

# Trustar Capital ESG Policy

Effective Date: September 2023

## Introduction

Established in 2002, Trustar Capital Partners ("Trustar Capital") is a leading private equity firm in Asia with an established buyout platform in China. With offices in China, Japan, and the US, we have built a global track record of investing in companies which demonstrate the potential to capitalize on the growth and productivity of the Chinese economy.

Since day one, Trustar Capital's approach to investing has always been grounded in its commitment to Investing for Good. Trustar Capital firmly recognizes that a focus on investing responsibly can not only lower risk and generate positive commercial impacts for its funds and underlying portfolio companies, but also create long-term and sustainable benefits for the society and environment.

This document sets out Trustar Capital and its direct subsidiaries' approach to the management of environmental, social and governance ("ESG") risks and value creation opportunities by outlining the framework to realizing the commitment to responsible investing.

## Scope

The ESG Policy ("Policy") covers Trustar Capital's China USD buyout funds, all investment activities across the deal lifecycle, and Trustar Capital's own operations. All the staff of Trustar Capital and its portfolio companies are required to adhere to the Policy.

In cases where Trustar Capital determines it has limited ability to influence and control the integration of ESG considerations into its investment process, (e.g., where Trustar Capital is the minority shareholder or where other circumstances affect Trustar Capital's ability to assess or monitor ESG related performance goals), Trustar Capital will, where it considers appropriate and feasible, use reasonable endeavors to encourage our portfolio companies to observe our Policy where relevant.

## Our Commitments

Trustar Capital endeavors to implement ESG into its investment and operations. Hence, we are committed to:

- Consider ESG issues related to our targeted investee companies when evaluating whether to invest in a particular company or entity, as well as during the period of ownership as part of our strategic asset allocation process.

- Encourage improvement in ESG performance at Trustar Capital and its portfolio companies through continuous monitoring and engagement efforts.
- Commit to evaluate labor relations, human rights practices, anti-corruption efforts, and employee health and safety for current and potential investments.
- Commit to ensure portfolio companies' business operations do not engage or flow into any human rights violation activities.
- Comply with applicable national, state, and local regulations and leading practices governing the environment, occupational and public health and safety, social, and labor and business practices of the jurisdictions in which we conduct business.
- Establish appropriate reporting and governance frameworks across our portfolio companies (where possible) to ensure that the Board of Directors and senior management have the authority, expertise and information required to make decisions related to the management of ESG related risks and issues, and value creation opportunities.
- Communicate Trustar Capital's ESG Policy, progress, updates to relevant and applicable stakeholders.

## **Our Governance**

### **Senior Management**

Trustar Capital's Senior Management holds the ultimate responsibility in overseeing the firm's approach to ESG and the validation of responsible investment strategies. The Senior Management plays the role of approval and supervision, ensuring the direction of Trustar Capital's ESG capabilities and responsible investment strategy is aligned with the firm's strategic vision.

### **ESG Committee**

Authorized by the Senior Management, Trustar Capital's ESG Committee comprises of the firm's senior Executives and delegates specific tasks associated with the implementation of the Policy to relevant personnel. Where additional subject matter expertise is required, the ESG Committee will seek for external resources as relevant and necessary.

The ESG Committee is tasked to review ESG integration throughout the firm's investment cycles and the firm's ESG performance. Updates on the status of ESG matters or any material events during the investment lifecycle are reported to the ESG Committee through regular meetings.

The ESG Policy is reviewed annually based on leading market practices and evolving requirements from various internal and external stakeholders. In the event of any updates to the Policy, the ESG Committee will appropriately assign the newly added responsibilities to the pertinent personnel.

## **Our Approach**

Trustar Capital will take active steps to address and manage ESG issues throughout the investment cycle to the extent possible as follows:

### **Targeting (Pre-Deal Due Diligence)**

Trustar Capital investment teams undertake pre-deal sector-level ESG materiality assessment for each potential investee company using our proprietary ESG toolkit, considering the target company's inherent and historical ESG topics material to its respective sector. The toolkit makes reference to internationally recognized standards/ guidelines such as Sustainability Accounting Standards Board Standards and International Finance Corporation Environmental, Health, and Safety Guidelines. Where potential investment is regarded as "High ESG Risk" by the investment team, further ESG due diligence shall be undertaken, which in some cases may require interviews, site visits, or engagement of third-party ESG due diligence specialists. In circumstances where ESG risks are considered high and unmitigable, the investment process may be terminated.

### **Taking Control (Post-Investment Closing)**

Prior to the closing of each new investment, the findings from our ESG due diligence process on the identified ESG risks are carefully considered and outlined in the investment memorandum and post-investment action plan. Where required, Trustar Capital will conduct a more detailed review of each company's ESG performance and practices to identify material ESG issues that pose a risk to value or represent an opportunity for value creation.

Where necessary, the Trustar Capital investment team will work with the portfolio company management to develop the appropriate corrective action plans to address these findings post-investment and ensure compliance with Trustar Capital's ESG policy.

## **Operating and Monitoring**

### **Monitoring**

Trustar Capital collects and evaluates ESG data and performance on a regular basis to ensure ESG issues that were found during the due diligence process are addressed. To this end, the ESG Team relies on proprietary toolkits to conduct rigorous post-investment assessments, supplemented by company management interviews that provide a profound understanding of the portfolio companies' progress in tackling ESG issues. The results of these assessments and their corresponding recommendations serve as the foundation for stewardship and ongoing engagement efforts throughout the ownership period, underscoring Trustar Capital's steadfast commitment to sustainable investing.

Additionally, we expect our portfolio company management teams and Board members of these portfolio companies to actively monitor the ESG performance of their companies.

### **Stewardship**

Recognizing the importance of sustainable value, Trustar Capital places a strong emphasis on stewardship engagements that extend beyond financial performance to encompass a broad spectrum of ESG topics and support our portfolio companies to integrate ESG into their operations. These stewardship efforts are guided by insights into each company's nature and current ESG progress, as articulated in our post investment action plan and monitored results. As a result, our stewardship strategy spans a multitude of ESG issues, prioritizing the ones that are most material to its business operations. Should Trustar Capital find the addressing of identified material ESG issues and topics to be inadequate, we are prepared to adopt an activist approach and consider escalation measures, such as initiate direct dialogue with the portfolio company's management team, to drive meaningful change.

### **Exiting**

In case of investment exit, to the extent practicable, Trustar Capital will conduct pre-exit ESG due diligence using our tailored ESG screening toolkit to identify potential ESG issues and where relevant, disclose any ESG-related topics, approach, and commitments to potential buyers at the exit stage.

### **Transparency and Reporting**

Trustar Capital will seek to maintain high level of transparency in addressing ESG issues in our own operations and portfolio companies. In order to achieve regular disclosure and encourage dialogue on ESG matters with our Limited Partners and other stakeholders, we will prepare regular ESG report(s) on our achieved endeavors, progress, and future areas of improvement in various ESG aspects.

Where appropriate, throughout the investment cycle Trustar Capital will seek to actively engage relevant stakeholders in an effort to make informed decisions that may affect these stakeholders.

This Policy is approved and signed off by the Managing Partner and Senior Managing Director.