HPS Sustainability Report 2023



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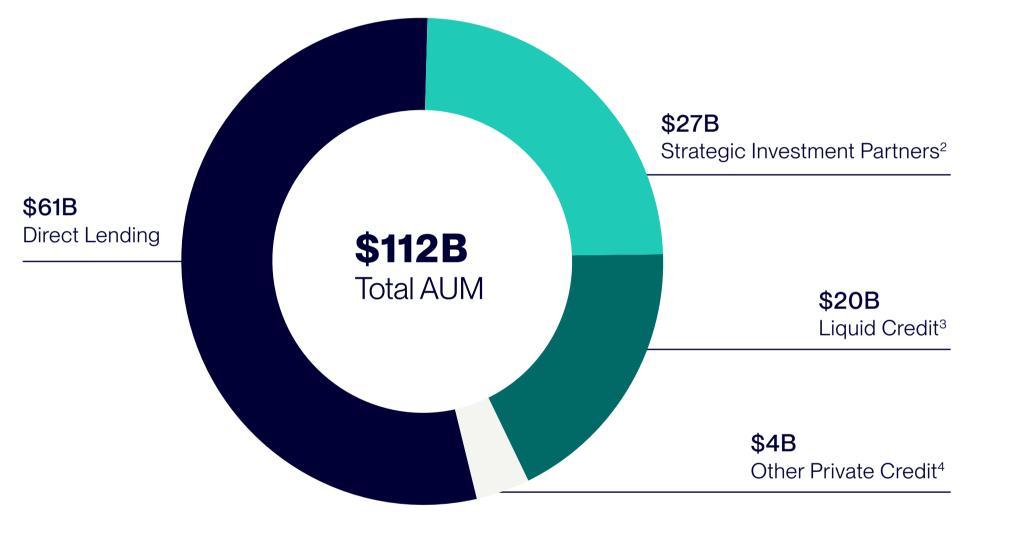


Who We Are

Founded in 2007, HPS Investment Partners (HPS) is a leading global alternative investment manager with approximately \$112 billion in assets under management.¹ We manage various strategies across the capital structure, including privately negotiated senior debt; privately negotiated junior capital solutions in debt, preferred and equity formats; liquid credit including syndicated leveraged loans, collateralized loan obligations and high-yield bonds; asset-based finance; and real estate.

Assets Under Management

Our current AUM of \$112 billion is comprised of:



HPS is one of the world's largest alternative credit investment managers, with the primary objective of delivering attractive risk-adjusted returns to our investors. In doing so, we strive to offer creative capital solutions to our portfolio companies. We view our scale, breadth and diverse sourcing channels to be key assets for gaining access to a wide range of opportunities through varying market cycles.

HPS by the Numbers

\$112B AUM⁵

660 +Employees

200 +Investment

Professionals

14 Offices

Where We Invest

Our multiple strategies and mandates span private and liquid credit.

	PRIVATE CREDIT	LIQUID CREI
AUM	\$92 billion	\$20 billion
Targeted Investments Include	Privately negotiated debt investments, special situations, specialty loans and leases	Actively managed po of broadly syndicated loans, high-yield bon securitized credit
Strategies	 Senior Secured Junior Capital Asset-Based Finance Special Situations Sustainability, Power and Energy Real Estate 	 Broadly Syndicate Multi-Asset Credit

We strive to reflect certain core principles throughout our investment strategies:

Selectivity: We aim to be rigorous in selecting the deals we commit to. In our private credit strategies, we typically invest in a small fraction of the many investment opportunities we evaluate each year.

Discipline: With a focus on capital preservation, we are willing to walk away from transactions that do not meet both our return and risk criteria. To us, the investments we choose not to make are just as important as those we approve.

Diversification and Flexibility: Our portfolios are generally diversified by geography and industry. We also strive to maintain flexibility in our portfolio construction, to enable us to capitalize on opportunities during market dislocations.

Experience: We have invested across various market environments since our inception, navigating upheavals from the global financial crisis in 2008 to the COVID-19 pandemic in 2020. We rely on the lessons learned from those experiences in managing our clients' assets.

Alignment: We believe aligning the interests of our investors with HPS partners and employees is essential to the longterm success of our Firm. Our Governing Partners invest directly alongside investors, as do the senior investment team members in many of our strategies.

4 Continents





A Message from Our CEO

DELIVERING FOR OUR STAKEHOLDERS

Performance is the true north in asset management, and in credit investing that starts with a focus on deep due diligence, structuring and capital preservation. For investors, this means delivering a range of solutions to meet their bespoke needs while maintaining our relentless focus on downside protection. To achieve our goal of delivering attractive risk-adjusted returns to our investors, we seek to be a reliable partner for growth to businesses—a partner that can move quickly, and with discretion.

For more than 17 years, we have built HPS to capture the unique opportunity in credit. With a platform spanning four continents, we offer scaled financing solutions across the capital structure in private and public markets in developed economies around the world.

To deliver on our most important mission of creating attractive riskadjusted returns for our investors, we aim to assess and mitigate sustainability risks in the same way we assess and mitigate other risks to our investments: with a common thread of intellectual rigor and discipline.

INVESTING RESPONSIBLY

The breadth and flexibility of our platform equips us to tailor solutions to our clients' unique risk, return, liquidity and structuring objectives. In addition to generally considering sustainability through a risk management lens, we continue to see certain clients opting for portfolios that consider sustainability criteria in the investment selection process, capture opportunities created by regulatory and market trends toward decarbonization, and can deliver reporting on key sustainability metrics.

Since our last sustainability report, HPS has made significant investments in our technical capabilities, and in our global ESG team. Moreover, we continue to augment our firmwide ESG trainings and processes, emphasizing engagement and risk mitigation as a firmwide effort.

HPS AND OUR COMMUNITIES

The leadership team that began with HPS continues to be central to the direction of the Firm today. Now, with 660+ employees, including 200+ investment professionals managing more than \$112 billion in assets, it is more important than ever that we maintain the culture that got us here—a culture of innovation, entrepreneurship, collaboration, rigor and respect.

We also believe that the scale of our business brings with it an enhanced responsibility to our communities—which means standing with and investing in them in times of need and for the long term. We continue to enhance and expand our partnerships with transformative organizations like Howard University, Sponsors for Educational Opportunity, The Equity Alliance, Harlem Lacrosse and others. These partnerships enrich our Firm and our industry, and we could not be more proud to be a part of their work.

PREPARING FOR THE FUTURE

The core foundations upon which we built our business—scale, capital flexibility, diversified sourcing, navigating complexity and client centricity—continue to define our Firm today. In the ever-changing backdrop of today's world, we believe these pillars are more important than ever and we continue to invest in the infrastructure and people that allow us to deliver for our investors. As we move forward, with the recognition that we continually have more work to do, we welcome your thoughts.

Sincerely,

SCOTT KAPNICK Chief Executive Officer





2023 Highlights

SCALE-UP

In response to increased reporting requirements and a high volume of ad hoc investor inquiries, we have significantly expanded the bandwidth of our dedicated ESG team. Strengthened by three new full-time hires, we have broadened and deepened our reach, most notably through increased involvement with our portfolio companies and participation in sustainabilityfocused industry association work.

