

September 18, 2020

Responsible Investment Policy

Alternative Investment Capital Limited (AIC) is an investment management and advisory firm specialized in private assets. Our mission is to serve as a bridge between domestic and overseas investors and fund managers (GPs) for further development of private equity and other private asset investment industries. We have been striving to provide high-quality services to meet our customers' needs.

We believe that private asset investment is a highly valuable and socially significant industry, because it can provide companies with competitiveness and growth to make a significant contribution to the sustainable growth of the economy as a whole, and it can then provide investors with opportunities for excess returns. Appropriate management of the environment, society and governance (ESG) issues is expected to increase the social significance of private asset investment and to lead to the enhancement of corporate value and risk reduction over the mid-to-long term, and therefore it is regarded as important to fulfill the fiduciary duty. Based on this understanding, we have been taking account of ESG factors when conducting due diligence, investment decision making and monitoring of investee funds. In November 2019, AIC became a signatory to the Principles for Responsible Investment (PRI), and hence we have established this responsible investment policy.

Investment activities conducted by GPs of private equity funds, which raise corporate value by taking an initiative role to support management over the medium to long term, are essentially the area where stewardship can play its role effectively. However, it cannot be ignored that there are legal or de facto restrictions for limited partners (LPs) in private equity fund investments to directly engage with final investee companies. This is because LPs do not have direct and proactive governance such as voting rights in the investee companies, and unlike publicly traded companies, there is a high degree of information asymmetry between LPs and final investee companies or GPs. While there are certain restrictions imposed by the form of LP investment, we believe that LPs can ultimately exert indirect stewardship toward investee companies over the mid-to-long term through direct and continuous engagement with GPs. Therefore, we will actively engage with GPs during each phase of due diligence and monitoring to encourage GPs so that they are encouraged to further increase mid-to-long-term investment returns for LPs by the enhancement of corporate value and sustainable growth of investee companies. This will be achieved by

GPs' engagement with the investee companies, where GPs are expected to have constructive objectives based on deep understanding of the operations of investee companies and their business environments.

The Executive Committee at AIC oversees the firm-wide promotion of ESG management. With regard to the ESG integration and its implementation in the investment process, all of our investment and advisory assets are covered in principle, and the investment professionals in the Investment Division work on ESG issues as part of the investment process.

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

In due diligence, the existence of an ESG policy for GPs and their ESG management systems are reviewed through interviews or by questionnaires, and the outcomes are reported in the investment memoranda. When necessary, we will hold discussions with GPs on improvements to their ESG management systems (such as the signing of the PRI, sufficient allocation of human resources to ESG and the penetration of ESG management at the level of investee companies). If the asset owners have their own ESG guidelines to be in place in managed accounts, we will negotiate with GPs to comply with such guidelines.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

In monitoring, we utilize not only periodic reporting materials and presentations at investor meetings provided by investee funds but also individual interviews with GPs to ascertain the facts in the event of incidents including ESG-related ones, and evaluate and manage risks. In addition, we periodically monitor the changes of their ESG management systems using questionnaires. The progress of items identified through due diligence and agreed by GPs to improve at the time of investment decision making will also be followed-up. Further, we will make the most of advisory committees where we have seats.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which it invests.

Initiatives to address specific ESG issues and information disclosure at the investee company level primarily depend on how GPs manage their own ESG systems. Therefore, we will first request the continuous disclosure of information on the implementation status of GPs' own ESG management. In addition, as part of our engagement with GPs, we will

continue to communicate with them that we are of much concern to specific ESG issues at the investee companies.

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

The spread of ESG management in private asset fund investment industry can still be said halfway. In order that the Principles will be further accepted and implemented in this asset class, we will explain the significance of the PRI to GPs who have not been the signatories and recommend them to become one.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

In order to enhance the effectiveness of the Principles in private asset fund investments, we will engage with GPs more effectively by taking advantage of our LP network to exchange information on best practices with other LP investors and provide feedbacks to GPs. We will also cooperate with other LP investors through such forums as advisory committees and investor meetings. We will also increase understanding and motivation of our employees by holding regular training sessions on the importance of ESG management and preceding initiatives in the asset class, for example.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

We report to PRI annually as a signatory. The content and evaluation are reported to the Executive Committee for further enhancement and will be reflected in the initiatives for the next fiscal year and beyond.