STIC Investments

2023 TCFD Report

STIC INVESTMENTS

Contents

Governance

- Climate Change Response Governance
- ESG Committee – Corporate ESG Committee
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- Climate Change Response Education and Capacity-Building

Climate Change Response Governance

To understand the impacts of climate change risk and opportunities on company management and fund operations and integrate them into business and investment strategies, it is essential to establish a supporting governance system and define roles and responsibilities of the management.

In July 2021, STIC Investments established the ESG Committee and ESG Team to systematically advance environmental management. In June 2023, the firm enacted and published its Environmental Policy, including environmental management governance. Additionally, STIC further refined and detailed its ESG Policies and Framework, explicitly defining climate change and environment-related roles and responsibilities of the management and board of directors.

Through such measures, STIC constructed a process to recognize, monitor, and manage climate change and environment-related risks to proactively respond to environment-related risks to continuously improve environmental performance.

Environmental Management Governance

- Report and vote on major climate change and carbon neutrality agendas alongside key environment management achievements to the Corporate ESG Committee
- The COO oversees key environment management achievements and decision-making in the event of environment management risks
- The ESG Team oversees overall environmental management, with metrics designed to quantitatively measure the Head of ESG's performance, tying achievements to compensation

(Link) Environmental Policy

Environmental Management Supervisor

Chief Operating Officer

General Environmental Management

ESG Team

ESG Committee – Corporate ESG Committee

STIC Investments established the ESG Team and ESG Committee to wholly integrate ESG considerations in all stages of corporate management and fund operations for realize sustainable growth.

The ESG Committee is comprised of the Corporate ESG Committee and Fund ESG Committee. The Corporate ESG Committee is a Board of Directors suborganization comprised of Board-of-Directors-designated directors and is responsible for the firm's major ESG-related decisions. The Fund ESG Committee deliberates on ESG issues related to investment decisions on funds the firm operates.

Such decision-making bodies' roles and responsibilities are explicitly outlined in STIC Investment's ESG Policies and ESG Framework, and Corporate and Fund ESG Committee Operating Regulations have been prepared and enacted for systematic, efficient operations.

Corporate ESG Committee

- Manage and supervise the firm's responsible investment management including approaches to climate risks and opportunities
- Establish ESG Policies and Framework and decide upon action plans
- Review annually and update responsible investment policies
- Provide responsible investment–related education to employees (utilizing external experts if necessary)
- Support portfolio companies to introduce and implement ESG policies that are consistent with or more advanced than STIC's ESG policies

(Link)_ Download ESG Policies and Framework

Organization

As of 2024. 3. 19.

Organization
2 Inside Directors

Director (Name)
Kwak, Dong Guel (Full-time) Kwag, Dillion (Full-time)

Purpose
Strengthen environment, social, and governance-related ESG management to realize long-term, sustainable growth

2023 Key Resolutions

(Regular Corporate ESG Committee Agenda)

Committee Date	Agenda	Status	Name of Director: Kwak, Dong Guel (CIO)	Name of Director: Kwag, Dillion (COO)
			For/Against	
2023.06.23	Adopting Key ESG Policies	Pass	For	For
2023.08.21	Revision of ESG-related Systems	Pass	For	For

ESG Committee – Fund ESG Committee

STIC Investments conducts ESG Due Diligence for all investments after enacting its Corporate ESG Management System in 2021. The Fund ESG Committee reviews and deliberates on target companies' ESG statuses and performances alongside ESG Due Diligence results.

Fund ESG Committee

Role	Deliberation on ESG issues related to investment decisions on funds the firm operates
Organization	Comprised of the CIO, COO, CRSO, Head of ESG, Head of Risk Management, and Head of Strategy, but members may be added if necessary
Matters of Concern	Decision-making on funds' key ESG-related matters
Olther	Creation of reports and minutes by committee

ESG Committee History by Portfolio Company ('21~)

ESG Committee Date	Company
2021. 08. 18.	Perfect Day
2021. 09. 02.	TiKi Corporation
2021. 10. 19.	Shinheung SEC
2022. 03. 04.	Ninjacart
2022. 05. 26.	Team Fresh
2022. 06. 10.	Coop Marketing
2022. 06. 15.	BY4M Studio
2022. 08. 11.	Carrot Insurance
2023. 06. 29.	Duksan Electera
2023. 08. 14.	Okestro
2023. 12. 20.	DN Solutions
2024. 01. 04.	Zeno Health

ESG Committee Report Contents

Company Overview

- General overview and business information
- Shareholder composition and share ownership, etc.

ESG DD Results & Opinion

- Due diligence method and process
- Negative screening standards review
- SASB and MSCI industry materiality review
- ESG-related Overview
- ESG Due Diligence/Risk Analysis Results

ESG Due Diligence for all investments

12 companies reviewed ('21.8–'24.05)

6 or More Fund ESG Committee Members conducting final review and deliberations

Climate Change Response Education and Capacity-Building

To ensure the ESG Committee fulfills its role as the highest decision-making body on climate change-related matters, the Board of Directors must be well-informed. Therefore, STIC Investments provides education to employees including the Board, to enhance climate change and ESG awareness while building professional, up-to-date expertise.

STIC has especially provided specialized external lectures on global climate change and responsible investment trends, ESG regulation trends and landscape, and disclosure practices. Additionally, it regularly provides the Board of Directors and employees with updates on domestic and international ESG developments, including climate change trends. STIC conducts ESG due diligence for all investments and holds briefing sessions to circulate ESG-related issues with the ESG Committee, supporting the Board of Directors in making informed decisions.

