

ANNUAL REPORT OF THE 3iQ INDEPENDENT REVIEW COMMITTEE

February 8, 2024

Report to the Board of Directors of 3iQ Corp.

Introduction

My colleagues on the Independent Review Committee (the “Committee” or the “IRC”) and I are pleased to present the following report on our activities during the year.

During the period from January 1, 2023 to December 31, 2023 (the “Reporting Period”), the 3iQ Independent Review Committee (the “Committee” or the “IRC”) met three times on;

- March 10, 2023 – The IRC conducted its annual self-assessment meeting
- April 21, 2023 – The IRC met and considered a conflict referral
- November 30, 2023 – The IRC held a regular meeting

The IRC carried out its annual assessment for the Reporting Period on March 10, 2023 (the “Self-assessment Date”) for the period from January 1, 2023 to December 31, 2023 (the “Reporting Period”).

Reporting to the Manager pursuant to the Instrument

Section 4.2 of NI 81-107 (the “Instrument”) requires that the IRC must regularly and, at least annually, undertake a review and assessment of its interactions with the Manager (4.2(1)), a review of its independence and compensation (4.2(2)) and a self assessment review (4.2(3)). Section 4.3 of the Instrument requires that the IRC report annually to the Manager on the results of its regular assessments pursuant to subsections 4.2(1) and (2) of the Instrument.

This Report sets out the results of the IRC’s assessments.

Self-assessment Review

Subsection 4.2(1): At least annually, the IRC is required to review and assess the adequacy and effectiveness of;

- i. the manager’s written policies and procedures;
- ii. any standing instructions (“SIs”) the IRC has provided to the manager;
- iii. the manager’s and the investment plans’ compliance with any conditions imposed by the IRC in a recommendation or approval it has provided to the manager; and,

- iv. any subcommittee appointed by the IRC.

Section 4.2(1)(a): As part of this detailed review, the Committee assessed the adequacy and effectiveness of the COIM manual. The Manager has reviewed the Joint CSA/CIRO *Staff Notice 31-363 - Client Focused Reforms: Review of Registrants' Conflicts of Interest Practices and Additional Guidance* ("Staff Guidance") in detail. It noted that it does not strictly apply to prospectus funds subject to NI 81 – 107. Notwithstanding that, it is of the view that its conflict of interest policies and procedures are fully consistent with the Staff Guidance. The Manager also noted that it has an up to date COI matrix in place. The Manager noted that to its knowledge, there have been no changes in the Manager's business that would require any other changes to the COIM manual. The Committee therefore found the COIM manual to be adequate and effective.

Section 4.2(1)(b): The Committee is required to assess the adequacy and effectiveness of each SI. In addition, as part of the Committee's annual assessment, **Section 5.4(2) (b)** of the Instrument requires the Committee to:

- i. assess the adequacy and effectiveness of the manager's written policies and procedures on a matter or on the type of matter permitted by an SI;
- ii. reaffirm or amend each SI; and,
- iii. advise the manager in writing of all changes to the SIs.

The Committee has regularly received the Manager's reports on SI adherence and reliance on the SI covering the Reporting Period. The Manager relied on its SI during the Reporting Period.

The Committee reviewed the SI and proposed several administrative changes to it on the Self-assessment Date which were agreeable to the Manager.

On the Self-assessment Date, the Committee reaffirmed the amended SI in accordance with section 5.4(2) of the Instrument.

Section 4.2(1)(c): On April 21, 2023, the Manager proposed a course of action to enable staking in The Ether Fund and in the 3iQ Ether ETF (the "Ether Funds"). This course of action would generate additional fees for the Manager as well as income for the Funds. The Independent Review Committee of the Ether ETF and Ether Fund reviewed the potential conflict of interest matters related to the Staking Activities. After reasonable inquiry and based on the information provided to the IRC by the Manager prior to and during the meeting, the IRC determined that the Manager's proposed course of action to enable staking in the Ether Funds and split of the revenue between the Manager and the unitholders provides a fair and reasonable result for each of the Ether Funds.

Section 4.2(1)(d): There was no sub-committee appointed by the IRC in the Reporting Period.

Subsection 4.2(2) requires the IRC to review and assess at least annually:

- i. the independence of its members; and,
- ii. the compensation of its members.

Section 4.2(2)(a): Each member of the IRC completed a Re-Certification of Independence with respect to his/her appointment to the Committee prior to an IRC meeting held on the Self-assessment Date. This Re-Certification is intended to ensure that each member remains independent within the

meaning of the Instrument – i.e. that the member had no material relationship with the Manager, any Fund under the purview of the IRC or an entity related to the Manager.

Section 4.2(2)(b): At least annually, the IRC reviews its compensation considering the following:

- i. the nature and extent of the workload of each member of the IRC, including the commitment of time and energy expected from each member;
- ii. the number of meetings required by the IRC including special meetings to consider conflict issues brought to the committee;
- iii. industry best practices, including industry averages and surveys on IRC compensation; and,
- iv. the complexity of the conflict issues brought to the IRC.

After a review of the assets under management, the IRC reviewed comparable compensation benchmarks and has determined that the Members' compensation effective January 1, 2023 would be \$6,250 for the Chair and \$5,000 for each member.

Section 4.2(3): As part of the review, the members of the Committee completed an individual questionnaire that comprised self-assessments of the members and of the Committee as a whole. The Committee, after reviewing these individual self-assessments, completed a collective questionnaire on the same subjects. Topics covered in these questionnaires included:

- independence and compensation of the current members;
- effectiveness of the Committee and its individual members, including frequency and conduct of meetings;
- usefulness of materials provided to the Committee;
- the collective experience and background of the members;
- a review of the relations with the Manager, including the ability to remain independent from any interference by the Manager; and,
- a review of the Committee's Charter.

No issues that needed to be addressed arose as a result of the responses to the individual and collective questionnaires. Each IRC meeting was well attended and each member believes that the Committee is operating effectively.

Section 4.2(4): As part of its annual assessment, the Committee assessed the adequacy and effectiveness of its Written Charter and was content with the Written Charter in its current form. No changes were proposed by the IRC or the Manager.

Evaluation of Interactions with the Manager

The IRC reviewed the Manager's interaction with the IRC by way of a questionnaire completed by the Manager. The Manager indicated that the IRC is operating effectively from its point of view, that it was very satisfied with the interaction with the Committee and that it had no issues to report. The IRC Members noted that this part of the meeting and the completed questionnaire constituted feedback from the Manager as part of the IRC's regular assessment process.

Continuing Education

Two continuing education seminars were presented by Independent Review Inc. covering several topics of interest to IRC members. Members of the Committee attended the seminars held on June 7, 2023, and December 6, 2023. The virtual seminar was available to participants who are IRI clients from across the country.

There were no other matters of consequence arising from the review.

In closing, we would like to comment favourably on the completeness and quality of all materials prepared for the IRC by Anthony Cox, Diana Escobar and Renata Punwasee. Their knowledge of the business and their co-operation in answering all the questions posed by members of the IRC made it easier to fulfill our responsibilities. Respectfully submitted on behalf of the IRC

Eamonn McConnell, Chair
The 3iQ Independent Review Committee