KEY FOCUS AREAS

Throughout 2023, we focused on three main areas: data collection, carbon emissions and engagement. As the global push toward decarbonization accelerates, data points like carbon data can offer valuable insights into the operations and readiness of companies in certain industries to move into a lower-carbon economy. This advancement could help manage relevant physical and transition risks associated with a changing climate and resulting regulatory frameworks. By building close relationships with our portfolio companies, we can gain access to data, gather real-time insights into their performance and, where relevant and practicable, encourage the adoption of best practices in an attempt to help mitigate risks and capture opportunities.

new Article 8 funds launched

230 +

3

new full-time ESG

employees hired

ESG questionnaires completed

99%

HPS Investment Professionals ESG-trained⁶

KNOW-HOW

The ESG team works with deal teams to help them stay informed on relevant sustainability developments. In 2023, our annual ESG training campaign was customized to HPS's different investment strategies, resulting in nearly full attendance rates across the investment teams. These small-group training sessions were interactive, accessible across time zones and focused on optimizing deal teams' day-to-day ESG integration work.

ESG FRAMEWORK UPDATE

Following the purchase of our Firm from J.P. Morgan Asset Management, HPS developed an ESG Framework in 2016. This living document describes our approach to ESG and provides a frame of reference for ESG integration. In 2023, we completed the most recent update of this Framework to reflect the growth and evolution of the Firm. The enhancements include the addition of topics such as climate change and human rights as well as additional clarity around the integration of our sustainability processes.

50 +fund-level Carbon Emissions **Reports created**

3 new industry initiatives joined

250 +

portfolio company engagements initiated⁷ 100%

of HPS's operational carbon footprint has been offset⁸



Governance

HPS has a governing structure to support our responsible investing approach, which we believe enhances our ability to control downside risks and volatility in our credit portfolios.

ESG OVERSIGHT

The Firm has seven Governing Partners who provide senior leadership and direction for the Firm. The firmwide ESG integration is overseen by one of the Governing Partners, who is also a member of substantially all of the Firm's private credit Investment Committees and HPS's Chief Administrative Officer (CAO).

ESG MANAGEMENT

In 2020, we established the HPS **ESG Forum**. The Forum is tasked with providing input and guidance relating to the integration of the Firm's ESG Framework. It is chaired by HPS's CAO and consists of senior investment and infrastructure professionals from across the Firm. This currently includes, among others, the Chief Financial Officer/Chief Risk Officer, General Counsel and Chief Compliance Officer. The Forum also plays an important role in HPS's postinvestment monitoring process and aims to convene quarterly to review select new and legacy investments identified as having heightened sustainability risks.

The HPS **Carbon Taskforce**, one of our 2023 initiatives, was set up as a subgroup of the ESG Forum. It aims to assess carbon-related risks and opportunities at the Firm and at the portfolio company level. It is comprised of select members of the ESG Forum and a number of investment professionals across different HPS strategies. The Carbon Taskforce is chaired by the head of Risk and Quant Strategies.

ESG IMPLEMENTATION

HPS has a **dedicated ESG team** based in New York and London. The team's responsibilities include supporting ESG due diligence, managing ongoing monitoring and providing internal and external reporting. The team is overseen by the CAO.

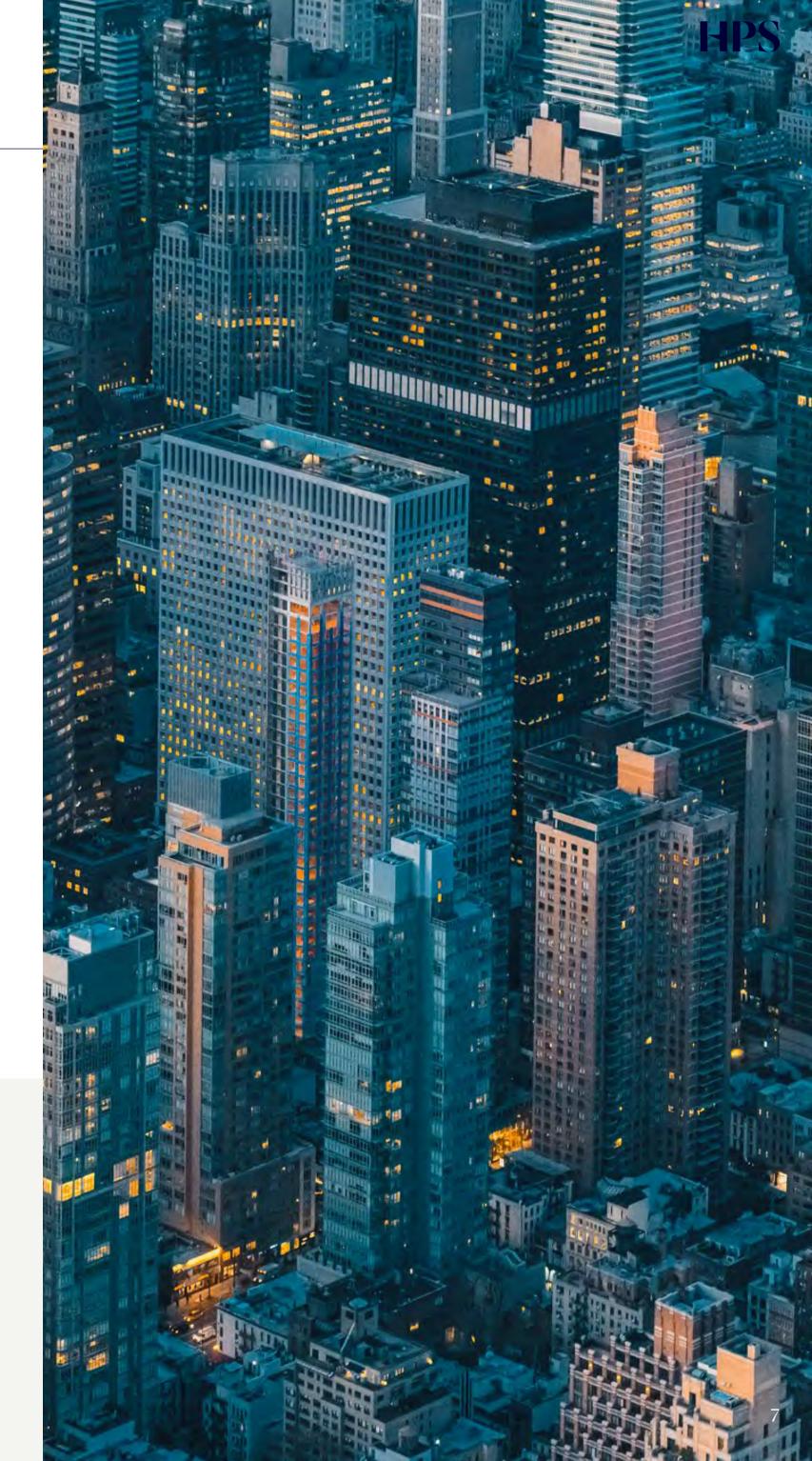
Within each strategy, the corresponding investment teams are responsible for assessing potential sustainability factors that are drivers of risks and opportunities (including climate-related risks and opportunities), throughout the investment process. HPS professionals from various non-investment functional areas across the Firm—including Investor Relations, Compliance, Legal and Risk—also support HPS's sustainability program and work closely with the ESG team.

"HPS has established a robust governance structure and allocated significant senior resources to enhance its ESG integration efforts. Facing major global challenges such as climate change, we are committed to continue strengthening our governance, resourcing and reporting on sustainability-related risks and opportunities."

