

The Longreach Group Environmental, Social & Governance Policy & Guideline

Version updated on 11 August 2020
Effective from 1 October 2020

STRICTLY PRIVATE AND CONFIDENTIAL

A. ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

1. Introduction

1.1 Introduction to Policy

The Longreach Group Limited (hereinafter "the Company") builds 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 striving to integrate ESG considerations into its core business operations, the Company seeks to obtain a strong return on investment from its ESG activities in line with its investment approach.

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

1.2 Objectives

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

Based on alignment with the investment approach of the Company and significance for reaching the United Nations Sustainable Development Goals (SDGs), ESG activities prioritize 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, the Company considers the relevant ESG issues in its investment approach. The Company acknowledges that the relevance of ESG issues varies across different geographies and industry sectors and reflects this in its investment approach. In line with the objectives of the Company, ESG activities prioritize 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 anti-social forces, anti-boycotts, terrorist financing and sanctions, money laundering, anti-competitive practices and inappropriate lobbying and illegal political contributions.

2.2 Applicable Standards

The Company conducts business in an ethical way in compliance with its Code of Ethics and Conduct. The Company is committed to complying with applicable laws and regulations of the countries and regions in which the Company, its investee companies and their affiliates operate. It also works to deliver high impact value creation over the medium to long term by taking into account ESG issues in its investment approach based on global standards including 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 the Company, including both majority and minority investments. In the case that the Company concludes that there are limitations on implementation (for example in the case of minority investments), the Company 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 the Company.

4. Roles and Responsibilities

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

- **Board of Directors:** Overall responsibility for the ESG Policy and associated guideline including making decisions on reviews and revisions of appropriateness.
- **Director / Partner with Oversight:** Ownership of ESG integration into business activities. Responsible for establishing the appropriate system to achieve ESG integration, supervising operation of the system and reporting to the Board of Directors on significant issues related to ESG integration.
- **Person(s) responsible for implementation / operation:** Promote ESG integration across business activities, monitoring the status of integration and report to the director / partner in charge. Provide ESG training to members of the Company, for example to new employees

at orientation when they join the company, in-house training, and distribution of guidelines and relevant information.

- ***Investor Relations / Communications:*** Responsible for ESG related disclosures and communications.
- ***Executives and personnel:*** All members of the Company are responsible for integrating ESG into their actions and build their knowledge of ESG as it applies to the Company.

5. Integration into the Investment Approach

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

- ***Fundraising:*** The Company includes information regarding its approach to ESG integration in the investment approach in fund raising documents such as Private Placement Memorandums (PPM). ESG related approach made in connection with past investments may be shared with the investors for due diligence purposes.
- ***Opportunity Identification:*** When considering a potential investment opportunity, the Company will not invest in potential investees if its business or activities are included in the investment exclusion list. The Company, as a part of its opportunity screening process, implements a formalized approach in assessing potential investee companies to identify ESG risk and value creation opportunities. Other material ESG related risks will be identified in the investment screening process, on a case by case basis, by the relevant teams and the Investment Committee. These potential or target investee companies where such risk could cause material deterioration in financial or operating performance over the Company's investment horizon or represent reputational risk to the Company or our investors will be removed from further investment consideration.
- ***Preliminary and Offer Commitments:*** The Company will proactively conduct ESG due diligence to the extent it considers necessary to identify applicable ESG related risks and opportunities with the potential to support value creation. The Company appoints external experts as necessary. Findings of ESG due diligence are included in investment committee papers. The relevant deal teams, in the interim, will evaluate how ESG issues could impact the credit quality 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 to 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 ESG conditions with Seller and ESG commitments by the Board of Directors of the investee company. These cover agreed conditions precedent and conditions subsequent, ESG Action Plans, Key Performance Indicators (KPIs) and monitoring and

reporting items, as applicable. ESG Action Plans are established where ESG issues can contribute to improving financial or non-financial performance.

- **Post-Closing:** Based on agreement between the Company 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.
- **Exit:** The Company provides information it considers relevant to ESG performance to potential buyers. It assesses that the ESG policies of potential sellers are consistent with the ESG policy of the Company to support continued value creation post-Exit.

6. Monitoring

6.1 ESG KPI Monitoring

The Company monitors ESG KPIs as agreed with investee companies as part of its regular monitoring program. Investee companies report relevant information using the reporting system established by the Company to integrate ESG performance into regular investment performance monitoring.

6.2 ESG Incident Monitoring

The Company 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 the Company immediately after becoming aware of the occurrence of an incident. The Company assesses the importance of the incident, develops the appropriate response and reports to the Board of Directors. The Company subsequently notifies Limited Partners of the incident, including the response of the Company.

7. Reporting on ESG

7.1 Reporting to Limited Partners (LPs)

The Company reports on ESG performance, as applicable, as an integrated component of the LP Quarterly Reports ESG performance may also be discussed in annual LP meetings and LP Advisory Committee meetings, as and when requested by LPs.

