Lexington Partners

Environmental, Social, and Governance
2023 Annual Report

New York | Boston | Menlo Park | London | Hong Kong | Santiago | São Paulo | Luxembourg

A MESSAGE FROM LEXINGTON'S PRESIDENT

I am proud to share Lexington's 2023 Annual ESG Report highlighting our latest achievements, commitments, and insights and our outlook for the year ahead.

Strong corporate citizenship and social responsibility have been integral aspects of Lexington's culture since our founding over 30 years ago. Throughout market cycles, geopolitical events, environmental challenges, and evolving regulation, we have remained steadfast in our belief that a commitment to ESG can mitigate significant business risk and enhance long-term investment performance for our limited partners.

In 2023, we witnessed a continued focus on ESG issues globally, in the form of both headwinds and tailwinds. Our broad industry network and global reach allow us to observe a cross-section of ESG perspectives. From Lexington's vantage point, many alternatives investors and managers are ramping up efforts to mitigate ESG risks and identify compelling opportunities. They are seeking standardized ESG metrics while also contending with the complexities of data integrity. As a global firm with over 1,000 investors and 800 sponsor relationships, we are well positioned to encourage adoption of ESG principles and standardized metrics across our vast network.

Alongside our engagement with investors and managers, we have taken steps to enhance our own ESG analysis and we are committed to leveraging our informational advantage, relationships, and technology-enabled solutions to improve our capabilities. We work closely with leading industry groups, service providers, and peers to monitor evolving regulations, frameworks, and trends. In addition, we are fortunate to benefit from Franklin Templeton's thought leadership and considerable expertise in ESG.

We continue to scale Lexington's global platform as tremendous growth in secondary and co-investment markets drives demand for our products. We were pleased to have welcomed 21 new joiners in 2023, each of whom plays an important role in the success of our business. We now have eight offices globally with more than 170 employees, yet we operate as a cohesive global team unified by our strong culture and shared values.

This report outlines progress on our ESG workstreams and key findings from our annual survey of sponsors around the world and across sectors. We believe our team's efforts can provide enduring value for our limited partners and contribute to sustainable growth in our industry.

We look forward to the opportunities and challenges ahead of us in 2024 and encourage you to reach out to our team as we work to promote sustainable practices within our firm, our industry, and our communities.

Wilson S. Warren

Wilson Warren

Partner & President, Lexington Partners

Our Commitment to ESG and Stewardship

Lexington firmly believes that strong ESG and stewardship policies and practices can create lasting value for our limited partners, enhance long-term investment performance, and promote ESG principles in our industry and society.

A YEAR IN REVIEW

Our goal in 2023 was to reinforce ESG governance and accountability, elevate our ESG data collection and analysis capabilities, and improve transparency and reporting in line with key frameworks and regulations. The year's achievements include integrating an ESG risk data tool (RepRisk) into our investment due diligence process, expanding our annual ESG survey to include topics related to climate and emissions, and formalizing our approach to human rights in our ESG and Stewardship Policy. We continued to advance our climate strategy at the firm-level by measuring Scope 3 emissions associated with business travel, calculated using the GHG Protocol Corporate Accounting and Reporting Standard and emissions factors from the EPA and DEFRA. Lexington's 2023 carbon footprint for Scope 1, Scope 2, and Scope 3 emissions totaled 2,441 metric tons, which we plan to offset with verified carbon credits. In addition, Lexington's 2023 Annual Meeting was carbon neutral for the second consecutive year as we offset 136 metric tons of associated carbon emissions in support of the Pacajai Brazil REDD+ Project, a forest conversation project in Brazil.

While the Lexington funds do not pursue an ESG strategy, we believe the adoption of strong ESG policies and practices can mitigate investment risk and positively impact long-term performance, consistent with our fiduciary duty. As a secondary investor or co-investor alongside a lead sponsor, we are rarely positioned to directly influence a sponsor or portfolio company on ESG topics. However, we remain focused on engaging with our underlying sponsors and limited partners to encourage awareness, measurement, and management of ESG issues. We look forward to building upon our progress in the year ahead.

Lexington helped pioneer the development of the institutional secondary market 34 years ago and created one of the first discretionary co-investment programs 26 years ago.

