

The Longreach Group Environmental, Social & Governance Policy & Guideline

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Effective from 1 October 2020



A. ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

1. Introduction

1.1 Introduction to Policy

The Longreach Group Limited and its affiliates (hereinafter "Longreach") provides consistent and long-term investment performance by building value for the enrichment of society through its investment approach which combines deep local relationships and cultural understanding with global industry expertise, networks and standards of operational excellence. Environmental and social impacts and governance (ESG) of business operations influence the financial performance and reputations of companies. By integrating material ESG considerations into its core business operations, Longreach seeks to obtain a strong return on investment in line with its investment approach.

This policy defines how Longreach integrates ESG risks and value creation opportunities into its investment approach and aligns them with its other policies including the Code of Ethics and Conduct, risk management and investment process policies.

1.2 Objectives

To the extent ESG factors impact on the value of the companies in which it invests and its own investment performance, Longreach adopts a proactive approach involving senior management to integrate ESG as a core component of its investment strategy.

Based on alignment with its investment approach and significance for targeting relevant United Nations Sustainable Development Goals (SDGs), Longreach prioritizes ESG activities in the following areas:

- Enhancing environmental performance including energy and water efficiency, waste reduction and promoting activities that combat climate change (SDG 6, SDG 7 and SDG 13).
- Promoting innovation to provide lasting solutions to economic, social and environmental challenges, and governance structures that provide appropriate levels of oversight and the promotion of fair working conditions (SDG 9).
- Promoting sustainable production and consumption through the efficient management of natural resources, and the reduction and recycling of waste (SDG 12).
- Encouraging portfolio companies to improve their performance and minimize risks related to environmental, public health, safety and social issues.

2. ESG Definition and Applicable Standards

2.1 Definition of ESG

In delivering high impact value creation, Longreach incorporates the relevant ESG factors in its investment approach. Longreach acknowledges the relevance of ESG factors varies across geographies and industry sectors and reflects this in its investment approach. In line with the objectives of Longreach, ESG activities are prioritized along the following aspects:

- **Environmental:** Effective use of energy and water resources and promoting efforts to reduce the amounts of natural resources consumed; minimizing waste generation and promoting waste reuse and recycling; enhancing environmental management to minimize pollution and the potential for environment related incidents; promoting efforts to reduce climate impact, including encouraging the use of renewable energy.

- **Social:** Encouraging the adoption of innovative technology, including automation, AI and blockchain, to address social challenges, for example, changes in population; enhancing employee retention by promoting fair labor conditions and human rights practices including providing a safe and healthy workplace, skills enhancement through education and training, the promotion of employment diversity and equal opportunities, and prohibiting investments in companies that use forced or child labor.
- **Governance:** Establishment of appropriate governance structures addressing issues including board structure, audit and risk management, anti-bribery and conflicts of interest; prohibiting relations with criminal and other such anti-social forces, terrorist financing and sanctions, money laundering, anti-competitive practices and inappropriate lobbying and illegal political contributions.

2.2 Applicable Standards

Longreach conducts business in an ethical way in compliance with its Code of Ethics and Conduct. Longreach is committed to complying with applicable laws and regulations of the countries and regions in which Longreach, its investee companies and their affiliates operate. It also works to deliver high impact value creation over the medium to long term by considering material ESG factors in its investment approach based on global standards including those formulated by the Principles for Responsible Investment (PRI), the Institutional Limited Partners Association (ILPA) Principles, the Sustainable Development Goals (SDGs), and the International Finance Corporation (IFC) Performance Standards, as applicable.

3. Applicability

3.1 Scope of Application

This ESG Policy and associated guideline applies to all business conducted by Longreach, including both majority and minority investments. In the case that Longreach concludes that there are limitations on implementation (for example in the case of minority investments), Longreach will implement requirements of the ESG Policy to the extent possible.

3.2 Retroactive Application

The ESG Policy applies to investments executed after its introduction and is not applied retrospectively to investments executed prior to their introduction. Consideration of ESG related value creation in existing investee companies is at the discretion of Longreach.

4. Roles and Responsibilities

In integrating ESG into the investment approach of Longreach, a governance structure assigning responsibility for oversight and implementation is in place.