External Expert and Internal Lectures

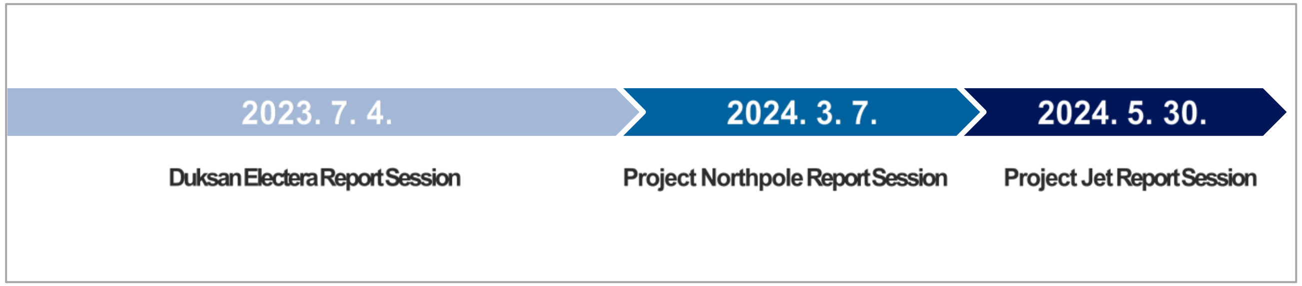
STIC ensures its employees and Board of Directors stay informed on climate change and ESG trends by engaging external experts. In 2022, SustInvest CEO Mr. Ryu Yeongjae delivered a lecture on ESG investing and its approaches. In 2024, law firm Shin & Kim LLC conducted a seminar on the UN PRI, highlighting core principles and reporting strategies.

STIC Investments conducts regular and ad hoc internal training sessions to enhance awareness of climate change and ESG-related issues. In the April 2023 monthly meeting, STIC discussed climate initiatives, including PCAF, SBTi, CDP, and the TCFD disclosure framework. Additionally, to mitigate regulatory risks, STIC introduces current and upcoming ESG regulations while deepening employees' understanding of ESG.

ESG Due Diligence Report Sessions

Since establishing its ESG system in 2021, STIC Investments has identified ESG-related risks and opportunities for target companies through ESG due diligence, integrating findings into investment decisions. For ESG due diligence conducted with external advisors, report sessions are held with ESG Committee members and all employees. These sessions present due diligence findings and discuss the latest climate change and ESG trends, serving a purpose similar to company-wide ESG trainings. Between January 2023 and May 2024, three due diligence report sessions were conducted.

'23~'24.05 ESG Due Diligence Report Sessions



Strategy

- Climate Change Impacts on STIC Investments
- Climate Change Risks & Opportunities in Private Equity
- Business Implications of Climate Change Risks
- Business Implications of Climate Change Opportunities
- Investment Strategies Based on Climate Change Risks & Opportunities
- Overview of Climate Change Scenarios
- Climate Change Scenario Analysis

Climate Change Impacts on STIC Investments

STIC Investments is a private equity firm managing diverse investment portfolios across industries, focusing on companies with high growth potential to generate long-term value. STIC recognizes that proactively identifying climate change risks and opportunities is essential to achieving both financial performance and sustainability.

Accordingly, it systematically manages climate-related risks in its portfolio companies to maximize investment returns, maintain investor trust, and ensure long-term stability.

To this end, based on business transformation and carbon neutrality mid-to-long-term roadmaps, STIC has identified and bifurcated the implications of climate change risks and opportunities for portfolio companies into short-term (1-3 years) and mid-to-long-term (3-5 years) horizons. This classification enables STIC to proactively identify and manage costs, risks, and opportunities for each timeframe, incorporating them into its investment strategy to drive sustainable, long-term returns.

Climate Change Risks & Opportunities in Private Equity

Climate change response trends and ensuing shifts business environments present significant risks and opportunities for STIC Investments as a private equity firm. Recognizing their importance, STIC is committed to proactive engagement. Based on its current portfolio and the broader environment for global private equity, STIC has identified key climate change factors likely to impact its operations, categorizing them into policy, market, technology, reputation, and climate segments, and has developed response strategies addressing both short-term and mid-to-long-term considerations.

	Transition Risk	Physical Risk
Definition	Economic loss stemming from rapid transition to a low-carbon economy driven by governmental climate change responses	Economic loss stemming from inclement weather such as typhoons, floods, and heat waves, alongside long-term weather pattern changes
Risks	Carbon tax imposed or increased due to government policies, etc.	Natural disasters caused by factors such as inclement weather
	Cost of emissions increased especially for high-emissions industries	Disruptions and restoration costs due to damaged factories/machinery
	Profitability, financial performance, and investment returns decrease	Profitability, financial performance, and investment returns decrease
	Private equity portfolio profitability decline and future reputation damage in capital-raising	

