

# Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors

Financial market participant: HPS Investment Partners, LLC (549300IW7540H8HM8F38) as alternative investment fund manager to certain alternative investment vehicles marketed and sold in the European Union under the Alternative Investment Fund Manager's Directive

## Summary

HPS Investment Partners, LLC (549300IW7540H8HM8F38) ("HPS" or the "Firm") 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 (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. This statement on principal adverse impacts on sustainability factors covers the reference period 1 January 2024 to 31 December 2024.

## 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.

HPS believes a responsible approach to investing which incorporates ESG management enhances its ability to control downside risks and volatility in its credit portfolios. Although HPS may consider sustainability as part of its investment processes, HPS is not in a position to determine an appropriate level of assessment of principal adverse impacts to carry out at this time. HPS may reconsider such assessment from time to time.

Indicators applicable to investments in investee companies						
Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Explanation 2023 and 2024 <sup>iv</sup>	Actions taken, and actions planned and targets set for the next reference period	
Climate and Other Environment-Related Indicators						
Greenhouse gas emissions	1. GHG emissions <sup>i, ii</sup>	Scope 1 GHG emissions				
		Private Credit	1,865,637.66 tCO2e	2,107,296.44 tCO2e	Data Coverage 2023 (% share of investments): 91.2%  Data Coverage 2024 (% share of investments): 89.3%	HPS, with the assistance of third party data service providers, has established a program to receive data on the principal adverse impacts of portfolio companies, but, as it has opted not to consider the principal adverse impacts of its investment decisions on sustainability factors, it has not set any targets and does not report on actions taken or planned.
		Liquid Credit	1,191,303.36 tCO2e	1,396,802.27 tCO2e	Data Coverage 2023 (% share of investments): 91.3%  Data Coverage 2024 (% share of investments): 91.7%	
		Scope 2 GHG emissions				
		Private Credit	1,093,680.40 tCO2e	877,454.73 tCO2e	Data Coverage 2023 (% share of investments) 91.3%  Data Coverage 2024 (% share of investments): 89.3%	

		Liquid Credit	534,218.99 tCO2e	399,276.62 tCO2e	Data Coverage 2023 (% share of investments): 91.3%  Data Coverage 2024 (% share of investments): 91.7%
		Scope 3 GHG emissions			
		Private Credit	8,766,379.46 tCO2e	6,791,918.42 tCO2e	Data Coverage 2023 (% share of investments): 90.3%  Data Coverage 2024 (% share of investments): 89.3%
		Liquid Credit	4,910,776.15 tCO2e	4,077,332.50 tCO2e	Data Coverage 2023 (% share of investments): 91.3%  Data Coverage 2024 (% share of investments): 91.7%
		Total GHG emissions			
		Private Credit	11,725,697.53 tCO2e	9,776,669.60 tCO2e	Data Coverage 2023 (% share of investments): 91.2%  Data Coverage 2024 (% share of investments): 89.3%
		Liquid Credit	6,636,298.50 tCO2e	5,873,411.39 tCO2e	Data Coverage 2023 (% share of investments): 91.3%

					Data Coverage 2024 (% share of investments): 91.7%	
	2. Carbon footprint <sup>i, ii</sup>	Carbon footprint				
		Private Credit	158.9 tCO <sub>2</sub> e / M EUR of Investment	151.5 tCO <sub>2</sub> e / M EUR of Investment	Data Coverage 2023 (% share of investments): 91.3%	
					Data Coverage 2024 (% share of investments): 89.3%	
		Liquid Credit	418.9 tCO <sub>2</sub> e / M EUR of Investment	277.7 tCO <sub>2</sub> e / M EUR of Investment	Data Coverage 2023 (% share of investments): 91.3%	
					Data Coverage 2024 (% share of investments): 91.7%	
	3. GHG intensity of investee companies <sup>i, ii</sup>	GHG intensity of investee companies				
		Private Credit	227.7 tCO <sub>2</sub> e / M EUR of Investment	255.4 tCO <sub>2</sub> e / M EUR Revenue	Data Coverage 2023 (% share of investments): 98.5%	
					Data Coverage 2024 (% share of investments): 98.8%	
		Liquid Credit	653.8 tCO <sub>2</sub> e / M EUR of Investment	440.8 tCO <sub>2</sub> e / M EUR Revenue	Data Coverage 2023 (% share of investments): 100%	
					Data Coverage 2024 (% share of investments): 100%	