- **The General Partners:** Ultimate responsibility for the implementation of the ESG Policy and associated guidelines including making decisions on reviews and revisions of appropriateness rests with the General Partners.
- **Investment Committee:** The Investment Committee oversees ESG factors that are material to an investment when making a decision to invest as well as to oversee the monitoring and management of material ESG factors that have been identified in the investment process.

- **Partner with Oversight:** The lead Partner on each portfolio company is responsible for ownership of ESG from investment thesis to due diligence, and then in the investment phase through exit. The lead Partner will establish the appropriate system to achieve ESG integration, supervise operation of the system, report on the management and progress of material ESG factors as part of portfolio management, and report to the Investment Committee as well as the General Partners on significant issues related to ESG integration when required.
- **Person(s) responsible for implementation / operation:** Each Portfolio Investment Team, which is established with oversight for the particular investment, shall have one person assigned to manage and promote ESG integration across all business activities of the portfolio company, monitor the status of integration and report to the Partner in charge.
- **Group COO:** While several individuals have a role in managing ESG factors, the Group COO is responsible for overall coordination and shall monitor compliance by Longreach with this Policy. In addition, the Group COO will ensure ESG training has been provided to members of Longreach, for example to new employees at orientation when they join Longreach, as well as to organize as appropriate in-house training, and distribution of guidelines and relevant information.
- **Investor Relations / Communications:** Responsible for ESG related disclosures and communications, including as a signatory to PRI as well as to meet its reporting commitments to its LPs.
- **Executives and personnel:** All members of Longreach are responsible for understanding Longreach's ESG Policy and for integrating the relevant ESG commitments into their actions, as well as continuing to build their knowledge of ESG in order to further the ESG Policy.

5. Integration into the Investment Approach

Longreach adopts a proactive approach involving senior management to integrate ESG as a core component of its investment approach.

- **Fundraising:** Longreach includes information regarding its approach to ESG integration in the investment approach in fund raising documents such as Private Placement Memorandums (PPM). Case studies or other examples of how Longreach managed ESG in past investments may be shared with its investors for due diligence purposes as guidance for how Longreach will implement this Policy, as well as to get feedback and guidance from the investor's perspective on its approach.
- **Exclusion List:** Longreach will not invest in any companies that are considered non-investment grade deals as it defines them. Longreach maintains the exclusion list based on both sector and activity. Any potential investee company which is subject to restriction shall be excluded from consideration for investment.
- **Opportunity Identification:** When considering a potential investment opportunity consistent with the Longreach exclusion list, Longreach implements a formalized approach in assessing potential investee companies to identify material ESG risk and value creation opportunities. Material ESG related risks will be identified in the investment screening process by the relevant teams and the Investment Committee. A material risk is defined as one that could cause material deterioration in financial or operating performance over the Longreach investment horizon or represents a reputational risk to Longreach or its investors. A target

company will only be considered if any material risk can be managed to an acceptable level prior to or during the investment phase.

- ***Preliminary and Offer Commitments:*** Longreach will proactively conduct ESG due diligence it considers necessary to identify applicable ESG related risks as well as opportunities with the potential to support value creation. Longreach appoints external experts as necessary to conduct due diligence. Findings of ESG due diligence are included in investment committee papers including how the relevant deal teams evaluate how ESG factors could impact the credit quality or investment return of a potential investment or subsequent divestment, including an assessment of the likelihood and materiality of various risks, such as:
 - Potential impact of climate change on company operations and financial results;
 - Potential impact of changes in environmental regulatory policy on company operations and financial results;
 - Potential for company labor or hiring practices, and for those in its supply chain, which can lead to operational disruptions or changes in operating costs,
 - Potential for company's environmental, social or governance practices to result in litigation or regulatory action against the company;
 - Potential for the company to suffer harm due to reputational damage resulting from its ESG or other businesses.
- ***Execution Commitments:*** To the extent possible, the definitive Stock Purchase Agreements (SPAs) include material ESG conditions with Seller and ESG commitments of the investee company. These will cover, as applicable, agreed conditions precedent and conditions subsequent, ESG Action Plans, Key Performance Indicators (KPIs) and monitoring and reporting items. ESG Action Plans are established where material ESG factors can contribute to improving financial or non-financial performance.
- ***Post-Closing:*** Throughout the investment phase, based on agreement between Longreach and the investee company, initiatives are implemented addressing Sustainability / ESG management, agreed ESG Action Plans and monitoring of performance against agreed KPIs, as applicable. As a standard practice, ESG KPIs relevant to the business of the investee company are considered and responsibility for ESG material factors will be assigned to a member of the company Board. Longreach will work with each portfolio company to obtain ESG metrics for purposes of managing ESG factors and for reporting to its investors.
- ***Exit:*** Longreach provides information it considers relevant to ESG performance to potential buyers as requested. It assesses that the ESG policies of potential sellers are consistent with the ESG policy of Longreach to support continued risk mitigation and value creation post-exit.