Business Implications of Climate Change Risks

Category	Type	Horizon	Climate Change Factors	Business Implications to STIC Investments and Portfolio Companies
Transition Risks	Market	Short, Mid-to-Long	• Volatility increase in energy/carbon prices	• Potential shifts in returns driven by increased financial uncertainty in portfolio companies • Rising operational costs and declining profitability in energy-intensive companies
		Mid-to-Long	• Supply/demand shifts in raw materials, products, and services	• Portfolio company operational cost increases such as energy, raw materials, and disposal costs
		Mid-to-Long	• Consumer behavior shifts	• Revenue decrease driven by declining demand for carbon emission-intensive products
	Policy & Regulations	Short, Mid-to-Long	• Stronger climate change regulations and policy • Requests for portfolio company climate risk management and environmental disclosures	• Increased operational costs and profitability challenges in portfolio companies due to stricter global climate change policies and related tax measures • Asset impairment due to revaluation (fossil fuel reserves, investment value, securities) • Environmental change-related due diligence personnel and cost increases during investment deliberations • Potential capital withdrawal resulting from loss of confidence due to unmet investor and customer expectations
		Mid-to-Long	• Lawsuits from environmental organizations or stakeholders, such as local communities, for failing to comply to climate change regulations and policies (e.g. climate change liability, greenwashing)	• Company and portfolio value decreases due to lawsuits
	Technology	Mid-to-Long	• Calls to transition to low-carbon production processes and equipment	• Declining profitability resulting from accelerated depreciation, amortization, and depletion of carbon-intensive assets • R&D and capital expenditure to introduce and transition to low-carbon technologies
	Reputation	Mid-to-Long	• Reputational damage to certain industries or companies caused by rapid shifts in consumer preferences such as favoring eco-friendly or low-carbon options	• Reduced profitability due to decreased demand for products and services • Potential greenwashing concerns raised by investors and customers during portfolio company due diligence • Adverse effects on corporate creditworthiness from credit and ESG rating downgrades caused by inadequate management of climate change risks

Business Implications of Climate Change Opportunities

Category	Type	Horizon	Climate Change Factors	Business Implications to STIC Investments and Portfolio Companies
Physical Risks	Acute	Short, Mid-to-Long	• More intense and frequent inclement weather and natural disasters (floods, typhoons, etc.)	• Reduced portfolio company profitability caused by declining lien value, equipment damage, and decreased production capacity • Increased insurance costs and decreased insurability for high-risk assets • Life and general insurance liabilities for employees and customers • Decreased production efficiency due to power outages and forced days off caused by inclement weather
	Chronic	Mid-to-Long	• Long-term weather pattern changes that cause rising sea levels, rising temperatures, and torrid weather	• Sunk cost and operational cost increases for portfolio companies in relevant industries • Chronic climate change risks cause an increase in power costs throughout the industry, and a decrease in operating profit due to the impact on the supply chain and logistics chain • Operating profit decreases stemming from chronic climate change's risks negatively affecting supply and logistics chains, in addition to general electricity cost increases

Business Implications of Climate Change Opportunities

Classification	Horizon	Climate Change Factors	Business Implications to STIC Investments and Portfolio Companies
Market	**Short/Mid to Long Term**	• Entry into new markets such as energy efficiency and low-carbon industries	• Increased revenue sources through investment in high-growth sectors such as low-carbon energy and renewables • Investment income magnification through business portfolio diversification
Energy Source	**Short/Mid to Long Term**	• Increased investment opportunities into low-carbon energy sources and low-carbon technologies	• Long-term, stable revenue sources through investing in stable clean energy sectors (e.g. renewables) • Lower operational costs and heightened profitability for portfolio companies through energy efficiency increases
Resource Efficiency	**Short/Mid Term**	• Efficiency increase in logistics/supply chains and expansion of resource recycling	• Lower operational costs and heightened profitability for portfolio companies through energy efficiency increases
Product/Service	**Short/Mid Term**	• Expansion of low-carbon product/services development and businesses	• Carrying out responsible investments and enhancing reputation through investments in low-carbon products and services

Investment Strategies Based on Climate Change Risks & Opportunities

STIC Investments identifies and manages climate change-related transition and physical risks while simulating and analyzing global climate scenarios. Through this process, it has recognized technological advancements, shifts in consumption patterns, and lifestyle changes as critical trends shaping the future investment market.

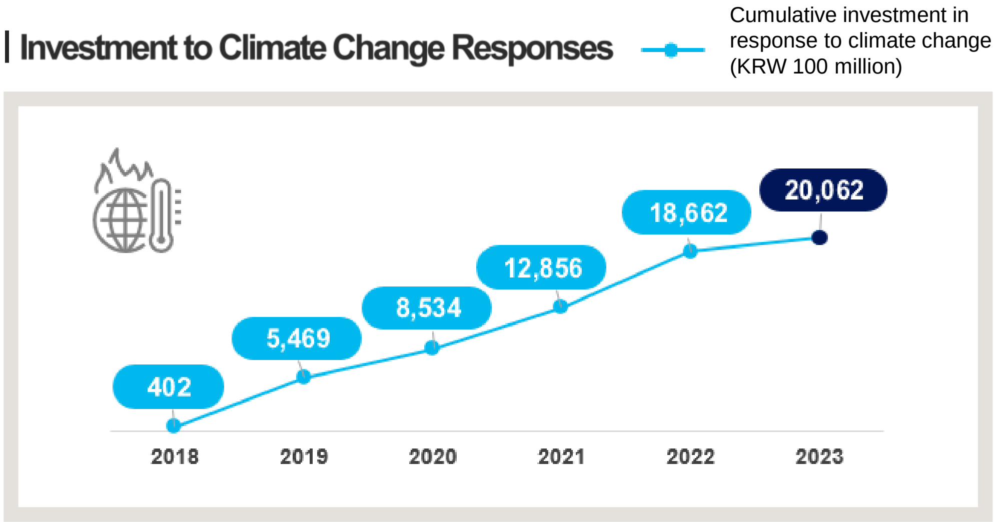
Accordingly, STIC integrates these trends into its investment strategy, prioritizing leading market players or those with significant growth potential. Specifically, STIC has defined and incorporates into investment decisions four key themes aligned with the key trends: ET (Energy Transition), DT (Digital Transformation), and DC (Demographic Change).