Lexington's global presence and decades-long history as a leading secondary and co-investment manager position us to engage effectively with our partners worldwide and to leverage our ESG insights across the Lexington team.

Lexington is a global firm with offices strategically located in major centers for private equity and alternative investing – New York, Boston, Menlo Park, London, Hong Kong, Santiago, São Paulo, and Luxembourg. Our global platform enables Lexington to be knowledgeable of ESG risks, opportunities, and trends in various regions of the world and, at the same time, encourage sponsors in our network to adopt ESG best practices.

Lexington's 23 partners are among the most experienced and highly regarded in the secondary and co-investment markets, averaging 20 years of private equity experience and 18 years together at Lexington. The firm has experienced a high rate of retention since inception, which we believe is a result of a team-oriented, supportive corporate culture and broad alignment of interest. Since inception, Lexington has analyzed thousands of investment opportunities, completing more than 650 secondary transactions and 500 co-investments and acquiring over 4,000 interests managed by over 800 sponsors. Lexington believes the broad portfolio diversification and the quality of underlying assets in our secondary and co-investment funds enable us to mitigate ESG risk and capture value during periods of economic turbulence.

$76bn
in Total Capitalization

21
Secondary Funds

6
Co-investment Funds

1,000+
investors in 40+ countries

23 PARTNERS AVERAGING 18 YEARS TOGETHER AT LEXINGTON

170+ EMPLOYEES ACROSS 8 GLOBAL OFFICES

650+
secondary transactions

3,900+
secondary interests

520+
co-investments

700+
primary investments completed

800+
sponsor relationships

Lexington has continuously refined our approach to ESG over the past 13 years.

EVOLUTION OF LEXINGTON'S ESG PROGRAM

2011

Adopted Responsible Investment Policy in line with PRI Principles

Formed Responsible Investment Steering Committee

Began surveying select sponsors on ESG topics

2014

Became a PRI Signatory

2019

Implemented annual ESG survey of all underlying sponsors in actively investing secondary funds

Began support of the Toigo Foundation and expanded partnership with SEO

2020

Published first comprehensive Annual ESG Report

Formed DEI Committee and published DEI Mission Statement

Implemented ESG training

Established Women Who Lead employee resource group

Held first firmwide DEI training

Supported Covid-19 relief for frontline workers

2021

Joined ILPA's Diversity in Action

Welcomed first Toigo summer intern

Engaged ESG consultant

Rolled out internal mentorship program

Included CIP sponsors in annual ESG survey

2022

Enhanced ESG and Stewardship Policy and added Exclusions Policy

Expanded scope of annual ESG survey

Joined Franklin Templeton's Stewardship & Sustainability Council

Welcomed Girls Who Invest summer intern

Offset AGM carbon emissions and calculated firm-level carbon footprint (Scope 1 and Scope 2 emissions)

2023

Integrated RepRisk

Expanded scope of annual ESG survey

Formalized approach to human rights

Measured firm-level Scope 3 emissions (business travel)

Joined Tuck (Dartmouth) Business School's Gender Equity Consortium

Welcomed ABANA summer intern

Engaged Malk Partners as ESG consultant

Lexington has adhered to the PRI guidelines since 2011, has been a PRI signatory since 2014, and continues to align our ESG priorities with those of the PRI. In addition, we work with a third-party ESG consultant to support our existing processes and help implement new initiatives.

LEADERSHIP AND OVERSIGHT

Strong governance and accountability are central to Lexington's ESG philosophy.

ESG Steering Committee

Lexington has a cross-disciplinary ESG Steering Committee to provide diverse perspectives: secondary, co-investment, investor relations, legal and compliance, and operations. We believe that overlap across the firm's governing bodies is important in ensuring firmwide attention to and senior-level support of ESG efforts.

The ESG Steering Committee 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
- Educating professionals on ESG issues and priorities
- Supporting transparency and timely reporting of ESG topics
- Engaging with Franklin Templeton's Sustainability and Stewardship Council

"Delivering value for our stakeholders requires a strong understanding of the nuances of the global ESG landscape. Lexington's ESG Steering Committee has been instrumental in driving positive change at our firm."