7.2 Public Disclosure of ESG Related Information

The Company publicly discloses information on its approach to integrating ESG into the investment approach. At the discretion of the Company, information regarding its ESG related initiatives and performance is publicly disclosed.

8. Revision

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

- 1) Identification of Investment Opportunities
- 2) Preliminary Commitment
- 3) Offer Commitment
- 4) Execution Commitment

B. ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDELINE

1. Introduction

The Environmental, Social and Governance Guideline (hereinafter “the Guideline”) has been prepared to support the Longreach Group Limited (hereinafter “the Company”) integrate ESG considerations into its business operations as described in the ESG Policy.

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

- Fund raising
- 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

In integrating ESG roles and responsibilities have been defined as follows:

- **Board of Directors:** Overall responsibility for integration of ESG into the Company including reviews and amendments to the ESG Policy and ESG Guideline.
- **Director / Partner with Oversight:** Ownership of ESG integration into the Company, primarily focused on the Portfolio Investment Process (investment process). Responsible for operation of ESG related activities and reporting to the Board of Directors on significant issues related to integration.
- **Person(s) responsible for implementation / operation:** Day-to-day responsibility for supporting ESG integration, in particular for supporting Longreach Working Teams established to progress an opportunity and with post-closure activities. Other responsibilities include promoting the development of ESG capabilities of personnel of the Company through actions such as providing ESG training to new personnel and distribution of relevant information relating to ESG.
- **Investor Relations / Communications:** Responsible for ESG related communications, primarily to LPs, and public disclosures as applicable.
- **Executives and personnel:** All personnel of the Company are expected to proactively integrate ESG considerations into their actions and build their knowledge of ESG as it applies to the Company.

3. Integration into the Investment Approach

3.1. Fundraising

- ***Fund Raising Documents:*** To address potential ESG considerations of LPs at an early stage and communicate the position of the Company on ESG integration to potential investors, fund raising documents will incorporate relevant applicable ESG related information. In preparing documents, current guidance from organizations including UN PRI and ILPA, for example LP Due Diligence questionnaires, will be considered. Information disclosed will address areas for example:
 - Explanation of the rationale for integrating ESG into the operations of the Company, 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)

3.2. Portfolio Investment Process

Step: Identification of Opportunities

- a) Once a specific opportunity has been identified through the opportunity identification process, the Longreach Working 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 Restriction List”.
- b) Following completion of the restricted activity check, using the ESG Assessment Tool and information collected from public information and direct dialogue with the Target Company, the Longreach Working Team will identify ESG issues relevant to the opportunity. 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 the Company Strategy (margin expansion / cost-cutting opportunities) and SWOT analysis sections of the PCIP. In the case of ESG issues 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 LCP GPs and the Longreach Working Team, relevant ESG issues from the Identification of Opportunities step, including any necessary due diligence work, will be discussed. As ESG issues commonly overlap with business and legal aspects of company activities, legal and business due diligence teams may also assess the relevant ESG issues, as appropriate.
- c) 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 issues 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 issues will be included in discussions between LCP GPs and the Longreach Working Team following the LCP GPs' review of the OCIP
- d) Drafting of the Sales and Purchase Agreement (SPA) and related legal documentation will include relevant ESG issues, with particular attention given to any issues identified as conditions precedent or conditions subsequent.

Step: Execution Commitment

- a) Relevant ESG issues 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 The Company 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. Information to be disclosed will be at the discretion of the Company.
- b) The Company will consider the position of potential buyers regarding ESG and how this supports continued value creation of investee companies post-exit and minimizes the potential for future reputation risk to the Company.
- c) ESG performance of investee companies will be assessed from a qualitative perspective, and to the extent possible, a quantitative basis to demonstrate how the ESG approach of the Company contributes to value creation

3.3. Investor Relations and Public Disclosure

- **Regular Reporting to LPs:** ESG related performance, for example progress against agreed ESG KPIs, will be included as an item in regular reporting to LPs in the LP Quarterly

Reports. Discussions about relevant ESG issues will be included in annual LP meetings and advisory committee meetings at the discretion of the Company.

- ***Incident Reporting to LPs:*** In the event of significant ESG incidents in investee companies, following reporting of the incident and appropriate response to the Board of Directors of the Company, LPs will be notified of the incident and appropriate response immediately, unless otherwise restricted by the Board of Directors of the Company.
- ***Public Disclosure:*** The Company 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 the Company to ESG integration into its investment process on the corporate website or marketing materials
 - Disclosure of its ESG Policy on the corporate website
 - Case studies highlighting how the Company has realized value creation through ESG initiatives in investee companies
 - Periodic (e.g. annual) sustainability / ESG reports

4. Revision

The ESG Guideline is revised or abolished based on a resolution of the Board of Directors. The ESG Guideline is reviewed at least annually and revised as appropriate in line with applicable global practices at the discretion of the Company.