Classification	Definition
ET	Transitioning legacy carbon-based energy systems to low-carbon alternatives
DT	Digitalizing business activities to reduce direct emissions through automation and minimizing physical movement
DC	Contribution to industry effects of population changes

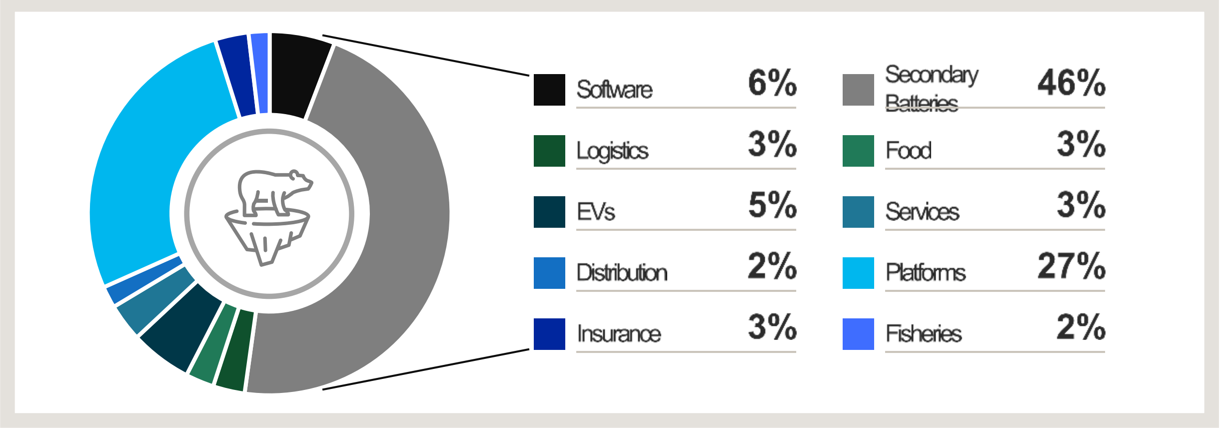
Among these themes, STIC Investments has identified ET (Energy Transition) as a core focus, prioritizing investments in sectors such as secondary batteries and electric vehicles. The firm plans to further expand its investments in this area.

Additionally, STIC is actively researching and exploring opportunities to broaden its investments in DT (Digital Transformation) and DC (Demographic Change) themes.

Investment to Climate Change Responses



Investment into Climate Change Responses By Sector (2018-2023)



Climate Change Scenario Overview

STIC Investments analyzed the impact of transition risk on business based on the Net Zero 2050, Below 2℃ scenario of the Network for Greening the Financial System (NGFS). In the case of physical risks, the analysis was based on the Shared Socioeconomic Pathway (SSP) scenario. The SSP scenario is an emissions scenario adopted in the 6th report of the Intergovernmental Panel on Climate Change (IPCC), and is a path that applies the intensity of radiative forcing as of 2100 as well as changes in the future socioeconomic system such as population, economy, and energy use.

Transition Risk

	Net Zero 2050	Below 2℃
	• Achieve net zero by 2050 by actively and immediately reducing GHG emissions through strict climate change-related policies	• Climate change policies are substantially implemented, but not as aggressive as the 1.5℃ scenario • Reductions to be implemented to achieve the below 2℃
Expected Temperature Rise[1]	1.5℃	1.7℃
Source	NGFS	

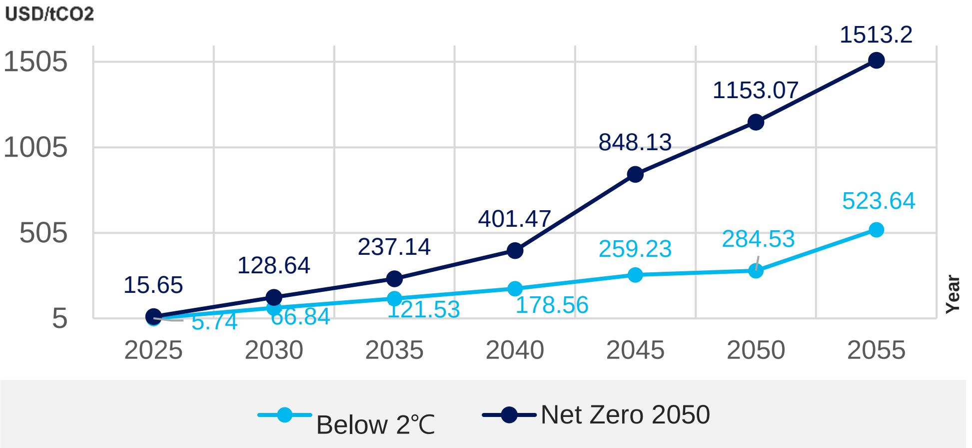
Physical Risk

	SSP1-2.6	SSP2-4.5	SSP3-7.0	SSP5-8.5
	Low	Medium	Medium	High
	The development of renewable energy technology and environmentally sustainable economic growth	Climate change mitigation and socio-economic development are assumed to be at a medium level	Social structure passive in climate change mitigation policies and slow in technological development,	High fossil fuel use and indiscriminate expansion of development centered on cities
Average Temperature in 2100	1.9℃	3.0℃	4.3℃	5.2℃
Source	IPCC AR6			

