LGT Private Debt (France) S.A.S.

Article 29 of the French Energy-Climate Law Report

Reference year: 2023

(report published on 28th June 2024)

Introduction

The law of 8th November 2019 on energy and climate (the 'Energy-Climate Law') introduces a regulatory framework designed to continue the transformation efforts in terms of sustainable development. In particular, article 29 of the Energy-Climate Law reinforces the requirements of article 173 of the law on energy transition for green growth dated of 15th August 2015 notably on the management of risks related to climate change and the inclusion of environmental, social and governance (ESG) issues in investment policy.

The Energy-Climate Law complements the requirements of the European framework laid down by Regulation (EU) 2019/2088 of 27 November 2019 - known as the Sustainable Finance Disclosure Regulation (or 'SFDR'). As a result, French asset management companies must publish an information report on the risks associated with climate change as well as biodiversity risks, in addition to disclosing information on sustainability risks and principal adverse impacts.

In this context, we are publishing the present report, which sets out our sustainable approach, our actions, commitments and ambitions in terms of integrating sustainability issues and environmental, social and quality of governance criteria, as well as the means we have implemented to contribute to the transition to a sustainable economy, the fight against climate change and the preservation of biodiversity.

The present report has been prepared by and for **LGT Private Debt (France) S.A.S.** (the 'Firm'), an alternative investment fund manager authorised and regulated in France by the *Autorité des marches financiers* (the 'AMF') (AMF authorisation number: GP-19000034). Information presented in this report mainly pertains to LGT Private Debt (France) S.A.S. - when we have deemed so relevant, we have also included information at the level of **LGT Private Debt** as well as information that pertains to our group LGT Capital Partners.

Foreword from LGT Private Debt management

LGT Private Debt is a specialized asset manager within LGT Capital Partners (a signatory of the UN PRI since 2008), focusing exclusively on direct private debt strategies and is run out of three offices, in Paris, London and Frankfurt. Since 2005, LGT Private Debt has invested across Europe over EUR 5.6 billion in over 125 arranged middle market debt transactions mainly to sponsor backed companies.

At LGT Private Debt we see a strong alignment between positive, sustainable investing alongside risk-adjusted returns. We believe we have a responsibility to make investments in a way that effectively supports a sustainable society with a commitment to help our clients achieve their financial objectives whilst investing responsibly.

We value the importance of integrating Environmental, Social, and Governance ('ESG') factors into our investment and risk processes and decision making. We believe this helps enhance alignment between achieving long-term positive financial performance for our investors, while also supporting the better functioning of companies we invest in, enhancing behaviours in a wide range of markets and industries and having a positive societal impact beyond the financial markets. This includes alignment to critical global initiatives such as the Paris Agreement on limiting global warming. Our investment team have been completing company level climate resilience analysis pre-deal and during the life of our investments since 2019 which is supported by obligations for our latest fund's portfolio companies to report GHG and carbon emissions, with in addition some companies having carbon reduction incentives included if applicable.

Our ESG strategy includes using a comprehensive ESG Scorecard that is an integral part of the investment process. This enables our Investment team to select assets with a positive ESG profile with the asset selection and monitoring process including assessments covering seven different ESG and sustainability factors, which we assess using a combination of proprietary tools and commonly used industry frameworks.

Pre-investment, the assessment guides investment decision making, enabling investment teams to identify companies that promote ESG as well as those that fall short. Post-investment, reassessing each investee company annually enables us to engage productively with companies on ESG as well as fulfil our reporting requirements under SFDR. In assessing companies on ESG, the Investment team looks at:

1. ESG controversy checks
2. Private Equity Sponsor rating – we assess PE sponsors' overall approach to ESG, leveraging existing due diligence material where available.
3. SDG impact assessment – using the company's industry sector as a proxy, we use our proprietary ESG assessment tool, the ESG Cockpit, to determine whether the company is likely to have any positive or negative impacts on the SDGs.
4. PAIs – where possible, we assess companies against the PAI indicators to ensure we consider all ESG sustainability risks at asset level.
5. Climate resilience – we developed our own Climate Resilience Framework, which aligns with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
6. Biodiversity risk profile – we assess biodiversity impacts and dependencies and associated risks and opportunities into investment decisions with the help of a third-party analysis tool called Altitude, by AXA Climate, which includes providing estimated MSA.km^2 calculations.
7. Materiality assessment – we carry out a review of the various ESG factors that are defined as material for the given industry by the Sustainability Accounting Standards Board (SASB).

During our investment period, we complete annual ESG surveys with all our portfolio companies, gathering responses on all key ESG metrics aligned to industry standards and regulatory considerations. This includes collection and preparation of aggregated ESG and carbon footprint KPIs annually. As part of this practice, we share the results of its ESG campaign with each portfolio company for them to benchmark themselves, and also with our investors and other stakeholders to help facilitate discussion and comparison. Furthermore, we use board observer seats to (i) make sure ESG is considered on the management's agenda and (ii) to promote best practices through our dialogue with shareholders and key decision makers.

Given our approach outlined within this report we believe we are well positioned to influence portfolio company governance and decision making, including via economic incentives for our portfolio companies to improve their ESG and sustainability profile. We believe our partnership with management and shareholders can help increase financial and non-financial value for all stakeholders in a clearly measurable way.

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SECTION A - The Firm's general approach on the consideration of environmental, social and governance quality criteria

1) Summary presentation of the Firm's general approach to taking account of environmental, social and governance criteria in particular in its investment policy and strategy

At LGT Capital Partners, and in turn LGT Private Debt, we believe investors, and asset managers investing on their behalf, have a responsibility to make their investments in a way that effectively supports a sustainable society. At the core of our commitment to helping our investors achieve their financial objectives is the conviction that financial objectives can be achieved by investing responsibly.

We integrate Environmental, Social and Governance factors into our investment and risk processes and fundamentally believe this is aligned with achieving long-term positive financial performance for our investors. We also recognize and value the fact that this will help to improve the companies we invest in and enhance behavior in a wide range of markets and industries while having a positive societal impact beyond the financial markets. Our philosophy is based on the view that economic performance goals and sustainability goals are not in conflict, as we generally expect portfolios that adhere to high ESG standards may outperform over the long term.

2) Content, frequency and means used by the Firm to inform investors about the criteria relating to the environmental, social and governance quality objectives taken into account in the investment policy and strategy

We, within LGT Private Debt and more generally within LGT Capital Partners, believe that transparency is the foundation of long-term partnerships with investors, and we are committed to complying with the highest standards of reporting.

The following channels are used by the Firm to communicate ESG-related information to investors:

- Quarterly investor reports (issued by each individual fund)
- Quarterly investor update calls with investors
- Specific LGT Private Debt "Annual ESG survey findings report" published for external stakeholders, and made available on the public LGT website
- LGT Capital Partners' website, which contains a specific section on sustainability and includes the regulatory SFDR disclosures that LGT Private Debt (France) is required to make
- The Annual Sustainability Report of our group (i.e. LGT Capital Partners) as well as ESG studies on specific investment activities on a case-by-case basis, available on LGT Capital Partners' website
- The Annual non-Financial Report of our group (i.e. LGT Capital Partners) which includes concrete Sustainability initiatives, publicly available on LGT Capital Partners' website
- Annual General Meetings with investors
- Annual UNPRI Transparency and Assessment reports publicly available on LGT Capital Partners' website
- One-on-one calls on request.

3) Adherence by the Firm, or by certain financial products, to a charter, a code, an initiative or a label on the consideration of environmental, social and governance quality criteria

LGT Capital Partners on behalf of LGT Private Debt has joined various organizations and industry bodies that support the sustainable development of the financial industry, the foremost being UNPRI and the Net Zero Asset Managers initiative. LGT Capital Partners adheres to business conduct rules and international standards, including the United Nations Global Compact (UNGC), United Nations Universal Declaration of Human Rights (UDHR), the OECD Principles of Corporate Governance. We have also adopted the Sustainable Development Goals (SDGs). In line with those goals, we believe that investments in companies with high ESG standards can add long-term value for our investors while also creating a positive impact on the environment and society.

While LGT Capital Partners has a strong focus on a holistic ESG assessment, it also takes very concrete actions, wherever useful and relevant. For example, we have a benchmark exclusions list aligned to the Paris Agreement and other international standards listed above which includes companies associated with controversial weapons (anti-personnel mines, biological & chemical weapons, cluster weapons, or nuclear weapons) and in businesses related to thermal coal. The thermal coal exclusion is aimed at combating climate change and shifting our investments to support an energy supply that is consistent with net zero emissions by 2050 or sooner. These also align with the Financial Action Task Force, OECD guidelines for Multinational Enterprises and the UN Security Council Sanctions.

Specifically, within LGT Private Debt we have obtained ESG labels from LuxFLAG for our latest funds.

SECTION B - Internal resources deployed by the Firm

1) Description of the financial, human and technical resources dedicated to taking environmental, social and governance criteria into account in the investment strategy

Integrated ESG assessments and procedures are central to our responsible investment strategy and building value for all stakeholders.

Team members across Private Debt have expanded responsibilities covering specific aspects of the Impact and ESG investing strategy and reporting obligations. The coverage spans across multi-disciplinary teams, including the investment team, the portfolio monitoring team and the finance & operations team.

Team member	Primary role	Impact / ESG responsibilities
Jonathan Smith	Co-head of the London investment team, responsible for origination in the UK, Nordic and Benelux regions. Head of ESG and Impact for Private Debt and member of the LGT Capital Partners group Private Markets ESG Committee	Coordinating the key stakeholders which includes the Private Debt management team, Impact & ESG subject matter experts from the broader LGT Capital Partners group and external specialist consultants to develop, define and implement the Private Debt investment strategy.
Alix Jariel	Associate Director in the Private Debt investment team based in Paris.	Material contribution to the development of the impact framework for the Private Debt funds, and formulation of new assessment approaches, including for Biodiversity. Supporting the investment team during the assessment and review of new impact opportunities. Member on behalf of LGT Private Debt of the Impact Commission of France Invest
Muhammed Sisman	Associate Director within the Portfolio Monitoring Team (“PMT”), performing: (1) independent asset valuation analysis; (2) core middle office functions such as: Deal funnel and pipeline analysis, portfolio management analysis; and (3) portfolio monitoring, which includes review of underlying company KPIs and financial performance, covenants, review of watchlist / underperforming assets.	Leads the content and construction, coordination and execution of the annual ESG survey, including the analysis, interpretation and publication of the findings. Survey’s form the basis of the annual ESG re-assessments at company level Responsible for quantitative analysis on taxonomy and PAI related metrics for ongoing and periodic reporting obligations. Including the preparation of the SFDR Annex 2 schedules (to accompany the statutory audited Financial Statements), compilation of the EET template and drafting of the annual PAI report.
Gavin Lau	Head of Private Debt Operations, with oversight of the financial and operational aspects of the fund structures. Organised into three teams: Fund Controlling, Treasury & Loan Servicing Operations, Systems & Projects.	Maintaining an active dialogue with subject matter experts from the broader LGT Capital Partners group to retain current technical developments across Impact and ESG related reporting requirements. Sharing knowledge and best practice with the Private Debt Operations team and designing and implementing scalable and automated solutions to address the ongoing reporting obligations. Oversight and review that the various reporting obligations are met: the SFDR Annex 2 schedules (to accompany the statutory audited Financial Statements) and process controls in preparing and maintaining the EET template.
Faisal Sethi	Head of Fund Controlling, responsible for the overall administration and investor reporting obligations across the Private Debt funds.	Taking the lead with the external auditors and coordinating internal subject matter experts to draft and submit the periodic reporting SFDR Annex 2 that accompanies the statutory audited Financial Statements.