FAITH ROSENFELD

Governing Partner, Chief Administrative Officer and Chair of the HPS ESG Forum





Our Sustainability Highlights and Milestones

GAINING MOMENTUM

Building infrastructure and aligning with industry initiatives that match our values and culture as a Firm

2021

- Hired first dedicated ESG professional
- Engaged a third-party consultant to estimate the Firm's operational carbon footprint
- Became signatory to U.Nsupported Principles for **Responsible Investment** (UN PRI)

EARLY STAGE

Developing internal processes and governance

TŦŢ

2018

GETTING STARTED

Implemented the HPS

ESG Framework

2016

Onboarded a data science and risk research vendor to enhance our due diligence and monitoring processes

2019

Began working with an external advisor to assess and strengthen our existing sustainability practices

- Established a partnership with Howard University to help students better prepare for careers in finance
- Co-founded The Equity Alliance
- Became founding signatory of ILPA's Diversity in Action Initiative

2020

- Rolled out an enhanced ESG due diligence program for private and liquid credit
 - Established the HPS **ESG** Forum

ACCELERATION

Further expanding our reach and embedding sustainability into our core processes

2022

- Launched HPS's first Article 8 fund
- Purchased Verified **Emission Reductions** (VERs) and fully offset the Firm's estimated operational carbon emissions for 2021
- Onboarded a second ESG data vendor to augment diligence capabilities for liquid credit
- Estimated select private credit portfolios' carbon footprints for the first time with the help of a thirdparty consultant
- Became a supporter of the Task Force on Climate-**Related Financial** Disclosures
- Invited to join the PRI Private Debt Advisory Committee. The Firm is represented by HPS's CAO, who chairs the ESG Forum
- Published HPS's inaugural Sustainability Report

2023

- Established the HPS Carbon Taskforce
- Increased the in-house ESG team's bandwidth with three full-time employees
- Fully offset the Firm's estimated operational carbon emissions for 2022
- Joined the ESG Committee of European Leveraged Finance Association (ELFA)
- Joined the ESG Data **Convergence** Initiative (EDCI), and became a formal supporter of the ESG Integrated Disclosure Project (ESG IDP) that promotes industry collaboration for standardized ESG data collection





Key Sustainability Themes



Data

When evaluating an investment opportunity, financial metrics alone may not give a complete picture of a business's value, potential and vulnerabilities.

We believe that additional indicators such as employee well-being and satisfaction, environmental footprint, regulatory compliance, social impact and brand reputation can provide valuable insights and context to financial analysis. It can help us make better-informed investment decisions and protect our investors' capital.

Guided by this belief, data collection was a top priority for our ESG team in 2023.

ESG DATA COLLECTION CAMPAIGN

During the first half of the year, we conducted a post-investment ESG data collection campaign on our private credit investments, this time in collaboration with a third-party service provider. Our aim was to gather certain portfolio company information from the last reporting cycle, including the SFDR Principal Adverse Impact indicators, from almost 250 companies in our private credit portfolios. This process required more than three months of ongoing engagement and coordination. Despite several challenges, we

managed to collect ESG data from a meaningful percentage of portfolio companies in our private credit strategies. In an effort to assess the quality of the information received, a third-party service provider conducted data reviews where practicable. We consider this data collection campaign a success and we intend to run it annually going forward.

PORTFOLIO CARBON FOOTPRINTING

In our experience, greenhouse gas emissions are one of the most measured, reported and requested ESG data points. We seek to calculate absolute financed emissions and weighted average carbon intensity annually for most of our private and liquid credit portfolios, using a combination of reported and estimated data. In 2023, we fulfilled more than 100 Carbon Emissions Report requests from our investors.

Understanding the quality and limitations of estimated data is also important to us. Our carbon footprint reports contain both data reported by our portfolio companies and estimated carbon footprint data. In 2023, relative to previous years, we were able to incorporate an **increased level of reported data** received from portfolio companies in our calculated carbon footprint analyses (as applicable). We aim to continue to increase the percentage of reported data in our reporting over time.



"We believe that in many of our investments, carbon emission risk and credit risk can be interrelated, and a company's capacity to handle carbonrelated risks could have an impact on credit risk. To this end, the HPS Carbon Taskforce is responsible for overseeing our carbon emissionsrelated initiatives, including the gathering and analysis of carbon emissions data, with a specific focus on businesses operating in high carbonemitting sectors."

ASHWANT BIHAL

Managing Director, head of Risk and Quant Strategies and Chair of the HPS Carbon Taskforce





Engagement

Preserving capital for our clients remains a core tenet of HPS. We recognize that meaningful engagement with portfolio companies, sponsors, investors and industry bodies augments our ability to deliver performance and in understanding how sustainability considerations are evolving.

WITH PORTFOLIO COMPANIES

Where we have access to management, engagement⁹ is an **important component** of our pre-investment risk assessment within our private credit investment strategies. As a starting point, we endeavor to engage with portfolio companies and sponsors to collect data about the company. If ESG concerns are identified, we seek to initiate a dialogue to understand how these issues are managed. Post-investment, engagement can provide an opportunity to offer our **support in mitigating material issues** and in certain instances, capturing opportunities. As part of the work of the Carbon Taskforce, we aim to obtain an accurate picture of select portfolio companies' climate transition preparedness and aspire to support our highest emitters as they seek to mitigate physical and transition risks.

WITH OTHER EXTERNAL STAKEHOLDERS

Our goal in engaging with our investor base is twofold: **to provide** transparent and accurate insights into our work and to assist certain investors in meeting their sustainability-related reporting obligations.

Deepening our involvement, HPS recently joined several industry initiatives to support private credit providers and private equity sponsors in harmonizing the collection, standardization and disclosure of ESG data. Since November 2023. HPS has been part of the ESG Data Convergence Initiative's (EDCI) one-year Private Credit Pilot Program. The EDCI is an open partnership of private equity stakeholders committed to streamlining the private investment industry's historically fragmented approach to collecting and reporting ESG data by converging on a standardized set of ESG metrics for private markets. HPS has also become a formal supporter of the ESG Integrated Disclosure Project (ESG IDP), which aims to promote greater harmonization and consistency of disclosure of key ESG indicators. Moreover, HPS has joined the European Leveraged Finance Association's (ELFA) ESG Committee, which, among other things, works to improve ESG disclosure and develop best practice guidance for the leveraged finance market.





ESG Data Convergence Initiative

European Leveraged Finance Association



"Engagement has evolved beyond being a tool solely for equity investors. In our view, working closely with portfolio companies and learning from our peers and sponsors can provide valuable insights and information on issues that may affect a company's performance, enable us to understand potential risks and opportunities better, and ultimately helps us make well-informed investment decisions."

RACHEL ZAGAJEWSKI

Managing Director, Europe Private Credit







Climate

Climate change continues to be a topic of interest and concern worldwide.

The World Meteorological Organization has confirmed that 2023 saw the highest ever greenhouse gas levels, global temperatures and sea level rise, with Antarctic sea ice at a record low.¹⁰ The World Economic Forum's Global Risks Report 2023¹¹ ranks "Failure to mitigate climate change" and "Failure of climate-change adaptation" as the top two global risks over the next decade.