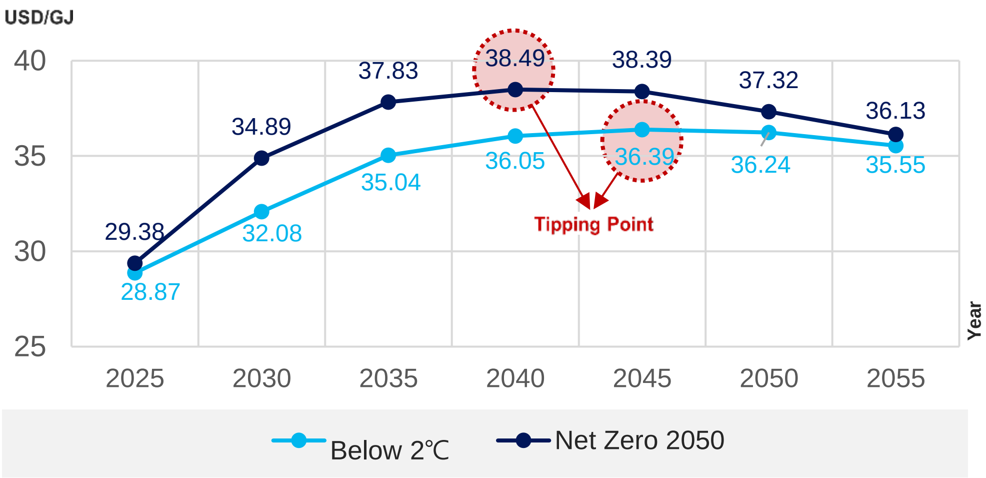
[1] This refers to the change in Earth's surface temperature at the end of the 21st century compared to before industrialization.

Climate Change Scenario Analysis – NGFS Scenario-based Transition Risk

Carbon Cost Global Price



Industrial Power Cost Global Price



Transition Risk Scenario Analysis

STIC Investments' investment portfolio is in the manufacturing and ICT sectors, where carbon emissions and power use are factors that mainly affect production and facility operations, and as climate change policies are strengthened, the risk becomes greater.

Accordingly, STIC Investments aims to analyze the investment market assuming a situation in which related costs are formed at a higher level than other scenarios in which carbon and power costs appear to be relatively low, and is considering the 2050 net zero achievement and less than 2℃ scenario presented by NGFS.

The net zero scenario is a scenario that assumes that humanity will achieve net zero by 2050, and the less than 2℃ scenario is a scenario that assumes that humanity will maintain global warming below 2℃.

The subjects of the scenario analysis are global carbon costs and industrial electricity prices, which are discussed as major costs for responding to climate change, and their changes are estimated from 2025 to 2055.

According to the NGFS scenario, the carbon cost is estimated to continue to increase to USD 5.74 in 2025, USD 66.84 in 2030, and USD 259.23 in 2045 based on the less than 2℃ scenario. In the case of industrial electricity, it is estimated to peak at USD 28.87 in 2025, USD 36.39 in 2045, and decline to USD 35.55 in 2055 based on the less than 2℃ scenario.

Both carbon costs and industrial electricity prices are expected to be higher than now, and related industries are likely to experience worsening profitability due to climate change.

Response to Transition Risks

The portfolio of carbon-intensive industries in which STIC Investments is currently investing includes camera module manufacturing, secondary battery manufacturing, and agriculture. The portfolios are located domestically and internationally. STIC Investments plans to refrain from investing in carbon-based companies when establishing future investment plans by referring to the carbon cost and industrial power price presented in the NGFS scenario, and instead establish an investment strategy direction toward energy-based businesses such as power production.

Climate Change Scenario Analysis – SSP Scenario-based Physical Risk

Scenario		Risk Level (Total 10 point)						
		Earthquake	Tsunami	Flood	Costal Flood*	Typhoon	Drought	Epidemic
Baseline (2022)	South Korea	6.8	7	5.7	6.5	9.4	6.8	2.7
	Vietnam	3.5	6.8	9.5	9.3	7.6	7.4	8.5
	Malaysia	1.7	6.3	8.3	7.7	1.3	6.4	7.2
SSP1-4.5 (2050)	South Korea	6.7	7	6.1	6.6	9.4	6.7	3.4
	Vietnam	3.5	6.9	10	9.4	7.7	7.1	9.3
	Malaysia	1.9	6.4	7.8	8.5	1.3	6	8.4
SSP2-4.5 (2050)	South Korea	6.7	6.9	6	6.6	9.4	6.7	3.4
	Vietnam	3.5	6.9	10	9.4	7.7	7.2	9.4
	Malaysia	1.9	6.5	7.9	8.5	1.4	6.1	8.4
SSP3-8.5 (2050)	South Korea	6.6	6.9	5.8	6.5	9.4	6.5	3.5
	Vietnam	3.6	7	10	9.4	7.8	7.3	9.4
	Malaysia	2	6.6	8.1	8.6	1.4	6.4	8.5
SSP5-8.5 (2050)	South Korea	6.8	7	6	6.6	9.4	6.6	3.6
	Vietnam	3.5	6.8	10	9.4	7.7	7.1	9.2
	Malaysia	1.9	6.4	8	8.5	1.3	6.2	8.4

* Coastal flood: This refers to flooding of low-lying areas along the coast due to typhoons, heavy rain, and waves rather than earthquakes such as tsunamis.

** Source: INFORM Climate Change Tool (europa.eu): Climate change risk index calculation tool developed in cooperation with the European Commission Research Center and the Euro-Mediterranean Center on Climate Change.

| Physical Risk Scenario Analysis

The physical risks of STIC Investments' business portfolio were analyzed based on the SSP scenario provided by the IPCC. As a result, it was analyzed that the risk of coastal flooding and infectious disease outbreaks will increase in the Asian region.

In addition, the risk of flooding is expected to increase in South Korea and Vietnam, and in the case of Vietnam and Malaysia, the risk of typhoons and tsunamis is predicted to increase in some scenarios.

| Response to Physical Risks

When constructing a portfolio, STIC Investments plans to analyze the risk level of each country of the investment target using a climate change scenario and review whether to review the investment portfolio based on this.

As the risk of coastal flooding and infectious disease outbreaks is expected to increase, STIC carefully reviews the location of investment targets and considering expanding investment in industries that can provide solutions to related risks.