	4. Exposure to companies active in the fossil fuel sector <sup>iii</sup>	Share of investments in companies active in the fossil fuel sector			
		Private Credit	4% of companies	5% of companies	Data Coverage 2023 (% share of investments): 61%
					Data Coverage 2024 (% share of investments): 70%
		Liquid Credit	5% of companies	6% of companies	Data Coverage 2023 (% share of investments): 69%
					Data Coverage 2024 (% share of investments): 91%
	5. Share of non-renewable energy consumption and production <sup>iii</sup>	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			
		Private Credit	77% of total energy consumption and production	84% of total energy consumption and production	Data Coverage 2023 (% share of investments): 20%
					Data Coverage 2024 (% share of investments): 31%
		Liquid Credit	71% of total energy consumption and production	71% of total energy consumption and production	Data Coverage 2023 (% share of investments): 24%
					Data Coverage 2024 (% share of investments): 26%
	6. Energy consumption intensity per high impact climate sector <sup>iii</sup>	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector			
		Private Credit	0.196 GWh / M EUR Revenue	1.10 GWh / M EUR Revenue	Data Coverage 2023 (% share of investments): 26%
					Data Coverage 2024 (% share of investments): 58%
		Liquid Credit	0.36 GWh / M EUR Revenue	0.97 GWh / M EUR Revenue	Data Coverage 2023 (% share of investments): 33%

					Data Coverage 2024 (% share of investments): 34%	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas <sup>iii</sup>	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				
		Private Credit	0.00% of companies	0.00% of companies	Data Coverage 2023 (% share of investments): 73%	
					Data Coverage 2024 (% share of investments): 78%	
		Liquid Credit	0.00% of companies	16.44% of companies	Data Coverage 2023 (% share of investments): 2%	
					Data Coverage 2024 (% share of investments): 5%	
Water	8. Emissions to water <sup>iii</sup>	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average				
		Private Credit	129.36 tonnes	14.52 tonnes	Data Coverage 2023 (% share of investments): 16%	
					Data Coverage 2024 (% share of investments): 17%	
		Liquid Credit	0 tonnes	1.81 tonnes	Data Coverage 2023 (% share of investments): 0.38%	
					Data Coverage 2024 (% share of investments): 0.75%	
Waste		Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average				

	9. Hazardous waste and radioactive waste ratio <sup>iii</sup>	Private Credit	0.27 tonnes	0.92 tonnes	Data Coverage 2023 (% share of investments): 24%	
		Liquid Credit	1.95 tonnes	2.11 tonnes	Data Coverage 2024 (% share of investments): 30%	
					Data Coverage 2023 (% share of investments): 13%	
					Data Coverage 2024 (% share of investments): 15%	

Indicators for Social and Employee, Respect for Human Rights, Anti-Corruption and Anti-Bribery Matters						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises <sup>iii</sup>	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises				HPS, with the assistance of third party data service providers, has established a program to receive data on the principal adverse impacts of portfolio companies, but, as it has opted not to consider the principal adverse impacts of its investment decisions on sustainability factors, it has not set any targets and does not report on actions taken or planned.
		Private Credit	0.00% of companies	0.00% of companies	Data Coverage 2023 (% share of investments): 58%	
					Data Coverage 2024 (% share of investments): 68%	
			0.16% of companies	0.00% of companies	Data Coverage 2023 (% share of investments): 73%	
				Data Coverage 2024 (% share of investments): 90%		
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises <sup>iii</sup>	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				
		Private Credit	2.48% of companies	2.81% of companies	Data Coverage 2023 (% share of investments): 72%	
				Data Coverage 2024 (% share of investments): 83%		
	Liquid Credit	30.80% of companies	32.04% of companies	Data Coverage (% share of investments): 81%		