OUR RESPONSE

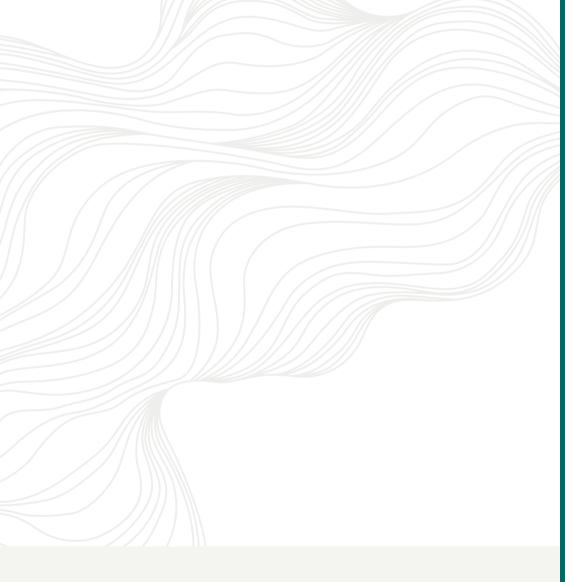
We believe that this trend and the regulatory response to it pose increasing risks to organizations, including those we invest in. However, we also acknowledge that it presents opportunities for those who can adapt to these emerging challenges and futureproof their businesses. Our newly formed HPS Carbon Taskforce is responsible for **coordinating our approach to address these challenges and opportunities** and for overseeing the Firm's climate and carbon-related initiatives, such as measuring carbon emissions and assessing potential business and operational risks for companies in carbon-intensive sectors. Our primary approach to managing climate change risks in our portfolios is **through engagement**. In 2023, we launched our Carbon Engagement Program with select private credit portfolio companies operating in high-emitting sectors as identified by the One Earth Climate Model.¹² The purpose of this program is to encourage the measurement and disclosure of greenhouse gas emissions for these select portfolio companies and offer our support in implementing their decarbonization objectives where applicable and as adopted by the applicable portfolio companies with a view to mitigating physical and transition risk.

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"The surging demand for electricity, driven in part by the AI revolution, along with the ongoing rebalancing of global trade are profoundly interconnected with the world's approach to carbon emissions and a changing climate. Better carbon data and clear energy management plans can help companies adapt, differentiate themselves, and bolster overall creditworthiness as they seize opportunities for growth."

HUGH LAWSON

Managing Director, Sustainability, Power and Energy





Case Study

Project Lifeline (the "Company") is a developer of a battery energy storage system (BESS) in the United States (the Project).

The Project is a utility-scale, grid-connected BESS project, and it has already secured the necessary elements for construction (land rights, permits, interconnection). In October 2023, HPS provided a \$16.5 million senior secured term loan to fund near-term equipment deposits, as well as pre-construction design work and other development expenses for the Project.

The Project is a developed asset with all key pre-construction milestones completed and has an engineering, procurement and construction agreement in place with an experienced, creditworthy contractor. It has also secured the in-demand physical equipment needed for renewable energy generation (e.g., batteries, transformers).

HPS believes that given that the U.S. electricity generation mix is shifting toward renewables, grid reliability is critical. Therefore, HPS anticipates strong tailwinds for battery storage assets intended to support grid reliability, especially in a location where load growth has increased pressure on the grid while demand for renewables has also risen.¹³

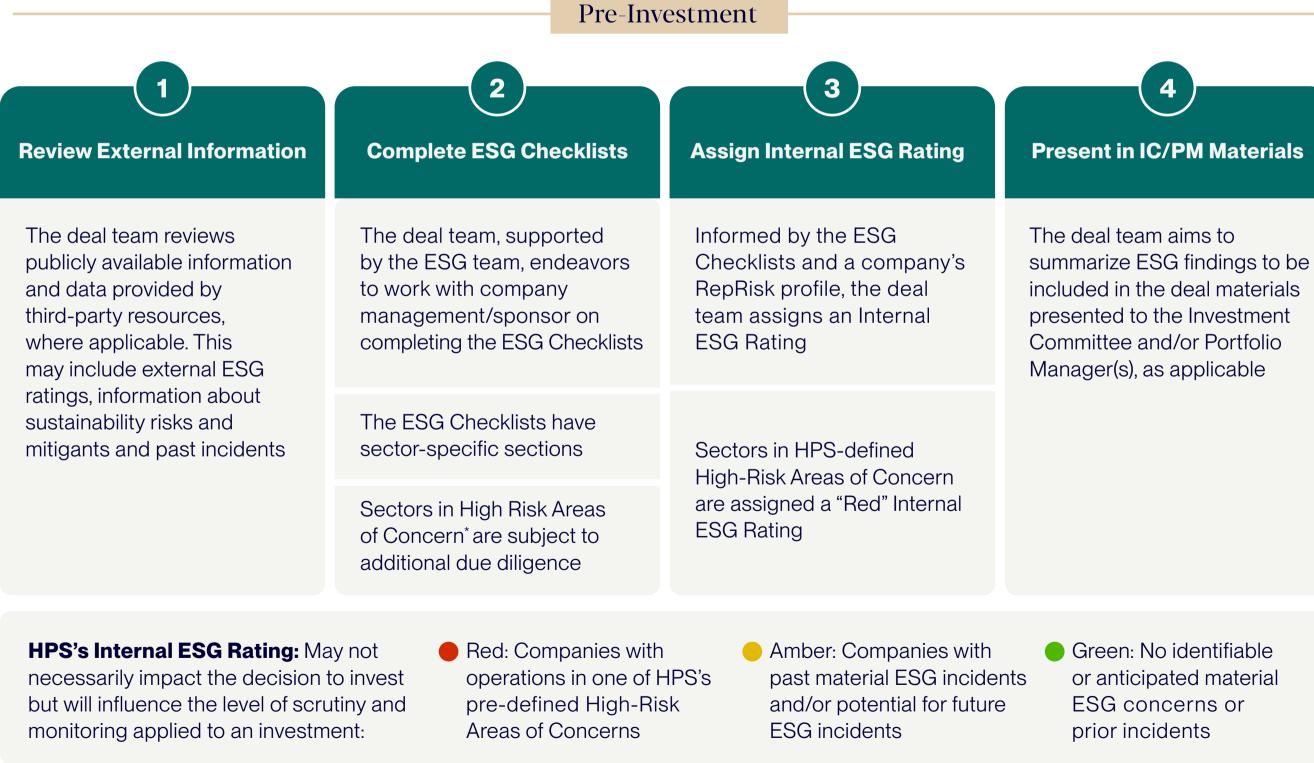
This investment enables HPS to provide funding for a Project that can support the reliability and stability of the overall renewable energy system. This serves as an example of an investment where HPS helped an issuer pursue an opportunity created by market and regulatory trends toward sustainability.

In line with the UN PRI's definition, we view ESG integration as the consideration of ESG factors during investment analysis to improve risk-adjusted returns. No single integration approach can be universally applied, as it must be adapted to varying levels of access to information, timelines and transaction dynamics.

PRIVATE CREDIT

Since we launched our ESG Checklists several years ago, we have tailored our approach to the specific requirements of our private and liquid credit platforms, just as we adjust our investment methods based on the unique characteristics of each strategy.

As our business continues to expand and we make an increased number of investments, our ESG integration efforts must evolve accordingly. Maintaining the ESG Checklists used in pre-investment due diligence and post-investment monitoring is a core part of this process.



General description of our process. May not occur with every investment and may occur in varying degrees with different investments. The quality and granularity of the information in an ESG Checklist will generally depend on HPS's role in and the size of the investment. *HPS's High-Risk Areas of Concern are adult entertainment, coal, controversial weapons and firearms, gambling, hydraulic fracturing, mining and extraction, nuclear energy, payday lending, private prison operators and tobacco and nicotine.

Post-Investment

Where possible and appropriate, HPS aims to:

- monitor identified material ESG issues on an ongoing basis
- **engage** with portfolio companies to address and/or seek to mitigate identified sustainability risks
- update ESG Checklist responses and Internal ESG Ratings when applicable

The ESG Forum:

• **reviews** select new and legacy investments, with a focus on Red and Amber names in the portfolio



"Our enhanced ESG Checklists enable us to have more informed conversations with issuers and support us in responding to data requests from our investors. We remain committed to adapting and refining our sustainability practices to ensure that they stay effective in the face of an ever-changing global landscape."

