

Environmental, Social and Governance policy

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About L1

L1 is an international investment business led by successful entrepreneurs, former CEOs and international business people.

We make meaningful investments in sectors where we see longevity and opportunity: technology, telecoms, energy, healthcare and retail. These are sectors that are essential to society today and will continue to be in the future.

People will need energy, food and technology and we believe we can generate long-term sustainable growth from our investments in these sectors while also serving these basic human needs.

Our beliefs

We believe that to sustain long-term value creation, a company must understand the societal and environmental impact of its business, as well as structural trends that might affect future growth.

Capitalism is facing a period of fundamental change and challenge. Business has an important role in building prosperity for all stakeholders.

We are long-term investors who invest our own patient capital to buy and build companies where we see an attractive valuation, good management teams, competitive advantage and market opportunity, and where our involvement will build long-term sustainable value.



Capitalism is facing a period of fundamental change and challenge

Each industry faces an industrial revolution and is in significant flux because of changes in societal expectations, demographics and technology. The speed of technology, change and transformation poses huge challenges, but also huge opportunities.

As long-term investors we assess each investment in relation to these global challenges and work with investee companies' management to navigate these paradigm shifts and changes to their operating models, including ESG issues and the environmental and social impacts of their businesses.

By identifying and assessing relevant ESG impacts as part of our investment process and by ensuring that risks are properly managed and opportunities capitalised upon, L1 helps create more successful and sustainable businesses over the long-term.

This can enhance our investment performance through reducing reputational risks and minimising unnecessary costs and also contribute to building a more stable, sustainable society and inclusive global economy.

Scope of this policy

This ESG policy covers both L1's own operations and our assets under management. As a small investment team, our social and environmental impacts are very minor compared to those of our portfolio companies. Therefore, our focus is primarily on the impact we have as an investor.

However, we feel it is important that we aspire to meet the same standards in our own operations as we ask of our portfolio companies. L1 is preparing a list of commitments we will make about our own operations and will consult our employees on these prior to board approval and publication.

Policy principles

L1 has taken the following actions in order to embed ESG in its investment processes:

- ① L1 is/has incorporated ESG issues into its investment decision and its portfolio management processes.
- ② L1 requires all its portfolio companies to have an ESG policy and set agreed specific ESG priorities, risks and opportunities.
- ③ L1 reviews progress against portfolio ESG targets through its six-monthly portfolio review process.

- ⑤ L1 will undertake an annual ESG analysis of the most significant companies in our portfolio to understand their approach to ESG risks and opportunities in more detail.

- ⑥ We plan to convene annual workshops among the ESG leaders of our portfolio companies in order to facilitate sharing and promotion of best practice.

- ⑦ L1 is committed to providing all relevant L1 employees with regular training, comprehensive responsible investing guidance and access to online ESG tools

Our ESG approach

L1 currently invests through majority or minority equity holdings in public and private companies or through structured equity. We invest our own patient capital in companies where we believe our sector experience, strategic and geographic expertise will improve performance.

We are therefore, in some cases, in a position of control or significant influence of the strategic direction and operations of a company. In others we are a minority shareholder, with limited ability to influence management.

We recognise that ESG issues can be an important driver of investment value and risk.

- ① As part of our due diligence investment process, L1 considers key ESG issues and the response to them, such as: climate, use of natural resources, waste management, innovation, human capital, diversity, supply chain and social capital, transparency, anti-bribery and corruption.

- ② Where L1 controls a company, it seeks to work with the company management to integrate and monitor progress on material ESG issues in areas of risk or opportunity. In order to encourage investee companies to embrace ESG, every investee company we control is required to have an ESG policy.

- ③ In companies where L1 has limited ability to influence and control the integration of ESG issues into the business plan, where possible, we will seek to monitor risks and engage management in order to persuade them to put ESG policies in place.

Pre-investment due diligence

As part of our pre-investment due diligence, L1 investment teams start by considering our Exclusion List to ensure that we do not make direct investments in companies that we consider incompatible with the UN Global Compact and responsible investment approach of the firm.

Exclusion list

We will not knowingly invest in companies that:

- manufacture or distribute or sell anti-personnel landmines, nuclear, chemical, biological weapons or cluster munitions;
- have as their principal activity the manufacture of arms, ammunition or tobacco; and/or
- are complicit in systematic abuses of human rights or labour rights (including child labour).

Where any of the following issues are identified as part of the due diligence process:

- direct involvement with thermal coal production;
- responsibility for deliberate environmental damage through their own operations or supply chain; and/or
- association with corruption including extortion and bribery, the investment in that company will not proceed unless these issues can be effectively mitigated.

Integration into investment decision-making

When we assess the suitability of an investment we consider a variety of factors. The evaluation of ESG factors is highly dependent on the country, industry, company, and management we are analysing. Therefore, the particular issues considered vary with each investment.

For all potential investments, the relevant investment manager is responsible for identifying whether there are any material ESG issues associated with the investment. In order to determine what is material for each investment, L1 uses industry-specific issues identified by ESG benchmarking organisations, such as the Sustainability Accounting Standards Board.

Where material ESG issues are identified, this does not necessarily mean that the investment will not proceed. However, the L1 Board may request further action is taken to ensure these issues are properly investigated or require further actions to be taken following an investment.

Ongoing monitoring of portfolio companies

The L1 investment teams work actively with the management of the companies we invest in, providing strategic input and monitoring the operational and ESG performance of each portfolio holding.

We ask that all our portfolio companies have an ESG policy and reporting framework, although we believe that the companies are best-placed to determine the specifics of these. We do, however, require them to highlight their progress against the targets that they have identified as being most relevant for their business.

It is a requirement for the L1 investment team to incorporate an update on ESG progress and developments at our investee companies in portfolio review meetings.

This year, together with an external adviser, we undertook an ESG survey of our portfolio companies to better understand how they are managing material ESG issues and to assess existing policies, practices and reporting. Going forward we will do this on an annual basis.

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