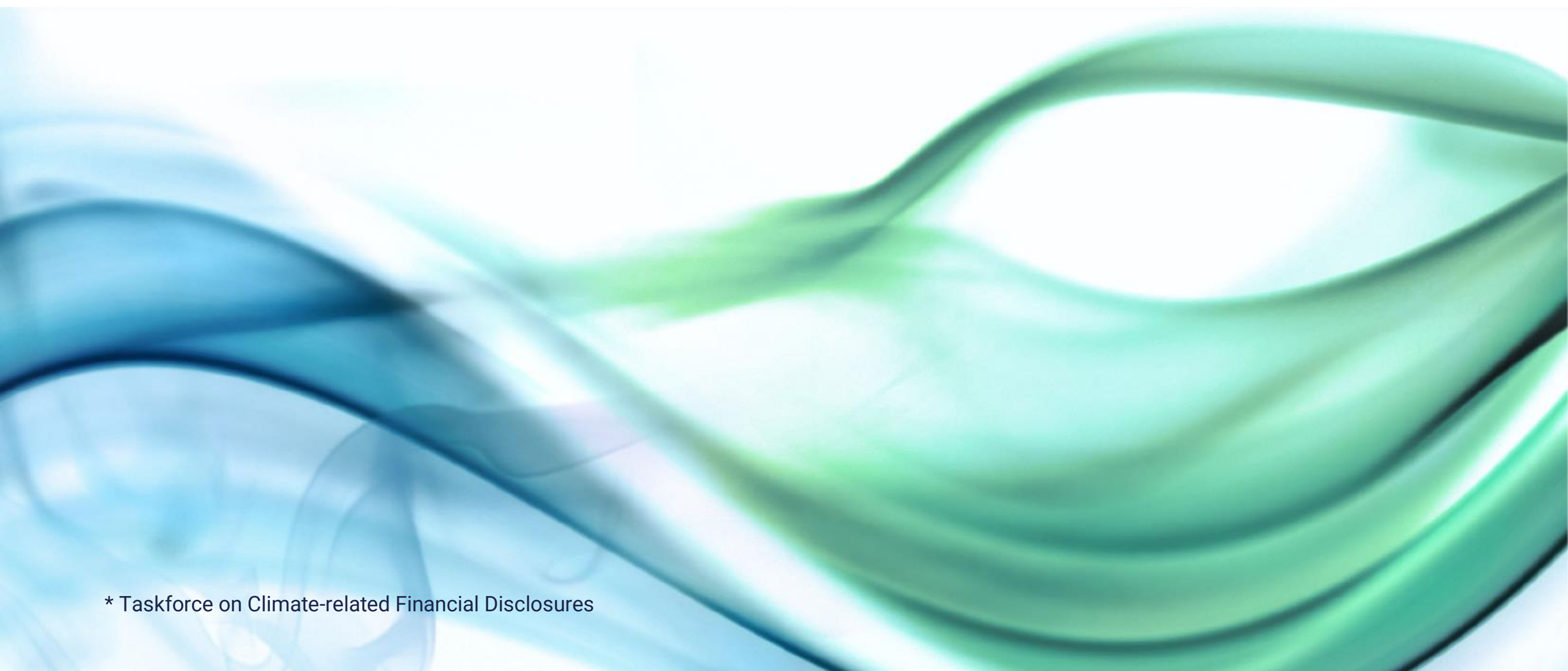
TCFD* Report 2024



* Taskforce on Climate-related Financial Disclosures

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CEO Letter

At MV Credit we work hard to ensure that our business as a whole, including the investments we make, contribute to a sustainable global economy. To us, sustainability means supporting the transition, which means excluding investments not aligned with our strategy and beliefs, as well as working on solutions which have a positive impact. The Financial services sector must collectively anticipate future requirements and how best to contribute towards a positive transition. This report provides important information on how we apply our expertise as an investment manager.

At MV Credit we are firm believers that the effective management of Environmental, Social and Governance (ESG) factors and risks, is a crucial element of ensuring the long-term success of any business, including our own. This is not only a “nice to have” but a key pillar to our success and forward-looking strategy. This commitment is driven by the expectations of clients, investors, and regulators, and is delivered through the hard work of our employees as they pursue opportunities that are appropriately aligned with our risk appetite and culture.

By working on establishing our own path to achieving net zero emissions by 2050 and in line with a 1.5°C trajectory, supply chain, and financing activities, we will demonstrate a clear long-term goal, and through interim goals, we will define this strategy.

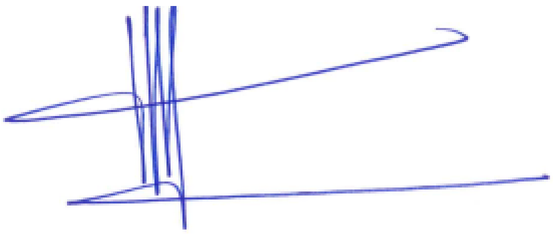
Through our Task Force on Climate-related Financial Disclosures (TCFD) Report, we are making a commitment to provide transparent disclosure, and to embracing the evolving market standards that allow our stakeholders to benchmark our progress against these commitments and social expectations.

We at MV Credit hope you enjoy reading our TCFD report and want to thank you for your ongoing support that aligns with us achieving a sustainable future.

We invite everyone to review the progress we have made during the last year and explore some of the areas where we are looking to expand in the future.

Frederic Nadal

CEO



Introduction

Market trends and commitments

The sustainability movement is in motion. Progress remains relatively slow but there are reasons to be optimistic. Many countries and institutions are introducing new regulations and policies, which is a good way to start incentivising all parties and leading to further participation on the sustainability journey.