Risk Management

- Risk Management Process

Risk Management Process

The impact of the transition to a low-carbon economy on the investments and business operations is increasing both in terms of opportunities and risks. STIC Investments recognizes climate change as a major risk and manages climate change-related risks by integrating them into the existing risk management process.

STIC Investments analyzes ESG-related risks and opportunity factors, including climate change, at all stages from pre-investment to exit in relation to fund operation, and based on this, executes an ESG roadmap for portfolio companies, and manages ESG KPI and makes improvements.

STIC Investments ESG Framework

ESG Governance

- ESG values are set as the top priority for company and fund management along with financial values
- Materialize the ESG framework by strengthening company-wide ESG policies and introducing action guidelines for each investment stage
- Designate an ESG team to increase execution under the strengthened ESG framework

Pre-investment Phase

- Discover target companies that can achieve balanced financial and ESG performance
- Identify major ESG issues for target companies
- Assess risk/opportunity factors for each ESG factor through ESG due diligence
- Apply the Negative Sceening policy to companies with ESG concerns

Post-investment Phase

- Present an ESG roadmap and KPIs to target companies
- Periodic monitoring of ESG KPIS of target companies
- Management/supervision of ESG issues of target companies

Exit Phase

- Check ESG KPI improvements
- Select buyers capable of sustainable management

Information Disclosure

- Disclosure and reporting of ESG-related information about portfolio companies to LPs and stakeholders through regular communication channels

Risk Management Process

Pre-investment Phase → Post-investment Phase → Exit Phase

1. Negative Screening

STIC Investments conducts ESG negative screening to prevent investments in companies that may cause significant environmental or social harm and have no measures in place to mitigate these negative impacts. To this end, STIC established ESG Negative Screening Guideline and conducts initial ESG screening of portfolio companies.

STIC Investments ESG Negative Screening Guideline

STIC Investments excludes investment in companies that meet the following requirements.

- Production of and trade in tobacco and narcotics
- Gambling, casinos, and equivalent enterprises
- Production of or trade in adult entertainment
- Companies that seriously violate the Ten UN Global Compact Principles (related to human rights, labor, environment, anti-corruption)

STIC Investments seriously considers excluding investment in companies that meet the following requirements.

- Companies whose major shareholders have violated the major laws
- Companies that violate the major environmental/social/governmental laws
- Companies with higher carbon emissions than other industries or with a high risk of generating a negative impact on the environment
- Companies with a high risk of generating a negative impact on the safety of workers through handling hazardous chemicals or engaging dangerous labor activities
- Companies that engage in significant disputes with major stakeholders including protests and lawsuits

Risk Management Process

Pre-investment Phase | Post-investment Phase | Exit Phase

2. ESG Due Diligence

For target companies that have passed the negative screening process, ESG risks are assessed through the ESG Due Diligence Guideline. Through this process, STIC decides whether to conduct ESG due diligence on the target company internally or seek advice from external ESG experts.

STIC Investments ESG Due Diligence Guideline

In principle, STIC Investments considers third-party ESG due diligence for portfolio companies that meet the following requirements for funds established after 2023.

- Companies generating more than 30% of sales in countries other than the below countries

  Canada, USA, Guiana, Chile, Uruguay, Iceland, Norway, Sweden, Finland, Estonia, Germany, Denmark, Netherlands, Belgium, Ireland, UK, France, Switzerland, Austria, Latvia, Lithuania, Czech Republic, Slovakia, Slovenia, Spain, Portugal, Poland, Italy, Botswana, Korea, Japan, Brunei, Malaysia, Singapore, Australia, New Zealand

- Companies belong to the following industry

  - ✓ Oil and gas
  - ✓ Metals and mining
  - ✓ Chemicals
  - ✓ Construction
  - ✓ Transportation
  - ✓ Power generation
  - ✓ Autos and auto parts
  - ✓ Agribusiness and commodity foods
  - ✓ Environmental industries
  - ✓ Consumer products with the potential for significant environmental and social issues
  - ✓ Technology hardware using minerals including rare earth metals with a high importance of mining and recycling and semiconductor

However, if the investment amount of the portfolio company or the review time is severely limited or if it is difficult to obtain cooperation from the portfolio company, internal ESG due diligence may be performed instead of third-party ESG due diligence in exceptional cases.

In the case of internal ESG due diligence, STIC utilizes its own ESG Due Diligence Questionnaire (ESG DDQ) developed with reference to domestic and international evaluation indicators and non-financial information disclosure guidelines such as KCGS, MSCI, DJSI, and SASB, and important ESG factors of the industry in which the target company operates are selected as evaluation targets. In particular, STIC conducts a review considering TCFD recommendations to evaluate climate-related risks and opportunities, and evaluate the target company's environmental management promotion system and decision-making structure, response to climate change, and performance management. Through this, STIC closely analyzes the management system and performance of ESG factors, including climate change, of the companies it invests in and reflect them in investment decisions.

External ESG due diligence is carried out by entrusting advice to a third-party ESG consulting firm.