A continual programme of internal and external ESG training is a cornerstone of our investment approach with the team investing in the delivery of external training supported by internally delivered content to all members of the LGT Private Debt team. In the last 12 months this has included external training providers delivering bespoke content in relation to (i) Climate change and climate related analysis at company level, (ii) Biodiversity and (iii) Best practice for Sustainability Linked Loans in relation to ESG & Impact KPIs at portfolio company level. This has been supplemented by internal training on (i) Biodiversity, (ii) Impact investing and (iii) Impact Action Plans at portfolio company level.

Training has been delivered in person for our Paris team by *La Fresque du Climat* and *La Fresque de la Biodiversité*, with plans to extend for our London and Frankfurt teams during 2024.

Core technical and commercial knowledge related to impact and ESG investing also exists at the LGT Capital Partners level. The Private Debt team works closely with the central team who have ESG oversight across all asset classes. This includes benefitting from market intelligence and analytical best practices and shared resources, learnings and approaches from other asset classes within the LGT Capital Partners group. Designing and implementing our Impact and ESG framework to address the specific Private Debt asset class reporting obligations has been done in close partnership between the Private Debt team and the team referenced below:

Team member	Primary role	Impact / ESG responsibilities
Tycho Sneyers	Tycho is a Managing Partner at LGT Capital Partners, and he chairs the ESG Committee. He has initiated and led the firm's ESG efforts since 2002, having steered the firm in deeply embedding ESG principles into the investment processes for its various asset classes. Tycho currently serves on the board of directors of the UN PRI.	Provides oversight and guidance to the Private Debt team including the support of new initiatives which are presented by the Private Debt team at least monthly as part of our participation in the LGT Capital Partners ESG Committee.
Keimpe Keuning	Head of ESG and Impact in Private Markets. Leading the development of LGT Capital Partners' impact framework. Role includes acting as Chair of the Private Markets ESG Committee. And responsible for implementing the ESG and impact strategy across Private Markets.	Materially supports the adaptation of all ESG and Impact initiatives in Private Debt funds. Has an active role in reviewing the impact assessment of opportunities proposed by the Private Debt investment team.
Stefan Lügstenmann	Responsible for impact assessment, management, and reporting in Private Equity. Covering ESG and Impact analytics across Private Markets and specifically assessing direct investments.	Materially supports the adaptation of the impact framework for the Private Debt funds. Acts as a sparring partner for the Private Debt investment teams during the assessment of new impact opportunities.

Our internally developed tools include an ESG 7-factor scorecard and Impact scorecard (if an Impact deal). The ESG 7-factor scorecard assesses portfolio companies using a number of standalone assessments on specific ESG considerations. These include: (i) a climate resilience and CO_2 assessment tool, (ii) a public controversy check via RepRisk, and discussing matters with the LGT Capital Partners ESG committee (if applicable) and (iii) rating the private equity sponsor with reference to an independent score generated by the Private Markets ESG team. It also benchmarks portfolio companies against (iv) alignment to the UN Sustainable Development Goals ("SDGs"), (v) company due diligence in relation to ESG matters and with reference to the Sustainable Accounting Standards Board framework ("SASB") (vi) compliance with the Principal Adverse Indicators ("PAIs") and (vii) an assessment of the Biodiversity profile of company utilising a third party assessment tool. The assessment of each investment is done pre-commitment and at least annually following receipt of the ESG Survey as discussed earlier. The company responses are used to ensure ESG monitoring is data driven with the survey content under regular review and amendment based on the most recent ESG approaches and outcomes based review.

We utilise a number of third party providers, with their expertise and services supporting our ESG approach, assessments and reporting. These are listed below:

Provider	Service
RepRisk	ESG-related reputational risk over a 5-year historic period (database screening and alerts)
Upright Platform	Net Impact Score for assets (if required) including alignment to SDGs and PAI compliance (Note only used for Impact fund assets)
Altitude by AXA Climate	Platform used to generate predicted Climate and Biodiversity footprint / profile based on location and activity-based inputs
Bluemark	Introduced on a deal-by-deal engagement where there is an ESG margin ratchet

2) Actions taken to strengthen the Firm's internal capacities

The sharing and accumulation of specialist ESG and Impact investing knowledge is a priority for the LGT Private Debt team. The group employs a number of approaches to cascade the relevant training sessions across the management team, the investment team and operations teams. This includes, and is not limited to:

- Mandatory firm-wide ESG training required by all employees (including the UN PRI academy certificate);
- Targeted workshops with the Private Debt investment team on how to appraise investment opportunities with clearly defined impact and ESG criteria;
- Formalised Investment Committee process changes to incorporate mandatory screening and due diligence criteria;
- Targeted operations workshops on impact of ESG ratchets to commercial terms of loan agreements, and consequences in fund NAV/performance and investor reporting outputs;
- Targeted fund controller workshops to develop knowledge of mandatory SFDR requirements at year-end reporting dates;
- Inclusion of the LGT Private Debt business unit at the point of inception for all relevant flagship LGT Capital Partners wide projects related to development and enhancement of ESG and impact related processes. This includes the objectives to improve ESG data quality; design and implement scalable and automated solutions to generate periodic deliverables. Ultimately to meet regulatory requirements, internal management and external investor led obligations.

We engage with the underlying business units with structured communication in various forums, to promote ESG and Impact investing related topics:

- Mobilisation of Partner and Principal initiatives to promote strategic objectives and best practices into the underlying business units, including LGT Private Debt;
- Specific and frequent interaction from the LGT Private Debt team with central LGT Capital Partners subject matter experts and technical ESG forums, which promote knowledge sharing and best practice in the fast moving and continually changing ESG regulatory environment. This includes but is not limited to approaches being coordinated in relation to climate and biodiversity with pan-Capital Partners working groups.

In utilising this knowledge base and analytical capability, the LGT Private Debt team also contributes to the preparation of:

- the Annual LGT Capital Partners ESG report, specifically the latest LGT Private Debt insights including sharing portfolio level KPIs based on survey responses from our portfolio companies.
- A detailed analysis of the full LGT Private Debt asset portfolio, using the Impact and ESG framework to complete a historic assessment of each underlying investment under the defined Impact/ESG criteria. This concluded valuable insight and quantified that 15% of the aggregate historic portfolio would be classified as ‘impact investments’ under the currently prescribed parameters.

Recent fund developments in addition to the incorporation of the Impact and ESG criteria into the formal investment process, includes the formation of the Crown Impact Private Debt (“CIPD”) fund. CIPD has a specific investment thesis covering three specific impact themes: Climate Action; Inclusive Growth; Healthcare (supporting 11 SDGs).

SECTION C - Approach to taking account environmental, social and governance quality criteria at the level of the Firm's governance

1) Knowledge, skills and experience of the governance bodies in taking decisions relating to the integration of ESG criteria

The Firm's governing body / LGT Private Debt management team

The members of the governing body of the Firm - collaboratively with the other partners of the LGT Private Debt business - determine the overall strategy, including the **ESG strategy,** of the LGT Private Debt business and define the **investment policy,** notably in respect of the integration of **ESG criteria,** of each of the funds managed by the Firm.

Etienne Haubold

*Head of the LGT Private Debt business and member of the Firm's governing body (*Président)

Prior to joining firm in 2006, Etienne Haubold spent two years at Société Générale in its Leveraged Finance team, where he was in charge of sourcing, arranging and monitoring mid-market senior and mezzanine debts. Mr. Haubold began his career at The Boston Consulting Group on assignments for corporate and private equity firms, with a focus on consumer goods, chemicals, industrial goods, and utility sectors. He sits on the board of several mid-cap corporates. He has been particularly involved in ESG matters for LGT Private Debt and a driving force in the ESG integration in our Private Debt business and developing an impact offering.

Kevin Abrial

*LGT Private Debt Partner and member of the Firm's governing body (*Directeur Général*)*

Kevin Abrial joined the firm's Paris office soon after its inception in 2006. Mr. Abrial started his career in the M&A team of Arthur Andersen and he then spent four years in the Corporate Finance department of BNP Paribas where he was involved in various M&A transactions in Europe and Latin America. Kevin Abrial co-leads LGT Private Debt investment activities across Europe. Regarding ESG, he has overseen making sure our investment processes are fully integrating our ESG policies and frameworks.

Matthew Gordon Clark

LGT Private Debt Partner

Matthew Gordon Clark joined the firm in 2005 from Mezzanine Management Limited, where he was a director focusing on UK and European investments. Deal responsibilities included origination and structuring of new investments and management and exit of portfolio companies. Prior to joining Mezzanine Management Limited in 2000, Mr. Gordon Clark worked for the acquisition finance team at NM Rothschild & Sons, having previously completed a six-year commission in the British Army. He sits on the board of several portfolio companies. He oversees LGT Private Debt's Investors Relations and has been particularly key in making sure our ESG practices are best practice.

Colin Wright

LGT Private Debt Partner

Colin Wright's responsibilities include leading the origination and structuring of new investments for the UK market and management and exit of portfolio companies. Prior to joining the firm in 2005, Mr. Wright worked for KPMG Corporate Finance, where he advised on buy-side and sell-side M&A transactions, both in London and Frankfurt. Colin Wright co-leads LGT Private Debt investment activities across Europe. Regarding ESG, he has overseen making sure our investment processes are fully integrating our ESG policies and frameworks.

Gavin Lau

Member of the LGT Private Debt management team

Gavin Lau is the Finance Director at LGT Private Debt. Responsible for the finance & operations function of the private debt business on a pan-European basis. Prior to joining the firm in early 2020, he previously worked at Permira for 5 years, primarily responsible for the oversight of investor reporting and fund administration across the flagship funds of both the Structured Credit and Direct Lending Platforms. Mr Lau spent the first 6 years of his career in public practice, most recently with the Banking & Capital Markets group in PwC London, before working as a fund controller at The Ingenious Group. Gavin Lau leads our Private Debt Operations. Regarding ESG, Gavin is leading our efforts to make sure our ESG practice is accurately reflected in our reporting and financial statements.

The Firm's supervisory body / LGT Capital Partners senior executives

The members of the Supervisory Bord of the Firm representing the Firm's parent company - i.e. the group LGT Capital Partners - and oversee the decisions taken by the LGT Private Debt Partners in respect of the overall strategy - including the **ESG strategy** - of the LGT Private Debt business.

Roberto Paganoni

Chief Executive Officer of LGT Capital Partners and member of the Firm's Supervisory Board

Roberto Paganoni is the Chief Executive Officer and co-founder of LGT Capital Partners. He joined LGT Group in 1997 to form the Alternative Investments Group, which is now LGT CP Ltd. Prior to joining LGT Group, he had been at McKinsey & Company since 1989, where he managed international projects in the areas of industrial goods, airlines, telecommunications and financial services. Already long before ESG-related regulations were introduced, Roberto was a strong advocate of the inclusion of ESG factors in the investment decision process and subsequently a driving force of their implementation throughout the LGT Capital Partners Group.

Werner von Baum

Chief Risk Officer of LGT Private Debt Partner and member of the Firm's Supervisory Board

Werner von Baum is a Managing Partner and the Chief Risk Officer of LGT Capital Partners. He is a member of the Executive Committee and chairs the Risk- and the Compliance Committee. Before joining the firm in 2005, Mr. von Baum was managing director at HypoVereinsbank (HVB) in Munich, where he built up and led the Corporate Origination and High Yield Capital Markets business. Prior to joining HVB, he was with Bankers Trust in London, where he held various positions in marketing, structuring, and trading of fixed income-, FX- and equity derivatives. Werner took the overall lead in designing and implementing LGT Capital Partners Group's ESG policies and framework. In his role as the Group's CRO, he is responsible that the Group having a consistent approach to ensure that ESG related risks are adequately measured, assessed, and mitigated.