Whilst there is still some way to go, MV Credit has noticed some encouraging news, demonstrating that sustainability and climate-related strategies are moving forward:

- Clean energy accounted for 10% of global GDP growth in 2023[1]:
- More than 140 countries (including the five top emitters: China, the United States of America, India, the European Union and the Russian Federation) have set a net-zero target[2] (covering about 88% of global emissions)

At MV Credit, the formalised journey began in 2012, by becoming a signatory to the PRI. Since then, MV Credit has developed its analyses and reporting, as it aims (i) to make better-informed decisions, (ii) to meet customers' needs, and (iii) to remain ahead of the market in terms of sustainability. Key development highlights are shown below:

2012

Formalisation

- UNPRI signatory
- Formalising integration of ESG criteria in investment process

2014

Systematic implementation

- Reinforced expansion of ESG practices to MV Credit investment procedures
- ESG validated during Investment Committee

2018

Methodical application

- Established ESG Committee
- 2019 Inaugural ESG LP Report

2020

Committed expansion

- UNPRI A rating
- ESG Training
- EthiFinance partnership
- TCFD signatory
- Carbon Neutral

2024

Future objectives

- Hiring of a new dedicated ESG resource
- Publication of first TCFD report
- Establishment of net zero commitments
- Become an NZAM signatory

2023

Strong focus on climate

- Climate risk analysis (physical and transition)
- Carbon emissions reduction initiatives
- Building of an ESG data management platform
- Development of a dedicated climate product
- Climate Fresk workshop

2022

Beyond ESG

- Appointment of a dedicated ESG Officer
- 100% portfolio coverage of carbon footprint data
- Controversies analysis on a company-by-company basis
- Development of an ESG-linked carry mechanism
- Formalisation of the Engagement Policy

2021

Full ESG integration

- ESG scoring of all portfolio companies
- Strengthened ESG Procedures applied in investment process
- Classification of all newly raised funds as Article 8
- Team-specific ESG integration training
- First investments in sustainability-linked loans

1 Source: IEA. "Clean energy is boosting economic growth", published 18th April 2024.
2 Source: United Nations for Climate action. "For a livable climate: Net-zero commitments must be backed by credible action", published on website.

Governance

At MV Credit, **the Management Team** is ultimately responsible for MV Credit's strategy as well as defining the direction of the firm, as well as corporate management. The Management Team is chaired by Frederic Nadal (CEO) and is made up of seven other senior team members.

The **ESG Committee** independently reports to the Management Team and is chaired by Frederic Nadal (CEO).
The MV Credit ESG policies and investment procedures, which include climate-related risks and opportunities, are produced and maintained by MV Credit's ESG Committee. The ESG Committee meets quarterly and is led by the ESG Officer.
The ESG Officer is responsible, in conjunction with the Compliance and Risk teams, for MV Credit complying with all current and upcoming regulations. The ESG Officer identifies new procedures and analysis to be implemented, and ensures good communication with all stakeholders, both internally (with MV Credit teams) and externally (with clients, providers and other market participants). The ESG Committee independently verifies and oversees the implementation of the firm's ESG policy and ESG investment procedures, and assists the Investment Committee, the Deal Team and other employees in their application. However, unlike some fund managers who keep their responsible investment analysts separate from the Deal Team, MV Credit's ESG Committee is fully integrated in its investment process, working alongside it is the Deal Team to inform the team's investment decisions. The ESG Committee is also responsible for ESG related reporting.

The ESG Committee members all have differing backgrounds and expertise within MV Credit, fulfilling separate ESG functions in conjunction with their dedicated work for the Deal Team, Risk and Compliance departments. The other members of the Committee currently comprise of individuals in the following departments:

- Dedicated ESG Officer
- Deal Team
- Credit Research Team
- Investor Relations / Solutions Team
- Risk Team
- Chief Compliance Officer

Furthermore, the incorporation of climate change into the investment policies has been completed through the construction of a proprietary assessment framework, the ESG Checklist, in order to track and score several climate-related (and other ESG) factors, as defined in MV Credit's Sustainability report. Among other considerations, the resulting checklist, which is completed by the Deal Team as part of the due diligence process for each new investment opportunity, comprises the following climate-related elements: environment, biodiversity, GHG emissions, energy consumption, carbon footprint, consumables (i.e. paper, water, raw materials) and waste.

The **Investment Committee** is responsible for reviewing and assessing all climate-related (and other ESG-related) analysis produced by the Deal Team professionals. Every investment decision needs to get a final approval from the Investment Committee, made up of six senior team members. Throughout the due diligence stage, there is an open dialogue between the respective investment professionals of the Deal Team and the Investment Committee regarding ESG considerations, including climate-related risks and opportunities. Prior to each Investment Committee, the Investment Committee is provided with a full assessment of these risks. In addition, a more specific assessment of climate-related risks (both physical and transition risks[3]) is conducted on a third-party platform, which provides detailed information on the potential risks at target company level.

The Investment Committee only seeks to approve climate (and ESG) compliant investments: (i) in the event that either the PE Sponsor or the underlying investment displays un-satisfactory level of compliance, this will result in the investment being declined; (ii) in the event that the climate (and ESG) due diligence assessment findings reveal material risks, it is the Deal Team's responsibility to provide a strong rationale for investing (e.g. impending change in operations / changes to company policies).

Progress on climate-related factors is monitored at least on a yearly basis through the data collection campaign implemented with the support of EthiFinance. When insufficient data is disclosed by the portfolio company itself, the carbon emissions can be estimated by the third-party platform Sweep. In addition, the climate-related risks at portfolio level are assessed and tracked on the Altitude tool from AXA Climate. As such, MV Credit funds capture borrower companies' progress on various climate-related metrics, including their level of Greenhouse gas emissions, Scope 1, Scope 2 (Ton CO2 eq.) and Scope 3 (Ton CO2 eq.)

On top of the annual oversight exercised by the Deal Team alongside EthiFinance, Sweep and AXA Climate, oversight is also applied on an ad-hoc basis, with the support of the Credit Monitoring Team. Notably if a climate-related (or other ESG-related) incident occurs, the Deal Team would (i) engage with the corresponding company and private equity sponsors and (ii) if necessary, request an ESG and/or a Divestment Committee.

The Risk and Compliance Committee oversees all compliance and risk issues with respect to MV Credit's portfolio companies and meets quarterly.

An ESG Risk Management Procedure has been implemented to better define and track sustainability risks. The Risk Management Function ("RMF") defines sustainability risk as an environmental, social or governance ("ESG") event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment and, more importantly, on the long-term risk adjusted returns to investors. Sustainability risk can either represent a risk of its own or have an impact on other risks and may contribute significantly to risk, such as market, operational, liquidity, reputational, credit or counterparty risks.

