



McROCK
CAPITAL

RESPONSIBLE INVESTMENT REPORT 2021 HIGHLIGHTS

A TALE OF ESG LEADERSHIP IN
DIGITAL INDUSTRIAL INVESTING



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2021 ESG HIGHLIGHTS



\$182 million Assets under management (as of December 31, 2021)	17 Portfolio companies since inception—13 active, 4 exits	Zero Portfolio company failures since inception	83.3 Diversio Inclusion Score—12.3 points above industry average
50% Women team members	40% Women investment team members	50% Visible minority team members	60% Visible minority investment team members
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.		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.	



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

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 environmental 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.

 INSTITUTIONAL LIMITED PARTNERS ASSOCIATION	Signatory of:  PRI Principles for Responsible Investment	 CANADIAN VENTURE CAPITAL PRIVATE EQUITY ASSOCIATION	
Signatory—Institutional Limited Partners Association (ILPA) Diversity in Action initiative Participating General Partner—ILPA ESG Data Convergence Project	Signatory—Principles for Responsible Investment (PRI)	Member—Canadian Venture Capital & Private Equity Association (CVCA) Board Member—Scott MacDonald, Co-Founder	Certified to Diversio's Diversity VC Standard



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.



"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."

Scott MacDonald,
Co-Founder



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

Whitney Rockley,
Co-Founder



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

Corporate

	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



OUR ESG JOURNEY

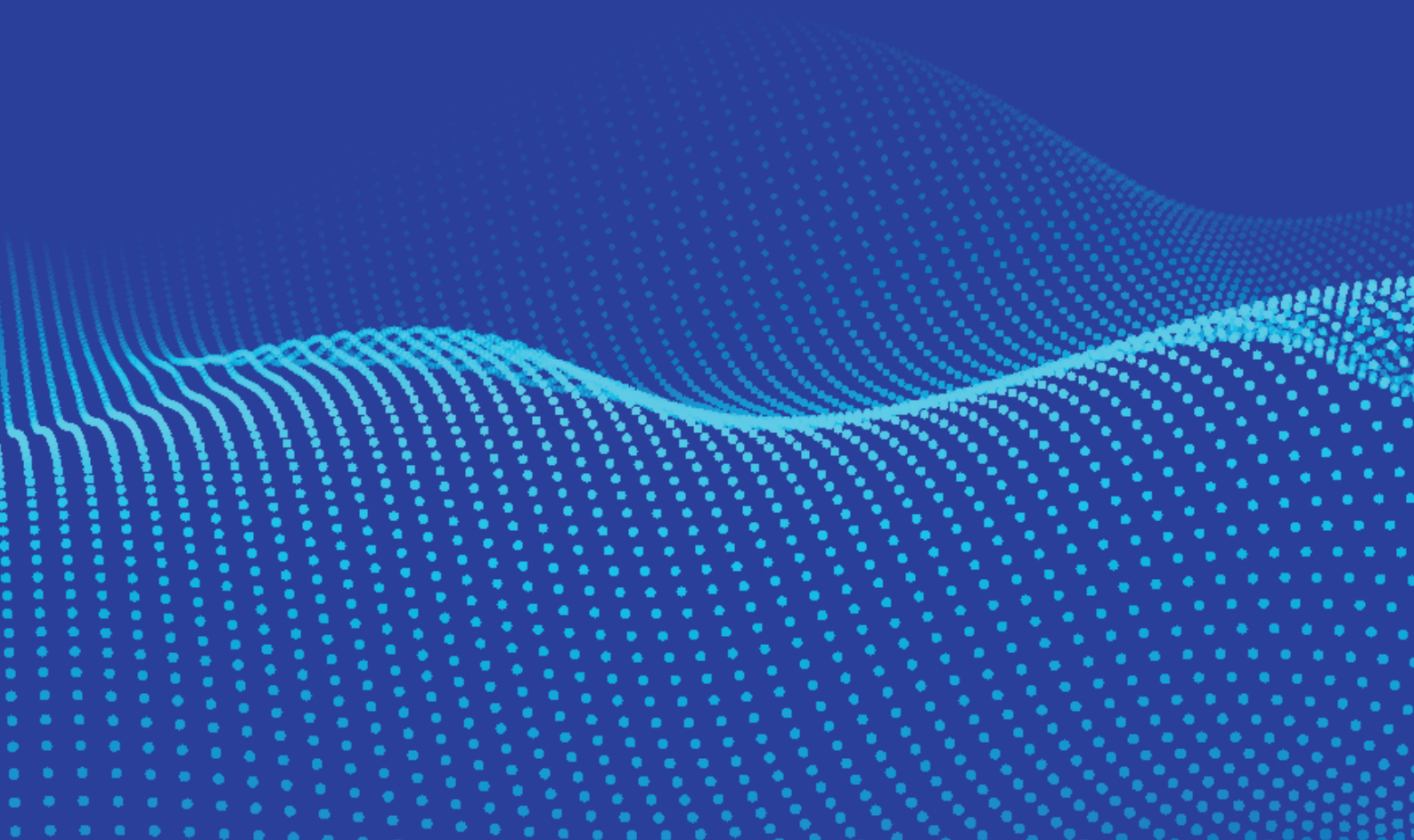
THE RIGHT WAY

Our journey towards environmental, social and governance (ESG) didn't start with the Responsible Investing Report—it started right from our inception as a firm.

A lot of the information in this report won't be news to anyone who knows us. But we still feel it's important to do the due diligence around our ESG efforts over the years and the Report is the result.

Some of you will want to dive into all those details. Others will just want the highlights—those juicy nuggets that give you a satisfying taste of how ESG has driven us since day one, sprinkled with enough proof points so you know this isn't an exercise in greenwashing. That's a bad word around here. If you're in the latter group, keep reading.