John Kossow

Chief Financial Officer of LGT Capital Partners and member of the Firm's Supervisory Board

John Kossow is a Partner and the Chief Financial Officer of LGT Capital Partners. He is a member of the Executive Committee. Prior to joining the firm in 2010, Mr. Kossow spent over five years at KPMG Zurich's Audit Financial Services department, where he managed financial and regulatory audits as well as special projects in the Swiss banking industry. In his role as CFO of LGT Capital Partners Group, John is coordinating all efforts to ensure that ESG-related aspects are adequately reflected in the financial reports of all LGT Capital Partners entities and the Group as a whole.

2) Consistency of the remuneration arrangements with the integration of sustainability risks into the Firm's investment decision-making process

The Firm's investment decision-makers (i.e. the members of the Firm's investment committee) are primarily responsible for ensuring that - for a given investment opportunity - all the relevant material sustainability risks are adequately identified and assessed and effectively managed.

Through the carried interest mechanism in place for all the funds managed by the Firm, the Firm encourages the Firm's investment decision-makers to incorporate all the relevant material risks - including the relevant material sustainability risks - to which a given company is exposed i) at the time of the investment decision and ii) throughout the whole period during which the company is held in our funds.

Carried interest is a mechanism whereby the Firm's investment decision-makers make a personal investment into the funds managed by the Firm constituting thus a personal financial risk for the Firm's investment decision-makers. Carried interest is computed and distributed to the Firm's investment decision-makers (if carried interest is to be distributed) at the end of the life of the fund. Return on investment for carried interest mechanically depends on the rate of return of the investors in the funds. If the rate of return of the investors is below a certain threshold (defined at the inception of the fund in the legal documentation as the 'hurdle rate'), the personal investment of the Firm's investment decision-makers is lost.

If the Firm's investment decision-makers fail to adequately identify and assess and effectively manage all the relevant material risks - including the relevant material sustainability risks - of an investment opportunity / a portfolio company and in the event such risks materialised, the financial performance of the fund together with the return on investment for the carried interest will be negatively impacted.

Thus, we believe that the carried interest mechanism is consistent with the integration of sustainability risks into our investment decision-making process and ultimately aligns the interests of the investment decision-makers with the interests of the investors in a way that is meaningful with the investment horizon of the funds we manage.

In addition, the Firm's investment decision-makers are entitled to receive on an annual basis a variable component of remuneration provided objectives - set up at the beginning of each year - are met. Among these objectives are included in a recurrent manner ESG objectives and notably the objective to maintain operational and constantly improve the processes in place within the Firm for identifying, assessing and managing sustainability risks during both the investment selection process and the holding period. For the Firm's investment decision-makers, the variable component of remuneration is determined by the Firm's Executive Directors and/or the Group Senior Executives together with the Group Remuneration Committee.

The members of the investment team - those carrying out investment research and financial analysis - play a key role in supporting the members of the Firm's investment committee notably in respect of identifying, assessing and managing sustainability risks of each investment opportunity / portfolio company. The members of the investment team (those having generally more than two years of experience) are also subject to the carried interest mechanism and are therefore also incentivized to identify, assess and effectively manage all the relevant material risks - including the relevant material sustainability risks - of an investment opportunity / a portfolio company.

Also, through the annual variable remuneration, the members of the investment team are incentivised in a manner that rewards the accuracy and comprehensiveness of their sustainability risks analyses. For the members of the investment team, the variable component of remuneration is determined by the Firm's Executive Directors together with the Group Remuneration Committee.

The information presented above for the purpose of our article 29 report obligations are further detailed in the Firm's Remuneration Policy.

3) Integration of environmental, social and governance criteria into the internal regulations of the Firm's board of directors or supervisory board.

Our Firm is a French simplified joint stock company run by the Firm's governing body under the supervision of the Firm's Supervisory Board. The members of our Supervisory Board represent LGT Capital Partners, which is the group to which the Firm belongs. As of today, our Supervisory Board does not have in place internal regulations. We are currently considering the possibility of implementing internal regulations for our Supervisory Board and integrating environmental, social and governance criteria in such regulations.

Section C - Approach to taking account of environmental, social and governance quality criteria at the level of the Firm's governance

The Supervisory Board of LGT Private Debt (France) S.A.S. regularly reviews key ESG and sustainability initiatives with monthly updates provided to the Board by the Head of ESG & Impact of LGT Private Debt during monthly management meetings. Board engagement and oversight is integrated into daily activities including, if relevant, at portfolio company level both pre-investment and during our investment period. Consequently, to ensure familiarity and consistency, Board members attend relevant ESG and sustainability training, which is provided to our investment professionals, covering all elements of our approach at both investee company and at a portfolio level. Recently this has included external training provided to the investment team related to biodiversity and climate change and how to analyse and incorporate when conducting due diligence and presenting investment opportunities.

At a Group level our parent, LGT Capital Partners, runs company wide training such as the mandatory completion of the UN PRI ESG training and includes group wide ESG and Sustainability updates at least annually to all employees. As part of the close integration between LGT Private Debt (France) S.A.S. and our parent, our Risk and Portfolio teams present a quarterly dashboard of our ESG and Sustainability initiatives and risks to the LGT Private Debt Audit and Risk Committee. Close co-ordination between our parent, internal stakeholders, and the Board, via key members of our Risk, Portfolio and ESG teams ensure alignment and transparency.

SECTION D - Strategy for engagement with portfolio companies

Although LGT Private Debt acts as a direct private debt investor and therefore has limited decision power in terms of implementation of strategic ESG and impact action plans at investee level, it has developed engagement with various stakeholders and puts forward integration of ESG and sustainability factors in its investment approach.

1) Scope of companies covered by the engagement strategy

LGT Private Debt has developed an engagement strategy with various stakeholders that covers 100% of its investments.

Engagement during investment phase

LGT Private Debt looks to invest in companies that do not present material ESG risks. As part of its investment due diligence process, it has developed a seven-factor proprietary ESG scoring model that includes an ESG rating of the majority equity shareholder that it will partner with. This implies a dialogue with the shareholders that features negotiation of ESG reporting and carbon footprint in legal documentation as well as collaboration regarding implementation of ESG margin ratchets and sustainability linked loans.

Engagement during monitoring phase

LGT Private Debt conducts an annual ESG campaign on its portfolio companies. It collects and prepares aggregated ESG and carbon footprint KPIs annually. As part of this practice, LGT Private Debt shares the results of its ESG campaign with each portfolio company to benchmark themselves and annually promotes the initiation of a carbon footprint assessment.
Furthermore, LGT Private Debt uses board observer seats to (i) make sure ESG is considered in the portfolio company's agenda and (ii) promote best practices through our dialogue with shareholders and management.

Engagement with employees

LGT Private Debt implements dedicated ESG and/or impact training sessions for the entire investment team and portfolio monitoring team at least yearly. Team members are also regularly updated on the evolution of the investment due diligence process.
Moreover, oversight and implementation responsibilities for ESG integration are within the scope of each investment team member's responsibilities, and their ESG engagement is part of their annual objectives, which are tied to the variable portion of their annual compensation.

Engagement with industry

LGT Private Debt commits to several international or industry standards that promote responsible investment practices such as France Invest, which we are a member of. France Invest is the French Private Equity Association and brings together private equity firms active in France and the associated professions that support them. Its members play a major role in the growth and transformation of companies and in supporting the French economy.
We are also a signatory of IC International (a GP-led initiative to assist PE-held portfolio companies monitor and reduce carbon emissions). More recently we submitted our application to be part of the Impact Commission of France Invest.

2) Presentation of the voting policy

As direct private debt investor, LGT Private Debt is not in charge of shareholder-led or shareholder-suggested responses to specific ESG issues or in a position to implement a strategy. Therefore, it does not have a voting policy.

However, as majority private debt investor, LGT Private Debt often has board observer seats and promotes best practices through our dialogue with shareholders and management as well as our annual ESG survey for example by (i) sharing the results of our annual ESG survey for the portfolio with each portfolio company for them to benchmark themselves or (ii) encouraging the adoption of an annual greenhouse gas assessment process within our portfolio.

3) Report on the engagement strategy implemented

LGT Private Debt's annual ESG campaign has reached a 98% response rate in 2023. In all new investments completed during 2023, LGT Private Debt has secured ESG and carbon footprint reporting as well as implemented ESG margin ratchets.

Quantitative information related to the engagement strategy implemented:

Percentage of companies involved in dialogue out of all companies involved in the topic covered	100%
Specify the denominator of the above indicator	39

4) Report on the voting policy

LGT Private Debt is not in charge of shareholder-led or shareholder-suggested responses to specific ESG issues or in a position to implement a strategy. However, we do promote best practices through our dialogue with shareholders and management as well as our annual ESG survey for example by (i) sharing the results of our annual ESG survey for the portfolio with each portfolio company for them to benchmark themselves or (ii) encouraging the adoption of an annual greenhouse gas assessment process within our portfolio.

5) Decisions taken in terms of investment strategy, particularly in terms of sectoral disengagement

For each fund structure, the formal documentation, specifically the Limited Partnership Agreement ("LPA") explicitly states the segment of the credit market, the geographical range, indicative business size, sectors, and industries that the fund will either actively pursue or avoid. This is determined prior to each fund launch and reinforced throughout the fundraising period and into the active investment period of the fund life. Specifically, the exclusion policy is reviewed periodically to ensure consistency with the fundamental investment strategy and criteria intended.

In addition to negative screening, LGT Private Debt has developed an asset selection process and monitoring that includes seven different ESG and sustainability factors, which are assessed using a combination of proprietary tools and commonly used industry frameworks. Seven factors mentioned before are detailed below:

i. **ESG controversy check** – we consider any ESG controversies identified by our risk monitoring solution, flagging controversial ESG issues, via the RepRisk platform. We also consider any ESG sensitivities identified, typically related to the business model of the company or the market in which it operates.
ii. **Sponsor rating** – we use internally generated sponsor rating. If there is no ESG rating produced internally on the sponsor, we carry out a qualitative assessment of the manager's ESG practices based on publicly available information and our own due diligence on the manager.
iii. **SDG impact assessment** – using the company's industry sector as a proxy, we determine whether the company is likely to have any positive or negative impacts or alignment on the SDGs.
iv. **PAIs** – where possible, we assess investee companies against the PAI indicators to ensure we consider all ESG sustainability risks at asset level.
v. **Climate resilience** – we systematically consider risks related to climate change while assessing the materiality of these risks for any given business. Towards this end, we developed our own Climate Resilience Framework, which aligns with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The framework enables us to analyze a company's climate resilience to physical risks (related to climate change itself) and transition risks (related to the transition to a lower carbon economy). On the back of our analysis, we rate the materiality of such climate risks. This allows for informed asset selection based on climate change considerations and for the subsequent monitoring of the portfolio's composition according to the risks identified.
vi. **Biodiversity risk profile** – we assess biodiversity impacts and dependencies and associated risks and opportunities into investment decisions with the help of a third-party analysis tool called Altitude, by AXA Climate, which includes providing estimated MSA.km2 calculations.
vii. **Materiality assessment** – we carry out a review of the various ESG factors that are defined as material for the given industry by the Sustainability Accounting Standards Board (SASB).

SECTION E - European taxonomy and fossil fuels

1) Investments in economic activities contributing to environmental objectives

As of 31st December 2023, we have no portfolio companies for which an analysis was made to assess how much their economic activities contribute to environmental objectives.

2) Exposure to companies active in the fossil fuel sector

LGT Private Debt excludes from its investment universe companies that are active in the fossil fuel sector as defined by Annex I to Commission Delegated Regulation (EU) 2022/1288. Its exposure to companies which are involved in exploration, development, production, transportation, refining, or sales activities related to non-renewable carbon-based energy sources such as solid fuels, natural gas and oil represents 0% of its total assets under management.