As a second line of defence, the Compliance team has implemented Key Risk Indicators ("KRIs") and spot-checks, to monitor that the ESG characteristics are captured during the investment process.

3 Physical and Transition Risks' definitions can be found on p.7.

Strategy

MV Credit has identified the key risks and opportunities that are arising from climate change. This is an important exercise as it enables MV Credit to adjust and establish related strategies for both matters to assure the business mitigates or even takes advantage of the inevitable climate change.

Impact of climate-related risks identified on MV Credit's business and strategy

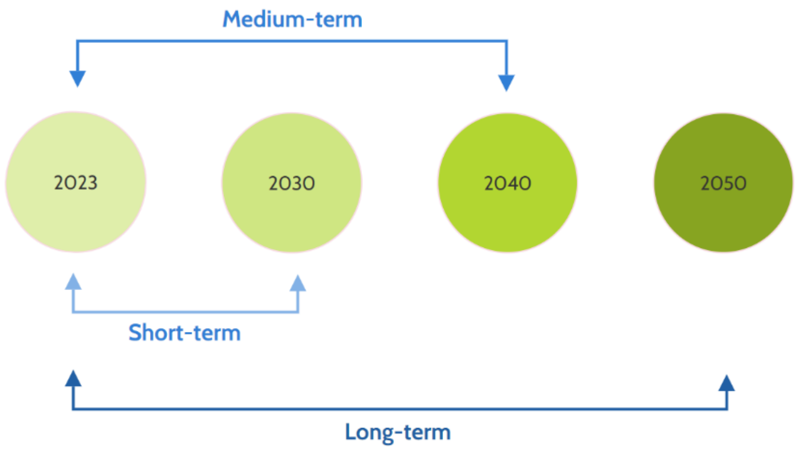
Climate change poses two main risks for MV Credit: risks on its own operations and risks on its portfolios.

1/ Risks at corporate level: MV Credit has three offices across the UK, Luxembourg and France. Whilst climate-related impact on operations is never void, MV Credit believes there is no imminent nor long-term expectation of climate impact on its three offices and hence operations. These deemed minimal, the strategy section will not focus on operational risks.

2/ Risks at portfolio level: MV Credit anticipates climate-related risks on its portfolios' companies to be quite plausible as, although it looks to invest in companies that mostly have headquarters in Western Europe, their operations are global. Indeed, a climate-related risk can either represent a risk of its own or have an impact on other risks and may contribute significantly to risk, such as operational, liquidity, reputational, credit or counterparty risks, The following section will thus focus on our processes to identify, manage and contain these risks.

How MV Credit defines short-, medium-, and long-term timeframes, and scenarios ?

Taking into consideration the typical average duration of investments is around three years, MV Credit considers the short-term timeframe of 2030 to be the most relevant as it serves to identify the most immediate material climate-related risks and opportunities.
However, the longer-term horizons of 2040 for transition risks and 2050 for physical risks are also considered in the analysis since, although they are not material to the current investments, MV Credit recognises the long-term threat of climate change and therefore the need to include this timeframe into their risk analysis. In addition, MV Credit might have longer-term relationships with companies it invests in, as it often participates to refinancing and add-on opportunities of the companies that are deemed good investments.



MV Credit's climate risk analysis therefore considers these time horizons against the three different scenarios consistent with the NGFS[4] (Network for Greening the Financial System) Framework, namely Orderly, Disorderly and Hothouse. While the third-party provider selected reports using the different SSPs and Transition Risk Scenarios, MV Credit chooses to use the language used by the NGFS Framework and the FCA to ensure consistency and comparability with peers. Please refer to page 11 for a more detailed mapping.

4 Group of Central Banks and Supervisors willing, on a voluntary basis, to share best practices and contribute to the development of environment and climate risk management in the financial sector and to mobilise mainstream finance to support the transition toward a sustainable economy.

NGFS Scenario Categories	Physical Risk Scenario	Definition	Transition Risk Scenario	Definition
Orderly	**SSP 1 – 2.6**	Optimistic scenario: the temperature increase stabilizes at around 1.8°C by the end of the century.	**Net Zero 2050**	Ambitious scenario that limits global warming to 1.5 °C through stringent climate policies and innovation, reaching net zero CO_2 emissions around 2050.
Disorderly	**SSP 2 – 4.5**	Realistic "Middle of the Road" scenario: this scenario is projected to lead to an end-of-century warming around 2.7°C.	**Delayed Transition**	This scenario assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2°C.
Hothouse	**SSP 5 – 8.5**	Pessimistic scenario: this scenario is projected to lead to an end-of-century warming around 4.4°C.	**Nationally Determined Contributions (NDC)**	This scenario includes all pledged policies even if not yet implemented. Emissions decline but lead nonetheless to 2.6 °C of warming.

Processes used to determine which risks could have a material financial impact on MV Credit

At portfolio level, climate-related risks encompass both physical and transition factors. The specific factors MV Credit considers are outlined in the table below.

To identify and manage these risks and opportunities, MV Credit has recently implemented a new tool called Altitude, provided by AXA Climate. The tool categorises businesses as high, medium, or low climate risk.

- For the physical risks[5] analysis, the tool considers 16 chronic and acute risks, mentioned in the table below.
- Transition risks[6] are analysed based on the underlying sector of company. The tool only considers the 2 to 3 risks, out of the total 16, which appear to be the most material within the sector.

MV Credit's Deal Team uses this output, and determine whether the identified risks are material, based on the activity, sector, size, geography, etc. This is supplemented by the assessment of climate KPIs in the ESG checklist, providing additional details.

Physical risk:

Risks which arise from the physical effects of climate change and environmental degradation, such as wildfires, storms, and floods.

Transition risk:

Climate transition risks and opportunities arise from the process of adjusting to a lower-carbon economy, such as changes in policy, technology, or investor sentiment.

Description of the specific climate-related issues potentially arising in each time horizon (short, medium, and long term) that could have a material impact on MV Credit

As explained, MV Credit considers both short and mid/long term risks. The Altitude tool computes 30-year averages (monthly, seasonally, yearly) around 2030 and 2050 to monitor the evolution of climate hazards over time. The model calculates the financial exposure and risk level of the portfolio according to different scenarios, and across different timeframes.