					Data Coverage 2024 (% share of investments): 91%	
	12. Unadjusted gender pay gap <sup>iii, v</sup>	Average unadjusted gender pay gap of investee companies				
		Private Credit	38.73% difference between average male and female earnings, as a % of average male earnings	52.02% difference between average male and female earnings, as a % of average male earnings	Data Coverage 2023 (% share of investments): 18%  Data Coverage 2024 (% share of investments): 24%	
		Liquid Credit	14.42% difference between average male and female earnings, as a % of average male earnings	17.04% difference between average male and female earnings, as a % of average male earnings	Data Coverage 2023 (% share of investments): 16%  Data Coverage 2024 (% share of investments): 16%	
	13. Board gender diversity <sup>iii, v, vi</sup>	Average ratio of female to total board members in investee companies, expressed as a percentage of all board members				
		Private Credit	15.97% ratio, expressed as a % of female to total board members	16.65% ratio, expressed as a % of female to male board members	Data Coverage 2023 (% share of investments): 44%  Data Coverage 2024 (% share of investments): 56%	
		Liquid Credit	23.24% ratio, expressed as a % of female to total board members	22.18% ratio, expressed as a % of female to male board members	Data Coverage 2023 (% share of investments): 49%  Data Coverage 2024 (% share of investments): 50%	

	14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons) <sup>iii</sup>	Share of investments in investee companies involved in the manufacture or selling of controversial weapons				
		Private Credit	0.00% of companies	0.00% of companies	Data Coverage 2023 (% share of investments): 60%	
					Data Coverage 2024 (% share of investments): 69%	
		Liquid Credit	0.00% of companies	0.00% of companies	Data Coverage 2023 (% share of investments): 76%	
					Data Coverage 2024 (% share of investments): 92%	

Additional climate and other environment-related indicators						
Emissions	15. Investments in companies without carbon emission reduction initiatives <sup>iii</sup>	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement				HPS, with the assistance of third party data service providers, has established a program to receive data on the principal adverse impacts of portfolio companies, but, as it has opted not to consider the principal adverse impacts of its investment decisions on sustainability factors, it has not set any targets and does not report on actions taken or planned.
		Private Credit	69% of companies	62% of companies	Data Coverage 2023 (% share of investments): 62%	
					Data Coverage 2024 (% share of investments): 72%	
		Liquid Credit	45.91% of companies	24.02% of companies	Data Coverage 2023 (% share of investments): 44%	

					Data Coverage 2024 (% share of investments): 69%	
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Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
Anti-corruption and anti-bribery	16. Lack of anti-corruption and anti-bribery policies <sup>iii</sup>	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption				HPS, with the assistance of third party data service providers, has established a program to receive data on the principal adverse impacts of portfolio companies, but, as it has opted not to consider the principal adverse impacts of its investment decisions on sustainability factors, it has not set any targets and does not report on actions taken or planned.
		Private Credit	3% of companies	17% of companies	Data Coverage 2023 (% share of investments): 69%	
					Data Coverage 2024 (% share of investments): 84%	
		LiquidCredit	11% of companies	1% of companies	Data Coverage 2023 (% share of investments): 67%	
					Data Coverage 2024 (% share of investments): 81%	

### **Description of policies to identify and prioritise 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.

HPS, with the assistance of third party data service providers, has established a program to collect data on the principal adverse impacts of portfolio companies and is leveraging third party data providers to complement this data collection.

### **Engagement policies**

HPS 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'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 has opted not to consider the principal adverse impacts of its investment decisions on sustainability factors, including by reference to international standards. However, HPS 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 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 considers the TCFD Recommendations a useful disclosure framework in the assessment of governance, strategy, risk management and metrics and targets in the context of climate change, and as such aspires to report in line with its recommendations.

### **Historical comparison**

In this statement, HPS presents a historical comparison of the reference period for the calendar year 2024 with the previous reference period of the calendar year 2023 which had been reported on in the statement published on 30 June 2024.

The PAI data included in this statement is predominantly influenced by two factors: (i) growth of the HPS business, including the launch of new products, as well as client growth and the variance in how those clients allocate to HPS products, and (ii) market conditions (affecting the assets held in, and weightings of assets within, those products). Changes in the PAI indicators shown above are reflective of those two factors. Changes are also driven by market movements between the two measurement periods and any increases / decreases in the data coverage for the measured PAIs, as illustrated by the coverage percentages detailed above.

