

STIC Investments ESG Policy

1. Mission

STIC Investments Co., Ltd. (hereinafter, STIC) considers Environmental, Social, and Governance (ESG) values as the top priority together with financial values in its business and investment approach. We believe that implementing ESG values across our business strategies and investment decisions will essentially benefit a sustainable growth of the firm, investors, portfolio companies, and a broader community. As we trust that ESG performance is as important as financial performance, we seek to create larger economic and social values by actively integrating ESG factors into our business operations.

2. Purpose

This policy aims to provide an overarching framework for incorporating ESG factors into the management of the firm and portfolio companies, and all investment activities. The purpose of this policy is to not only recognize ESG initiatives as risk factors, but also to highlight their importance as opportunities. All STIC employees are required to adhere to this policy and implement it accordingly.

3. Principles & Considerations

STIC considers the United Nations' six Principles for Responsible Investment (UN PRI) in its ESG policy and is committed to incorporating ESG factors into all stages of its investment process: deal sourcing, due diligence, investment decision-making, and value creation. STIC not only follows UN PRI but also continues to stay aligned with other global ESG initiatives. We see ESG as underlying values for realizing sustainable returns and outcomes for our investors and stakeholders. We also share the vision of the 17 United Nations Sustainable Development Goals.

4. Roles & Responsibilities

STIC will have two separate ESG committees: the Corporate ESG Committee and Fund ESG Committee. The Corporate ESG Committee is an organization under the board of directors and is comprised of directors. The Fund ESG Committee is comprised of the Chief Investment Officer, Chief Operating Officer, Head of ESG, Head of Risk Management, and Head of Investment Strategy. Additional committee members could be added to the Fund ESG Committee if necessary. The Corporate ESG Committee is responsible for overseeing the corporate-level ESG strategies. These duties include making amendments to the firm's ESG policy and framework. The Fund ESG Committee is responsible for the fund-level decision-making.

The Corporate ESG Committee follows up with the most recent ESG trends and regularly updates the firm's responsible investment policy. The Corporate ESG Committee also provides regular ESG training sessions to all employees and utilizes external resources if necessary. Moreover, the Corporate ESG Committee supports the firm's portfolio companies in adhering to their ESG policies and improving them.

STIC's ESG team is responsible for integrating ESG values throughout the firm. The ESG team also directly supports investment teams by helping them apply ESG principles in investments, and keeps updated on the ESG trends.

5. Our Approach

STIC takes active steps to fully integrate ESG factors throughout its investment process. The following details the process in which we deploy ESG factors across our investment activities.

Pre-investment Phase

Prior to making every investment decision, STIC conducts an initial review of target companies through negative screening. Senior leadership establishes the ESG Negative Screening Guideline and minimum criteria to help investment teams avoid making investments in companies whose businesses cause significant environmental or social harms. Companies ruled out through negative screening usually do not have alternative means to mitigate these negative impacts.

Target companies which passed negative screening are further scrutinized under the STIC's ESG Due Diligence Guideline to assess their material ESG issues and determine whether to conduct internal or external ESG due diligence. Material ESG issues specific to the target company's industry are selected based on the internal evaluation. Material ESG issues include not only ESG risks to avoid but also ESG opportunities for value creation. STIC conducts the internal ESG due diligence through its ESG Due Diligence Questionnaire (hereinafter, ESG DDQ), which was developed in reference to industry tools and standards. STIC engages third-party consultants to assist the external ESG due diligence.

Major findings from due diligence, including ESG-related risks and/or opportunities, are subsequently presented to the Investment Committee and Fund ESG Committee for further discussion.

Post-investment Phase

STIC will work closely with portfolio companies to establish ESG goals, set up baseline ESG performance measures, and develop ESG action plans to mitigate ESG risks and/or leverage ESG opportunities for sustainable value creation. We encourage portfolio companies to embed ESG factors into their businesses and pursue ESG opportunities to create sustainable impact.

To evaluate the implementation of ESG action plans, STIC establishes ESG KPIs and collects qualitative and quantitative data quarterly. Companies are assessed against a wide range of ESG issues and a set of minimum ESG requirements. Climate-related risks and/or opportunities are also examined in reference to recommendations from Task Force on Climate-related Financial Disclosures (TCFD).

For companies that do not meet minimum requirements, the investment team escalates this matter to the Fund ESG Committee to take immediate action. Survey feedbacks are provided to portfolio companies to help identify areas for further improvement and recommendations on industry best practices at the end of each assessment.

Exit Phase

When exiting from portfolio companies, STIC discloses pre- and post-investment information on ESG management and value creation opportunities to potential buyers.

6. Transparency and Reporting

STIC values transparency as the top priority when communicating with its investors and key stakeholders. We encourage open discussions on ESG issues with our Limited Partners and other stakeholders via various channels: in-person, official website, calls, or emails.

We ensure our investors are fully informed on the progress and outcomes of responsible investment through at least semi-annual reporting to our investors. We promptly report to our investors if any material ESG issues arise among our portfolio companies. We also publish our ESG policy to the public.