



**Environmental, Social and
Governance Integration
Framework**

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1. Overview

We aspire to be a partner of choice for investors seeking well performing ESG-integrated portfolios. Integrating ESG considerations in our investing with a view to controlling the risks and capturing the opportunities, developing an ESG reporting framework for our clients, and strengthening engagement with our portfolio companies where possible have become an important part of our business strategy

1.1 Purpose

HPS Investment Partners' objective is to provide creative capital solutions and generate attractive risk-adjusted returns for our clients. We believe a responsible approach to investing which emphasizes a commitment to environmental, social and governance ("ESG") management enhances our ability to control downside risks and volatility in our credit portfolios.

1.2 Approach

HPS supports certain global frameworks and has drawn from them, among other sources, to inform ESG Integration Framework. HPS is a signatory to the U.N.-supported Principles for Responsible Investment, ("PRI"), a supporter of the Taskforce on Climate-Related Financial Disclosures, and a core supporter of the Standards Board for Alternative Investments ("SBAI").

We seek to examine ESG risks when we review investments for our clients, through the lens of credit investing and the broad scope of credit asset classes in which we invest. In this process, we evaluate the varying degrees of our access to ESG-related information. Where material ESG concerns have been identified, and ESG, ethical or

reputational risks outweigh the mitigating factors or circumstances identified, we may decline the investment or, alternatively, we may look for opportunities to engage with appropriate parties in an effort to mitigate the identified risks.

As part of our framework, we seek to engage with portfolio company management teams and/or private equity sponsors where applicable and practical in an effort to mitigate any identified material ESG risk(s), and aim to help relevant parties assess the possible long-term financial and reputational impacts that could result from a failure to address ESG issues.

We recognize that industry guidelines and best practices for ESG management continue to evolve, so we will review this framework periodically and make updates or changes as appropriate.

2. Governance

We deploy significant senior internal and external resources in supporting, managing and establishing a governance structure for our ESG integration efforts

In 2020, HPS established the HPS ESG Forum (“The Forum”). The Forum is tasked with providing input and guidance relating to the integration of the Firm’s ESG Framework. In addition to the Chief Administrative Officer, who chairs the Forum, the ESG Forum is comprised of senior investment and infrastructure professionals, including the Firm’s Chief Financial Officer/Chief Risk Officer, General Counsel and Chief Compliance Officer.

As the Chair of the HPS ESG Forum, the Chief Administrative Officer is primarily responsible for maintaining the ESG framework at the Firm-level, while all HPS investment professionals are jointly responsible for considering and analyzing ESG factors throughout the investment process, as applicable.

HPS professionals from various functional areas across the Firm, including dedicated ESG team members, support HPS’s ESG program. This includes, among other things, providing a centralized function for internal and external inquiries, and

managing data integration and monitoring activities.

In instances where additional ESG subject matter expertise is deemed necessary, HPS may engage and consult with external advisors. Among other topics, such advisors may provide support in the areas of climate foot-printing, data collection, ESG strategy development and regulatory disclosure regimes.

3. Implementation Guidelines

HPS seeks to assess ESG factors and monitor issuers during the lifecycle of our investments, as applicable, and, where appropriate, engage with issuers and other relevant parties in an effort to mitigate identified material ESG risk(s), consistent with our view that investment risks can stem from material ESG factors including environmental compliance, fair labor practices, data privacy, business ethics and reputational concerns associated with the issuer

3.1. Pre-Investment Review and Evaluation

We seek to assess ESG factors as part of our investment process, in an effort to identify, and appropriately consider ESG-related risks and opportunities.

HPS has developed an ESG ratings approach that differs between its private credit and liquid credit business. Factors such as access to management, access to information and corporate reporting influence these two distinct approaches. Our private credit investment teams typically determine internal ESG ratings based on industry specific checklists – and the liquid credit teams utilize external data vendors and desk research, as available, to arrive at an ESG rating. Our ESG-focused assessments on potential portfolio companies, as applicable, may include, among other things, an assessment of risk exposure and performance in various material ESG areas, including, without limitation, anti-bribery, anti-money laundering, occupational safety and health, business ethics,

data privacy, environmental compliance, fair labor practices, diversity and equal opportunity, supply chain issues, and other headline or reputational risks associated with its industry, as applicable to the portfolio company's operations.

As primarily credit investors, our access to ESG-related information will vary depending on the nature of the investment and the access we receive to the management team. As a result, we have designed a tiered ESG due diligence approach that reflects the varying levels of access that we can expect to have across our different strategies, as described below.

Environmental sustainability risks may include but are not limited to risks resulting from climate change, emissions and resource management.

Social sustainability risks may include but are not limited to risks relating to human rights, labor rights and community impact.

Governance sustainability risks may include but are not limited to risks relating to board governance, bribery and corruption and employment practices.

3.1.1. Liquid Traded Credit

Liquid credit analysts at HPS endeavor to consider ESG factors in their investments. Although they may not have access to the same level and degree of information as our private credit team, ESG-focused assessments are generally performed for liquid credit investments based on available information. Liquid credit analysts generally review publicly available information and utilize third party systems to run ESG-focused searches for adverse-events.

Moreover, for liquid credit investments in companies with direct exposure or significant adjacencies to HPS's pre-defined list of "High-Risk Areas of Concern", HPS strives to utilize available information collected to further assess related risks. Examples of those high-risk areas of concern include adult entertainment, coal, controversial weapons and firearms, gambling, hydraulic fracturing, mining and extraction, nuclear, tobacco and nicotine, payday lending and private prison operators.

3.1.2. Privately Negotiated Credit

In our private credit investment strategies, we may be able to obtain greater information in our investment review process.