Last year, the analysis revealed:

- No transition risks, aside from increased pricing of GHG emissions (becoming a risk in the long term)

5 Physical risks analysed are detailed on page 12.
6 Transition risks analysed are detailed on page 12.

- Physical risks in the 2030 timeframe:
  - Very high risk: water stress
  - Medium risks: extreme heat and storm, landslide
- In the longer term of 2050, all these risks remain unchanged, except for extreme heat becoming a high risk across all scenarios.

Where MV Credit identifies a high or very high risk, it aims to remedy this by engaging with the portfolio company affected and private equity sponsor to ensure this is being mitigated by the company, and losses related to the risk are minimised.

Climate Physical risks	Chronic	Changing air temperature
		Changing precipitation patterns
		Water stress
		Sea level rise
		Soil erosion
	Acute	Extreme heat
		Extreme cold
		Wildfire
		Tropical cyclone
		Storm
		Drought
		Extreme precipitation
		Flood
		Landslide
		Earthquake
		Subsidence
Climate Transition risks	Policy & legal	Increased pricing of GHG emissions
		Mandates on and regulation of existing products and services
		Regulation on energy efficiency & certification
		Exposure to litigation
		Emerging regulation on reporting requirements
	Technology	Cost to transition to lower-emission alternatives
		Increased cost of raw materials
		Increased energy / electricity prices
	Market	Shift in customer preferences
	Reputation	Increased stakeholder concerns
Climate Transition opportunities	Resource efficiency	Promote more efficient buildings and operations
		Use of more efficient production and distribution process
		Development and/or expansion of low emission assets
		Use of more efficient modes of transport
	Energy source	Use of lower-emission sources of energy
	Market	Shift in customer preferences
		Access to new markets
		Expansion of low-emission goods and services
		Ability to diversify business activities
		Development of new products or services through R&D and innovation
	Reputation	Increased stakeholder concerns

FOCUS – SUSTAINABILITY-LINKED LOANS

To factor climate-related risks and opportunities into relevant products or investment strategies, MV Credit is increasingly introducing sustainability-linked features in their loan offerings. The defining feature of these loans is that their terms incentivise the borrower to improve its performance against certain pre-determined ESG criteria. This is implemented via a ratchet mechanism on the margin, with the typical adjustment being +/- 7-10bps.

In 2021 and 2022, against a backdrop of increasing awareness of ESG and climate change risks, there has been a strong increase in the issuance of sustainability-linked loans. The ratchet mechanism is a way for lenders to reward (or penalise) a borrower's incremental positive (or negative) changes they are making with regards to pre-defined KPIs. Where traditionally margin ratchets are related to financial KPIs such as de-leveraging, this mechanism is now being used towards the measurement of climate-related KPIs, and ESG more broadly.

The increasing issuance of sustainability-linked loans presents an opportunity for MV Credit's funds to invest in a responsible manner. For example, in 2022 MV Credit invested in a sustainability-linked loan in a leading French food manufacturer. Among the three KPIs of the transaction, one specifically covered climate metrics, which is detailed below.

Sustainability-linked loans (SLLs) – *Case Study: leading French food manufacturer*

Climate-related KPI#1[6]: GHG emissions

KPI#1a: Scope 1 & 2

- Commitment to reduce Scope 1 & 3 GHG emissions by 47% by 2030 (vs 2019).

KPI#1b: Scope 3 (97% of Group's total emissions)

- Commitment to reduce Scope 3 GHG emissions by 20% by 2026, and by 28% by 2030 (vs 2019).
- Forced to update its carbon roadmap by the end of 2024.

ESG Margin Ratchets

- The ESG ratchet for KPI#1 is subject to a maximum 5 bps discount per year, starting at 2.5 bps in its first year.
- The discount for the climate-related KPI is higher than for the other two KPIs, which have a margin ratchet of 2.5 bps per year.

While focusing on various metrics, climate-related factors remain central when engaging with companies on their ESG performance. Almost all companies with whom MV Credit has engaged with mention the strong emphasis they are placing on carbon emission calculations. Different companies are working at different stages of maturity. However,

i. refining calculation methodologies with external third-party providers,
ii. setting reduction targets and SBTis, Science-based Targets Initiatives, and
iii. switching energy providers to increase the share of renewable energy

are of highest priority for most firms.

7 Only Climate related KPIs are shown in this report. The asset has other ESG related KPIs linked to its loans.

Risk Management

MV Credit's processes for identifying and assessing climate related risks

How MV Credit defines material climate risk

A risk is considered material if it can have a significant impact on MV Credit. This materiality assessment is based on a qualitative assessment of potential impacts on Revenues, OpEx and CapEx of relevant target/portfolio companies. Specific NGFS climate-related indicators from transition scenarios are used as proxy for each material risk and opportunity identified. To qualify the risk based on evolution, MV Credit bases the assessment on 2030-projections computed against the Net-Zero 2050 scenario (most stringent).

As the global economy transitions into a low carbon economy, it is crucial that MV Credit understands the risks and opportunities presented by climate change, and acts upon them. Failure to do so may jeopardise the firm's position in the market, which is why MV Credit is actively monitoring climate-related risks and incorporating them into its risk management process. . As mentioned above, the major impact from climate change for MV Credit will be the financial impact, at portfolio level.

1/ At corporate level

In order to better understand the climate impact of its activity, MV Credit has started reporting on its carbon footprint with the support of Sweep. MV Credit uses Sweep to calculate:

- Its corporate carbon footprint, and
- The financed emissions of its portfolio, notably by estimating the missing emissions (not disclosed by the underlying portfolio companies) following PCAF recommendations.

This exercise, performed annually, supports MV Credit identifying the hot spots, and taking initiatives to reduce its corporate emissions.

2/ At portfolio level

MV Credit invests in private credit, alongside reputable private equity sponsors, typically in LBO transactions. As a lender, the majority of the investment focus is on the downside and any risk factors which may impact the ability of the company to pay interest, and ultimately principal. Nevertheless, investors and stakeholders are expecting deeper understanding of climate change impacts on underlying portfolio companies, and on products' performance.
Hence, as part of its risk assessment, MV Credit conducts a fundamental ESG analysis, covering the main climate risks. This is a binding element of the investment process.

