology platforms into the hands of academic researchers to monitor Emperor penguins. ECHO is an autonomous/remote-controlled vehicle built by the Woods Hole Oceanographic Institution on Clearpath’s rugged Husky UGV platform. And yes, it is being used by the MARE project to monitor Emperor penguins—you didn’t read that wrong. The Emperors are an iconic species made famous in part by their starring role in the hit documentary *March of the Penguins*. And as a top predator in Antarctica, the health of the species helps scientists understand the condition of the entire ecosystem in the context of climate change.

Remote technology is an ideal solution, for a couple of reasons. First, there is the whole “the Antarctic is an extremely hostile working environment for humans” thing. But this project also requires gathering monitoring data with minimum disturbance to the birds. ECHO patrols the colony, sending back images and reading data from tagged birds, while creating far less disruption than would be caused by human monitoring activities. Humans win. Birds win. Digital technologies win!

It also made Clearpath Robotics an ideal portfolio company for McRock’s investment. Technology that can help preserve the health and sustainability of a species and an entire ecosystem in light of the pressures from climate change? No brainer.

WORLDSENSING

PORTFOLIO CASE STUDY #4:

Monitoring What Matters for Safer Communities

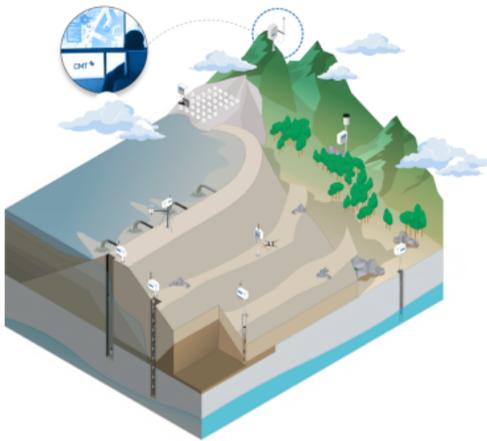
FOUNDED: 2008

EMPLOYEES: 97

LOCATION: BARCELONA, SPAIN

MCROCK INVESTMENT: JULY 2017

MCROCK BOARD SEAT: YES



It's almost impossible to turn on the news today and not hear about some natural disaster somewhere in the world, and increasingly, those disasters are being linked to climate change. Consider this: landslides are one of the hazards that are likely to increase in frequency because of climate change and the results can be catastrophic and deadly. In Malaysia, more than 600 lives have been lost in landslides since 1973. An increasing urban population drives residential construction on hillsides at risk of slope failure caused by extreme rainfall. Until we can stop climate change and reduce the number of landslides and other natural disasters that are attributed to it, efforts can be made to reduce the impact these events have on communities.

Worldsensing is doing something about that. They are addressing the physical risks created by extreme and changing weather patterns by reducing the vulnerability of communities to disasters, including from failure of critical infrastructure. They provide wireless remote monitoring solutions to clients in 70 countries, empowering them to make better decisions based on real-time data for safer management of infrastructure as diverse as mining tailings dams, tunnels, bridges, rail lines and iconic structures like the Ponte Vecchio in Florence. The monitoring data helps to improve efficiency, extend the life of assets through timely maintenance—and even prevent disasters.

Remember the Malaysian landslides? Worldsensing partner, MyStar, is monitoring three residential areas there using wireless tiltmeters and gateways to transmit data on slope stability and structural integrity multiple times per hour. In a context where manual slope maintenance is carried out at intervals as long as five years, Worldsensing's solution not only reduces inspection costs, but also creates the potential to give residents timely warning of landslides and allow them to evacuate to safety. Technology that can literally help save lives and prevent future disasters is not the stuff of fantasies. Worldsensing's technology and vision for safer communities made them an obvious choice for McRock to support.

SKYSPECS

PORTFOLIO CASE STUDY #5:

Predicting a Future of More Efficient, Reliable and Sustainable Wind Energy

FOUNDED: 2012

EMPLOYEES: 166

LOCATION: ANN ARBOR, MICHIGAN, U.S.