Whichever route you choose, we want you to know we did this “the right way.” What does that mean? Each company that undertakes an ESG policy is going to put their own spin on it. We are more than pretty pictures. We know there may be skepticism when it comes to the topic of ESG, since it's easy to be all sizzle with no steak. Not McRock. So in the spirit of transparency we're articulating what ESG means to us. From the perspective of where we've been and how it will guide us as we tackle the next leg of the journey.



The following pages highlight our efforts, but if you only read this one page we want you to know that doing ESG the right way at McRock means:

- We follow best practices by aligning our reporting to Sustainability Accounting Standards Board (SASB)–Asset Management & Custody Activities Standard
- We also follow the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)
- We are signatories to the Principles for Responsible Investment (PRI)
- We are members of the Institutional Limited Partners Association (ILPA) Diversity in Action Initiative
- We are a supporter of the ILPA Industry Code of Conduct Guidelines: Harassment, Discrimination and Workplace Violence
- We are a participant in the ILPA ESG Data Convergence Project

We're not name-dropping. This is the steak that backs up the sizzle. Put more simply, it means we are:

- Integrating diversity
- Harnessing the potential of Digital Industrial to provide environmental sustainability solutions and accelerate the transition to a resilient, low-carbon economy
- Supporting our portfolio companies to measure and account for the positive climate impact of their innovations
- Applying best practice ESG guidelines within our investment process
- Walking the talk by incorporating ESG into how we run the firm

The story of this ESG journey is one we're proud of. Let's start with a look back at how we got here.



McROCK'S ESG JOURNEY

A TIMELINE

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*



Our Approach to ESG

There are two ways we look at ESG—how we apply it to our work at the firm level, and how we use it to drive our investment work, both in the process of identifying opportunities as well as the actual work of the companies we add to our portfolio. Following us so far? They incorporate many of the same principles, and they look like what you'd expect from an ESG policy. No surprises here!