1. As an initial filter when reviewing a new transaction opportunity, MV Credit conducts a screening of the private equity sponsor where it assesses if they are a UNPRI or equivalent signatory.

2. Secondly, it conducts negative screening by applying its Exclusion Policy. As per this policy, MV Credit does not invest in coal-related activities (mining, processing, transportation, storage, distribution, etc), oil sand extraction, sale and related pipeline industry, nor in Oil & Gas E&P, refinery, storage and retail.
   In addition, MV Credit typically does not invest in sectors most affected by physical risks (agriculture, conventional energy, heavy industry and manufacturing, transport, construction), even though this is not strictly prohibited by its exclusion policy.

3. In parallel, MV Credit also performs a controversies analysis, with the support of an external provider. The objective of this controversy screening is to make sure MV Credit has not missed any incident involving a target or portfolio company, that may negatively impact stakeholders, the environment or the company's operations which could in turn harm the company's reputation.
   If material risks are identified, at portfolio company level this will trigger engagement and ad-hoc committees.

4. Additionally, as MV Credit aims to invest in companies that demonstrate low ESG risk factors, it conducts an additional ESG screening, through a proprietary questionnaire. To perform this

The main environmental factors covered by the questionnaire:

- Environmental policy and management system
- Energy Resources and Management
- GHG emissions scope 1, 2 & 3
- Measures to reduce GHG emissions and energy consumption
- Environmental impact
- Biodiversity
- Air Pollution
- Water Scarcity and Pollution

assessment, the Deal Team collects c. 60 KPIs covering Environmental (including climate), Social, Governance and external stakeholders' management factors.

5. Finally, to strengthen its climate-related risks analysis during the pre-investment phase, MV Credit has decided to assess physical risks and transition risks of the target companies. For that, the firm has recently partnered with an external provider which offers a platform to analyse risks based on various scenarios. More specifically, the third-party provider identifies climate indicators at the given geolocation (GPS coordinates), while modelling these identified risks and their evolution, for several time horizons and scenarios. The tool computes 30-year averages (monthly, quarterly, yearly) around 2030 and 2050 to monitor the evolution of climate hazards over time. The model calculates the financial exposure and risk level of the portfolio according to different Shared Socioeconomic Pathways ("SSPs") (i.e., physical) and transition scenarios, and across different timeframes. This allows MV Credit to identify, assess and manage the climate-related risks and opportunities that are most material to the business, strategy, and financial planning.

Overall, MV Credit has strengthened its processes to ensure it fully integrates climate risk factors when conducting due diligence on potential investments. MV Credit has previously declined investment opportunities when MV Credit's ESG standards were not met.

How MV Credit identifies and assesses material physical and transition risks

MV Credit assesses physical risks and transition risks via a third-party provider, Altitude. More specifically, Altitude relies on AXA Climate expertise and data-lake to assess climate physical risks. For each asset, owned or leased, (offices, factories, etc) of the targeted company, Altitude identifies the climate risks that can be potentially material (generic analysis by asset type). It then computes climate indicators at the given geolocation (GPS coordinates), modelling these identified risks and their evolution, for several time horizons and scenarios. If an indicator reaches a certain threshold, it triggers a potential risk in Altitude to further investigate. In such cases, MV Credit engages with companies identified with high levels of risk.

<u>Modelling climate physical risks and climate transition risks and opportunities: methodology</u>

<u>Climate physical risks</u> are assessed under three pillars: hazard, vulnerability and exposure.

- A **hazard** can be a natural or human-induced physical event or trend that may cause multiple physical impacts (e.g., damage and loss to property, infrastructure, and environmental resources, health impacts…). The tool covers both chronic hazards (changing air temperature, changing precipitation patterns, sea level rise, water stress, soil erosion), and acute hazards (extreme heat, extreme cold, wildfire, tropical cyclone, storm, drought, extreme precipitation, flood, landslide, earthquake, subsidence).
- **Vulnerability** corresponds to the propensity or predisposition to be adversely affected. Vulnerability encompasses a variety of concepts and elements including sensitivity or susceptibility to harm and lack of capacity to cope and adapt.
- **Exposure** corresponds to the presence of people, species or ecosystems, infrastructures, economic, social or cultural assets in places and settings that could be adversely affected by hazards.

For <u>climate transition risks and opportunities</u>, the platform models:

- How the transition to a low-carbon economy will impact or benefit a company,
- The contribution of the company to climate change (carbon footprint on scopes 1, 2, 3).

This is done by identifying the most material climate transition risks and opportunities at sectorial level and computing their level of risk against different timeframes and scenarios. These levels are categorised into low/medium-low/medium/high/very high risk or opportunity.

The following explains how MV Credit classifies the different levels of risks at portfolio. company level, using the methodology provided by the Altitude tool:

	≥10% assets are at high risk	<10% assets are at high risk but ≥10% assets are at high or medium risk	All other cases
Risk flagging at company level	**High risk**	**Medium risk**	**Low risk**

Risk identification, assessment and management

1/ At corporate level

After a thorough analysis of existing tools in the market, MV Credit entered into a partnership with Sweep, a data management and carbon-emission mapping tool, in a bid to gain a greater understanding of the corporate carbon emissions and the steps that might be taken to best reduce them within the business. MV Credit also calculates the financed emissions of its portfolios with Sweep, capturing all the carbon emissions' data in the same place.

2/ At portfolio level

MV Credit monitors all relevant investment and ESG risks on an ongoing basis, including climate-related risks. Investment and ESG monitoring responsibilities lie predominantly with the Credit Monitoring Team and the Deal Team. During the investment hold period, both teams are required to pay attention to any ad-hoc ESG related events, including any climate-related ones, and/or incidents concerning a borrower. If such monitoring results in, or requires, risk mitigating activities, the MV Credit Team will work closely with the controlling private equity owner and related parties to understand the issue and the plans in place to mitigate the relevant risk. MV Credit uses externally sourced data from specialist providers to understand its climate-related performance and inform its investment decision making. MV Credit's thorough due diligence and risk assessment approach represents the firm's commitment to addressing relevant and material climate-related risks and opportunities.

In addition to carbon emission information (Scope 1, 2 and 3) of portfolio companies, collected as part of its annual ESG data collection campaign via its proprietary ESG questionnaire, MV Credit also works with Sweep (an external provider) to estimate missing data and calculate financed emissions at portfolio level.