No changes have been applied to the voluntary PAI indicator selection. Certain data vendor changes over the past year affected changes to methodologies supporting HPS's PAI reporting. HPS has recalculated data for PAIs 1-3 covering both 2023 and 2024 accounting for vendor and methodology changes mentioned herein. Safe for the methodological change to PAI 13, PAIs 4-12 and 14-16 have not seen substantial changes in vendors or methodologies year on year. In summation such changes limit the possibility of data historical comparison. Data coverage improved across PAIs 4-11 and 13-16 between the years 2023 and 2024. PAIs 1-3 and 12 have seen stable or slightly falling data coverage. PAIs 1-6 and 9-16 have not experienced observable trends during the same time period. Due to comparatively low data coverage on PAIs 7 and 8, this limits HPS's ability to identify year on year trends.



## Endnotes

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.** HPS manages actively managed portfolios; holdings, sector weightings and allocations are subject to change, and the Firm's strategies are managed to internal risk guidelines which are not absolute and can change over time. There can be no assurance that the investments made to date in the Firm's funds and the resulting PAIs are indicative of comparable future investments of the Firm or the future PAIs of the Firm's portfolios. In select cases, the data presented is based on HPS's interpretation and analysis of the sourced information.

<sup>i</sup> Results for both 2023 and 2024 show approximation of emissions generated for holdings from 01/01/2023-12/31/2023 and 01/01/2024-12/31/2024 respectively, CO2e Emissions (includes Scope 1, Scope 2, and Scope 3). Based partially on data sourced directly from portfolio companies (Data Quality 1 and 2) and an estimation methodology (Data Quality 3, 4 and 5). Estimations are calculated by Watershed, an enterprise sustainability platform applying CEDA 2024 using the PCAF Methodology; in addition, for 2024, in line with Watershed guidance, HPS elects to apply USEEIO 15 instead of CEDA 2024 using the PCAF Methodology to calculate financed emissions only for certain utilities, aluminum and waste sub-industries. This is done to overcome certain sub-sector mapping limitations of the CEDA methodology. Emissions for liquid credit are based on data provided by HPS's liquid credit-focused third-party data provider, a document, compliance and data management provider to Leveraged Finance and Private Market Investors as well as data provided by other third-party data providers. There may be certain differences in historic data calculations resulting from this approach, and as such, HPS's 2024 Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors should not be compared to prior reports due to vendor and methodology changes.

<sup>ii</sup> In 2024 10.7% of the Private Credit and 8.3% of the Liquid Credit of the Liquid Credit net asset values of fund investments in USD could not be analyzed for carbon footprint estimation using the Methodology due to the unavailability of data. In 2023 8.8% of the Private Credit and 8.7% of the Liquid Credit net asset values of fund investments in USD could not be analyzed for carbon footprint estimation using the Methodology due to the unavailability of data. This includes third-party CLOs, ABS, leasing platforms or income receivables pools for which enterprise value, revenue or other required data is not tracked or was not available at time of report creation. No additional emissions have been added to the total for the Fund to account for the excluded positions. Net asset value represents fair market value of fund investments. Unrealized value of investments is based on HPS's proprietary valuation methodologies, based on numerous factors and is subjective in nature. There is no assurance that any investment will be realized at such value, and there is an inherent conflict of interest in HPS's role in valuing such investments.

<sup>iii</sup> Based on the percentage of data sourced directly from portfolio companies, as shown in the Data Coverage explanations, for the relevant PAI. Due to data availability and structure, there may be certain differences in historic data coverage calculations resulting from this approach.

<sup>iv</sup> Represents the percentage of the Firm's investments that have been included in the calculation of the relevant PAI, based on data sourced directly from portfolio companies.

<sup>v</sup> Represents an average percentage of the available data.

<sup>vi</sup> HPS, in consultation with a third-party consultant, has updated PAI 13 description in line with the European Commission's Delegated Act and in line with ESMA guidance from female-to-male to female-to-total board members. This change has not been retroactively applied to 2023 PAI 13.