ESG Due Diligence Questionnaire (ESG DDQ)

Eco-friendly management system	• Whether an environmental management promotion system has been established • Whether a company-wide decision-making committee or process is operated for eco-friendly management • Whether an investment plan has been established to implement eco-friendly management • Status and details of violations of environmental laws and regulations • Water/waste/pollutant emissions and reduction performance per unit
Climate change response	• Energy usage/greenhouse gas emissions management and reduction performance • Status and details of renewable energy adoption/development/investment • Climate change response activities implemented and details • Status and details of eco-friendly product and service certification (third-party certification)

Risk Management Process

Pre-investment Phase | Post-investment Phase | Exit Phase

STIC Investments ESG Due Diligence Procedure

Industry analysis

- Identify important E/S/G areas by reflecting characteristics of each industry

ESG management analysis

- Diagnosis of ESG management level through detailed research and data request for target companies
- Interviews with staff/management if necessary

Best practice analysis

- GAP analysis with target companies through research on best practices in the same industry

ESG DDQ based evaluation

- Designed based on domestic and international ESG evaluation indicators and disclosure guidelines such as KCGS, DJSI, GRI, SASB, and TCFD
- Consisted of a total of 200 questions divided by E/S/G area and overall ESG

Identify risks/opportunities

- Identify risks /opportunities related to climate change/ESG factors of target companies
- Utilize material ESG topics by industry, ESG management status of target companies, GAP analysis with benchmark companies, and ESG DDQ results

Prioritization of tasks based on importance/feasibility

- Prioritize identified risks and opportunities by importance and feasibility to address short-term and long-term challenges
- Linked to value creation in the value creation stage

ESG committee review and reflection in final investment decision

- Reflect ESG due diligence results throughout the investment process to promote value-up of target companies
- ESG due diligence results will be actively utilized to increase the company's value for buy-out investments

Risk Management Process

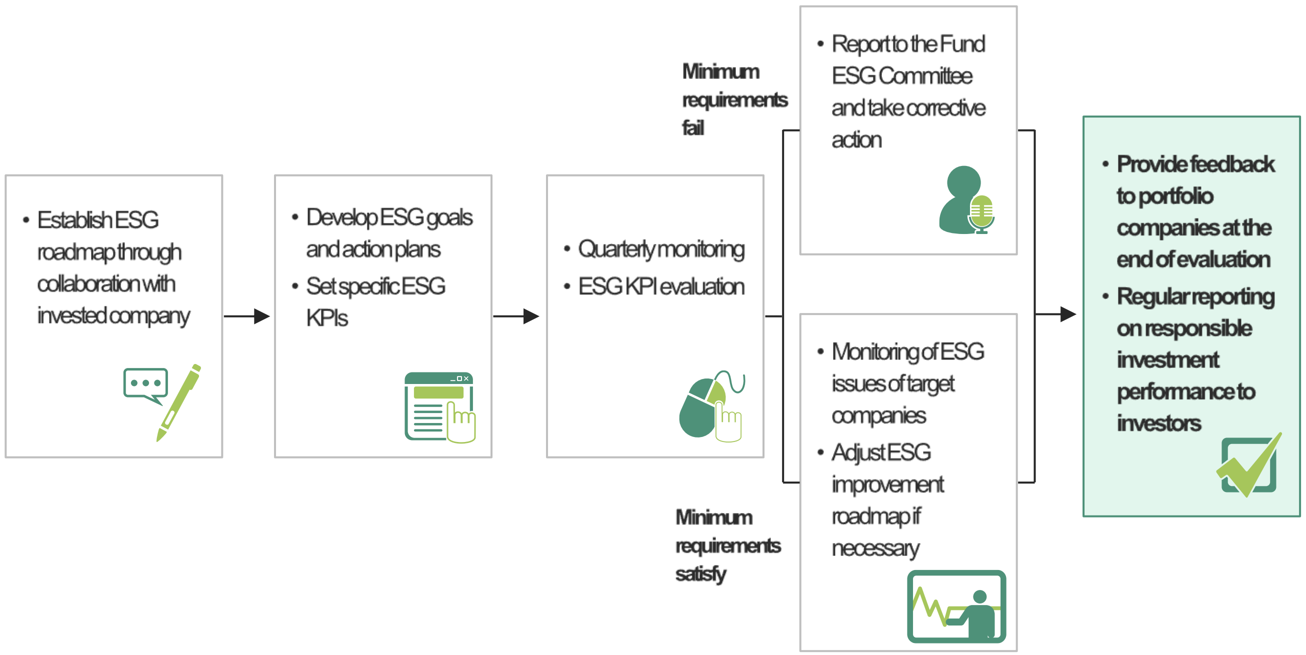
Pre-investment Phase | **Post-investment Phase** | Exit Phase

Once an investment decision is made, an ESG roadmap is established through close collaboration with the management of the portfolio company. Develop ESG goals and action plans to create sustainable value by mitigating ESG-related risks and capitalizing on opportunities. In this process, STIC encourages portfolio companies to reflect ESG factors in their management and create opportunities to practice sustainable management.

Afterwards, issues to drive a long-term ESG roadmap are designated as specific ESG KPIs. Climate-related risks and opportunities are also reviewed with reference to the TCFD's recommendations. In order to monitor progress on the ESG roadmap, STIC collects quantitative and qualitative data on a quarterly basis to evaluate whether ESG KPIs are implemented, and STIC continues ESG monitoring activities such as reviewing additional improvements when existing ESG KPIs are achieved. During this process, if necessary, STIC adjusts the ESG roadmap according to the needs of the portfolio company.

For portfolio companies that do not meet the minimum requirements, the investment team reports this to the fund's ESG committee so that immediate action can be taken. At the end of the evaluation, feedback is provided to the portfolio company regarding its improvement needs and potential opportunities.

Portfolio Company ESG Performance Management Procedure



Risk Management Process

Pre-investment Phase → Post-investment Phase → Exit Phase

CASE: Global Innovation Growth Fund

The Global Innovation Growth Fund aims to accelerate the innovation and overseas expansion of domestic companies through business and technology linkages between rapidly growing innovative companies in Asia and domestic companies. As the first fund to apply its ESG policy, STIC received advice from an external ESG expert organization to systematically reflect ESG factors throughout the entire investment process.