In order to manage the climate risks of its investments, MV Credit uses the Altitude tool, provided by AXA Climate. In line with the risks and opportunities identified in the 'Strategy' section, the heatmap below provided by Altitude (covering MV Credit's entire portfolio) demonstrates that the majority of climate-related factors achieve a Low or Medium-Low risk level across all physical and transition scenarios, and across both medium- and long-term timeframes. The only exceptions that achieve a risk level higher or equal to Medium are:

- 4 factors out of 16 climate physical risks in the 2030 timeframe, increasing to 6 when considering the 2050 timeframe
- 1 factor out of 9 climate transition risks in the 2040 timeframe
- 0 factors out of 11 climate transition opportunities

This illustrates the diversification of MV Credit's deployed capital, allowing MV Credit to make better-informed investment decisions to ensure minimal portfolio exposure to potential climate-related losses.

|MV|Credit

Heatmap Legend							
	Risks	Risk score	LOW	MEDIUM - LOW	MEDIUM	HIGH	VERY HIGH
	Opportunities	Opportunity score	LOW	MEDIUM - LOW	MEDIUM	HIGH	VERY HIGH

			2030 Orderly	2030 Disorderly	2030 Hothouse	2050 Orderly	2050 Disorderly	2050 Hothouse
Climate Physical risks	Chronic	Changing air temperature						
		Changing precipitation patterns						
		Water stress						
		Sea level rise						
		Soil erosion						
	Acute	Extreme heat						
		Extreme cold						
		Wildfire						
		Tropical cyclone						
		Storm						
		Drought						
		Extreme precipitation						
		Flood						
		Landslide						
		Earthquake						
		Subsidence						
Climate Transition risks	Policy & legal	Increased pricing of GHG emissions						
		Mandates on and regulation of existing products and services						
		Regulation on energy efficiency & certification						
		Exposure to litigation						
		Emerging regulation on reporting requirements						
	Technology	Cost to transition to lower-emission alternatives						
		Increased cost of raw materials						
		Increased energy / electricity prices						
	Market	Shift in customer preferences						
	Reputation	Increased stakeholder concerns						
Climate Transition opportunities	Policy & legal	Favorable regulatory frameworks and public incentives						
	Technology	Use of more efficient modes of transport						
		Promote more efficient buildings and operations						
		Use of more efficient production and distribution process						
		Use of recycling						
		Use of lower-emission sources of energy						
		Resource substitution or diversification						
	Market	Access to new markets						
		Increased reliability of supply chain						
		Expansion of low-emission goods and services						
		Shift in customer preferences						
	Reputation	Increased stakeholder concerns						

Impact of climate-related risks on divestments

MV Credit is a long-term investor with a buy-and-maintain strategy. MV Credit focuses its efforts on the pre-investment phase, as well as monitoring the investments during the life of the transactions. Climate-related risks are considered throughout the investment process, alongside any other type of risks, and can trigger a decision not to invest if risks, deemed material and not mitigated, are identified.

Should a significant risk materialise post investment, the MV Credit team will work closely with the private equity owner and related parties to understand the issue and the plans in place to mitigate the relevant risk. This will be discussed internally through the Divestment Committee.

MV Credit also applies some dedicated escalation processes. For example, if a climate-related controversy is identified, risking breaching an investment guideline, MV Credit implements its escalation process, as defined in its ESG Investment Procedures, by:

- convening a dedicated ESG Committee,
- engaging the borrower on the controversy and setting up some action points,
- and organising a Divestment Committee to discuss findings.

Given that a large portion of MV Credit's investments are illiquid, the option of selling is not always available. When possible, MV Credit might decide to divest, to ensure minimal financial impact following the identification of a climate risk, but can also decide not to reinvest when the transaction refinances.

FOCUS – ENGAGEMENT PRE- AND POST-INVESTMENT

MV Credit regularly engages with portfolio companies to ensure that risks are managed post investment. In 2022, MV Credit implemented a comprehensive ESG Engagement Policy across all direct lending investment funds it manages, covering climate-related risks. The Engagement Policy is available on MV Credit's website[8]. As the role of ESG continues to expand across the private credit industry, MV Credit views engagement as a key part of its overall ESG integration strategy. MV Credit engages with borrowers throughout the investment process, in both pre- and post-investment phases.

- In the pre-investment phase, engagement will be triggered by the due diligence process. The Deal Team engages with senior management and shareholders of prospective borrowers for disclosure of potential ESG risks and opportunities. Good engagement seeks to identify relevant ESG issues, set objectives, track results, and incorporate findings into the investment decision making process. Specifically, on the environment side, MV Credit will have a strong focus on climate risks (both physical and transition) and will engage with the portfolio company where appropriate. Engagement is also based on the findings of the controversies analysis. An escalation process is applied here: any finding during the monitoring process will be escalated to the ESG Officer. The ESG Officer, together with the Deal Team, will determine if the finding is material and if this is the case, the finding will be brought forward to the ESG Committee.

- In the post-investment phase, MV Credit will engage with all borrowers either through quarterly management calls, annual lender calls, ad-hoc Q&As or direct conversations with the relevant sponsor. Collaborative engagement will be tailored to the underlying business' relevant size, industry, and business model; and is typically based on fundamental themes highlighted in the borrower's ESG performance report, controversies analysis and relevant ad-hoc ESG findings. In addition, based on its proprietary ESG monitoring, the MV Credit Deal Team will engage borrowers experiencing the lowest response rate to its ESG Questionnaire. MV Credit will offer to have a dedicated discussion to help the borrower identify the main ESG metrics to focus on. The team will also engage if the low scoring is a result of poor ESG performance in order to provide some guidance on how to improve it.

8 https://www.mvcredit.com/storage/pdfs/2022.10_MV-Credit-Engagement-Policy.pdf

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Engagement in practice

Portfolio Company

ESG scoring (2022) – 18/100

Important to bear in mind that this Company:

- Is relatively small, with c. €100m of revenues and c. 40 FTE.
- Group as of 2022 was relatively new (2021): no external stakeholders before (no banks, completely private) and no ESG at all.
- Company has no supplier, operating in IT.