Therefore, in addition to leveraging public information and subscription-based databases, HPS seeks to collect information from the management team (either directly or through the private equity sponsor or other parties) regarding ESG risks.

This additional due diligence process is accomplished through the HPS ESG Checklists, which incorporate industry-specific ESG questions. As part of the final private credit investment approval process, HPS endeavors to highlight material ESG findings, including the completed ESG Checklist, to the applicable IC or portfolio manager. The extent of the information collected through the ESG Checklists depends on the level and degree of information available to HPS in light of its role and scope of investment in a given transaction.

For investments in companies identified in the diligence process as having direct or adjacent exposure to high-risk areas of concern as described above, HPS seeks to conduct an added layer of review using the applicable HPS "High-Risk Areas of Concern Framework" checklist.

3.2. Ongoing Monitoring and Stewardship

We endeavor to incorporate ESG considerations in monitoring our existing investments, as appropriate, as part of our ongoing portfolio evaluation and risk management processes.

3.2.1. Liquid Traded Credit

For our liquid credit portfolio companies, HPS utilizes subscription-based databases and other paid services, in an effort to monitor the ESG risks associated with our portfolios on an ongoing basis.

3.2.2. Privately Negotiated Credit

For privately negotiated credit investments, we endeavor to update the HPS ESG Checklists in instances where we make a new financing commitment to an existing portfolio company in accordance with internal protocol. The checklists include key performance indicators, some of which are collected across the portfolio and others that are industry-specific.

If practical, as part of our ESG stewardship, we seek to engage with portfolio company management teams and/or private equity sponsors, where practicable, in an effort to mitigate any identified material ESG risks, and help assess any potential long-term financial and reputational risks that can result from a failure to address ESG issues.

3.3. Drawing the Line

Where high-risk ESG factors are present, and ESG, ethical or reputational risks outweigh any mitigating facts or circumstances, we may decline to make an investment or, alternatively, look for an opportunity to engage with appropriate parties in an effort to help promote long-term solutions and optimize the investment outcome.

4. ESG at HPS

At HPS, we believe that ESG starts with our Firm and our people

In addition to incorporating ESG management into our investment process, HPS aims to mitigate ESG risks and adopt best practices in the day-to-day operations of our Firm. To that end, we strive to take proactive measures to identify, manage and improve upon material Firm-level ESG factors including, without limitation, cybersecurity, anti-corruption, anti-money laundering and business ethics.

Our people are our most important asset. As such, we will continue to focus on hiring and retaining the best talent and providing them with a workplace that allows them opportunities for advancement and reward based on merit and performance irrespective of their gender, race, religion, ethnicity or sexual orientation. We are committed to have a diverse workforce across all our businesses.

HPS seeks to educate and train employees on ESG-related issues. The ESG Team endeavors to provide annual ESG-dedicated training to all investment professionals and certain infrastructure professionals at HPS.

Our objective is to provide our employees with a workplace that encourages health and wellness. To that end, we are committed to continually evaluating our workplace for offerings which will enhance the wellbeing of our workforce and further our goal of creating a workplace that all our employees are proud of. These include, but are not limited to, enhancements to our physical facilities, benefits and offerings to our employees and other ways we operate our Firm.

5. Sustainable Finance Disclosure Regulation

This framework also serves as a summary of the integration of sustainability risks into the investment processes of HPS Investment Partners, LLC (“HPS LLC”) and HPS Investment Partner s Luxembourg S.à r.l. (“HPS Lux”), as required by the EU Sustainable Finance Disclosure regulation (the “SFDR”). The Governing Partners of HPS LLC and the Board of Directors of HPS Lux have approved the adoption of sustainability risks policy and processes

Under the SFDR, “sustainability risk” means an ESG event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment. HPS LLC and HPS Lux therefore approach sustainability from the perspective of the risk that ESG events might cause a material negative impact on the value of clients’ investments as described above.

The SFDR also requires HPS LLC and HPS Lux to make a statement on whether they consider the principal adverse impacts (“PAIs”) of investment decisions on sustainability factors, in accordance with the specific regime outlined in the SFDR. HPS LLC and HPS Lux have initially opted not to comply with this regime and do not consider the PAIs of their investment decisions on sustainability factors. HPS LLC and HPS Lux are supportive of the policy aims of the PAI regime to improve transparency to clients, investors, and the market but, taking account of the nature of their activities and the types of products make available, HPS LLC and HPS Lux considers that it would be disproportionate to comply with the specific PAI regime of the SFDR at this

time. However, as HPS LLC recently crossed the 500-employee threshold, it accordingly intends to publish a statement on due diligence policies in accordance with Article 4(1) of the SFDR.

Remuneration HPS LLC and HPS Lux aim to ensure that individual employees' remuneration is consistent with and promotes sound and effective risk management and does not encourage excessive risk-taking. HPS' remuneration practices include an assessment of an individual's performance, based on both quantitative criteria (for example, financial performance of the individual and their business unit) and qualitative criteria (for example, holistic assessment of general adherence to certain policies and procedures). The qualitative criteria used may include, among others, consideration of the employee's contribution to the overall control of downside risk and volatility in the investment portfolios and identification of attractive return opportunities, and variable remuneration may be adjusted accordingly.

Please note:

This framework is dated as of January 2023 and is subject to ongoing change without notice. For prospective investors, this HPS internal framework should not be construed to constitute an HPS fund or account's offering materials. HPS continues to develop separately managed and customized portfolios in order to reflect individual clients' bespoke ESG expectations. For any questions regarding HPS's ESG integration efforts, please contact esg@hpspartners.com.