Pål Ristvedt
Partner, Secondaries
IC Co-Chair


Lutz Fuhrmann
Partner, CIP


Tom Giannetti
Partner & CFO


John Loverro
Partner, CIP


Pål Ristvedt
Partner, Secondaries


Taylor Robinson
Partner, Secondaries


John Rudge
Partner, Secondaries


Erica Castle
Director, IR


Deepa Thimmapaya
Vice President, Legal

LEXINGTON'S APPROACH TO ESG

We have integrated ESG factors into secondary and co-investment policies and procedures and believe that consideration of ESG principles during due diligence for every deal is essential in anticipating and mitigating risk.

Operational Sub-Committee: Our secondary and CIP investment committees, with the input of the ESG Steering Committee, ensure new commitments meet each respective fund's investment criteria. In addition, Lexington has an Operational Sub-Committee representing the firm's ESG, legal and compliance, finance and accounting, and tax interests. Before a deal can advance to the relevant investment committee, the deal team is required to submit a completed questionnaire to the Operational Sub-Committee describing any known material ESG risks identified during due diligence and confirming alignment with Lexington's exclusions policy. Deal teams are expected to consult a list of relevant illustrative ESG indicators, as outlined in the ESG and Stewardship Policy, during due diligence in conjunction with the consideration of other factors.

One advantage of Lexington's secondary strategy is that private equity partnerships are typically already significantly invested when Lexington funds acquire interests in them. This provides us with visibility into the operations, governance, and internal controls of underlying funds prior to acquisition and reduces Lexington's exposure to potential material ESG "blind pool" risks. For co-investments, Lexington's CIP professionals can leverage extensive asset-level due diligence conducted by high-quality sponsors, which increasingly incorporates ESG.

Lexington's primary objective is to generate strong, risk-adjusted returns in our funds and to ensure the firm's interests are strongly aligned with those of our investors. While our funds do not directly manage underlying portfolio companies, we leverage our strong sponsor relationships and information database to share insights and encourage responsible practices across our extensive network of global GPs.

As part of our rigorous investment analysis, we approach ESG factors the same way we would approach other considerations. Lexington's secondary and co-investment professionals evaluate all aspects of a transaction, including short-term and long-term ESG risks and opportunities, that may materially impact the future financial performance of the transaction. This process combines detailed "bottoms-up" analysis with a qualitative assessment of the sponsor's

FEATURES OF LEXINGTON'S ESG AND STEWARDSHIP POLICY:

- Applies to all secondary, primary and co-investment activity
- Outlines illustrative ESG factors to consider during due diligence
- Includes Lexington's Exclusions Policy
- Outlines approach to stewardship and human rights
- Updated periodically in accordance with industry best practices / PRI guidelines
- Publicly available on Lexington's website
- Most recently updated in December 2023

strategy and reputation. As an investor in interests managed by over 800 sponsors, Lexington is well-positioned to evaluate a sponsor's ESG record and ability to mitigate ESG risk.

Providing our professionals with the education and tools to understand the impact of ESG risks and opportunities on our business is important in our firm's success. Lexington has incorporated RepRisk, an ESG risk platform, to enhance our analysis and monitoring capabilities for secondary and co-investment transactions by providing comprehensive company risk data and research. In addition, Lexington engaged Malk Partners to provide customized training focused on ESG risk analysis and key ESG issues to consider in underwriting and decision-making. We will continue to conduct regular ESG training to help deal professionals identify the relevance and impact of ESG factors on our investment and portfolio monitoring activities.

LEXINGTON'S ESG PLAYBOOK

TRAINING

ESG training for deal professionals to enable identification of material ESG risks and opportunities

DUE DILIGENCE

Consideration of ESG issues in "bottoms-up" transaction due diligence and analysis of underlying GPs

DECISION-MAKING

Operational Sub-Committee and investment committees ensure material ESG risks are appropriately identified and mitigated

MONITORING

Annual survey and scoring of underlying sponsors regarding ESG & DEI policies and approach