MCROCK INVESTMENT: NOVEMBER 2019

MCROCK BOARD SEAT: YES



A wind turbine may be the go-to image to illustrate the concept of green energy, but that doesn't mean there isn't potential to make wind energy even more sustainable. And the coolest part is that one solution uses another super-cool technology to make that happen. Drones. But first, let's look at the turbines.

The International Energy Agency's Net-Zero Emissions by 2050 Scenario relies on renewable energy's share of electricity generation growing from 29 percent in 2020 to 88 percent in 2050—including more than tripling wind energy capacity by 2030. The wind energy industry needs to improve efficiency and reliability, minimize unplanned downtime, increase output and extend the life of wind assets in order to meet this demand. The cost of a wind turbine blade failure can be as much as U.S.\$500,000, making timely maintenance critical, but manual inspections require lengthy—and costly—stoppages.

The longer, more reliably and more efficiently a wind turbine operates, the greater the environmental benefit it contributes. That makes sense. Predicting and preventing blade damage and failure makes better use of the scarce materials and energy that go into the manufacturing and construction of a wind turbine. And manual inspection of turbine blades is difficult and dangerous work, taking place at heights of 100 metres or more, often in remote locations or offshore and exposed to the elements: sun, rain, lightning—and of course, wind.

This is where the drones come in. Using drones enables faster, safer inspections and improved reliability reduces the need to expose maintenance workers to the hazards that exist “up-tower.” SkySpecs's solutions help the industry address both these sustainability and human social challenges, bringing us closer to making renewables the most affordable and efficient form of energy available worldwide.

It would be tempting to just focus on the drones, but SkySpecs does so much more. They are a leader in automated asset management with customers in 30 countries on five continents. Their Horizon platform uses machine learning and advanced analytics tools to allow renewable energy producers to access, analyze and synthesize data across their assets and make smart decisions on maintenance, operations and capital investment. SkySpecs's product suite includes autonomous robotic wind turbine blade inspections, advanced condition monitoring analysis and asset-specific financial asset management.

Come for the drones, stay for the innovative solutions to addressing climate change.

SASB INDEX

SASB publishes industry-specific sustainability accounting Standards, intended to help companies disclose financially material, decision-useful ESG information to investors. We selected the [SASB Asset Management & Custody Activities Standard](#) as the key framework to guide the development of this Report. While SASB Standards are typically used by listed firms, using this standard will allow us to improve year-over-year ESG performance analysis, compare ourselves to other asset managers and engage more effectively with portfolio companies working to develop an approach to ESG reporting that will meet investor expectations. In 2022, the SASB Standards will be incorporated to the new International Sustainability Standards Board.