MICHAEL FENSTERMACHER

Managing Director, Core Direct Lending







MEANINGFUL ENHANCEMENTS

In 2023, the HPS investment and ESG teams worked closely together to re-design some elements of these checklists in an effort to improve the quality of data available to us. Our work began by simplifying the submission process for our portfolio companies and making information more accessible for HPS investment professionals. Informed by well-established industry frameworks and reflecting evolving investor reporting expectations, we continued by reviewing and updating the questions we ask.

Over the course of two months, the HPS investment teams tested the proposed changes and provided iterative feedback. The end results are enhanced checklists that offer several improvements for our portfolio companies and deal teams and help us to standardize our outreach:



For portfolio companies

Relevance

A company's profile and initial responses drive the data collection; certain questions only appear if they are relevant to the company

Alignment

We incorporate widely used ESG frameworks to promote uniform reporting and ease the reporting burden



Relevance

The checklists focus on information that is material and useful in evaluating a portfolio company

Alignment

The checklist questions are industry-specific, seeking to highlight ESG risks associated with a particular industry

For investment teams



Case Study

Project Nordkapp (the "Company") is a European coastal cruise organization that owns four ships and provides transportation and cruising experiences with a focus on sustainability in its operations.

In July 2023, HPS provided financing of €305 million with proceeds used to refinance the Company's existing indebtedness and pay the final installments on two new ships that had finished construction but were awaiting delivery. The Company is under contract with the government of the country in which it operates and is licensed to operate in the region through at least 2030.

The government of the Company's country of operation mandates that all cruise ships and ferries halt emissions in certain protected areas by 2026. The Company is preparing to meet these regulations as its ships are equipped with battery packs and can already operate emissions-free for multiple hours.

In the medium term, the Company is also exploring blending biogas, which would further reduce emissions, potentially to carbon neutral. Finally, it has also designed hydrogen retrofitting technology and intends to transition to hydrogen power for what is expected to be substantially emissions-free operations, inside and outside of protected areas, by 2030.

HPS maintains ongoing dialogue with the Company. For example, the HPS ESG team engaged with the Company's CEO and COO in October 2023 to discuss capital expenditure planning related to the Company's carbon transition approach. The Company's ability to comply with the relevant regulation and its capital expenditure to meet those obligations could have a direct impact on HPS's investment in the Company.

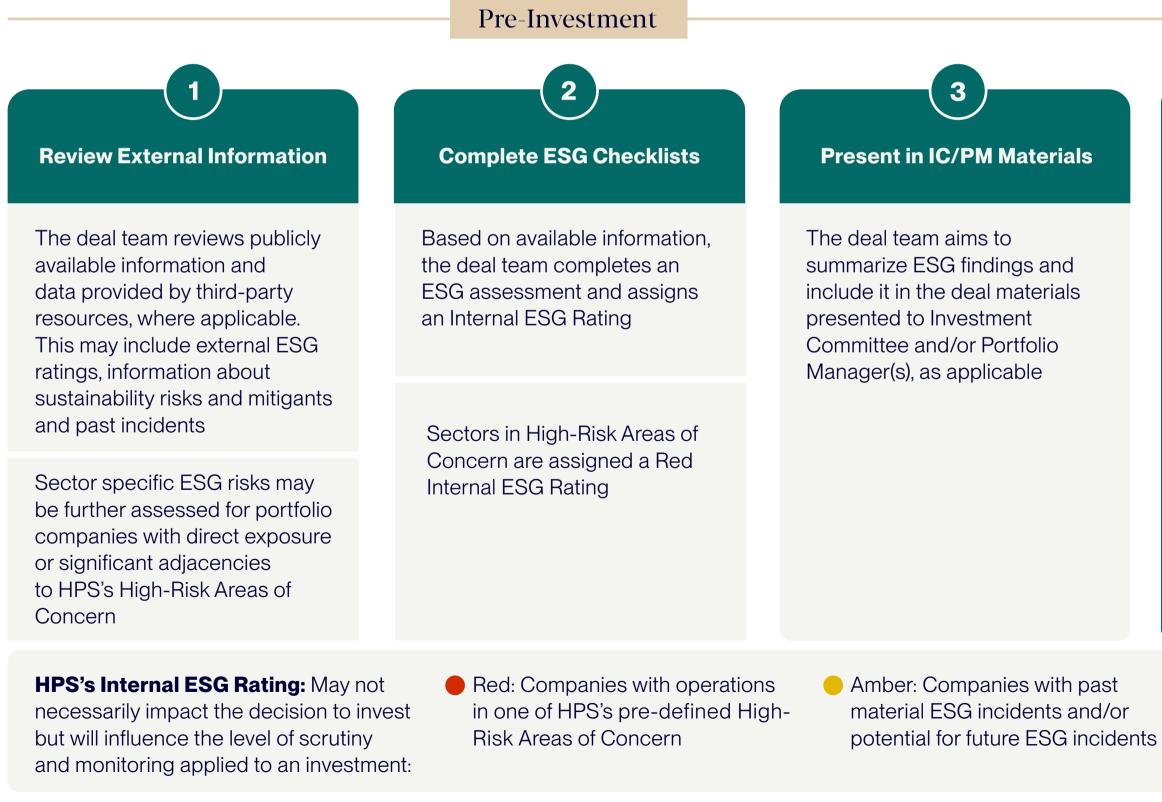
LIQUID CREDIT

When evaluating the potential risks associated with an investment opportunity, our liquid credit teams endeavor to assign proprietary ESG ratings based on publicly available information and data sourced from external vendors.

INTERNAL ESG RATINGS REFRESH

In 2023, alongside the post-investment ESG data collection campaign in private credit, we undertook the task of refreshing HPS's Internal ESG Ratings for our U.S., Europe and Asia liquid credit holdings. The deal teams screened a meaningful portion of our portfolios¹⁴ for exposures to severe ESG incidents and heightened related risk. As a result of completing this project, a substantial number of our liquid corporate credit investments have an Internal ESG Rating based on a consistent methodology.

In addition, partnering with a data solutions provider and using a combination of reported and estimated data, we calculated the carbon footprint for the majority of our liquid credit platform, which is another data point that helps us better understand the ESG risks in our portfolio.



General description of our process. May not occur with every investment and may occur in varying degrees with different investments. The quality and granularity of the information in an ESG Checklist will generally depend on HPS's role in and the size of the investment.