REPORTING

Annual ESG Report with survey results published on website; Annual PRI reporting

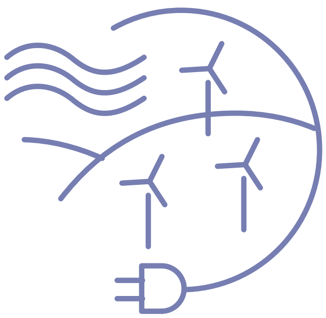
Survey Highlights

98%

of respondents have an ESG policy

99%

of respondents integrate ESG into their investment analysis



84%

of respondents conduct ESG training for employees

56%

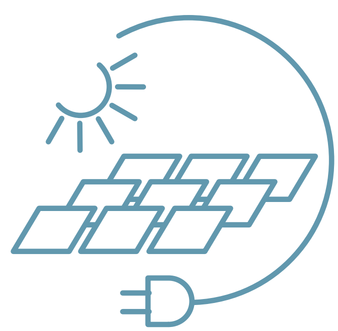
of respondents calculate GHG emissions at the portfolio level post-investment

51%

of respondents have dedicated ESG professionals, compared to 21% in 2022

79%

of respondents who incorporate ESG into ownership track ESG-related KPIs



INTRODUCTION

Lexington's annual ESG survey is an important tool for the firm's post-investment stewardship and portfolio monitoring. Lexington issues this survey annually to all sponsors in its actively investing secondary and co-investment funds. Lexington has expanded the scope of the survey over time to encompass a large group of sponsors and additional metrics to gain deeper knowledge of sponsors' ESG practices. While we make non-control investments in secondary and co-investment transactions, our reach across a wide network of sponsors allows us to gather and share insights into the status of ESG integration across the industry. We report the aggregate survey results publicly each year to enable access by sponsors, investors, and other industry stakeholders.

After several years of analyzing and reporting on our survey results, we have observed a steady increase in ESG adoption among sponsors, which we believe reflects greater ESG expectations of investors and regulators and continued recognition of the relevance of ESG to protecting investment value. Discussed in more detail below, survey highlights include the growth among sponsors in formalized ESG governance through policies and oversight, as well as a focus on active portfolio management through stewardship practices and ESG data collection.

SURVEY METHODOLOGY AND RESPONSES

New Questions in 2023 Survey

- *Are ESG/DEI incorporated into compensation mechanisms or employee performance reviews?*
- *Do you have a human rights policy or similar policy or initiative?*
- *Do you track ESG key performance indicators (KPIs) of your investments?*

In 2023, we added three new questions to the survey and expanded several existing questions to collect more detail on how our sponsors implement ESG principles in practice. Our goal is to capture data on important topics and emerging areas of focus within ESG in private markets. Our questions align to industry frameworks such as the PRI, with which many of our sponsors are familiar through their own membership in these initiatives.

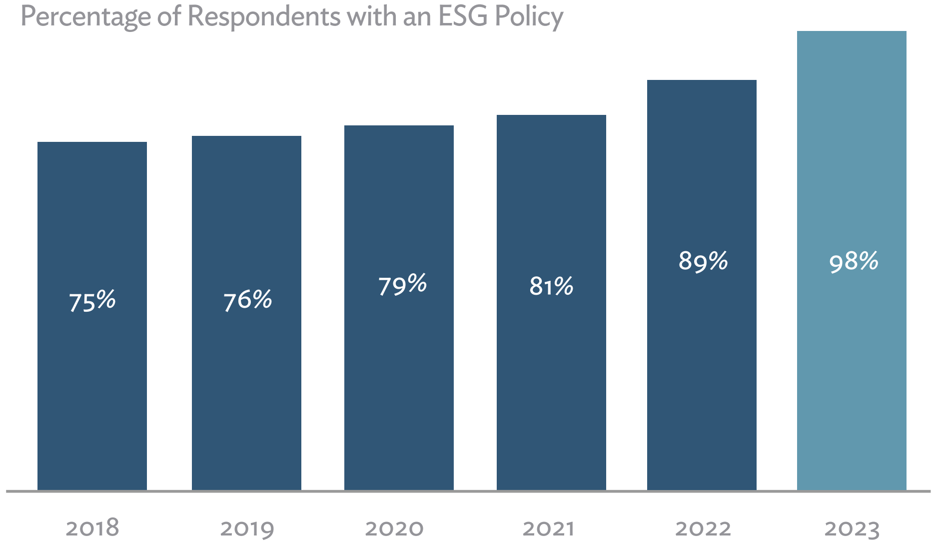
In 2023, we received survey responses from over 100 sponsors representing over $3.5 trillion of AUM. It is worth noting that the number of sponsors included in the survey varies, sometimes significantly, year over year as Lexington has historically focused the survey on sponsors in its actively investing secondary and co-investment funds.