Full details about the approach are included in our *Responsible Investment Policy*. Here's a snippet around the principles that drive it:

Governance

Primary responsibility for ESG lies with the co-founders, but as a small firm all of our team members are closely involved in our Responsible Investment and ESG activities. We meet regularly to discuss if things need changing and identify opportunities to do even more good in the world; if we need outside guidance, we bring in people smarter than us in these areas.

Strategy

We believe companies harnessing the potential of the Digital Industrial Revolution to provide solutions to environmental sustainability challenges present a significant and growing investment opportunity. It's basically the reason we're in business, so it's safe to say we embody ESG in our daily work—it's not just a policy to put on the shelf and gather dust.

Risk Management

Our co-founders are ultimately accountable for firm-wide risk management, including ESG risks. The whole team works together to identify potentially material ESG issues, with support from external advisors, when it comes to our pre- and post-investment processes with portfolio companies. This part is a bit more challenging given the relatively new world of Digital Industrial; there are few established ESG guidelines and standards. But we're conscientious, and resourceful! We use the tools available (SASB Standards for Technology & Communications industries and the TCFD recommendations) plus our own expertise and that of others when we need it.

Metrics and Targets

Currently we collect diversity metrics at the firm level and portfolio level. Diversity statistics are incorporated into quarterly fund reporting to LPs. The due diligence thing again—no slackers around here! We also joined the ILPA ESG Data Convergence Project to encourage our portfolio companies to report on a range of ESG metrics, including GHG emissions, renewable energy consumption, board diversity, work-related injuries, hiring and employee engagement.

We're committed. We think about ESG day in and day out. Always looking for ways to improve. That's what leaders do, right? Lead by example. We know it's a lot of responsibility to put ourselves out there like this. But that should tell you how much we believe in it—how much we believe in ourselves and in our portfolio companies.

“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.”

ESG Priorities for 2022

You saw the timeline of our ESG journey up until now. What's next? You know we're not going to just check the boxes and rest on our laurels. There's still lots of work to be done. Have a look at what we're focusing on today.

Status as of date of publication: ☒ Completed ☐ In progress ☐ P

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 <i>Responsible Investment Policy</i>	•	•		•	•	•	<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 <i>Responsible Investment Report</i>	•	•	•	•	•	•	<input checked="" type="checkbox"/>

ESG WITHIN OUR FIRM

We're a small firm. But that doesn't mean we can ignore our own ESG impacts. We believe we need to demonstrate responsibility in our own operations, just as we expect portfolio companies to operate responsibly. You may even be surprised at how far we go to prioritize compliance with applicable ESG laws and regulations and seek to follow ESG best practices. It's a long list of policies and initiatives. Here's a sampling.

Diversity & Inclusion

The VC industry has a low level of diversity in spite of evidence that diverse groups make better decisions in the investment context. Shocking? Not really. We know the industry has a stereotype. But we founded McRock to turn things upside down, in many ways, including establishing diversity and inclusion (D&I) as a key pillar from day one. We formalized D&I targets in 2018 and have met them each year since. It's not complicated. Our D&I mandate is to attract, retain and develop a diverse team through an inclusive culture, with a goal to drive performance. We think it's working out pretty well. So we'll keep doing it—adopting policies and undertaking initiatives like this:

- We are a signatory to the ILPA Diversity in Action initiative—this was a no-brainer for us as we align with every single category in the framework—very few GPs can make this claim
- We have multiple measures in place to neutralize unconscious bias in the hiring process
- We regularly assess our workplace inclusion through Diversio—our 2021 Diversio Inclusion Score was 83.3—which is 12.3 points above the industry average
- We pay interns (gasp!) and recruit them from underrepresented groups
- We aim for at least four D&I initiatives each year—in spite of COVID we exceeded that in 2021...it's pretty impressive

“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.”