Post-Investment

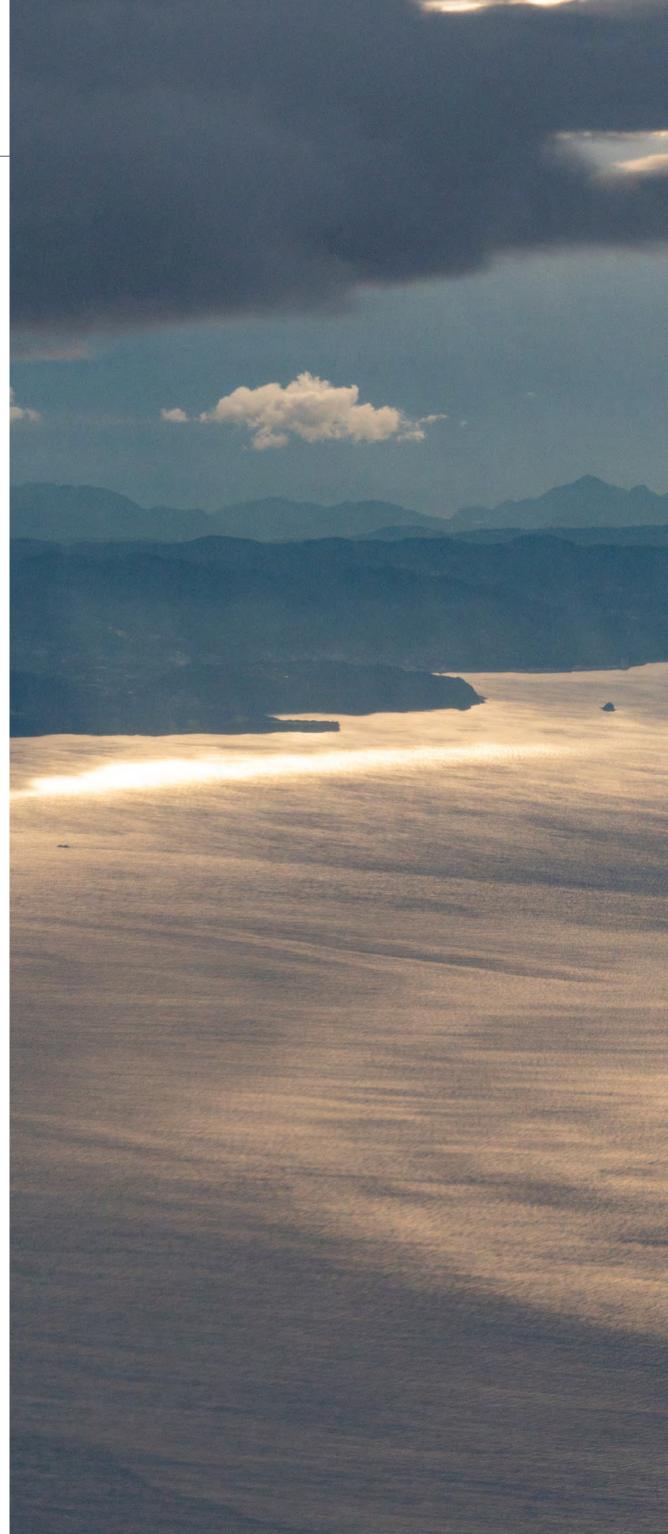
Where possible and appropriate, HPS aims to:

- monitor identified material ESG issues on an ongoing basis
- **engage** with portfolio companies to address and/or seek to mitigate identified sustainabiity risks
- update ESG Checklist responses and internal ESG Ratings when applicable

The ESG Forum:

reviews select new and legacy investments, with a focus on Red and Amber names in the portfolio

Green: No identifiable or anticipated material ESG concerns or prior incidents





Case Study

Following some highly publicized cyberattacks on listed and private companies, as well as a disruptive data breach at a financial data firm, our European liquid credit team conducted a survey of its portfolio companies to review the effectiveness of their cyber protection policies.

The team sought to engage with 230+ portfolio companies, and asked whether any cyberattacks had taken place or been prevented in the last 18 months; whether there is a cyber insurance in place to cover ransomware and hacking attempts; questions designed to understand who their vendors are for security software, disaster recovery and contingency planning; and what processes they have in place to safeguard customer data, among other queries.

The voluntary survey had a response rate of 51%, and out of those that responded, more than 85% positively affirmed that they had safeguards for customer data, and 69% had cyber insurance coverage in place. Eleven percent of companies that responded had experienced some kind of cyberattack in the past, but all that had experienced such attacks had safeguards for customer data in place.

Through conducting this survey, HPS was able to learn more about the data protection processes in place at the portfolio companies, gaining further insight on how such portfolio companies protect customer data and build resiliency to potential cyberattacks. With the topic of cyberattacks growing in urgency across portfolio company management teams, HPS was able to increase its understanding of its liquid credit portfolios' potential exposure to material cybersecurity risks.



"We dedicate internal and external resources to support our assessments of short- to mediumterm ESG risks, which we tend to focus on due to the liquid nature of this strategy. We believe that considering ESG factors increases the nuance with which we evaluate and price risk for investment opportunities."

SIMON PEATFIELD

Managing Director, Europe Liquid Loans







Corporate Sustainability





Our People and Communities

We take great pride in fostering an environment that supports personal and professional growth and encourages our employees to achieve their full potential.

The skills, talents and perspectives that each individual brings to our organization contributes to shaping our culture and identity as a Firm.

A commitment to recruiting, developing and retaining the most talented professionals in our industry is our cornerstone. We recognize that our diversity of experience and thought enables us to ask more probing questions, challenge established norms and approach our business objectives with greater creativity and innovation. For example, an investment team with different backgrounds, skills and experiences can bring a wider

range of perspectives to the table, with the potential to make our process of identifying investment opportunities, managing risks and making decisions more rigorous. Because of our collective commitment, we have made significant strides in growing a diverse workforce. We are proud of our efforts to date, and we look forward to continuing on the path to a more equitable and inclusive workplace.

CREATING EFFECTIVE PARTNERSHIP

Beyond HPS's efforts to continue to increase diversity within our Firm, we acknowledge that much work still needs to be done to narrow societal gaps and to open pathways into the finance industry for those who may not have historically had access to it. To do so, we collaborate with what we believe are reputable groups that share our vision.

Other organizations that **HPS** partners with include:











19%

of Firm Partners are women

31%

of Firm employees are women

43%

of Governing Partners are women

29%

of Governing Partners are members of a minority/historically underrepresented group¹⁵

26%

of Firm Partners are members of a minority/historically underrepresented group¹⁵



of Firm employees are members of a minority/historically underrepresented group¹⁵

Spotlight

HPS Center for Financial Excellence (HPS-CFE) with Howard University School of Business

In 2021, HPS and The Kapnick Foundation entered into a \$10 million, multiyear partnership with Howard University, one of the most prestigious Historically Black Colleges and Universities (HBCUs) in the United States. The partnership includes the establishment of the HPS Center for Financial Excellence at the Howard University School of Business (HPS-CFE).

The mission of the HPS-CFE is to narrow the opportunity gap that results in the underrepresentation of people of color in the finance industry. The Center aims to achieve this by offering co-curricular education in finance with a wide range of learning programs to ensure that students are aware of and well-prepared for career opportunities. Partnering with HPS, the Center can provide a unique experiential learning platform that seeks to create a bridge between the classroom and the workplace. The HPS-CFE aims to focus on five core areas of finance: Alternative Asset Management, Investment Banking, Capital Markets, Real Estate and Wealth Management. In 2023, HPS welcomed the HPS-CFE students to its headquarters in New York, providing them with an opportunity to connect with and learn from its investment professionals. Following the spring semester, the scholars secured summer internships with more than 20 firms in the financial services industry. During the 2023–2024 academic year, the Center enrolled its second full class consisting of 17 new participants, and two outstanding students were selected for its scholarship: the HPS Investment Partners Endowed Scholars Program.

HOWARD CFE SCHOLARS

"The HPS technical workshops are very informative. Throughout my time at Howard, these lectures have given me the most information out of all classes or extracurriculars."

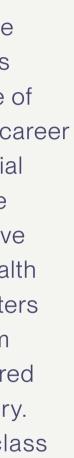
"The workshops are helping me understand the reasoning behind what our classes are covering. Seeing how the concepts we are learning in class are being applied in the workplace helps further my understanding of the industry."