Quantitative data related to exposure to companies active in the fossil fuel sector:

Share of assets under management in companies active in the fossil fuel sector (in %)	0
Share of assets under management in companies active in the coal sector (in %) (optional)	0
Share of assets under management in companies active in the conventional oil and gas sector (in %) (optional)	0
Share of assets under management in companies active in the unconventional oil and gas sector (in %) (optional)	0

SECTION F - Strategy for alignment with the international objectives for limiting global warming

The **Paris Agreement** is a legally binding international treaty on climate change. It was adopted by 196 countries at the UN Climate Change Conference (COP 21) in Paris, France, on 12th December 2016. The Paris Agreement is a landmark in the multilateral climate change process. For the first time, a binding agreement brings all nations together to **combat climate change** and accelerate the actions needed for **a sustainable low carbon future**. The Paris Agreement's central objective is to strengthen the global response to the threat of climate change by **holding the increase in the global average temperature to below 2°C** above the pre-industrial levels and pursue efforts **to limit the temperature increase to 1.5°C** above pre-industrial levels. Currently, the global average temperature is **about 1.3°C higher** than it was in the late 1800s. To keep global warming to no more than 1.5°C - as called for in the Paris Agreement - **global emissions of greenhouse gas need to be reduced by 45% by 2030 compared to 2010 levels and reach net zero by 2050**.[1]

Our Firm is committed to achieve the objective of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C. Within the LGT Private Debt business, we have defined **a strategy** that we believe is consistent and appropriate for meeting this objective. Our strategy is built on two main pillars, each of them having specific associated steps:

- **Pillar I**: define quantitative targets that we can easily monitor in order to assess the extent to which we are aligned with the objectives of the Paris Agreement. The steps associated with Pillar I are:
  1. Determine our carbon footprint baseline (expressed in absolute value and carbon intensity) in respect of the reference year we have chosen which is the year 2022
  2. Set up a quantitative target for 2030 (expressed in intensity value (tCO2e / mEUR invested))
  3. Define annual carbon budgets (expressed in intensity value (tCO2e / mEUR invested)).
- **Pillar II**: determine a set of measures and actions consistent with the 2030 target we have set up and monitor the effectiveness of such measures and actions. The steps associated with Pillar II are:
  4. Define and implement measures and actions related to the investment due diligence process and portfolio companies' monitoring process that we believe are consistent for meeting the annual carbon budgets we have defined
  5. Assess on an annual basis the extent to which we meet our annual carbon budget by comparing such budget with the actual GHG emissions of our portfolio
  6. If necessary, i) determine and implement corrective actions and/or ii) strengthen the measures and actions in place related to the investment due diligence process and portfolio companies' monitoring process.

1) Carbon footprint baseline (reference year: 2022)

An initial assessment has been done for the year 2022. Such assessment has consisted in determining the carbon footprint baseline (expressed in carbon intensity) of our portfolio based on the GHG emissions of the portfolio companies held in the funds we manage.

	Carbon footprint	
Year	**Scope 12**	**Scope 123**
Baseline 2022	7.4	147.3
Measurement unit	**tCO_2e/MEUR (invested)**	

For this initial assessment, all the portfolio companies held in the funds managed by LGT Private Debt have as of 31st December 2022 been considered - that is a total of 41 portfolio companies. For this assessment, we have relied on

[1] Website of the United Nations Framework Convention on Climate Change (UNFCCC): https://unfccc.int/ [13th May 2024]

data directly provided by our portfolio companies and used sectorial proxies as needed. Proxy calculations are based on public-market proxies on the most granular GICS category, GICS sub industry level per scope. We have provided for information in the table below the percentage of emissions coming from portfolio companies versus the percentage of emissions calculated relying on sectorial proxies respectively for the scope 1, scope 2 and scope 3 GHG emissions:

Scope	Source of data	
	From portfolio companies	Sectorial proxies
Scope 1	63%	37%
Scope 2	45%	55%
Scope 3	50%	50%

2) Quantitative target (for 2030)

Based on the baseline for the reference year of 2022 and with the objective of net zero by 2050, we have defined a target of carbon emissions that we will seek to reach in respect of the year 2030. Our target is **4.5 tCO_2e / mEUR (invested)**. We are indeed aiming at having the total of carbon emissions (scope 1 and scope 2) per million invested of the portfolio companies held in the funds managed by LGT Private Debt in 2030 equal or below this target. A new target will be defined in 2030 for the year 2035 and then every five years until 2050. Our quantitative target does not include scope 3 emissions for the time being. We plan to expand our carbon trajectory analysis to scope 3 emissions in future years.

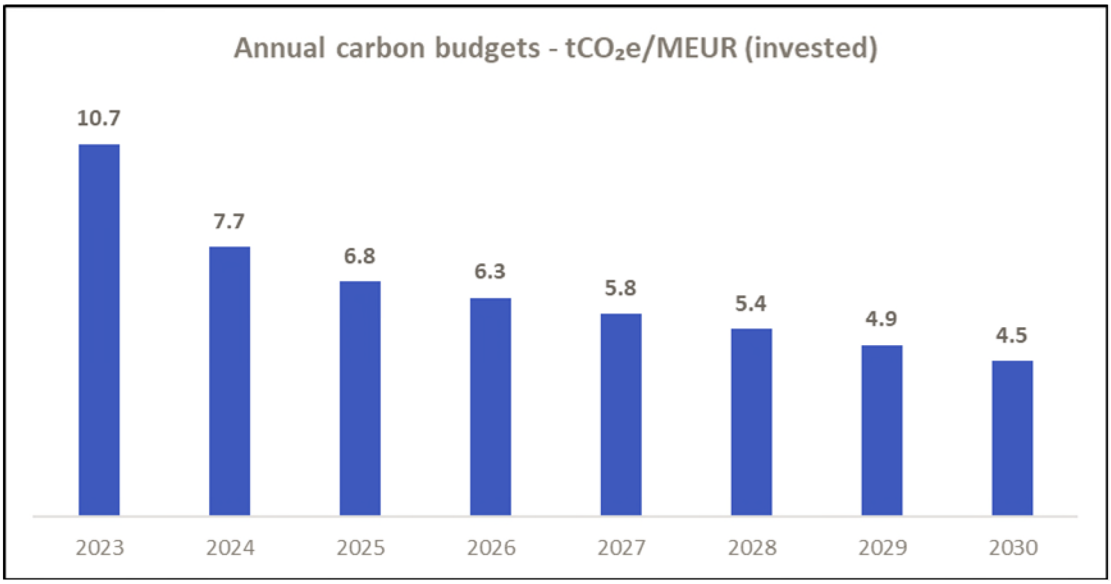
<u>Quantitative information related the Firm's strategy for alignment with the international objectives for limiting global warming set out in the Paris Agreement</u>:

Quantitative objective for 2030 [2]	4.5 tCo2e / mEUR
Unit of measurement of the quantitative objective for 2030	Carbon intensity (tCo2e / mEUR)
Amount of assets under management covered by the quantitative alignment objective [3]	EUR 2.05b AUM
Share of assets under management covered by the quantitative alignment objective over total assets under management	100%
Type of asset covered by this objective	Private debt investments

[2] Scope 1 and scope 2 only
[3] AUMs for LGT Private Debt as a whole (LGT Private Debt (France): EUR 1,849m AUM and LGT Private Debt (UK): EUR 201m

3) Annual carbon budgets (period 2023-2030)

The methodology we use to assess the alignment of our investment strategy with the Paris Agreement is based on the annual carbon budget that we built with the support of the ESG team of LGT Capital Partners. Considering our 2022 carbon footprint baseline and our 2030 target, we have set up the following annual carbon budgets for each year for the period 2023-2030 included:



Our carbon budgeting methodology is based on the International Energy Agency (IEA) Net Zero 2050 scenario and covers the scope of 1 and 2 emissions only. For homogeneous high-emitting industries, the sector decarbonization approach (SDA) based on the IEA industry-specific pathways is used to determine the carbon budgets. For heterogenous or low-emitting industries, the value-added approach based on the global IEA pathway is used. For this initial assessment, proxy industry budgets based on the public-market proxies on the most granular GICS category, the GICS subindustry, are used.

Quantitative information related to the Firm's methodology to assess the alignment of the investment strategy with the Paris Agreement:

Use of an internal methodology?	Yes
Level of coverage at portfolio level	100%
Evaluation time horizon	31st December 2030

4) Measures and actions associated with the Firm's strategy for alignment with the Paris Agreement objectives

Our strategy of alignment with the objectives of the Paris Agreement is operationally embedded into a set of measures and actions that are in place within the LGT Private Debt business notably within our investment due diligence process and portfolio monitoring process. Details of such measures and actions are provided below:

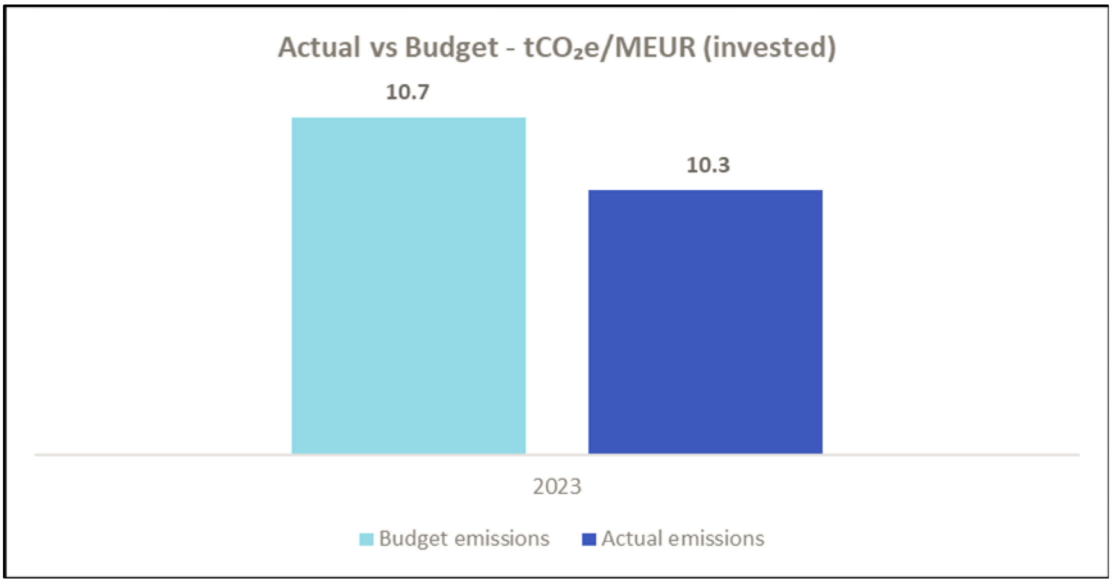
- **Exclusion List** - As per our Exclusion List that we apply across all the funds that we manage; we make no investments in companies which directly generate revenues from activities related to coal activities or non-conventional hydrocarbons activities. It is also worth noting that we do not have such type of companies on our current portfolio. More generally, our Exclusion List is aligned with the exclusions set out in article 12(1) of EU Regulation 2020/2018 for EU Paris-aligned benchmarks;

- **Carbon footprint assessment** - For each investment opportunity that is presented to the Investment Committee, we systematically make an assessment of the carbon footprint of the company we are considering investing in. Such assessment can be based on data provided directly by the company and/or sectorial proxies provided by external ESG-data providers. Such data may be completed and refined by dedicated ESG due diligence (when conducted). In addition, we also systematically enquire if the companies we are considering investing in have decarbonation plans. Both criteria (carbon footprint assessment and decarbonation plan) are considered when making an investment decision as these criteria enable to determine the extent to which an investment opportunity fits within our strategy for alignment with the objectives of the Paris Agreement.
- **ESG margin ratchets** - As much as we can, we seek to agree with new portfolio companies (and their respective majority shareholders) on the implementation of ESG margin ratchets. ESG margin ratchets are a mechanism whereby the margin of the interest rate decreases should one or several ESG-related KPI are met (including targets of emissions reduction). ESG margin ratchets are negotiated on a case-by-case basis though we seek to implement this mechanism for each new company we have in our portfolio.
- **Engagement / ongoing dialogue with portfolio companies** - we maintain ongoing dialogue with our portfolio companies (and their respective shareholders) and seek to promote - as far as our role of private debt investor allows us - the implementation by portfolio companies of measures and actions that aim to reduce their exposure to ESG risks and reduce their exposure to ESG impacts (including on carbon emissions). More details on our engagement vis-à-vis our portfolio companies are provided in Section D of the present report (Section 'Engagement').