Global Pandemic Response

Did you think this would be the one report you read this year that doesn't reference the impact of COVID? Sorry to burst the bubble. One might think that as a small VC firm transitioning to virtual working was less of a challenge for McRock than for many other businesses. We didn't assume anything and recognized the impact that lockdowns and isolation could have on the mental and physical health of our team. We rolled out a "Kick the COVID Blues" program, paying for fresh food delivery and virtual workouts. (Yes, we all wore sweatpants and pyjamas to virtual meetings, but we made an effort to stay healthy!) We regularly 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 and firm-level and portfolio company-specific operational impacts.

Business Ethics

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. Yes, we like to have fun, but this is a serious business we're in. And we're especially proud of the reputation we have built for integrity. That doesn't happen by accident. We have established our own Code of Ethics and myriad associated policies which formalize our commitment to transparency and accountability grounded in sound business ethics.

Environment

Most of our environmental impact occurs through our investment portfolio. But we also believe that every bit of good environmental stewardship helps the greater good, and we're keen to do our part. For example, we are currently exploring the potential to measure our direct carbon footprint, and we're taking measures to ensure we keep that footprint as small as possible. Did you know our Toronto head office is located in a LEED-certified building? Our choice of office space is a small but impactful action.

We had to condense a lot of information about our firm-level ESG policies and initiatives to fit into this space. That's not an indication of how important it is to us. We're tremendously proud of what we're accomplishing and the opportunity we have to lead by example.

ESG IN OUR INVESTMENT PROCESS



Now we're getting into the really good stuff. When we talk about ESG in our investment process we're talking about our *raison d'être*—the why and how we built McRock. It's in our DNA to seek out investment opportunities with companies that act in “the right way”—the way other industrial businesses only talk about. Companies that prioritize ESG in their own operations and the work they do. That are really and truly making a difference in tackling the environment, social and governance challenges facing our world today.

Our Responsible Investment Commitments

Our own *Responsible Investment Policy* is driven by a couple of factors. First, we recognize the transformational power of technology and big data in the transition to a more sustainable economy. And, that companies harnessing the potential of Digital Industrial to provide solutions to environmental sustainability challenges present a significant and growing investment opportunity. How does that translate to policy?

- **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.

We are also a signatory to the Principles for Responsible Investment (PRI)—the leading global coalition for responsible investors. (Is it just us or does this make you imagine a dark room with a huge table surrounded by a group of serious-looking people ready to take a blood oath? No? Never mind then.) 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.

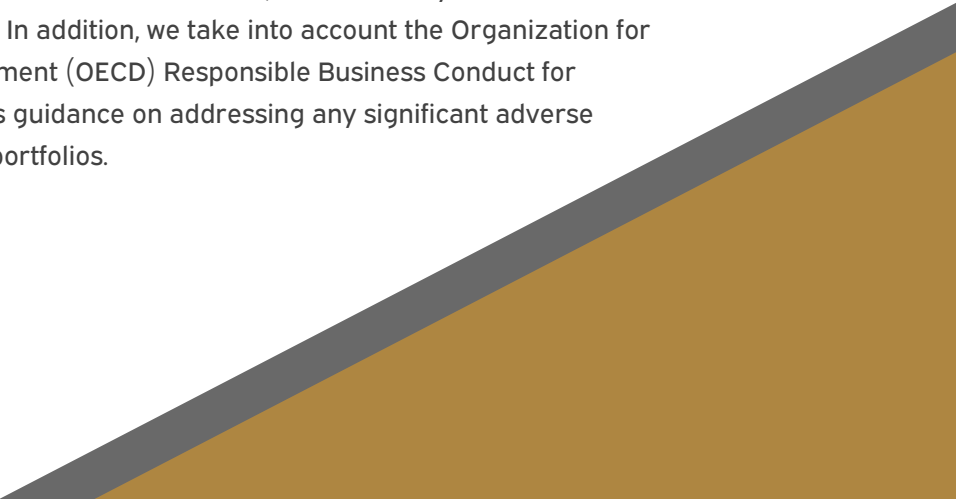
Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

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.