Respondents span investment strategies including buyout (80%), growth (12%), and venture capital (7%), with the remaining (1%) in credit, energy, and infrastructure and are primarily located in North America (72%) and U.K./Western Europe (25%), with 3% Rest of World.

ESG POLICIES

We believe that an ESG policy is the foundational document for firm-level ESG governance and has been implemented by nearly all respondents to the 2023 survey. Lexington's survey has consistently tracked this data point over the past six years and the consistent increase demonstrates how an ESG policy has become a baseline expectation of general partners. ESG policies are close to universal across buyout (99%) and growth (100%). Venture capital (88%), while still lagging slightly in the formalization of ESG practices and commitments, primarily due to a lack of dedicated resources, has made considerable year-over-year improvements (41% in 2021 and 62% in 2022)

Percentage of Respondents with an ESG Policy



43% of respondents indicated they maintain a human rights policy.

ESG policies commonly include an overview of roles and responsibilities, ESG considerations in investment decision-making, post-investment management, and measures for transparency and reporting. As ESG policies have become standard, sponsors are beginning to expand beyond a general overview of ESG governance, documenting their philosophy and approach to more specific ESG topics. In particular, human rights has emerged as an area of focus across ESG regulations and industry frameworks including the Sustainable Finance Disclosure Regulation ("SFDR") and PRI. Human rights concerns, such as the use of child labor within the operations or supply chain of a portfolio investment, can lead to material legal, financial, and reputational risks for both the asset and the sponsor. Developing an approach to human rights due diligence and risk management allows sponsors to mitigate these risks in collaboration with their portfolio companies.

Sponsors are also providing more detail on their stewardship practices, an aspect of responsible investment encompassing actions taken by investors to influence and engage other stakeholders in improving ESG practices and outcomes. 42% of respondents in 2023 noted that they maintain a stewardship policy, compared to 31% in 2022, which may include engagement of investees, industry groups, and policymakers. Especially when taking a controlling interest, sponsors in the private markets have significant influence over portfolio companies, and active stewardship practices can help firms mitigate material risks ranging from workforce attrition to supply chain disruptions. Furthermore, private equity firms are beginning to focus on ESG as a value creation lever, with opportunities to drive competitive differentiation, cost savings, and improved exit opportunities.

ESG COMMITMENTS AND REPORTING

78% of respondents belong to one or more collaborative ESG initiatives or have aligned to an ESG framework, with the most common being PRI (59%), ILPA DIA (45%) and EDCI (44%).

From 2022 to 2023, participation in ESG frameworks increased from 60% to 78%. Not only have most sponsors joined an industry framework, but participation in multiple initiatives is also common, with the majority of sponsors (64%) aligning to two or more frameworks or initiatives. Many limited partners have influenced firms to become signatories to frameworks such as PRI and the ESG Data Convergence Initiative ("EDCI"), and sponsors may increasingly expect related questions during the fundraising process and for ongoing monitoring. As such, the increased rates of participation indicate that sponsors are responsive to limited partners' ESG preferences.

Lexington also believes that the rise in ESG framework participation is partially driven by regulatory developments, particularly in Europe, where 100% of respondents have joined one or more frameworks or initiatives. For instance, climate disclosures aligned to the Task Force on Climate-related Financial Disclosures ("TCFD") (adopted by 19% of sponsors) became mandatory for the largest asset managers in the UK in 2023, with the AUM threshold lowering to capture a larger number of firms in 2024. For firms based in the EU or marketing to EU investors, SFDR classification is top of mind. Around a quarter of firms report having an Article 8 fund, which commits to promoting environmental and social characteristics, although Article 9 funds (6%) committing to sustainable investment remain a small minority. As would be expected, European firms are greatly over-represented among sponsors with SFDR-aligned funds, with 70% and 11% of firms having Article 8 and 9 funds, respectively. Comparatively, only 12% of North American sponsors reported having Article 8 funds and 5% with Article 9 funds.

