

ESG Policy

Chapter 1. General Provisions

Article 1. Purpose

1. This ESG Policy (hereafter referred to as this "Policy") defines the basic principles regarding the internal organizational structure, investment activities, and information disclosure for Japan Industrial Solutions Co., Ltd. (hereafter referred to as the "Company") to promote responsible investment that contributes to sustainable value creation by considering environmental and social issues, and corporate governance (hereafter referred to as "ESG investment").
2. When the Company performs its fiduciary duties as the fund manager, it will contribute to value preservation and enhancement of the investee companies, therefore contributing to stable and improved mid- to long-term investment performance by taking into consideration ESG factors in investment activities and information disclosure based on the United Nations Principles for Responsible Investment (PRI).

Article 2. ESG issues

In performing its fiduciary duties as the fund manager, the Company will assess potential investees and take actions for enhancing enterprise value of the investee companies through consideration of the following ESG issues, or risks and opportunities related to ESG factors.

(1) Environment

Includes pollution prevention, climate change, environmental conservation, energy efficiency improvement, promotion of renewable energy, appropriate management of hazardous substances, measures against natural disasters and waste management.

(2) Social issues

Includes compliance with labor standards, occupational health and safety, appropriate management of employees, protection of human rights, appropriate management of confidential information, prohibition of illegal sales, product safety, and responsible supply chain management.

(3) Corporate governance

Includes elimination of anti-social organizations, prohibition of money laundering and terrorist financing, prohibition of bribery and corruption, appropriate business management, compliance with accounting and tax standards, prohibition of anti-competitive practices,

inappropriate lobbying, prohibition of illegal political contributions and establishment of an internal grievance mechanism.

Article 3. Scope of application

This Policy is to be applied to the Company's investment activities and information disclosure. However, in cases where the Company decides that it is necessary to limit the incorporation of ESG, this Policy will be applied to the extent possible.

Article 4. Laws and regulations to be referred to about ESG

The Company will confirm that the investee companies and their related companies comply with the domestic laws and regulations of the countries and regions where they operate.

Article 5. Organizational structure and responsibility

Organizational structure and responsibility regarding ESG are defined as follows.

(1) Board of Directors

The board of directors is responsible for decision making on significant issues including ESG Policy, and supervising ESG related actions of the Company.

(2) Investment Committee and Portfolio Committee

The investment committee and the portfolio committee will carry out investment decisions, monitoring and value enhancement of the investee companies, and deliberations and decisions on other matters of the investment funds managed by the Company, taking ESG factors into consideration.

(3) ESG manager

ESG manager supervises ESG integration into the Company by maintaining the organizational structure necessary for ESG integration, examining the appropriateness of ESG integration by the Company, and directing improvement actions. In addition, ESG manager is to report on significant issues regarding ESG integration and status of ESG related actions of the Company to the board of directors.

(4) Executives and staff

All executives and staff of the Company are to continuously develop their understanding of ESG through internal/external training.

Chapter 2. ESG integration approach

Article 6. ESG approach in investment activities

The Company is, in principle, to integrate ESG into its investment activities as below.

(1) Screening

In the selection of investee companies, if the Company is aware of the fact that the potential investee company's business and other activities include restricted business activities under the Act on Control and Improvement of Amusement Business, etc., activities controlled by or associated with a member of organized crime syndicates, activities associated with child labor or forced labor prohibited by laws, manufacture or sale of cluster munitions, antipersonnel landmines, or biochemical weapons, or the potential investee company is subject to economic sanctions, or otherwise the potential investee company is involved with the activities that the Company perceives as inappropriate in the spirit of this Policy, the Company shall not invest in the potential investee company.

(2) Due diligence

In the case where the Company decides that ESG due diligence of the potential investee companies is necessary, the ESG due diligence shall be conducted by the members of the Company and/or external advisors. In the case where a significant ESG issue is identified through ESG due diligence, the investment committee will discuss the issue.

(3) Use of proceeds

The Company does not provide investment which will be used for the manufacture of weapons designed to kill or inflict structural damage during wars or armed conflicts, new construction of coal-fired power plants (including expansion of existing facilities), or new thermal coal mining projects.

(4) Portfolio management

In the case where the Company decides that improvement actions of the investee companies are necessary on ESG issues identified through ESG due diligence etc., the Company will support the investee companies as necessary and monitor progress.

Article 7. Monitoring of the investee companies

1. The Company will make its best effort to monitor the investee companies' approaches to management of ESG issues. Investment officers are to request the investee companies to report/disclose the ESG-related information as necessary. The reporting approach, contents, and frequency are to be agreed following discussion between the investment officers and the investee companies' personnel.
2. In the case where a significant incident related to ESG (accident, suspension of operation, etc.) occurs, the incident shall be reported to the portfolio committee. The committee will assess the significance of the incident, and escalate to the investment committee of the Company based on its assessed significance.

Article 8. Disclosure and reporting

The Company is to report the overview of the ESG integration into its investment activities and the monitoring results of ESG related matters of the investee companies to investors etc. as necessary.