"**Quick wins**" identified to incorporate in next years' assessment:

- Labour turnover rate;
- Share of employee who benefited from a training;
- Share of women in the workforce; and
- Share of women in management positions.

Engagement due to under-performance

MV Credit

1st ESG engagement

Important to bear in mind that:

- This Company is still in a structuring phase explaining, for example, why it does not have a code of conduct yet.
- Management has confirmed its focus on ESG and consideration of MV Credit's feedback, which is deemed very important.

Realisation of MV Credit's feedback

MV Credit

2nd ESG engagement – 49/100

Achievements

- Formalisation of a structured CSR strategy and Code of Conduct
- Action plan to reduce GHG emissions and energy consumption
- Analysis of the group's extra-financial issues
- Existence of intrusion tests of IT systems
- Development of KPIs within Health and Safety; Energy and GHG, and DE&I
- Introduced management bonuses linked to the achievement of their targets
- Switch to renewable energy in February 2023

Areas of improvement

- Development of a written environmental policy
- Disclosure of share of employees who benefited from trainings
- Action plan to promote equal opportunities and diversity
- Implementation of SBTi targets for carbon reduction pathway (currently being considered)

Metrics and Targets

MV|Credit

MV Credit corporate emissions – Scope 1, 2 and 3 Greenhouse Gas (GHG) emissions

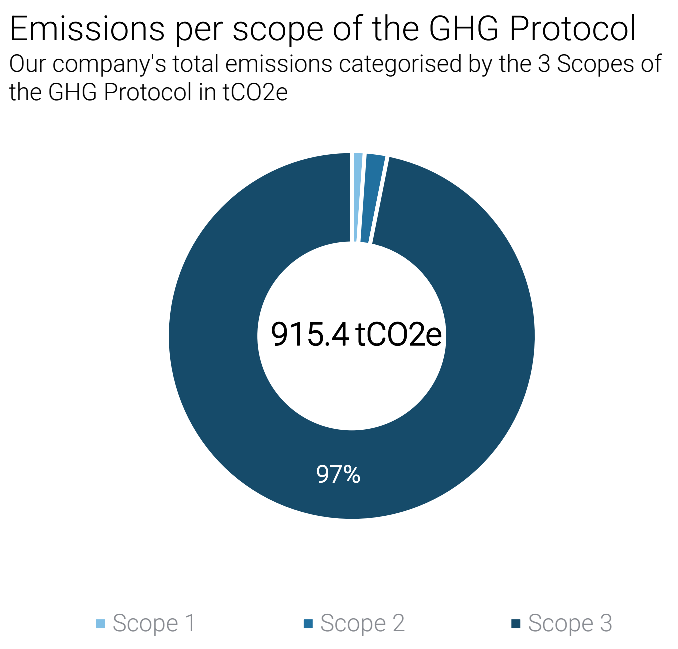
MV Credit calculates the environmental impact of its operations by measuring its corporate GHG emission data. To do so, MV Credit follows the carbon accounting standard provided by the GHG Protocol, to encourage comparability and transparency across jurisdictions and organisations. Hence, MV Credit calculates Scopes 1, 2 and 3 emissions, defined as follows:

- *Scope 1*: direct GHG emissions originating from sources owned, controlled, or managed by a company, such as emissions from on-site fuel combustion and industrial processes.
- *Scope 2*: indirect GHG emissions resulting from the generation of purchased energy that a company consumes, such as electricity and heat acquired from external providers.
- *Scope 3*: the broadest range of indirect GHG emissions, including those originating from a company's value chain, encompassing supplier activities, product use, transportation, waste generation, and other interconnected processes.

To measure MV Credit's total corporate carbon footprint, the firm must collect various data points:
- From offices: energy, waste, purchases and equipment
- From employees: business travel and commuting

It then uses emission factors (EF) and activity data, to measure the emissions produced by its activities.
- The EF is a value that quantifies how much greenhouse gas gets emitted by an activity.
- The activity data is collected from the company and the emission factors are taken from international databases. A carbon footprint is obtained by the sum of all the greenhouse gas emissions resulting from a company's activity.

For a given activity, emissions are the product of activity data expressed in a unit of work (e.g. kWh of gas, km travelled, £ spent, etc.), and the corresponding EF.



In 2023, MV Credit's corporate emissions amount to 915.4 tCO2e, with Scope 1 and 2 emissions representing only a minor portion of its entire corporate emissions (respectively 10.3 and 18.3 tCO2e), whilst Scope 3 emissions accounted for 97%. As the result of the first exercise performed, the firm's purchased goods and services have been identified as its main source of corporate emissions, which mainly refer to purchases in its upstream chain such as expenses on third-party providers (legal, accountancy, consulting, etc).

Yet, the purchases are calculated using monetary factors (versus physical factors), meaning that reducing emissions related to purchases would require reducing MV Credit's number of purchases, which is not seen as a solution.

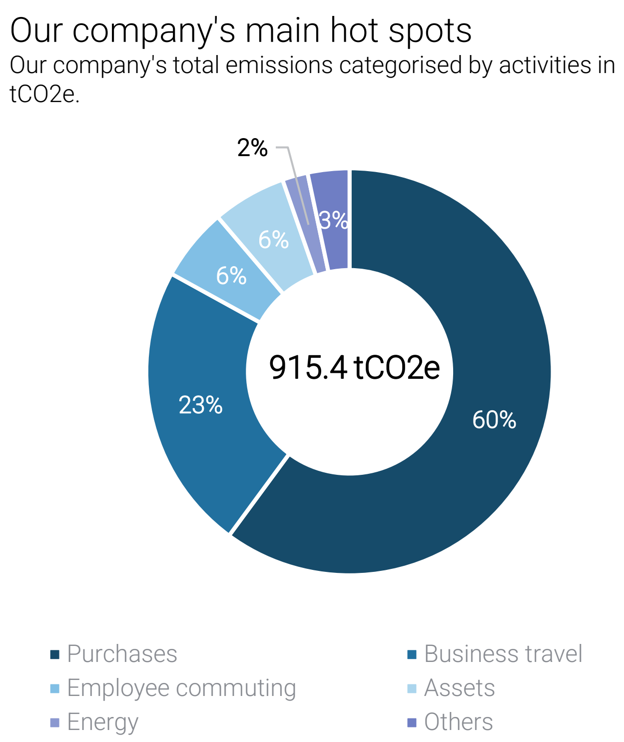
Next year, as MV Credit progresses and since those purchased services are essential to run the business, MV Credit will ask the main providers to dispense more granular information, such as the precise source of emissions. With this information, MV Credit will be able to apply physical factors emissions, rather than the monetary, and calculate more detailed and precise emissions related to purchases. Ultimately, MV Credit will be able to identify levers to reduce corporate emissions and will set targeted initiatives.