Jokes aside, participating in this initiative is a big deal. It's a demonstration of our commitment to put—no, to keep—ESG principles at the heart of our business, and to hold ourselves accountable. Knowing others are watching what you do is a powerful motivation. We'd be doing things right anyway, that's just who we are, but we want to remove any doubt about our commitment by layering in additional mechanisms.

Some of those other layers include involvement with 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 Responsible Investment Process

We take a partnership approach to investment and typically sit on the Boards of our portfolio companies. This builds strong relationships with management and creates opportunities to identify and act on material ESG issues.

“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.”



How do we incorporate ESG to the investment process? (Note the references to SASB in these subheads...that's us showing off for the policy wonks so they know we're legit. We double-dog-dare other GPs to follow suit!)

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

The ESG issues discussed in this section are prevalent among all Digital Industrial businesses; they aren't unique to us or the companies in McRock's portfolio. What is unique is that we—our firm and portfolio companies—are active in addressing them. Why? There's no secret here. It should be obvious to anyone who is paying attention. There is an interconnection between innovation and sustainability. And that interconnection is rich with opportunity.

Here's the other thing: we're applying recognized strategies to this effort, identifying and considering all material ESG issues that could impact our portfolio, including SASB Standards for a range of Technology & Communications industries and the TCFC recommendations. Again, these resources are here for anyone and everyone in the VC world to use. Why aren't they? You'll have to ask them.

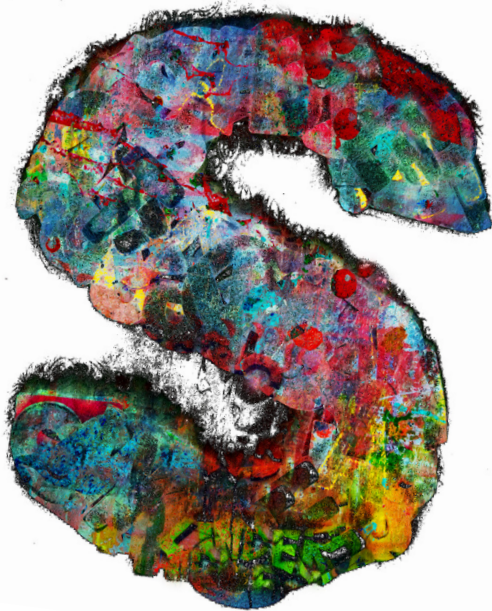


Environmental

When we talk about the E in ESG everyone knows we primarily mean climate change, right? Remember the first Industrial Revolution? While innovating to improve productivity and meet the challenges of modern life businesses inadvertently created more problems—ahem, climate change. Today's Digital Industrial Revolution is challenging that paradox, with businesses facilitating the transition to a more sustainable economy as they innovate. Those are the businesses we want to support.

We are building our portfolio by identifying those sustainable value creation opportunities, including companies that provide sustainability 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. If you don't already

know about the amazing work they are doing, wait till you get to the case studies. (We could nerd out all day talking about them—there are drones! AI. Robots. And penguins!) We also pay attention to how they operate, participating in the ILPA ESG Data Convergence Project and encouraging all our portfolio companies to measure and report their GHG emissions, which will enable further analysis of their climate risk exposure. Less sexy, but still very important.



Social

The S in ESG addresses a couple of things—D&I, or diversity and inclusion, as well as data privacy. The VC industry is a lot of things, but a beacon of diversity has not historically been one of them. We're doing our part to change that! We prioritize D&I as a material ESG issue for all portfolio companies. How? Again, we have a lot of initiatives to point to as evidence. But most recently, we were part of the inaugural North American cohort to achieve certification in the Diversio Diversity VC Standard. It measures investor representation, inclusivity and accountability. It also identifies what VCs can do to increase D&I across their portfolio and provides recommendations for implementation of D&I policies by portfolio companies.