5) Annual assessment ('actual GHG emissions' vs 'carbon budget')

We evaluate the extent to which our strategy is aligned with the objectives of the Paris Agreement on an annual basis. The cornerstone of such valuation is the annual comparison we do between the annual carbon budgets we have established until the year 2030 and the actual emissions of the portfolio companies that we measure on an annual basis (using either data provided by our portfolio companies or sectorial proxies).

In respect of the year 2023, we have compared the total emissions (scope 1 and scope 2) of the portfolio companies held in the funds managed by LGT Private Debt with the 2023 carbon budget. Results are presented below:



In 2023, the total emissions (scope 1 and scope 2) of the portfolio companies held in the funds managed by LGT Private Debt are 3% lower than our 2023 carbon budget.

Quantitative information related the quantification of the results:

Free metric	10.3 tCo2e / mEUR
Description of the free metric	Carbon intensity
Free Metric Unit of Measurement	tCo2e / mEUR

Note: Neither the Firm nor the other entities of LGT Private Debt manage index funds. Therefore, we do not use the "climate transition" and "Paris Agreement" benchmarks defined by Regulation (EU) 2019/2089 to assess the extent to which our strategy is aligned with the objectives of the Paris Agreement.

6) Corrective actions / revision of the investment process (as applicable)

Compared to 2022, we have not made changes to the investment strategy in 2023 in relation to the strategy for alignment with the Paris Agreement (and as a result do not have specific actions to monitor changes).

Generally, we would make changes in the investment strategy in relation to our strategy for alignment with the Paris Agreement:

- because of our constant efforts to improve and strengthen our processes in respect of the inclusion of climate-change-related criteria - and notably carbon-footprint assessment - in our investment due diligence process. For this purpose, we notably monitor market best practices and ensure that our investment team is fully aware of the latest developments on this topic.
- in a situation in which the emissions of our portfolio companies would be above our annual carbon budget. This would trigger mitigation measures and corrective actions the nature and degree of which would vary depending on the extent the annual carbon budget would not be met (for example, engaging further with portfolio companies so that they implement stronger measures of carbon emissions reduction, focusing on investment opportunities with very low emissions and/or strong decarbonation plans). In respect of the year 2023, we are within our annual carbon budget and there are therefore no specific mitigation measures and corrective actions to implement.

Should it be relevant and/or necessary - in the future - to make changes in our investment strategy and/or investment due diligence process in relation to our strategy for alignment with the Paris Agreement, our Head of ESG & Impact will have the responsibility - under the supervision of the Firm’s governing body and LGT Private Debt Partners - to implement such changes, make sure that such changes are operationally effective and ensure that the expected outcome of such changes are met.

SECTION G - Strategy for alignment with the long-term biodiversity objectives

1) Measure of compliance with the objectives set out in the Convention on Biological Diversity

Biodiversity is essential to sustaining humanity, society, and people through the provision of ecosystem services and nature's multiple contributions. The **Convention on Biological Diversity** - adopted at the Earth Summit of Rio de Janeiro on 5th June 1992 - is an international treaty for 'the conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of the benefits arising out of the utilization of genetic resources'. As of today, the **Convention on Biological Diversity** has been ratified by 196 nations.

The overall objective of the **Convention on Biological Diversity** is to encourage actions, which will lead to a sustainable future. The **Convention on Biological Diversity** addresses biodiversity at all levels - ecosystems, species, and genetic resources as well as biotechnology - and covers all domains that are directly or indirectly related to biodiversity and its role in development ranging from science, politics and education to agriculture, business, culture and much more.

The objectives of the **Convention on Biological Diversity** are:

- the **conservation of biological diversity**.
- the **sustainable use of its components**; and
- the **fair and equitable sharing of benefits arising out of the use of genetic resources**.

The Firm fully supports the objectives of the **Convention on Biological Diversity** and has developed for this purpose a set of measures that are fully integrated into the investment due-diligence process / investment decision-making process and the portfolio companies' monitoring process, which look to ensure adherence of companies we invest in with regards the objectives of the Convention on Biological Diversity.

<u>Investment Process</u>

For all investment activity we adhere to a comprehensive exclusions list which excludes activities related to areas of activity of which negatively impact Biodiversity, such as any company which actively contributes to deforestation in relation to palm oil or wood pulp or is involved in any non-sustainable economic development of their business. Alongside this we have Paris-aligned Benchmark exclusions which are contained in Article 12(1)(a) – (g) of Commission Delegated Regulation (EU) 2020/2018.

We incorporate the assessment of biodiversity risks and opportunities into investment decisions with the help of a third-party analysis tool called Altitude, by AXA Climate. We look at each prospective investment across their direct and indirect activities and rate the materiality of their biodiversity profile and associated risks and opportunities. We incorporate the industry metric MSA.km^2 by estimating this at company level and, alongside qualitative analysis, score the company based on their (i) dependency on ecosystem services, (ii) impact on biodiversity, (iii) proximity or impact on areas of interest for biodiversity and (iv) potential to threatened species which are referenced in the Altitude platform outputs.

Should any potential investee company be deemed to have a material or potential biodiversity associated risks in their operational activities, including indirectly via their supply chain, we will not proceed with the opportunity. If the investment team identifies some minor risks or impacts and believes there are strong mitigating actions being taken by the management team or the majority shareholder, they can propose to take the opportunity forward.

<u>Post-investment</u> (during the holding period)

- **Monitoring**: throughout the holding period, we monitor the impacts of our portfolio companies on biodiversity. This includes reviewing data provided through our annual ESG questionnaires which include specific biodiversity related questions which help us assess their alignment with the PAIs under SFDR. These include asking management teams to confirm potential operations near biodiversity-sensitive areas, and if so what kind of assessments they have conducted and what kind of mitigation measures they have in place. In partnership with this the investment teams complete an annual re-assessment of the biodiversity profile through the Altitude platform and use these outputs to complete an annual review of the biodiversity materiality mapping, with the ESG Scorecard

- **Engagement**: if there are any causes for concern of potential issues identified by the investment team these would be immediately discussed with the management team, and if applicable, the shareholders, to ensure the issues are known and being actively addressed. We have continuous dialogue with portfolio companies and their respective majority shareholders for promoting plans and measures for alignment with the long-term biodiversity objectives, and if applicable we are open to discussing potential incentivisation through our debt facilities.

2) Analysis of the contribution to the reduction of the main pressures and impacts on biodiversity

In 2019, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (the 'IPBES') has identified the five main drivers of direct pressures responsible for biodiversity decline:

- ✓ Changes in land and sea use
- ✓ Direct exploitation of organisms and resources
- ✓ Climate change
- ✓ Pollutions
- ✓ Invasive species.

The identification of the pressures responsible for biodiversity decline for a given investment opportunity is part of the wider assessment of biodiversity impacts carried out by the investment team during the investment due diligence process / investment decision-making process referred to above. The identification and assessment of such pressures is notably based on:

- information and documents provided by the company,
- the assessment (if any) done by the existing / future majority shareholder,
- specific ESG due diligence the investment team may ask from time to time a dedicated advisory firm to carry out
- information provided in **Altitude**

The objective of identifying and assessing the pressures responsible for biodiversity decline of an investment opportunity are twofold:

- identify the measures (if any) in place within the investment opportunities that aim to address the pressures responsible for biodiversity decline their activities have; and
- exclude investment opportunities for which we believe the pressures responsible for biodiversity decline are too high and for which there is no adequate mitigation measures / plan.

Post-investment and throughout the holding period, we assess the extent to which our portfolio companies contribute to reduce the main pressures responsible for biodiversity decline that result from their activities. This is notably done via:

- analysing the data related to the impacts on biodiversity reported to us in the ESG questionnaire sent on annual basis to our portfolio companies, and
- dialogue with the management of our portfolio companies and their respective shareholders notably on the implementation and effectiveness of measures within the portfolio company that aim to reduce the pressures responsible for biodiversity decline.

The assessment we carry out every year may eventually lead us to engage with portfolio companies more actively and promote the implementation of more decisive measures within portfolio companies for reducing the pressures responsible biodiversity decline that result from their activities.

3) Reference to the use of a biodiversity footprint indicator

The biodiversity footprint indicator that we use is provided by **Altitude**, a building science-based and data-driven SaaS solution developed **AXA Climate**. **Altitude** follows the Global Biodiversity Score assessment methodology developed by CDC Biodiversité and enables us to evaluate the footprint (i.e. static and dynamic impacts) of companies and investments on biodiversity. The results of assessments are expressed in the MSA.km2 unit, where MSA is the Mean Species Abundance. The Mean Species Abundance is a metric recognised by the IPBES to assess the integrity of ecosystems by measuring the abundance of species at a local point: an impact of 1 MSA.km2 is equivalent to the total destruction of 1 km2 of intact ecosystem (for information on Global Biodiversity Score methodology GBS and on MSA, please refer to the following webpage:: https://www.cdc-biodiversite.fr/wp-content/uploads/2023/07/20230717_STOXX600.pdf).

Altitude enables us to compute the biodiversity footprint of investments depending on i) the sector and sub-sector of a company and ii) the country(ies) where the company and its assets are located. As of today, **Altitude** does not provide variations in terms of biodiversity footprint within a given country.

We currently use **Altitude** as follows:

- In relation to investment opportunities: we compute the biodiversity footprint of each investment opportunity, by running an assessment through the Altitude platform that is based on geographical location of the company's main operational sites (i.e. headquarters, production sites / factories, warehouses, research centres, distribution centres), alongside headline information related to the company's activities, the sectors it operates within and it's key financial data to help generate an output focussed on nature-related physical and transition risks.
- for companies in our portfolio: we compute the biodiversity footprint of all the portfolio companies in which we have invested since the launch of our latest fund in 2021 (our objective for the near future is to run the analysis for all the companies of our portfolio). This allows us to see the evolution from one year to another and potentially engage on this topic with portfolio companies and their respective majority shareholders. In addition, biodiversity footprints are aggregated so we can have an overall biodiversity footprint of our portfolio using MSA.km^2 - this allows us to see the evolution of our biodiversity footprint at portfolio level or by sector, geography, and other measures.

This indicator will enable us to quantitively measure the extent to which our investment decisions contribute to reaching the Kunming-Montreal Global Biodiversity Framework targets for 2030 and further work on these targets will be carried out in the next few years. (for more information about these targets please refer to the following webpage of the Convention on Biological Diversity: https://www.cbd.int/gbf/targets).

Quantitative information related the biodiversity footprint indicator:

	Terrestrial	Aquatic
Static impact	394.9	17.4
Dynamic impact	2.7	0.1
Free Metric Unit of Measurement (text)	MSA.km2	
Brief description of the metric (text)	The Mean Species Abundance is a metric recognised by the IPBES to assess the integrity of ecosystems by measuring the abundance of species at a local point	
Share of assets under management covered by the biodiversity footprint indicator (in %)	33%	

AXA Climate's Altitude platform has a multi-dimension approach to estimate the biodiversity footprint. It covers impacts depending on their nature and their duration in time. It covers impacts on terrestrial and aquatic ecosystems. The pressures covered for every sub-sector are:

- On terrestrial ecosystems:
  - Land use
  - Encroachment
  - Fragmentation
  - Atmospheric nitrogen deposition
  - Terrestrial ecotoxicity
  - Climate change
- On freshwater ecosystems:
  - Hydrological disturbance due to climate change
  - Hydrological disturbance due to direct water use
  - Wetland conversion
  - Land use in catchment of rivers
  - Land use in catchment of wetlands
  - Freshwater eutrophication
  - Freshwater ecotoxicity

In addition, this platform also covers the duration of the impacts notably with static impacts (all past impacts cumulated before the year of the evaluation) and dynamic impacts (impacts occurring during the year of evaluation).