915.4 tCO2e is equal to:

- 312 423 208 km in TGV
- 4 206 801 km in car
- 1 794 902 vegetarian meals
- 1 540 495 litres of coffee

Source: Impact CO2

Metrics and Targets *continued*



The other hotspots identified are attributed to other corporate Scope 3 emissions – namely business travel, employee commuting, capital goods and waste generated in operations – and one Scope 2 emission factor – indirect GHG emission from imported electricity.

MV Credit's financed emissions – portfolios

While MV Credit has some corporate emissions (915.4tCO2e), financed emissions derived from its portfolio represent for 99% of its total 1.86M tCO2e emissions. To calculate financed emissions, MV Credit follows the PCAF Protocol[9] recommendations to align with industry's best practice.
In 2023, MV Credit is using the following metrics to disclose its financed emissions:

Metric	Value	Unit
Scope 1 GHG emissions	145k	tCO2e
Scope 2 GHG emissions	99k	tCO2e
Scope 3 GHG emissions	1,610k	tCO2e
Total GHG emissions	1,855k	tCO2e
Carbon footprint	443	tCO2e/m€
WACI (weighted average carbon intensity)	427	tCO2e/m€

*Values for 2022 – latest values currently being updated for 2023.

9 PCAF – Partnership for Carbon Accounting Financials – is an industry-led partnership aiming to facilitate transparency and accountability of the financial industry to the Paris Agreement

Metrics and Targets *continued*

Target – Transitioning to a low carbon economy & Increasing transparency

MV Credit is currently working on its transition pathway.

On the corporate side:

With an employee Corporate Carbon Intensity ratio of 13.5 tCO_2e, MV Credit is aligned with market benchmarks as other Asset Managers discloses a metric between 8 and 14 tCO_2e per employee. However, MV Credit will still look for reduction initiatives at corporate level, once more granularity is obtained on data related to purchased emissions.

Employee Corporate Carbon Intensity metric of an average of 13.5 tCO_2e per employee

On the financed emissions side:

MV Credit operates as a private lender, hence does not directly control the companies it invests in, nor typically have a seat at the board. However, MV Credit usually owns a large portion of the capital structure via its debt investments and has privileged access to the management teams. Therefore, MV Credit can still influence the borrowers, notably via dedicated engagement, which remains essential to set some net-zero targets.

As of today, MV Credit has developed a proprietary tool enabling to measure the alignment of MV Credit's assets and portfolios with the Paris-aligned 1.5°C scenario. Along with the climate risks and opportunities identified by the third-party providers, this tool should support the firm in defining and setting its net-zero commitments in the near future, and report on it. As of today, the firm has the ambition to commit to net-zero alignment in 2025, and is in the process of ascertaining how to become an NZAM signatory. Thanks to its proprietary tool, MV Credit is working on its methodology and on the definition of interim and long-term targets.

Increased coverage of reported data:

Further to this, MV Credit targets to increase the coverage of reported carbon emission data, directly provided by portfolio companies. This will improve the quality of data and results, as well as support the definition of more accurate targets.

CONCLUSION

Climate change is a major threat at a global scale, which can directly affect underlying investments, and hence the performance of MV Credit's products. This is why climate change is a big focus for MV Credit and in turn for its investors, and now a central issue analysed when looking at a new transaction.
MV Credit is happy to share its very first TCFD report, aiming to highlight how climate capabilities have been embedded into business strategy in order to drive climate action. As the business is constantly evolving, MV Credit is committed to enhance its climate-related analyses, to always make better-informed decisions. Finally, as climate change is a global issue, MV Credit strongly believes that engagement with all stakeholders and collaboration are essential to effectively limit the negative impacts of climate change, and transition to a low carbon economy.

Annexes

Appendix: TCFD Recommendations Overview

Governance	**Disclose the organization's governance around climate-related risks and opportunities.**	• Describe the Board's oversight of climate-related risks and opportunities.	• Describe management's role in assessing and managing climate-related risks and opportunities.	
Strategy	**Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.**	• Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	• Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	• Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.
Risk Management	**Disclose how the organization identifies, assesses, and manages climate-related risks.**	• Describe the organization's processes for identifying and assessing climate-related risks.	• Describe the organization's processes for managing climate-related risks.	• Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.
Metrics and Targets	**Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.**	• Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	• Disclose Scope 1, Scope 2, and – where appropriate – Scope 3 GHG emissions, and the related risks.	• Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

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This is an informative Report (the "Report") following the PRI recommendations and describing how climate change may impact MV Credit's business, the processes MV Credit has put in place to either manage climate related risks for its portfolio companies but also on a pre-investment level, and what commitments has MV Credit set to successfully transition to a lower-carbon company.

The likely impacts of a sustainability risk may be numerous and can vary depending on the specific risk and asset class. To the extent that a sustainability risk materialises, or materialises in a manner that is not anticipated by MV Credit, there may be a sudden, material negative impact on the value of an investment Please note that any statement as to risks herein is not an exhaustive list, therefore, ask your professional advisor for advice regarding the specific risks.

Certain strategies will fall under the Article 6 classification, and these strategies include certain sustainability factors in the overall investment analysis. However, the investments underlying this type of financial product do not take into account the EU criteria for ESG activities.

For further information on MV Credit's ESG approach and investment process, please view its ESG Policy Statement at https://www.mvcredit.com/esg-policy-statement.

The preparation of certain information in this Report requires the application of several key judgments, assumptions and estimates, including with respect to the classification of climate and sustainable funding and financing activities. The reported measures in the Report reflect good faith estimates, assumptions and judgments at the given point in time. There is a risk that these judgments, estimates or assumptions may subsequently prove to be incorrect.

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