In addition to participation in industry frameworks, an ESG report is a common method for sponsors to provide investors and other stakeholders with regular updates on progress against ESG commitments. 74% of sponsors indicate that they prepare an ESG report, of which 60% are made publicly available. Although less widely published by North American sponsors (67%) as compared to European sponsors (93%), a growing majority across all regions and strategies are choosing to provide regular updates on firm and portfolio ESG management.

ESG ACCOUNTABILITY

91% of respondents have formalized oversight/implementation responsibilities for ESG integration, over half of which have dedicated ESG professionals.

There was a notable increase—21% in 2022 to 51% in 2023—in sponsors with formalized ESG oversight, as well as those who reported having dedicated ESG professionals, which increased from 75% to 91% in the same period. These trends indicate that formalized oversight is of increasing importance among firms seeking to build out their ESG programs and related accountability structures. That said, these results vary by geography—of those with dedicated ESG professionals, European sponsors continue to be over-represented (81%), while North American sponsors lagged (40%)—likely reflecting heightened regulatory expectations in Europe.

Further, 46% of respondents reported leveraging third-party advisors to assist in ESG oversight. Third-party advisors can enhance sponsors' credibility and help firms manage an increasingly complex set of regulations, frameworks, and investor expectations. Most commonly, sponsors reported utilizing advisors such as Malk Partners, Bridge House, Anthesis, Apex, and ERM.

84% of respondents conduct ESG training for employees, compared to 70% in 2022.

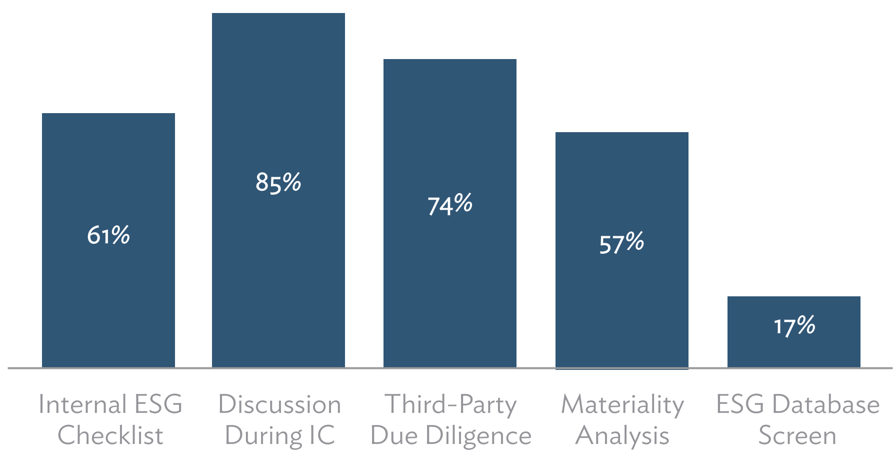
Of sponsors conducting ESG trainings, around half conduct them annually. One of the primary goals of ESG training is to promote a shared understanding of a given firm's ESG approach in alignment with both the firm's values and its overall business strategy. Of those providing ESG training, 46% of firms reported providing them to all employees, while 38% train only investment teams.

In addition to training, around a third of firms reported that they incorporate ESG/DEI into compensation mechanisms or employee performance to ensure employee incentives are aligned with firms' ESG performance. In practice, these schemes may include linking professional development goals, annual bonuses, or even carried-interest payments to ESG performance indicators such as sustainable fund development or diverse hiring, or specific scores such as PRI ratings. Of firms with these initiatives, ESG/DEI were most commonly incorporated into performance reviews (38%) or both performance reviews and compensation (32%), with a small number incorporating these considerations into just compensation (14%). Sponsors' responses varied significantly by geography—compared to two thirds of European firms, a minority (22%) of North American firms reported having any ESG/DEI incentive structures.