Appendix of Section G - Definitions of the three objectives of the Convention on Biological Diversity

- **The conservation of biological diversity**

  Biological diversity - or biodiversity - can be defined as the variability among living organisms from all sources including terrestrial, marine, and other aquatic ecosystems and the ecological complexes of which they are a part. This includes variation in genetic, phenotypic, phylogenetic, and functional attributes, as well as changes in abundance and distribution over time and space within and among species, biological communities, and ecosystems. The **conservation of biodiversity** refers to the management of human interactions with genes, species, and ecosystems to provide the maximum benefit to the present generation while maintaining their potential to meet the needs and aspirations of future generations; encompasses elements of saving, studying, and using biodiversity.

  https://www.ipbes.net/glossary/biodiversity

  https://www.ipbes.net/glossary-definitions?search_api_fulltext=Biodiversity+conservation&field_deliverable=

- **The sustainable use of components of biological diversity**

  The sustainable use of components of biological diversity is defined by the **Convention on Biological Diversity** since 1992 as the use of components of biological diversity in a way and at a rate that does not lead to the long-term decline of biological diversity, thereby maintaining its potential to meet the needs and aspirations of present and future generations.

  As the human population increases, so does the pressure on ecosystems, since we draw ever more resources from them. Our ecological footprint on the planet is unsustainable and will become unbearable unless we change our consumption patterns and our behaviour in general. In the past, humans have adapted to changing conditions by increasing productivity, but now we have reached the limits of the Earth’s capacity. Today our only option is to manage productivity and resources in a sustainable manner, reducing waste wherever possible, using the principles of adaptive management, and considering traditional knowledge which contributes to the maintenance of ecosystem services. Within the **Convention on Biological Diversity**, sustainable use principles are applied to the sectors that most affect biodiversity, such as agriculture, forestry, fisheries, tourism, and water management. In 2004, **the Convention on Biological Diversity** Parties adopted the Addis Ababa Principles and Guidelines for the Sustainable Use of Biodiversity, a set of 14 principles that apply to all activities and areas. In 2010 these principles were reaffirmed, and their implementation assessed through an in-depth review. By adopting the **Convention on Biological Diversity**, governments commit themselves to integrate conservation and sustainable use into their policies at the national level. By minimizing biodiversity loss and helping local populations restore degraded areas, together we can make this a new era of environmentally-sound economic development.

  https://www.ipbes.net/fr/taxonomy/term/25451

  https://www.cbd.int/undb/media/factsheets/undb-factsheet-sustainable-en.pdf

- **The fair and equitable sharing of benefits arising out of the use of genetic resources**

  The Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization (‘ABS’) is a supplementary agreement to the 1992 **Convention on Biological Diversity**. It provides a transparent legal framework for the effective implementation of the fair and equitable sharing of benefits arising out of the utilization of genetic resources, thereby contributing to the conservation and sustainable use of biodiversity. The Nagoya Protocol aims to create greater legal certainty and transparency for both providers and users of genetic resources by establishing more predictable conditions for access to genetic resources and helping to ensure benefit-sharing when genetic resources leave the country providing the genetic resources. The Nagoya Protocol on ABS was adopted on 29 October 2010 in Nagoya, Japan and entered into force on 12 October 2014.

  https://www.ipbes.net/glossary-definitions?search_api_fulltext=fair+and+equitable+sharing+of+benefits+arising+out+of+the+use+of+genetic+resources&field_deliverable=

Appendix of Section G - The five main drivers of direct pressures responsible for biodiversity decline

1. **Changes in land and sea use** (*la destruction et l’artificialisation des milieux naturels*)

   The biggest driver of biodiversity loss is how people use the land and sea. This includes the conversion of land covers such as forests, wetlands, and other natural habitats for agricultural and urban uses. Since 1990, around 420 million hectares of forest have been lost through conversion to other land uses. Agricultural expansion continues to be the main driver of deforestation, forest degradation and forest biodiversity loss. The global food system is the primary driver of biodiversity loss, with agriculture alone being the identified threat of more than 85 per cent of the 28,000 species at risk of extinction. Harvesting materials such as minerals from the ocean floor and the building of towns and cities also impact the natural environment and biodiversity. Reconsidering the way people grow and consume food is one way of reducing the pressure on ecosystems. Degraded and disused farmland can be ideal for restoration, which can support protecting and restoring critical ecosystems such as forests, peatlands, and wetlands.

2. **Direct exploitation of natural resources** (la surexploitation des ressources naturelles et le trafic illégal*)*

   The recent IPBES report on the sustainable use of wild species reveals that the unsustainable use of plants and animals is not just threatening the survival of one million species around the world but the livelihoods of billions of people who rely on wild species for food, fuel, and income. According to scientists, halting and reversing the degradation of lands and oceans can prevent the loss of one million endangered species. In addition, restoring only 15 per cent of ecosystems in priority areas will improve habitats, thus cutting extinctions by 60 per cent by improving habitats. Negotiations at COP15 are expected to focus on protecting plants, animals, and microbes whose genetic material is the foundation for life-saving medicines and other products. This issue is known as access and benefits sharing governed by an international accord - the Nagoya Protocol. Delegates at COP15 will be looking at how marginalized communities, including Indigenous Peoples, can benefit from a subsistence economy - a system based on provisioning and regulating services of ecosystems for basic needs. Through their spiritual connection to the land, Indigenous Peoples play a vital protection role as guardians of biodiversity.

3. **Climate change** *(le changement climatique global)*

   Since 1980, greenhouse gas emissions have doubled, raising average global temperatures by at least 0.7 degrees Celsius. Global warming is already affecting species and ecosystems around the world, particularly the most vulnerable ecosystems such as coral reefs, mountains, and polar ecosystems. There are indications that climate change-induced temperature increases may threaten as many as one in six species at the global level. Ecosystems such as forests, peatlands and wetlands represent globally significant carbon stores. Their conservation, restoration and sustainability are critical to achieving the targets of the Paris Agreement. By working with nature, emissions can be reduced by up to 11.7 gigatons of carbon dioxide equivalent per year by 2030, over 40 per cent of what is needed to limit global warming.

4. **Pollution** *(les pollutions des océans, eaux douces, sol et air)*

   Pollution, including from chemicals and waste, is a major driver of biodiversity and ecosystem change with especially devastating direct effects on freshwater and marine habitats. Plant and insect populations are dwindling because of the persistent usage of highly dangerous, non-selective insecticides. Marine plastic pollution has increased tenfold since 1980, affecting at least 267 animal species, including 86 per cent of marine turtles, 44 per cent of seabirds and 43 per cent of marine mammals. Air and soil pollution are also on the rise. Globally, nitrogen deposition in the atmosphere is one of the most serious threats to the integrity of global biodiversity. When nitrogen is deposited on terrestrial ecosystems, a cascade of effects can occur, often resulting in overall biodiversity declines. Reducing air and water pollution and safely managing chemicals and waste is crucial to addressing the nature crisis.

5. **Invasive species** (*l'introduction d'espèces exotiques envahissantes*)

   Invasive alien species are animals, plants, fungi, and microorganisms that have entered and established themselves in the environment outside their natural habitat. Invasive alien species have devastating impacts on native plant and animal life, causing the decline or even extinction of native species and negatively affecting ecosystems. The global economy, with increased transport of goods and travel, has facilitated the introduction of alien species over long distances and beyond natural boundaries. The negative effects of these species on biodiversity can be intensified by climate change, habitat destruction and pollution. Invasive alien species have contributed to c. 40 per cent of all animal extinctions since the 17th century, where the cause is known. Meanwhile, environmental losses from introduced pests in Australia, Brazil, India, South Africa, United Kingdom, and the United States are estimated to reach over US$100 billion per year. The issue of invasive alien species is a global issue that requires international cooperation and action. Preventing the international movement of these species and rapid detection at borders is less costly than control and eradication.

SECTION H - Approach to taking into account environmental, social and governance criteria in risk management

1) Process for identifying, assessing, prioritising and managing risks related to the consideration of environmental, social and governance quality criteria

The identification and assessment of environmental, social and governance risks ('ESG risks') is an essential part of the investment due diligence we conduct when we analyse investment opportunities, and - as detailed in Section A of the present report - environmental, social and governance criteria ('ESG criteria') are fully integrated into our investment decision-making process.

Also, the management of ESG risks is an integral part of our portfolio monitoring process that is applied across all the portfolios of the funds we manage. In this regard, ESG risks are managed at two levels:

1. at the level of each individual asset; and
2. at fund level

ESG risk management at individual asset level

The investment team is primarily responsible for monitoring - throughout the holding period - all the relevant ESG risks (ie. existing risks from the date of investment and any such risks arising thereafter until the ultimate realisation date) to which a given portfolio company is exposed.

At individual portfolio company level, ESG risks are monitored as part of the wider portfolio monitoring process whereby the Investment team ensures that i) the portfolio company is operating in a manner that is consistent with its short-term objectives ii) the short-term objectives of the portfolio company are consistent with its long-term strategy, iii) the risks - including the ESG risks - to which the portfolio company is exposed are adequately mitigated.

Operationally speaking, the Investment team carries out on a regular analysis (on markets trends, strategic positioning, management, operations, etc.) and reviews all the various reports addressed to them by the portfolio company (financial statements, budgets, commercial initiatives, HR practices, etc.). Such analysis is completed by frequent exchanges with the CEO and the management team of the portfolio companies as well as the majority shareholder of the portfolio companies (when we are not). In performing such analysis, reviews and exchanges with the portfolio company, the Investment team systematically seeks i) to identify the ESG events that can potentially directly or indirectly affect a portfolio company and ii) assess the extent to which such ESG events - if they materialise - would negatively impact the operations of the portfolio company and its financial performance. In addition, specific tools have been implemented to further support the Investment team in identifying and monitoring ESG risks:

- Rep-Risk: Rep-Risk is an ongoing screening tool which generates alerts should the portfolio company be involved in environmental, social and/or governance events that may have an impact of the portfolio company
- Altitude: Altitude is a solution provided by AXA Climate which enables the Investment team to monitor the sustainability risks (climate physical risks, climate transition risks and biodiversity risks) of our portfolio companies. Annually, the Investment team generates reports sourced from Altitude, which enables them to identify any new sustainability risk our portfolio companies may be exposed to.

Finally, we send on an annual basis to all our portfolio companies an ESG questionnaire that is linked to the principal adverse impacts (PAI) we monitor (please refer to our **2023 consolidated statement on PAIs** in Part II of the present report for more details). The review of the completed ESG questionnaires received by our portfolio companies also contributes to helping us identify new ESG risks and monitor existing ESG risks.

ESG risk management at fund level

At fund level, we have - in accordance with the applicable requirements - implemented and maintain risk management arrangements that enable us to identify and manage all the relevant risks to which our funds are or may be exposed. Such arrangements are described in our Risk Management Framework policy and associated procedures.

A key principle of risk management at fund level - that we apply across all the funds we manage - is diversification meaning that a particular significant risk for an individual asset does not constitute such a significant risk at fund level.

At fund level, risks - including ESG risks - are monitored by the person responsible for the risk management function i.e. our Finance Director who is also a member of the LGT Private Debt management team (our risk management function is independent from our operational units).

