

## 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 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 can be found [here](#).

### 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.