ESG Topic	SASB Code	Accounting Metric	2021 (Data as of December 31, 2021)															
Activity Metrics	FN-AC-000.A	Total registered assets under management. Total unregistered assets under management.	Assets under management: \$182 million. The registered/unregistered assets distinction is not applicable for our firm.															
	FN-AC-000.B	Total assets under custody and supervision.	Not applicable for our firm.															
Transparent Information & Fair Advice for Customers	FN-AC-270a.1	Number and percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations or other regulatory proceedings.	Zero 0%															
	FN-AC-270a.2	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information to new and returning customers.	Not applicable for our firm—we do not have retail investor customers.															
	FN-AC-270a.3	Description of approach to informing customers about products and services.	Not applicable for our firm—we do not have retail investor customers.															
Employee Diversity & Inclusion	FN-AC-330a.1	Percentage of gender and racial/ethnic group representation for: (1) Executive management (2) Non-executive management (3) Professionals (4) All other employees	Given the firm's management structure and the small size of our team, we measure diversity of the overall team and the investment team. SASB metrics are provided below. More information on our approach to D&I can be found in ESG Within Our Firm—Diversity & Inclusion . <table border="1" data-bbox="885 1144 1437 1323"> <thead> <tr> <th>Level</th> <th>Women</th> <th>Minorities</th> </tr> </thead> <tbody> <tr> <td>(1) Executive management</td> <td>50%</td> <td>0%</td> </tr> <tr> <td>(2) Non-executive management</td> <td>50%</td> <td>75%</td> </tr> <tr> <td>(3) Professionals</td> <td>50%</td> <td>50%</td> </tr> <tr> <td>(4) All other employees</td> <td colspan="2">Not applicable</td> </tr> </tbody> </table>	Level	Women	Minorities	(1) Executive management	50%	0%	(2) Non-executive management	50%	75%	(3) Professionals	50%	50%	(4) All other employees	Not applicable	
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(3) Professionals	50%	50%																
(4) All other employees	Not applicable																	
Incorporation of ESG Factors in Investment Management & Advisory	FN-AC-410a.1	Amount of assets under management, by asset class, that employ (1) integration of ESG issues, (2) sustainability themed investing and (3) screening.	(1) \$182 million (100%). (2) Although many of our portfolio companies offer solutions to sustainability challenges, we do not formally position our funds as ESG thematic or impact funds. (3) \$182 million (100%) warfare and weapons exclusion.															
	FN-AC-410a.2	Description of approach to incorporation of ESG factors in investment and/or wealth management processes and strategies.	A description of our ESG incorporation approach can be found in ESG in Our Investment Process .															
	FN-AC-410a.3	Description of proxy voting and investee engagement policies and procedures.	Proxy voting is not applicable for our firm. A description of our portfolio company engagement approach can be found in ESG in Our Investment Process .															
Business Ethics	FN-AC-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, antitrust, anti-competitive behavior, market manipulation, malpractice or other related financial industry laws or regulations.	<u>Zero (\$0)</u>															
	FN-AC-510a.2	Description of whistleblower policies and procedures.	So far, we have not identified a third-party whistleblower channel tool suitable to our firm requirements and size. A description of our business ethics policies can be found in ESG Within Our Firm—Business Ethics .															

TCFD INDEX

Category	Recommendation	Recommended Disclosures	Reference
Governance	Disclose the organization's governance around climate-related risks and opportunities.	(a) Describe the Board's oversight of climate-related risks and opportunities.	Not applicable for our firm structure.
		(b) Describe management's role in assessing and managing climate-related risks and opportunities.	Climate Governance
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material.	(a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.	Climate Strategy
		(b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	
		(c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	
Risk Management	Disclose how the organization identifies, assesses and manages climate-related risks.	(a) Describe the organization's processes for identifying and assessing climate-related risks.	Climate Risk Management
		(b) Describe the organization's processes for managing climate-related risks.	
		(c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.	
Metrics & Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	(a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Climate Metrics & Targets
		(b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	
		(c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	

The TCFD framework for climate-related financial disclosures is intended to help companies and investors disclose decision-useful, forward-looking information on climate-related risks and opportunities. We are beginning to align our Responsible Investment Report with the TCFD recommendations from the start and plan to enhance our disclosure in future reports.

ESG PERFORMANCE METRICS

Firm-level Performance Metrics—As of December 31, 2021

Metric	2021
Assets under management	\$182 million
Active portfolio companies	13
Failed portfolio companies	Zero
Diversio Inclusion Score	83.3
Women team members	50%
Women investment team members	40%
Visible minority team members	50%
Visible minority investment team members	60%
Fines/sanctions for breaches of ethical or financial industry regulations	Zero

Portfolio-level Performance Metrics—As of December 31, 2021

Metric (average)	2021
Women—portfolio company boards	21%
Women—portfolio company management—Fund I	26%
Women—portfolio company workforce—Fund I	24%
Women—portfolio company management—Fund II	29%
Women—portfolio company workforce—Fund II	22%
Visible minority—portfolio company boards	18%
Visible minority—portfolio company management—Fund I	13%
Visible minority—portfolio company workforce—Fund I	29%
Visible minority—portfolio company management—Fund II	6%
Visible minority—portfolio company workforce—Fund II	30%
Number of work-related fatalities	Zero