On a quarterly basis is organised our Risk Management Committee which is led by our Finance Director and chaired by the Head of the LGT Private Debt business. During the Risk Management Committee, the key content presented assesses the main risks to which the funds we manage are exposed (market, liquidity, sustainability and counterparty risks, and the exposure of the funds to all other relevant risks, including business, operational, liquidity and credit risks, which may be material in aggregate or for each individual fund we manage).

In respect of ESG risks management at fund level, the objective is to assess if a particular fund is not over-exposed to a or several particular single ESG risk(s). To make this assessment, we perform both qualitative and quantitative assessments to best estimate the recurrence of the material ESG risks across all the assets of each fund we manage (where materiality is assessed in terms of likelihood of occurrence and quantitative impact). Should the analysis indicate or lead to the conclusion that a fund is over-exposed to a or several particular single ESG risk(s), measures will be taken to reduce such exposure (for example, the members of the investment committee will be informed that additional diversification is needed, the investment team will be informed to work on mitigation measures at the level of the assets concerned and we might even decide to dispose of assets if we deem that such risks jeopardise the fund and the interests of the investors in the funds).

2) Description of the main environmental, social and governance quality risks

In respect of ESG risks, we see some patterns across our portfolios where certain key ESG criteria is below average, such as lack of gender diversity at senior management level and lack of sophistication in measurement, reporting and reduction of GHG emissions. That being said, we do not consider these factors as material and none of our funds is over-exposed to specific ESG risks.

3) Indication of how often the risk management framework is reviewed

The purpose of our risk management framework is to identify and manage all the relevant risks to which our funds are or may be exposed. To ensure that our risk management framework remains adequate and effective on a continuing basis, our risk management framework is continually reviewed and amended based on latest regulatory requirements and guidance and latest best market practice. The arrangements in place in respect of our risk management framework is reviewed on an ongoing basis by the person responsible for the risk management function i.e. our Finance Director who is also a member of the LGT Private Debt management team. Our Finance Director is responsible for making sure that the risk management arrangements in place within LGT Private Debt are and remains adequate and effective notably considering any recent activity conducted by the Firm and/or any new strategy employed by the funds we manage.

Any proposal to make a - significant - change in our risk management framework is to be approved by the members of the governing body of the Firm before implementation. The Risk Management Framework Policy is reviewed annually by our Finance Director and the Compliance team, who will notably ensure that changes (if any) in the applicable regulatory risk management obligations that apply to the Firm (obligations defined in articles 38 to 45 of AIFM regulation (UE) n. 231/2013 and Articles 318-38 to 318-43 of the AMF general regulation) as well as any new regulatory obligations are reflected Risk Management Framework Policy and are operationally embedded.

In addition, our risk management arrangements are reviewed on a periodic basis by the Firm’s Compliance team in accordance with the Compliance Testing Plan. Such reviews consist in carrying out dedicated tests on a sample basis with the objective of ensuring that our risk management arrangements are and remain adequate and effective. The conclusions of such reviews and any associated corrective measures / improvement actions are shared with the person responsible for the risk management function and the Firm’s governing body and - if agreed - implemented (subsequently such conclusions and the recommendations are reported to the senior Executives of LGT Capital Partners during Supervisory Board meetings).

Finally, the internal audit team of the group LGT Capital Partners - our third line of defence - also conducts reviews of our risk management arrangements on a periodic basis (in accordance with the Internal Audit Plan). Such reviews notably consist in ensuring that appropriate controls are in place to ensure that our risk management framework is and remains adequate and effective. Their conclusions are shared with the Firm's Supervisory Board members, the Firm's governing body, our Finance Director and the Compliance team and any associated corrective measures / improvement actions are shared with the person responsible for the risk management function and the Firm's governing body and - if agreed - implemented.

4) Action plan to reduce the Firm's exposure to the principal environmental, social and governance risks

Our latest analysis - that we conducted in respect of the 1st quarter of 2024 and that was presented at the Risk Management Committee in May 2024 - has led to us to conclude that none of our funds is over-exposed to a particular or several ESG risks. For this reason, we have not defined specific action plans to reduce the funds' exposure to ESG risks other than continuing - as part of the ongoing portfolio monitoring process - to engage with individual portfolio companies and help them mitigate the main ESG risks they are exposed to.

5) Quantitative estimate of the financial impact of the main environmental, social and governance risks identified

As of today, the way we monitor ESG risks enables us to i) assess with reasonable confidence the extent to which ESG risks may impact the operations of our individual portfolio companies and ii) identify the ESG risks that can subsequently have an impact of the financial performance of our portfolio companies. As of today, given the uncertain time horizon of the ESG events which may impact the operations of our portfolio companies and the relatively low accuracy of the impacts that these ESG events may have on the operations of our portfolio companies, we have not quantified the financial impact of the ESG risks we have identified with standalone financial impacts.

Even though we have not quantified ESG risks with standalone financial impacts, the valuation of our portfolio companies - and subsequently the valuation of our investments in these portfolio companies - encompasses all aspects of the portfolio company's financial and operational performance and this inherently includes ESG factors. Such valuation process is undertaken on a quarterly basis by the person in charge within LGT Private Debt of the valuation function (this person is the Head of the Portfolio Monitoring Team and reports directly to the Head of the LGT Private Debt business).

6) Indication of changes in methodological choices and results

No significant changes have been made in the course of 2023 in our risk management framework in respect of ESG risks.

SECTION I - List of financial products pursuant to Article 8 and Article 9 of SFDR

As of 31st December 2023, LGT Private Debt (France) S.A.S. manages six funds classified as Article 8 of SFDR and one fund classified as Article 9 of SFDR.

Article 8 funds

- 3rd generation of private debt funds (6 vehicles):
  - Crown European Private Debt III S.C.Sp.
  - Crown European Private Debt III (Lev) S.C.Sp.
  - Crown European Private Debt III (Senior) S.C.Sp.
  - Crown European Private Debt III Feeder S.A. SICAV-RAIF - Sub-Fund I
  - Crown European Private Debt III B S.C.Sp.
  - Crown European Private Debt III USD Feeder S.C.Sp.

Article 9 funds

- 1st generation of private debt Impact fund (1 vehicle):
  - Crown Impact Private Debt S.C.Sp.

Share of assets under management are detailed in the tables below:

Article 8 funds	
Number of funds	6
Share of assets under management (in %) (LGT Private Debt (France) only)	35%
Share of assets under management (in %) (the whole LGT Private Debt business)	34%

Article 9 funds	
Number of funds	1
Share of assets under management (in %) (LGT Private Debt (France) only)	0%
Share of assets under management (in %) (the whole LGT Private Debt business)	0%

SECTION J - Summary of the principal adverse impacts of the Firm's investment decisions on sustainability factors

1) Consideration of principal adverse impacts

LGT Private Debt (France) S.A.S. (549300GLON6NCPMZSN90), considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of LGT Private Debt (France) S.A.S. and of the LGT Private Debt business as a whole.[4]

This statement on principal adverse impacts on sustainability factors covers the reference period from 1st January 2023 to 31st December 2023.

2) Summary of the principal adverse impacts

In respect of 2023, we have materially increased our coverage of PAI indicators following an update of our ESG questionnaire sent to our portfolio companies while maintaining a high response rate of 98%.

In respect of the PAI indicators that we prioritise (carbon footprint and biodiversity footprint), we continue to engage with our portfolio companies and their respective majority shareholders while we have enhanced our investment due diligence process regarding climate and biodiversity impacts by implementing a dedicated tool called Altitude, developed by AXA Climate. In addition, our investment strategy has not changed compared to last year – we indeed continue to seek to invest in companies that belong to sectors which are generally not high-carbon emitting sectors.

Also, we see - among our portfolio companies - an increasing number of companies that consider environmental matters. Indeed, the number of our portfolio companies that have adopted an environmental policy has increased. Similarly, the number of companies that assess their carbon footprint continues to remain high while there are more and more portfolio companies which track their water and energy consumption.

[4] The data provided in the consolidated statement on principal adverse impacts on sustainability factors related to the portfolio companies held in the funds managed by LGT Private Debt (France) S.A.S. as well as the portfolio companies held in the funds and mandates managed by LGT Private Debt (UK) Ltd.

SECTION K - Principal adverse impacts of investment decisions on sustainability factors and historical comparison

Information on the indicators on the principal adverse impacts of investment decisions on sustainability factors (art. 6 1. of RTS 2022/1288)	**2023**	**2022**	**Explanations**	**Actions taken, and actions planned and targets set for the next reference period**
Climate and other environnement-related indicators				
Greenhouse gas emissions				
GHG emissions 1. **a) Scope 1 GHG emissions** *(Emissions de GES de niveau 1 en tonnes d'équivalents CO2)*	**17,082**	**9,561**	We have noticed an increase in scope 1 and scope 2 GHG emissions year-on-year due to (i) increasing exposure to some companies with high carbon emissions and (ii) impact of company valuation. Data collected from our portfolio companies - coverage rate: **95%.** Our emissions are calculated based on a mix of portfolio company provided data and estimates based on sectorial approach	All investments from our latest fund, and all funds going forward, have a contractual obligation to report their emissions. Older investments do not have such contractual obligation. The % increase in portfolio companies reporting their emissions reflects the efforts made between LGT and our portfolio companies to enhance reporting, alongside portfolio dynamics as older investments (without obligation) are replaced by newer investments. We expect over the next several years to have all companies reporting this data.
GHG emissions 2. **b) Scope 2 GHG emissions** *(Emissions de GES de niveau 2 en tonnes d'équivalents CO2)*	**7,512**	**6,154**		
GHG emissions 3. **c) Scope 3 GHG emissions** *(Emissions de GES de niveau 3 en tonnes d'équivalents CO2)*	**290,608**	**295,241**	We have noticed a decrease in intensity driven by lower scope 3 emissions in 2023 Data collected from our portfolio companies - coverage rate: **95%.** Our emissions are calculated based on a mix of portfolio company provided data and estimates based on sectorial approach	
Carbon footprint 4. **Carbon footprint** *(Empreinte carbone en tonnes d'équivalents CO2 par millions d'euros investis)*	**132.5**	**143.7**	We have noticed a decrease in intensity driven by lower scope 3 emissions in 2023. Data collected from our portfolio companies - coverage rate: **95%**	Please refer to our comment above on GHG emissions
GHG intensity of investee companies 5. **GHG intensity of investee companies** *(Intensité de GES des sociétés bénéficiaires des investissements)*	**186.6**	**247.9**	We have noticed a decrease in intensity driven by lower scope 3 emissions in 2023. Data collected from our portfolio companies - coverage rate: **95%**	We typically look to invest in companies with relatively lower GHG profiles vs. the wider economy (compared to leading market indices).
Exposure to companies active in the fossil fuel sector 6. **Share of investments in companies active in the fossil fuel sector** *(Part d'investissement dans des sociétés actives dans le secteur des combustibles fossiles (en %))*	**0%**	**0%**	Data collected from our portfolio companies - coverage rate: **100%**	We do not invest directly in the fossil fuel sector or businesses with material operations affiliated to the extraction of fossil fuels. Our firm excludes this sector from its investment universe.
Share of non-renewable energy consumption and production 7. **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** *(Part de la consommation et de la production d'énergie des sociétés bénéficiaires d'investissement qui provient de sources d'énergie non renouvelables, par rapport à celle provenant de sources d'énergie renouvelables, exprimée en pourcentage du total des sources d'énergie (en %))*	**79.2%**	**0%**	Data collected from our portfolio companies - coverage rate: **91%.** Please note that this KPI is based on consumption only and not production. Evolution vs. last year is not meaningful as the coverage was limited in 2022.	We support shareholder or management decisions related to the reduction of consumption or production of energy from non-renewable energy sources.
Energy consumption intensity per high impact climate sector 8. **Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector** *(Consommation d'énergie en GWh par million d'euros de chiffre d'affaires des sociétés bénéficiaires d'investissements, par secteur à fort impact climatique)*	**1.37**	**Data not collected for 2022**	Data collected from our portfolio companies - coverage rate: **32%.** Limited coverage here given that only 32% of the portfolio companies fall under the definition of operating in a high climate impact sector.	We typically look to invest in companies in low impact climate sector.
Biodiversity				
Activities negatively affecting biodiversity-sensitive areas 9. **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** *(Part des investissements effectués dans des sociétés ayant des sites/établissements situés dans ou à proximité de zones sensibles sur le plan de la biodiversité, si les activités de ces sociétés ont une incidence négative sur ces zones (exprimée en %))*	**7.7%**	**Data not collected for 2022**	We have not been able to track if the activities of our portfolio companies are negatively affecting biodiversity however, we have reflected in the KPI, the percentage of companies located near or in a biodiversity sensitive area. We believe our risk exposure here is limited. Data collected from our portfolio companies - coverage rate: **91%**	In 2024, we have implemented a tool which helps us assess the negative impacts of our portfolio companies' activities on biodiversity.

