



ESG AND STEWARDSHIP POLICY

UPDATED SEPTEMBER 2022

LEXINGTON'S ESG AND STEWARDSHIP POLICY

Lexington defines responsible investment as a strategy and practice to incorporate environmental, social, and governance (“ESG”) factors into our Firm’s operations and investment analysis and monitoring processes. Our ESG Policy affirms our commitment to responsible investment as well as our support of the Principles for Responsible Investment (“PRI”). Lexington firmly believes that a commitment to strong ESG and stewardship policies and practices can create lasting value for our limited partners, enhance long-term investment performance, and support alignment with Lexington’s PRI signatory commitment while promoting ESG principles in our industry and society.

Lexington’s primary objective is to generate attractive, risk-adjusted returns for the investors in our funds. We have incorporated relevant ESG factors (including, but not limited to, those outlined in Annex A) into our secondary and co-investment policies and procedures and believe that such consideration of ESG principles as part of our investment process is integral to achieving our desired investment outcomes and does not conflict with our fiduciary duty. We strive to foster a culture of sustainability and encourage awareness of ESG issues in our work. In addition, we consider it our responsibility to provide transparency to our clients and investors regarding our approach to incorporating ESG principles into our investment process.

As a substitute limited partner in a secondary transaction or passive co-investor alongside a lead sponsor, Lexington is not always positioned to engage with or influence a sponsor on ESG topics. It should be noted that, where Lexington is not in a strategic position to persuade or encourage sponsors to advance ESG principles, the Lexington funds will still make the investment in certain cases based on consideration of other investment criteria, opportunities, and risks.

PURPOSE & SCOPE

The purpose of this Policy is to define Lexington’s approach to ESG and stewardship in relation to the Firm’s operations and investment activities. Lexington evaluates ESG-related opportunities and risks in conjunction with other investment criteria, opportunities, and risks, supportive of our signatory commitment to the PRI. This Policy applies across all secondary investment, primary investment, and co-investment activities that Lexington undertakes.

LEADERSHIP & OVERSIGHT

Lexington has a cross-functional ESG steering committee that oversees the Firm’s ESG initiatives, including:

- Upholding, revising, and ensuring adherence to the ESG and Stewardship Policy
- Implementing the ESG strategy and reviewing and tracking progress
- Disclosing material ESG concerns to internal committees
- Verifying alignment with Lexington’s ESG and Stewardship Policy, inclusive of managing conflicts of interest as applicable to the investment opportunity
- Educating the Firm’s professionals on ESG issues and priorities
- Supporting transparency and timely reporting to limited partners on ESG topics

INTEGRATION OF ESG RISK ANALYSIS

As part of our investment analysis, Lexington’s secondary and co-investment professionals comprehensively evaluate each transaction, including material short-term and long-term ESG risks and opportunities. We define material ESG risks and opportunities as those which may have a meaningful impact on the financial performance of a transaction. The process combines detailed “bottoms-up” analysis with a qualitative assessment of a sponsor’s strategy and reputation. Investment professionals are expected to report any identified material ESG issues during the due diligence process.

Recognizing the importance of ESG to limited partners, the private equity industry, and broader society, Lexington seeks to incorporate the following guidelines into our Firm’s operations and investment process:

- Consider relevant ESG issues (including, but not limited to, any or all of those outlined in Annex A) in investment analysis and decision-making processes
- Maintain policies and procedures that support a high standard of ethical business conduct, including compliance with local laws and regulations and with policies that prohibit bribery and corruption
- Foster a culture of transparency by providing timely and relevant ESG information and reporting to limited partners, underlying sponsors, and Lexington professionals
- Seek to engage with sponsors on ESG during post-investment monitoring to foster awareness among a highly diversified portfolio of sponsors regarding ESG best practices
- Where possible, encourage sponsors to advance these principles in a way that is consistent with their duties to stakeholders with the goal of improving long-term sustainability and performance and minimizing adverse ESG impacts
- Provide adequate resources to support the implementation of the Policy

STEWARDSHIP

As a manager of secondary and co-investment funds, Lexington does not typically control the underlying investments of the Lexington funds and, therefore, Lexington has limited ability to engage portfolio companies directly on ESG-related issues. However, we believe that ongoing communication with sponsors can help us to achieve common goals. Lexington's stewardship approach aims to foster two-way communication through an annual survey requested of underlying sponsors in actively investing funds, as described below. As applicable, we pursue opportunities to align with organizations in pursuit of common goals. Our approach to stewardship applies across Lexington's operations and investment strategies.

Post-investment, Lexington conducts an annual survey of underlying sponsors in our actively investing secondary and co-investment funds inquiring about their ESG policies and approach. The survey, modeled on PRI guidelines, is intended to capture the underlying sponsors' views on responsible investment and to obtain insights into any ESG initiatives these sponsors may have implemented. Lexington prepares a summary of the survey's findings which is included in the Firm's annual ESG report and made publicly available on Lexington's website. Lexington undertakes to re-survey nonresponsive sponsors and those without responsible investment policies to reflect any developments in subsequent ESG reports. We believe our commitment to regularly surveying and reporting aggregate findings demonstrates our commitment to promoting acceptance and implementation of ESG best practices among a highly diversified portfolio of sponsors.

EXCLUSIONS

Lexington specifically excludes investments in: (i) companies primarily engaged in the production of cluster munitions, weapons of mass destruction, nuclear, chemical, or biological weapons; (ii) companies that knowingly use illegal child labor; (iii) companies which are currently involved in serious systematic human rights violations; or (iv) companies engaged in illegal prostitution or the production or sale of illegal drugs. Exclusions are based on the information available to Lexington at the time of initial investment in an underlying fund, in the case of secondary investments, or portfolio company, in the case of co-investments.

CONCLUSION

Lexington is committed to staying informed of ESG developments and best practices on an ongoing basis. We will evaluate our ESG and Stewardship Policy regularly and consider changes as appropriate. We will endeavor to be accessible to our clients and other stakeholders regarding ESG topics.

Please contact ESG@lexpartners.com for any inquiries.

ANNEX A – ILLUSTRATIVE ESG FACTORS

The following list, provided for illustrative purposes, includes potential ESG factors that Lexington may consider in its due diligence process in conjunction with consideration of other factors:

ENVIRONMENTAL

Physical climate change
Carbon emissions
Energy and electricity generation, production, and consumption
Resource depletion
Air and water pollution
Waste management

SOCIAL

Human rights
Diversity, equity, and inclusion
Employee engagement
Health and safety
Supply chain management
Community impact
Data privacy

GOVERNANCE

Alignment
Business ethics
Data security & privacy
Anti-bribery and anti-corruption
Risk management