6. Monitoring

6.1 ESG KPI Monitoring

Longreach monitors ESG KPIs as part of its regular monitoring program. To the extent practicable, investee companies report relevant information using the reporting system established by Longreach to integrate ESG performance into regular investment performance monitoring.

6.2 ESG Incident Monitoring

Longreach monitors ESG related incidents in investee companies. In the event of a significant

ESG related incident, the investee company is required to report the incident to Longreach immediately after becoming aware of the occurrence of an incident. Longreach assesses the importance of the incident, develops the appropriate response and reports to the General Partners. Longreach subsequently notifies Limited Partners of the incident at a time appropriate as determined by Longreach, including the response of Longreach and the portfolio company.

7. Reporting on ESG

7.1 Reporting to Limited Partners (LPs)

Longreach reports on ESG performance, as applicable, as an integrated component of the Annual LP Reports commencing on 31 December 2021. ESG performance may also be discussed in annual LP meetings and LP Advisory Committee meetings, in a process agreed upon by Longreach and its LPs.

7.2 Public Disclosure of ESG Related Information

Longreach publicly discloses information on its approach to integrating ESG into the investment approach pursuant to its commitments as a signatory to PRI. At the discretion of Longreach, additional information regarding its ESG related initiatives and performance may be publicly disclosed in additional formats.

8. Revision

The ESG Policy and associated guideline is revised or abolished based on a resolution of the General Partner. The ESG Policy is reviewed at least annually and revised as appropriate in line with applicable global practices at the discretion of Longreach.

B. ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDELINE

1. Introduction

The Environmental, Social and Governance Guideline (hereinafter “the Guideline”) has been prepared to support Longreach Group Limited (hereinafter "Longreach") as it integrates ESG considerations into its business operations as described in the ESG Policy. These also provide details to Longreach’s stakeholders for how the policy will be implemented at the fund and portfolio level.

ESG considerations link to the following components of the business operations of Longreach:

- Fund raising
- Longreach’s own operations
- Portfolio Investment Process (Identification of Investment Opportunities; Preliminary Commitment; Offer Commitment; Execution Commitment; Exit)
- Investor Relations & Public Disclosure (Communications with Limited Partners)

As a result of the close linkages between ESG and the Portfolio Investment Process, the Guideline should be read in conjunction with the “Longreach Investment Process Policy and Guideline”.

2. Roles and Responsibilities

As per Section 4 of the ESG Policy.

3. Integration into the Investment Approach

3.1. Portfolio Investment Process

Step: Identification of Opportunities

- a) Once a specific opportunity has been identified through the opportunity identification process, the Portfolio Investment Team will collect public information from sources such as Bloomberg, newspapers, internet websites etc. to identify if the activities of the Target Company are subject to restrictions. Transactions subject to restrictions are listed in the “ESG Exclusion List”.
- b) Following completion of the exclusion list check, using the Longreach proprietary ESG Assessment Tool (which is a step-by-step evaluation to ensure ESG material factors as per global best practices such as the IFC Performance Standards and information collected from public information and direct dialogue with the Target Company), are identified and monitored throughout the investment. This assessment should also include actions to be taken in subsequent stages of the investment process to further evaluate the relevance of the ESG issue to the opportunity.