31%











Volunteering

The success of our Firm is closely tied to the prosperity of the communities in which we serve, live and work.

We understand that our ability to make a positive impact is not solely based on corporate responsibility, but also on individual efforts. We recognize that our employees play a vital role in this effort, and we are proud of their unwavering commitment to embodying our corporate citizenship spirit.

TAKING ACTION

In 2023, our employees were involved in several volunteer activities:

- In New York, HPS has been hosting Volunteer Days since 2017 and in 2023, we continued to do so with various opportunities throughout the year. For example, during summer Volunteer Days, team members worked on maintaining green spaces in New York. During the winter, employees coordinated food donation and distribution at a women's development center which provides vital services to Latinx and immigrant women and their families.

- struggling academically or socially.
- for planting and with basic construction tasks.

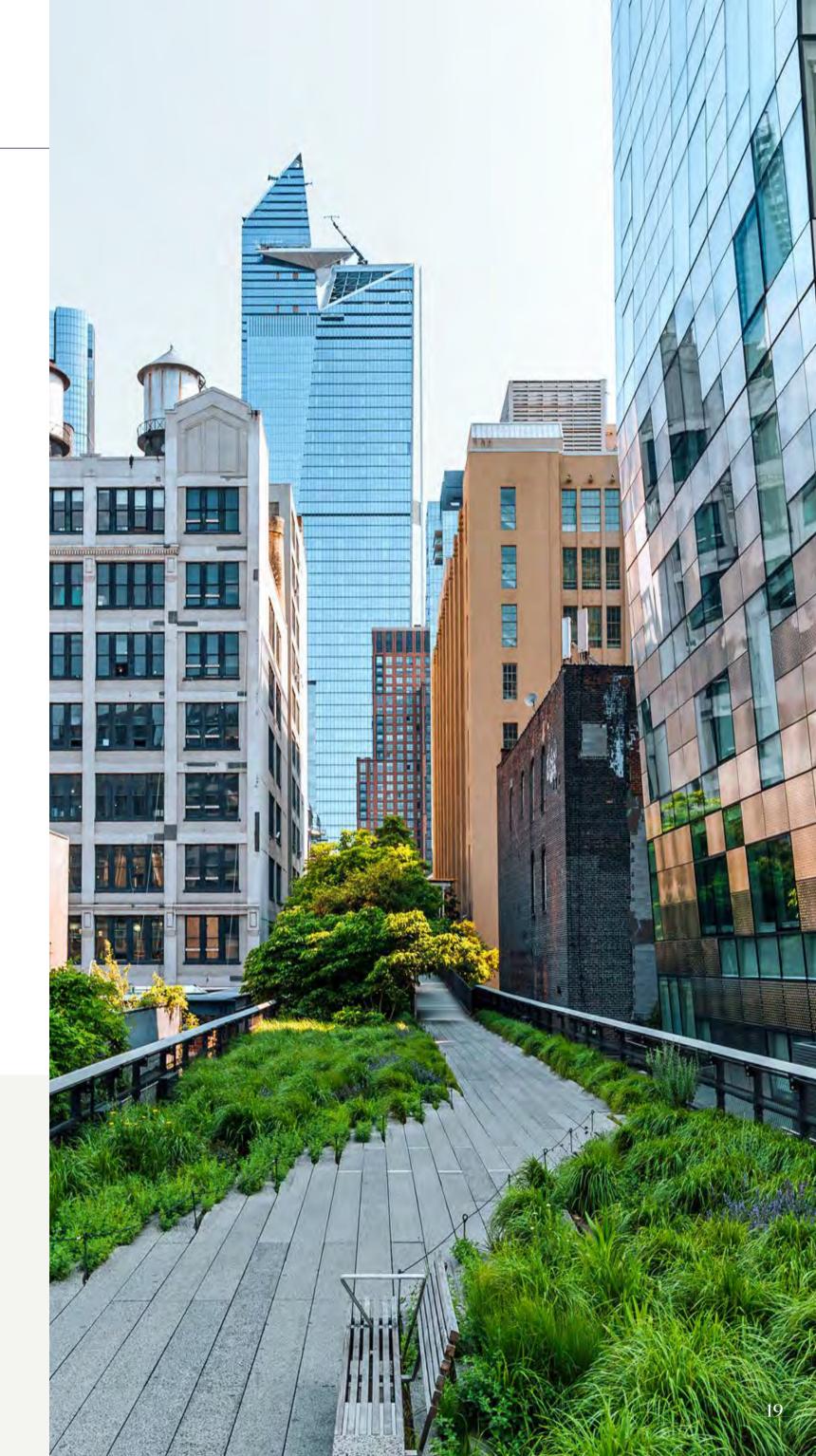
Our employees are an integral part of our corporate social responsibility efforts, and we are proud of their work in supporting our communities. They not only volunteer their time but also make financial contributions. HPS matches employee donations across several charitable causes, including disaster relief, food and income insecurity, race, gender, identity and other social issues, science and health, climate change and environment and education. At HPS, we continue to look for ways to exercise our corporate citizenship and bring about positive, long-lasting and sustainable change in our communities.

"We strive to create a positive impact on the lives of those who have been historically marginalized and face significant socioeconomic challenges, and we work toward a more inclusive and equitable society that enables each individual to achieve their full potential."

SERGE ADAM Managing Director, Multi-Asset Credit

- In Chicago and San Francisco, HPS held its first Volunteer Day at an organization that hosts fun fairs to help create a safe and enjoyable environment for low-income children to socialize and learn. Our teams also participated in after-school programs, that provide additional support and resources to children who may be

- In **London**, during HPS's inaugural Volunteer Day, our teams helped a local school farm with weeding, preparing flower beds



Sustainability in the Workplace

We believe that it is important to lead by example and integrate environmentally friendly practices within our day-to-day operations.

With more than 660 employees spread across 14 offices worldwide, we recognize the potential impact our everyday activities can have on the environment. We endeavor to take proactive measures where we can to minimize our carbon footprint and optimize our use of natural resources. From reducing energy consumption to implementing recycling programs, we continuously strive to promote environmental awareness and make our operations more sustainable.

CARBON NEUTRALITY

With the help of an external consultant, we estimated our operational carbon footprint for the first time in 2021 and have continued to do so ever since. HPS purchased 16,000 Verified Emission Reductions, enabling the Firm to fully offset its estimated 2021 and 2022 carbon footprint—a status we aim to maintain moving forward.

To further reduce our operational footprint, we have implemented a Cycle to Work scheme for employees based in London, offered through a social enterprise called Green Commute Initiative. This scheme provides our employees with access to significant savings on bicycles and cycling equipment used for commuting purposes, allowing them to adopt more eco-friendly modes of transportation on their daily commutes to work. By encouraging greener commuting habits, we **hope to contribute to a more sustainable future** and help our employees maintain good fitness and health.