In particular, the obligation to conduct ESG due diligence is specified in the fund articles, and STIC actively monitors ESG issues and performance of the portfolio by conducting evaluations and due diligence on all ESG areas for invested companies, establishing improvement tasks and KPIs, and checking the status of achievement on a quarterly basis.

Portfolio Climate Risk Management Status

Environmental task: reduce carbon emissions and implement cabon neutral strategies			
Company	**Business**	**KPI**	**Status**
Soda Technology	• Electric bike sharing platform	Monitoring the carbon emissions reduced by the company	Carbon emissions reduction 2022: 175,817 ton 2023: 173,117 ton
Perfect Day	• Development/production of alternative proteins	Alternative protein production rate (%)	Early achievement of 2025 goal
Tiki Global	• Vietnam B2C, B2B e-commerce platform operation	QR code replacement rate (%)	Over 99% as of 4Q23
Shinheung SEC	• Production of secondary battery safety parts and equipment	Reduction activities based on the carbon neutral roadmap	Conducting a pilot project to monitor carbon emissions from facilities owned in 2023
Ninjacart	• India mobile-based B2B agricultural product distribution business	Quarterly agricultural disposal costs (US$)	23.36% decrease in 2023 compared to 2022
Coop Marketing	• Distribution of mobile exchange vouchers, voucher services, etc.	Proportion of mobile out of total transaction (%)	Annual average issurance rate 2022: 97.23% 2023: 97.28%

STIC Investments provides potential investors with information on key ESG management areas and value creation opportunities, including climate change, upon closing the investment.

In addition, STIC provides investors with sufficient information on our responsible investment-related performance through semi-annual and annual reports. Regular reports on ESG are made through investment sessions, and include details on the ESG management status and performance of portfolio companies. In addition, STIC publishes an annual sustainability report to share the ESG performance of the company's operations together with the portfolio companies with stakeholders.

Metrics & Targets

- Mid to Long term Carbon Neutrality Goal
- Greenhouse Gas Emissions Management

Mid to Long term Carbon Neutrality Goal

STIC Investments is an investment company that is actively investing based on its global network, including in Korea and the Pan-Asia region. Climate change has a significant impact on its business, and physical and transition risks create significant investment opportunities. It is more important than ever to respond to these risks, policy changes, technological innovations, etc. and seize the opportunities of the energy transition to achieve climate resilience.

Additionally, market pressure is growing for companies to disclose their climate change response strategies, including carbon emissions. STIC Investments is striving to reduce carbon footprints throughout its business, and promotes sustainable growth of portfolio companies by managing and disclosing portfolio performance in addition to its own operating performance.

		2023~2025 (Phase 1)	2025~2030 (Phase 2)
Mission		Establishment of climate change management system	Advancement of climate change management system
Strategy		Introduction of a framework for carbon neutrality Cultivating eco-friendly management DNA	Practice management activities for carbon neutrality Preservation of nature through eco-friendly management
Metric & Target	GHG Emissions	Emissions measurement and disclosure - Internal emissions (Scope 1, 2)	Emissions measurement and disclosure - Financed emissions (Scope 3) Reduce 10% of total GHG emissions by 2030 compared to 2025
	Energy	Energy measurement and disclosure - Direct energy usage (Gas) - Indirect energy usage (Electricity)	Reduce total energy use by 10% by 2030 compared to 2025

Greenhouse Gas Emissions Management

After establishing South Korea's first ESG system in the private equity fund industry in 2021, STIC Investments established a mid- to long-term carbon neutral roadmap and environmental management information disclosure system in 2022, and will systematically measure and manage greenhouse gas emissions Scope 1, 2, and 3 from 2024.

STIC Investments' total greenhouse gas emissions in 2023 are 369.64tCO2e. In detail, it consists of 316.6 tCO2e (Scope 1, 2) within the workplace and 46.55 tCO2e (Scope 3) outside the workplace.

STIC Investments does not have a manufacturing facility that requires combustion equipment, but since it operates a business vehicle, mobile combustion was calculated as Scope 1. For Scope 2, electricity and steam consumed in the office were calculated, and for Scope 3, emissions were calculated for capital goods and business trips.

STIC Investments will further strengthen greenhouse gas emissions management in the future. In addition, STIC plans to expand the scope of Scope 3 emission sources and improve the level of disclosure of greenhouse gas emissions.

In addition, STIC manages quantitative/qualitative data every year on environmental management achievements such as energy usage and intensity, water and sewage treatment costs, eco-friendly social contribution activities, and certificates for eco-friendly work spaces, and disclose them through its website.

STIC Investments GHG Emissions Status

(Unit: tCO2e)

Category	2021	2022	2023	2023 Target
Scope1	53.1	73.2	72.5	73
Scope2	134.5	221.9	244.1	221
Scope1+2	187.5	295.1	316.6	295

※ Due to increased corporate activity, Scope 2 has been exceeded compared to the target. However, emissions intensity improved.

(Unit: tCO2e/Billion KRW)

Category	2021	2022	2023
Scope1+2 Emission Intensity	0.1	6.0	0.4

(Unit: tCO2e)

Cateogry	Source	2021	2022	2023
Scope3	Category 2	10.20	25.62	21.35
	Category 6	2.93	19.02	25.19
	Sub-total	13.1	44.6	46.55

STIC Investments GHG Emissions Calculation Range

Category	Source	Detail
Scope 1	Mobile Combustion	Business vehicle operating emissions
Scope 2	Electricity	Emissions from office electricity use
	Steam	Emissions from office steam use
Scope 3	Category 2(Capital Goods)	Emissions from capital goods acquisition
	Category 6(Business Trip)	Emissions from employee business trips

STIC INVESTMENTS