

## 5. Sustainable Finance Disclosure Regulation

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*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 Partners Luxembourg S.à r.l. (“HPS Lux”), as required by the EU Sustainable Finance Disclosure regulation (the “SFDR”). The Governing Partners of HPS and the Board of Directors of HPS Lux have approved the adoption of sustainability risk-related policy and processes.*

### 5.1. Overview

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 has more than 500 employees, it is required to publish a statement on due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors in accordance with Article 4(1) of the SFDR. HPS LLC’s statement is in the Appendix to this document.

## 5.2. 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 LLC's 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 investment opportunities, and variable remuneration may be adjusted accordingly.

*Please note:*

*This framework is dated as of October 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](mailto:esg@hpspartners.com).*

**Appendix**

Statement on principal adverse impacts of investment decisions on sustainability factors

**Financial market participant: HPS Investment Partners, LLC (549300IW7540H8HM8F38)**

**Summary**

HPS Investment Partners, LLC (549300IW7540H8HM8F38) (“HPS”) does not consider principal adverse impacts of its investment decisions on sustainability factors. However, as HPS exceeded on its balance sheet the criterion of the average number of 500 employees during the 2022 financial year (the “500 employee threshold”), it is required to publish a statement on due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors in accordance with Article 4 of Regulation (EU) 2019/2088 (the “SFDR”). The present statement is the consolidated statement on principal adverse impacts on sustainability factors of HPS LLC. This statement on principal adverse impacts on sustainability factors covers the reference period 31 December 2022

**Description of the principal adverse impacts on sustainability factors**

HPS has opted not to consider the principal adverse impacts of its investment decisions on sustainability factors. HPS is supportive of the policy aims of the principal adverse impact regime to improve transparency to clients, investors, and the market but, taking account of the nature of its activities and the types of products it makes available, HPS considers that it would be disproportionate to consider the principal adverse impacts of its investment decisions on sustainability factors at this time.

Indicators applicable to investments in investee companies						
Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	N/A	N/A	N/A	HPS LLC, with the assistance of third party data service providers, has established a program to collect data on the principal adverse impacts of portfolio companies. HPS LLC will publish aggregate principal adverse impact data on the financial products it manages which are marketed in the EU in its statement on principal adverse impacts published in 2024.
		Scope 2 GHG emissions	N/A	N/A	N/A	
		Scope 3 GHG emissions	N/A	N/A	N/A	
		Total GHG emissions	N/A	N/A	N/A	
	2. Carbon footprint	Carbon footprint	N/A	N/A	N/A	
	3. GHG intensity of investee companies	GHG intensity of investee companies	N/A	N/A	N/A	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	N/A	N/A	N/A	
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	N/A	N/A	N/A	
6. Energy consumption	Energy consumption in GWh per million EUR of revenue of	N/A	N/A	N/A		

	intensity per high impact climate sector	investee companies, per high impact climate sector				
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	N/A	N/A	N/A	
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A	N/A	
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A	N/A	
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	N/A	N/A	N/A	HPS LLC, with the assistance of third party data service providers, has established a program to collect data on the principal adverse impacts of portfolio companies.

	for Multinational Enterprises					HPS LLC will publish aggregate principal adverse impact data on the financial products it manages which are marketed in the EU in its statement on principal adverse impacts published in 2024.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	N/A	N/A	N/A	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	N/A	N/A	N/A	
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	N/A	N/A	N/A	
	14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	N/A	N/A	N/A	

**Description of policies to identify and prioritise principal adverse impacts on sustainability factors**

HPS LLC has opted not to consider the principal adverse impacts of its investment decisions on sustainability factors. HPS LLC is supportive of the policy aims of the principal adverse impact regime to improve transparency to clients, investors, and the market but, taking account

of the nature of its activities and the types of products it makes available, HPS LLC considers that it would be disproportionate to consider the principal adverse impacts of its investment decisions on sustainability factors at this time.

HPS LLC, with the assistance of third party data service providers, has established a program to collect data on the principal adverse impacts of portfolio companies. HPS LLC will publish aggregate principal adverse impact data on the financial products it manages which are marketed in the EU in its statement on principal adverse impacts published in 2024.

**Engagement policies**

HPS LLC has opted not to consider the principal adverse impacts of its investment decisions on sustainability factors, including through its engagement policies. However, for private credit investments, where practical, as part of HPS LLC’s broader environmental, social and governance (“ESG”) stewardship, the firm seeks 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.

**References to international standards**

HPS LLC has opted not to consider the principal adverse impacts of its investment decisions on sustainability factors, including by reference to international standards. However, HPS LLC is a signatory of the United Nations-supported Principles for Responsible Investment (“PRI”). The PRI is an international global network of asset managers, owners and service providers working together to put responsible investment into practice. The principles, which are voluntary, aim to provide a framework for integrating ESG considerations into investment decision-making and ownership practices.

HPS LLC is a public supporter of the Taskforce on Climate-Related Financial Disclosures (“TCFD”) and the Taskforce’s belief that standardized climate-related information will allow companies to incorporate climate-related considerations into their risk management and strategic planning processes. HPS LLC considers the TCFD Recommendations a useful disclosure framework in the assessment of governance, strategy, risk management, metrics and targets in the context of climate change, and as such aspires to report in line with its recommendations.

**Historical comparison**

Not applicable.