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

Thankfully VC hasn't been lagging when it comes to data privacy. In fact, the Digital Industrial space is where businesses are leveraging the power of data to drive and shape technologies that make operations safer and more efficient. But with this great power comes great responsibility (nerd alert—Spiderman reference!) 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 models focus on collection, processing, storage or monetization of personal data. There are plenty of those businesses out there and we're managing just fine without adding them to our portfolio. No offense.

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. Could you imagine?! But to address these concerns, we proactively engage with portfolio companies to discuss the types of data being collected and the use case.

Governance

You may need a shot of caffeine for this one. G is for governance. Definitely not sexy. But oh-so important. Companies that ignore good corporate governance are inviting a whole lot of trouble. While that could up the excitement factor, it's never recommended. And unfortunately, start-ups have at times been known to make corporate governance an afterthought. Not around here, though.



Effective corporate governance underpins financial, operational and sustainability performance. We demand it from ourselves and use our influence to facilitate good corporate governance practices across our portfolio. We only 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. We consider the roles of the management team and Board and whether there are clear communication channels between them. Post-investment, we serve on the Boards of our portfolio companies as often as we can.

Not yawning yet from the governance discussion? We also pay attention to a range of technology-related governance issues that 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

ESG material issues run the gamut. For as many specific challenges we face globally, there are companies building their businesses around addressing them. We're proud to have many of them in our portfolio.

Take a look.

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 Gariepy 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	E2lp	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	Dott	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



The ILPA ESG Data Convergence Project is a new partnership of leading global GPs and LPs with a goal to align a standardized set of ESG metrics and comparative reporting by private companies in their portfolios. Participating firms agree 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

25%

currently disclose **GHG** emissions (tCO₂e)

33%

currently disclose **total energy** consumption (kWh)

33%

currently disclose **renewable energy** consumption (kWh)

Social

21%

of board members are **women**

18%

of board members are **visible minorities**

0

work-related **fatalities**

McRock Climate Opportunities Project

Most, if not all, our portfolio companies are harnessing the potential of the Digital Industrial Revolution to provide solutions to environmental sustainability challenges. And while we're delighted that 25 percent of them are already measuring their own operational GHG emissions, we'd like to make that 100 percent. But a company's GHG emissions are only part of the climate change story.

And it's really a "good news" story from our perspective. 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.



Room for improvement to be sure. But that's partly why we're here—to help promote progress in ESG. For diversity to flourish at the top, for example, companies need to create a diversity pipeline from entry level upwards. We have set targets to improve representation of women and visible minorities at all levels of these organizations 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%

But measuring GHG emissions impact can be complicated. 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

We're all in this together. That's the job of a VC, after all. Guiding on all things related to the business, including ESG, even when it's tough. It's our job to help them to succeed, and in the Digital Industrial world, success today means committing to ESG principles and demonstrating results.

THE RIGHT WAY—McROCK PORTFOLIO ESG SPOTLIGHT





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.





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



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.

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.



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.



PORTFOLIO CASE STUDY #4:

Monitoring What Matters for Safer Communities

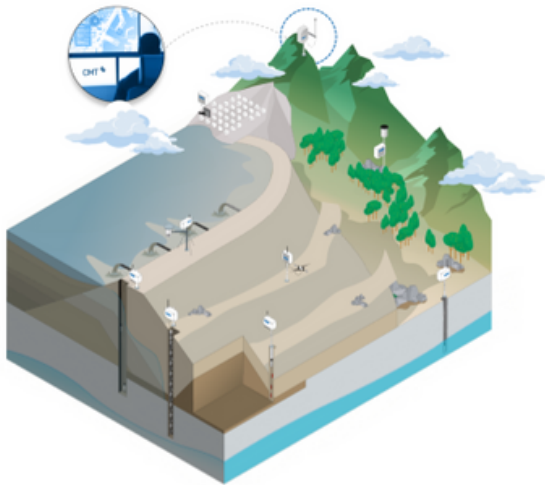
FOUNDED: 2008

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.





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.



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