PART II - INFORMATION PURSUANT TO 4 OF REGULATION (EU) 2019/2088 - 'PAI STATEMENTS'

Section K - Principal adverse impacts of investment decisions on sustainability factors and historical comparison

Information on the indicators on the principal adverse impacts of investment decisions on sustainability factors (art. 6 1. of RTS 2022/1288)	**2023**	**2022**	**Explanations**	**Actions taken, and actions planned and targets set for the next reference period**
Water				
Emissions to water **1. Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average** *(Tonnes de rejets dans l'eau provenant des sociétés bénéficiaires d'investissements, par million d'euros investi, en moyenne pondérée)*	**0.00**	**Data not collected for 2022**	Our exposure to companies rejecting emissions into water is limited given the result and the coverage ratio. Data collected from our portfolio companies - coverage rate: **91%**	We have not planned to take specific actions on this PAI.
Waste				
Hazardous waste and radioactive waste ratio **2. Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average** *(Tonnes de déchets dangereux et de déchets radioactifs produites par les sociétés bénéficiaires d'investissements, par million d'euros investi, en moyenne pondérée)*	**7.83**	**Data not collected for 2022**	Our exposure to companies rejecting emissions into water is limited given the result and the coverage ratio. Data collected from our portfolio companies - coverage rate: **91%**	We have not planned to take specific actions on this PAI.
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters				
Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises **3. Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises** *(Part d'investissement dans des sociétés qui ont participé à des violations des principes du Pacte mondial des Nations unies ou des principes directeurs de l'OCDE à l'intention des entreprises multinationales (exprimée en %))*	**0%**	**0%**	Data collected from our portfolio companies - coverage rate: **95%**	Considering the coverage rate (95%) and number associated with this indicator (0%), our firm has assessed that no specific action needs be taken. Our assessment of the risk is completed with checks carried out on reputational risk through an independent third-party provider named Reprisk.
Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises **4. 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** *(Part d'investissement dans des sociétés qui n'ont pas de politique de contrôle du respect des UNGC principles ou des OECD Guidelines for Multinational Enterprises, ni de mécanismes de traitement des plaintes ou des différents permettant de remédier à de telles violations (exprimée en %))*	**23.1%**	**Data not collected for 2022**	Data collected from our portfolio companies - coverage rate: **91%**	Limited exposure here given that 23% of the portfolio companies did not have implemented such compliance processes. We have not planned to take specific actions on this PAI.
Unadjusted gender pay gap **5. Average unadjusted gender pay gap of investee companies** *(Écart de rémunération moyen non corrigé entre les hommes et les femmes au sein des sociétés bénéficiaires des investissements (exprimé en montant monétaire converti en euros))*	**15.6%**	**Data not collected for 2022**	We believe the result reflects a small to medium size gap between men and women salary over our portfolio. Data collected from our portfolio companies - coverage rate: **95%**	We have not planned to take specific actions on this PAI.
Board gender diversity **6. Average ratio of female to male board members in investee companies, expressed as a percentage of all board members** *(Ratio femmes/hommes moyen dans les organes de gouvernance des sociétés concernées, en pourcentage du nombre total de membres)*	**16.4%**	**15.5%**	Data collected from our portfolio companies - coverage rate: **91%**	We have not planned to take specific actions on this PAI.
Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapon) **7. Share of investments in investee companies involved in the manufacture or selling of controversial weapons** *(Part d'investissement dans des sociétés qui participent à la fabrication ou à la vente d'armes controversées (exprimée en %))*	**0%**	**0%**	Data collected from our portfolio companies - coverage rate: **95%**	Our firm excludes from the investment universe companies involved in the manufacture or selling of controversial weapons.

Additional climate and other environment-related indicator (art. 6 1. a) of RTS 2022/1288)	**2023**	**2022**	**Explanations**	**Actions taken, and actions planned and targets set for the next reference period**
Emissions				
Investments in companies without carbon emission reduction initiatives **4. Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement** *(Part d'investissement dans des sociétés qui n'ont pas pris d'initiatives pour réduire leurs émissions de carbone aux fins du respect de l'accord de Paris (en %))*	**35.9%**	**26.9%**	Data collected from our portfolio companies - coverage rate: **91%**	We will continue to engage with our portfolio companies to improve reporting, but there is no contractual obligation for them to do so at the moment. We believe that with the increasing rate of our portfolio companies having such contractual obligations to perform carbon footprint assessment, the number of companies without carbon emission reduction initiatives will also decrease in the future.

Additional indicator for social and employee, respect for human rights, anti-corruption and anti-bribery matters (art. 6 1. b) of RTS 2022/1288)	**2023**	**2022**	**Explanations**	**Actions taken, and actions planned and targets set for the next reference period**
Social and employee matters				
Lack of a supplier code of conduct **4. Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)** *(Part d'investissement dans des sociétés sans code de conduite pour les fournisseurs (lutte contre les conditions de travail dangereuses, le travail précaire, le travail des enfants et le travail forcé) exprimée en %)*	**25.6%**	**17.7%**	Data collected from our portfolio companies - coverage rate: **91%**	We have not planned to take specific actions on this PAI.

SECTION L - Description of policies to identify and prioritise principal adverse impacts of investment decisions on sustainability factors

1) Policies to identify and prioritise principal adverse impacts on sustainability factors

We have established and maintain processes for identifying and prioritising principal adverse impacts on sustainability factors ('PAIs) during both i) the **investment due diligence phase** and ii) the **portfolio companies monitoring phase**.

- **Investment due diligence phase**: during the investment due diligence phase, we identify and assess PAIs of a given investment opportunity with the following objectives:
  - Exclude investment opportunities the activities of which are listed in our Exclusion List. For example, we systematically reject investment opportunities related to companies active in the fossil fuel sector (**PAI 4**) or companies involved in the manufacture or selling of controversial weapons (**PAI 14**)
  - Assess the extent to which the investment opportunity is consistent with our strategy of alignment with the objectives of the Paris Agreement. For this purpose, we seek to obtain - as part of our investment due diligence process - the most accurate and reliable data in respect of the GHG emissions of the investment opportunity (**PAI 1**, **PAI 2** and **PAI 3**)
  - Assess the extent to which the investment opportunity has or may have negative impacts on biodiversity (**PAI 7**)
  - Identify specific areas which may be cause of concern (may it be related to the climate / environment and/or social and employee, respect for human rights, anti-corruption and anti-bribery matters)
  - Obtain an overall assessment of the adverse sustainability impacts of the investment opportunity - this assessment is then integrated into the wider ESG assessment that is carried out in relation to the investment opportunity presented to our Investment Committee.
- **Portfolio companies monitoring phase:** during the portfolio companies monitoring phase, we identify and assess PAIs on an annual basis. We do so by sending ESG questionnaires to all of our portfolio companies. The data we obtain in respect of each individual portfolio company are then analysed. A particular emphasis is given to the PAIs related to our exclusion list as well as to any other indicators the results may be cause of concern. In addition, the data we obtain for each portfolio company are put together into our consolidated statement on principal adverse impacts on sustainability factors for a wider analysis at the level of the whole portfolio. The data we obtained on GHG emissions notably enable us to assess the extent our strategy is aligned with the objectives of the Paris Agreement.

In the future, we will seek to establish dedicated formalised policies that would describe the arrangements we have in place within LGT Private Debt in relation to the identification and prioritisation of principal adverse impacts on sustainability factors.

2) Availability of information relating to the indicators used

The Firm makes its best efforts to obtain the most accurate and most reliable data in order to assess the principal adverse impacts of its investment decisions on sustainability factors. As a general rule, the data we obtained are provided by the company investment opportunity / portfolio company. However, in some instances, a company may not have implemented tools for gathering and reporting the data we need for the purpose of the identification and assessment that we do in relation to the principal adverse impacts on sustainability factors. When data from the companies are not available, we would generally rely on data based on sectorial proxies provided by ESG data providers (while we would also engage with the company and encourage the company to put in place such tools). Finally, there may be instances in which such sectorial-proxies based data do not exist - in these instances, we would indicate that the data is not available.

SECTION M - Engagement policies

1) The Firm's engagement approach regarding principal adverse impacts on sustainability factors

As a significant debt investor in our portfolio companies, our engagement vis-à-vis our portfolio companies regarding principal adverse impacts on sustainability factors essentially notably consists in the three following elements:

1. On an annual basis, through our ESG campaign, we gather information on the indicators on the principal adverse impacts on sustainability factors from each of our portfolio companies. Once the data are obtained, we analyse how each of our portfolio companies has performed from one year to another in respect of their respective indicators on the principal adverse impacts on sustainability factors. We seek to understand any significant movement (upwards as well as downwards) with a particular emphasis on the situations where a given portfolio company is particularly underperforming in respect of its PAI indicators.
2. Through ongoing dialogue with our portfolio companies and their respective majority shareholders, we seek to:
   - improve the quality and accuracy of the data we obtain for the purpose of our ESG campaign from our portfolio companies,
   - promote the alignment of the compensation of the management team of our portfolio companies with reduction objectives of principal adverse impacts on sustainability factors,
   - support measures and actions our portfolio companies in their objectives to reduce their principal adverse impacts on sustainability factors and notably adopt a low-carbon budget;
3. We monitor on an ongoing basis the ESG KPIs of our portfolio companies for which we have implemented a margin ratchets mechanism.

2) Indicators considered by the Firm in respect of its engagement approach regarding principal adverse impacts on sustainability factors

The Firm considers the fourteen indicators on the principal adverse impacts on sustainability factors defined in article 6.1 of EU Delegation Regulation (EU) 2022/1288 as well as one additional climate and other environment-related indicator and one additional indicator for social and employee, respect for human rights, anti-corruption and anti-bribery matters (respectively defined in article 6.1 a) and b) of the same regulation). All the indicators on the principal adverse impacts on sustainability factors that we consider are provided in Section K of the present report.

SECTION N - References to international standards

1) Adherence by the Firm to responsible business conduct codes and internationally recognised standards for due diligence and reporting

The Firm - and the LGT Private Debt business as a whole - notably adheres to the following **responsible business conduct codes** and **internationally recognised standards for due diligence and reporting**:

- the UN Principles for Responsible Investment (PRI)
- the UN Guiding Principles for Business and Human Right
- the UN Global Compact principles
- the OECD Guidelines for Multinational Enterprises
- the International Labour Organization (ILO) Conventions.

2) Degree of the Firm’s alignment with the objectives of the Paris Agreement

Our Firm is committed to achieve the goal of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C. A comprehensive description of our strategy and methodology for alignment with the objectives of the Paris Agreement is provided in Section F of the present report.