OFFICES

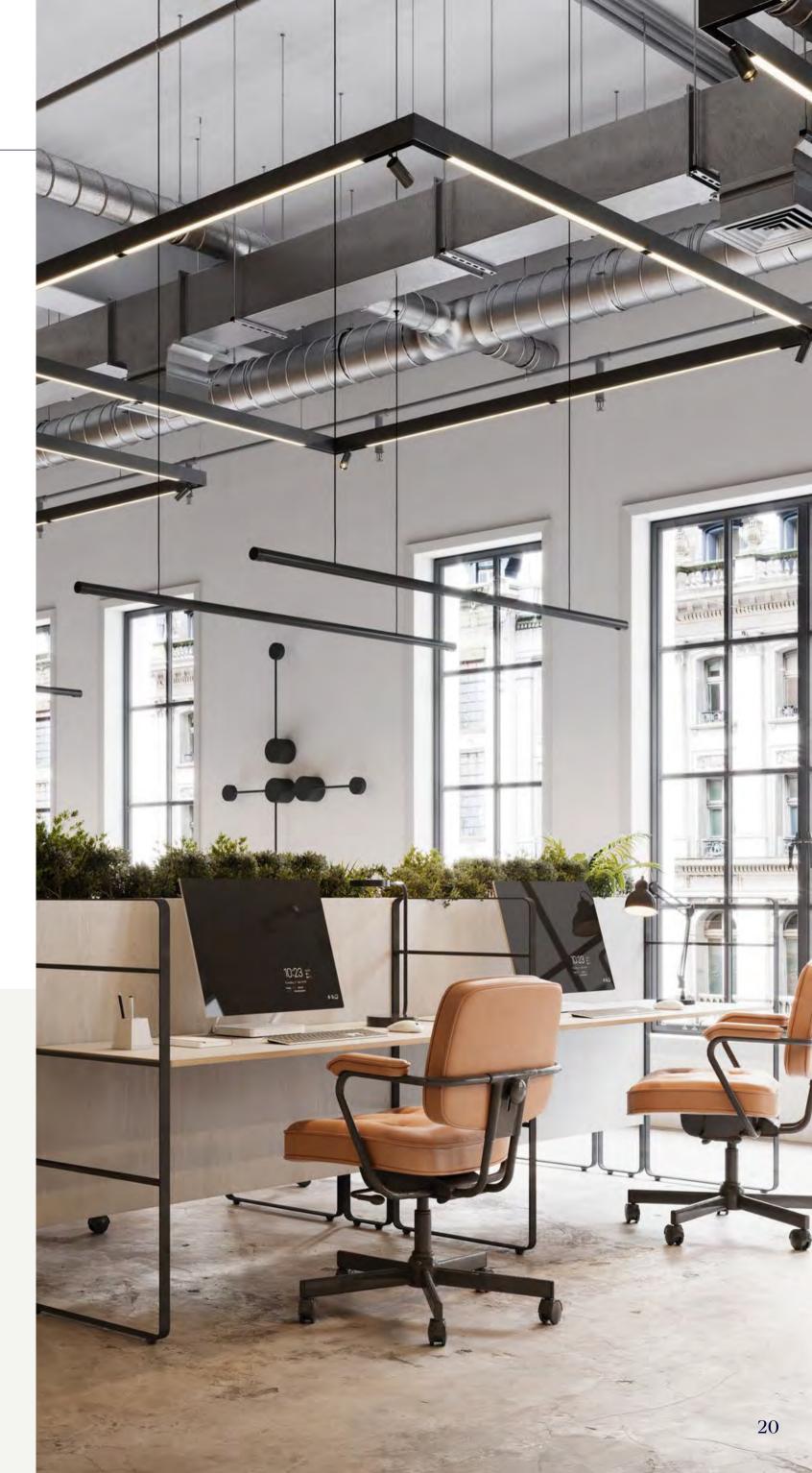
Although we don't own our office buildings, as tenants, we strive to reduce our environmental footprint by supporting renovation efforts, when applicable, aimed at improving the environmental performance of these buildings, and by implementing operational initiatives to minimize our energy, water and waste usage.

Spotlight

London

While we, as tenants, do not have complete control over the sustainability of our office building, we strive to reduce our environmental impact by incorporating sustainable practices into our everyday activities. From prioritizing independent, local businesses that have sustainable practices to employing a caterer that uses biodegradable and home-compostable food packaging and electric vehicles for food transport and delivery, we seek to identify opportunities where we can contribute to sustainability.

In early 2024, we moved into a newly constructed building. Our landlord is the world's first commercial real estate developer to have its carbon emission reduction targets approved by the Science Based Targets initiative.¹⁶ As we prepared for our move, we worked with a certified company that helped us donate or recycle items that were still useful, disposed of our computer equipment securely, and sought to manage any other waste in an environmentally responsible manner.



End Notes

¹As of March 31, 2024, unless otherwise noted. AUM of private credit funds, related managed accounts and certain other closed-ended liquid credit funds represent capital commitments during such funds' investment periods and post such funds' investment period, the cost of investment or NAV (including fund-level leverage but in all cases capped at capital commitments). AUM of liquid credit open-ended funds and related managed accounts other than CLOs represent the latest available net asset value. AUM of CLOs and warehouses represent the par value of collateral assets and cash in the portfolio. AUM of HPS Corporate Lending Fund ("HLEND") represents net asset value plus leverage (inclusive of drawn and undrawn amounts) as of the prior month-end. Figures are rounded.

² Formerly known as Mezzanine Partners.

³ Includes Multi-Asset Credit, Liquid Loan, CLO, Structured Credit and Asia Credit strategies.

⁴ Includes Special Situations, Asset Value, Sustainability, Power and Energy and Real Estate strategies.

⁵ As of March 31, 2024, unless otherwise noted. AUM of private credit funds related managed accounts and certain other closed-ended liquid credit funds represent capital commitments during such funds' investment periods and post such funds' investment period, the cost of investment or NAV (including fund-level leverage but in all cases capped at capital commitments). AUM of liquid credit open-ended funds and related managed accounts other than CLOs represent the latest available net asset value. AUM of CLOs and warehouses represent the par value of collateral assets and cash in the portfolio. AUM of HPS Corporate Lending Fund ("HLEND") represents net asset value plus leverage (inclusive of drawn and undrawn amounts) as of the prior month-end. Figures are rounded.

⁶ As of December 1, 2023.

⁷ Portfolio company "engagement" generally means contacting a portfolio company primarily for the purpose of collecting ESG related data to be used in investor reporting and managing ESG related risks. Includes the 2023 cybersecurity engagement data in European Liquid Loans.

⁸ HPS, with the help of a third-party service provider, estimated its management company carbon footprint for the first time in 2021 and is committed to doing so on an annual basis going forward. HPS has purchased, and intends to continue to purchase, carbon offsets to mitigate its carbon footprint. In both 2022 and 2023, HPS has offset the entirety of its estimated management company carbon footprint for the preceding year (2021 and 2022, respectively).

⁹ Portfolio company engagement is not undertaken in all HPS investments, and the extent of such engagement is dependent on the nature of the investment, availability of information, access to management and other transaction dynamics.

¹⁰ Source: https://wmo.int/news/media-centre/2023-shatters-climate-records-major-impacts.

¹¹ Source: https://www.weforum.org/publications/global-risks-report-2023/digest/.

¹² Source: https://www.unepfi.org/industries/investment/one-earth-climate-model-sectoral-pathways-to-net-zero-emissions/.

¹³ US Energy Information Administration (EIA), "U.S. Electric Capacity Mix Shifts from Fossil Fuels to Renewables in AEO2023," https://www.eia.gov/todayinenergy/detail.php?id=61108, and International Energy Agency, Grid-Scale Storage Overview, https://www.iea.org/energy-system/electricity/grid-scale-storage.

¹⁴ As of December 31, 2022.

¹⁵ Minority includes the following categories based on voluntary self-reporting: Asian, Black/African American, Hispanic, Two or More Races. Please note that certain jurisdictions do not report race/ethnicity information. This group represents ~7% of total HPS employees as of March 31, 2024.

¹⁶ Source: https://sciencebasedtargets.org/companies-taking-action/case-studies/landsec.









ESG Risk Disclosure

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