Step: Preliminary Commitment

- a) In preparation of a Preliminary Information Commitment Package (PCIP), ESG related findings from the Identification of Opportunities stages will be included in Longreach Strategy (margin expansion / cost-cutting opportunities) and SWOT analysis sections of the PCIP. In the case of ESG factors that are assessed as relevant, consideration will be given to key items identified for further verification in the due diligence of the investee company.
- b) During discussions between the Longreach Capital Partners GPs and the Portfolio Investment Team relevant ESG factors from the Identification of Opportunities step, including any necessary due diligence work, will be discussed.
- c) Longreach will utilize third-party support for ESG when needed. In the case that support from external consultants is required for further assessment, cost estimates will be collected and included in the budget.

Step: Offer Commitment

- a) In forming a final view of the opportunity, Longreach will take into consideration ESG factors and the findings of due diligence.
- b) Relevant findings will be included in the Offer Commitment Information Package (OCIP), in particular, any ESG related outstanding issues and key DD findings. This will also include identification of issues such as conditions precedent, conditions subsequent or Action Plan items (risk /remedy mitigation). To support assessment of future performance, consideration should also be given to applicable ESG KPIs and their monitoring.
- c) Relevant ESG factors will be included in discussions between Longreach Capital Partners GPs and the Longreach Working Team following the Longreach Capital Partners GPs' review of the OCIP.
- d) Drafting of the Sales and Purchase Agreement (SPA) and related legal documentation will include relevant ESG factors, with particular attention given to any issues identified as conditions precedent or conditions subsequent.

Step: Execution Commitment

- a) Relevant ESG factors will be included in the Execution Commitment Information Package (ECIP) with particular attention given to conditions to close and potential risk / remedy mitigation to be addressed through ESG Action Plans post closure.
- b) Post-closing, appropriate resources should be assigned to oversee and support implementation of any conditions subsequent, ESG Action Plans and ESG KPI monitoring.
- c) Post-closing, progress against ESG Action Plans and KPIs should be discussed at regular meetings between Longreach and senior management (including the Board of Directors) of the investee company.

Step: Exit

- a) Irrespective of the type of investment exit, ESG related information associated with the investment will be disclosed at the time of exit at Longreach's discretion.
- b) Longreach will consider the position of potential buyers regarding ESG and how this supports continued risk mitigation and value creation of investee companies post-exit and minimizes the potential for future reputation risk to Longreach and its investors.
- c) ESG performance of investee companies will be assessed from a qualitative perspective, and to the extent possible, a quantitative basis to demonstrate how Longreach's ESG approach contributes to value creation and risk mitigation.

3.2. Investor Relations and Public Disclosure**Fundraising**

- **Fund Raising Documents:** To address potential ESG considerations of LPs at an early stage and communicate the position of Longreach on ESG integration to potential investors, fund raising documents will incorporate relevant applicable ESG related information. In preparing documents, guidance such as PRI's Limited Partners Responsible Investment Due Diligence Questionnaire and ILPA's ESG Assessment Framework will be considered. Information disclosed will address areas including:
 - Explanation of the rationale for integrating ESG into the operations of Longreach, ESG policies and the process for integration into the investment process
 - Description of the Organizational structure for ESG integration demonstrating senior management level commitment
 - Explanation as to how ESG contributes to value creation in the investment process
 - Explanation as to how LPs can monitor ESG related performance and provide ESG related advice as applicable (e.g., through advisory committees)
- **Regular Reporting to LPs:** ESG related performance, for example progress against agreed ESG KPIs, will be included when relevant as an item in regular reporting to LPs in the LP Annual Reports with quarterly updates when needed on an ad hoc basis. Discussions about relevant ESG factors will be included in annual LP meetings and advisory committee meetings at the discretion of Longreach.
- **Incident Reporting to LPs:** In the event of significant ESG incidents in investee companies, following reporting of the incident and appropriate response to the General Partners of Longreach, the LP Advisory Committee will be notified of the incident and appropriate response, unless otherwise restricted by the General Partners of Longreach.
- **Public Disclosure:** Longreach will publicly disclose ESG related information as it considers appropriate. Examples of ESG disclosures that may be considered include:
 - A description of the approach of Longreach to ESG integration into its investment process on the corporate website or marketing materials
 - Disclosure of a summary of the ESG Policy on the corporate website
 - Case studies highlighting how Longreach has realized value creation through ESG initiatives in investee companies
 - Periodic (e.g., annual) sustainability / ESG reports
 - PRI Reports