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This material does not constitute an offering of any security, product, service or fund, including the Fund, for which an offer can be made only by the Fund's Confidential Offering Memorandum (the “Confidential Memorandum”). The terms and risk factors of the Fund are set out in its Confidential Memorandum which is available to qualified prospective investors upon request. The contents hereof are qualified in their entirety by the Confidential Memorandum and subscription agreements of the Fund.

The purchase of interests in the Fund is suitable only for sophisticated investors for which an investment in the Fund does not constitute a complete investment program and who fully understand and are willing to assume the risks involved in the Fund's investment program. Generally, the Fund would include investors who are “Accredited Investors” under the Securities Act of 1933, “Qualified Purchasers” under the Investment Company Act of 1940, and “Qualified Eligible Persons” under Regulation 4.7 of the Commodity Exchange Act.

The interests have not been and will not be registered under the Securities Act of 1933, as amended (the “Securities Act”), or any state securities laws or the laws of any foreign jurisdiction. The interests will be offered and sold under the exemption provided by Section 4(a)(2) of the Securities Act and Regulation D promulgated thereunder and other exemptions of similar import in the laws of the states and other jurisdictions where the offering will be made. The Fund will not be registered as an investment company under the Investment Company Act of 1940.

The interests are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable statutes. In addition, such interests may not be sold, transferred, assigned or hypothecated, in whole or in part, except as provided in the Fund's organizational documents. Accordingly, investors should be aware that they will be required to bear the financial risks of an investment in the interests for an indefinite period of time. There is no secondary market for an investor's interests in the Fund and none is expected to develop. There is no obligation on the part of any person to register the interests under any statutes.

The performance results of certain economic indices and certain information concerning economic trends contained herein are based on or derived from information provided by independent third-party sources. The Fund believes that such information is accurate and that the sources from which it has been obtained are reliable. The Fund cannot guarantee the accuracy of such information, however, and has not independently verified the assumptions on which such information is based.

Certain information contained in this material constitutes “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,” “continue” or “believe,” or the negatives thereof or other variations thereon or comparable terminology.

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Please note the following Risks: Investors are strongly urged to carefully review the sections in the Confidential Memorandum titled “Risk Factors” and “Conflicts of Interest.” Among the risks involved in an investment in the Fund are as follows:

**General/Loss of capital.** An investment in the Fund involves a high degree of risk. There can be no assurance that the Fund’s return objectives will be realized and investors in the Fund could lose up to the full amount of their invested capital. The Fund’s fees and expenses may offset the Fund’s trading profits. **Limited liquidity.** An investment in the Fund provides limited liquidity since withdrawal rights are limited and interests are not freely transferable or redeemable. There is no secondary market for the interests in the Fund and none is expected to develop. **Dependence on manager.** The fund manager has total trading authority over the Fund. The use of a single advisor could result in lack of diversification and consequently, higher risk. Decisions made by the fund manager may cause the Fund to incur losses or to miss profit opportunities on which it would otherwise have capitalized. **Volatility.** Investment techniques used may include the use of leverage and derivative instruments such as futures, options and short sales, which amplify the possibilities for both profits and losses and may add volatility to the Fund’s performance. **Potential conflicts of interest.** The payment of a performance-based fee to the fund manager may create an incentive for the fund manager to cause the Fund to make riskier or more speculative investments than it would in the absence of such incentive. **Valuation.** Because of overall size or concentration in particular markets of positions held by the Fund or other reasons, the value at which its investments can be liquidated may differ, sometimes significantly, from the interim valuations arrived at by the Fund. **Non-U.S. securities.** The Fund will invest in foreign securities, which may include exposure to currency fluctuation, reduced access to reliable information, less stringent accounting standards, illiquidity of securities and markets, higher commissions and fees and local economic or political instability. **Absence of regulatory oversight.** The Fund will not register as an investment company under the U.S. Investment Company Act of 1940 or similar laws or regulations. Accordingly, the provisions of such laws and regulations will not be applicable.

The foregoing risk factors do not purport to be a complete explanation of the risks involved in an investment in the Fund. Investors should read the entire Confidential Memorandum before making investment determinations with respect to the Fund.



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