ESG INTEGRATION

For almost all sponsors (99%), ESG is now a default consideration in investment analysis, representing a significant year-over-year increase from 77% in 2022. This may begin with a negative screen of opportunities, with 40% of sponsors maintaining guidelines on investment exclusions. More commonly, the majority of sponsors surveyed report conducting some form of ESG due diligence. Following due diligence, 85% of sponsors indicate that the investment committee discusses ESG topics—an indication that sponsors are considering the financial materiality of ESG in investment decision-making.

Percentage of Respondents Incorporating ESG into the Investment Process by Activity (of those reporting to incorporate ESG into the investment process)



Post-investment, 91% of respondents continue to incorporate ESG risks and opportunities through ownership policies and practices.

The active management of ESG within sponsor portfolios acknowledges the importance of ESG for value protection and creation. Of responding sponsors, most engage directly with portfolio company management teams on ESG (91%), and the vast majority have begun to track ESG-related KPIs for at least a portion of their investments (79%), typically for more recent funds. Firms who collect ESG data generally do so annually, with some sponsors moving to quarterly KPI tracking. Sponsors repeatedly cite investor requests as a driver for ESG data reporting. Standardized portfolio-wide metrics are typical to enable this reporting, often aligned to frameworks such as EDCI. Sponsors also leverage collected data to identify areas for portfolio engagement, and some firms may use scorecards or other tools to provide portfolio companies with feedback on their ESG progress. Given the numerous uses of ESG data, effective and accurate data collection, verification, and reporting is likely to be a continued priority going forward.

CLIMATE CHANGE

Firm-level emissions tracking increased across sponsors from 2022 (36%) to 2023 (52%). Of those tracking emissions, several sponsors utilize third-party providers to either assist in carbon footprinting or to audit emissions calculations completed internally by the firm. Several sponsors noted firm-level carbon offsetting initiatives to achieve goals around carbon neutrality, such as purchasing carbon credits or sourcing renewable energy for offices. Interestingly, a slightly higher percentage of sponsors (56%) indicated that they track portfolio-level emissions as compared to firm-level. The focus on tracking portfolio emissions may be driven by the frequency of requests by limited partners as well as the incorporation of asset-level emissions as a core metric for frameworks such as EDCI and SFDR.

33% of respondents have made a formal climate commitment.

Compared to 2022, this figure represents a 6% increase across all respondents. Among sponsors that have not made formal climate commitments, firms indicated that climate remained a consideration for their ESG roadmaps. For example, one sponsor noted that it has engaged a third-party consultant to conduct a gap assessment against TCFD and other climate frameworks and plans to leverage these findings to develop a longer-term strategy that aligns with the firm's overall ESG approach.

Of the 36 respondents with formal climate commitments, over half (51%) indicated that they were carbon neutral, while others maintained clear emissions targets (32%) and/or have made commitments to the Science-Based Targets Initiative ("SBTi") (31%) or the Net Zero Asset Managers Initiative ("NZAM") (17%). Alignment to these frameworks increased across the board compared to 2022, indicating a growing industry-wide recognition of the need for both collaborative and standardized solutions to address climate challenges.

The most significant share of sponsor emissions is typically comprised of Scope 3 financed emissions, or emissions associated with sponsors' portfolios. A majority (56%) of sponsors track GHG emissions at the portfolio level. These findings are consistent with our analysis from the previous year, in which we anticipated continued adoption of Scope 3 reporting. Measuring portfolio emissions can pose challenges for sponsors—deciphering how to accurately track and report on emissions, particularly for sponsors with large portfolios or asset-heavy portfolio companies, can quickly become complex. Sponsors must make decisions regarding methodology and service providers, balancing the burden on portfolio companies and cost with the robustness of final calculations. Still, given evolving regulatory and investor expectations for emissions data, as well as the growth of software solutions to reduce barriers to data collection, we expect emissions tracking to continue increasing in prevalence over the coming years.

Further, some sponsors outlined their climate approach through portfolio engagement—one respondent noted its development of a proprietary decarbonization playbook which helps to equip portfolio companies with the resources to achieve net zero emissions. Similarly, another sponsor described the launch of a climate program to support its portfolio companies on tailored GHG emissions calculation and reduction plans. Both initiatives are demonstrative of efforts made by firms to reduce their financed emissions over time.

DIVERSITY, EQUITY, & INCLUSION

76% of respondents indicated they have a formal DEI policy or initiative.

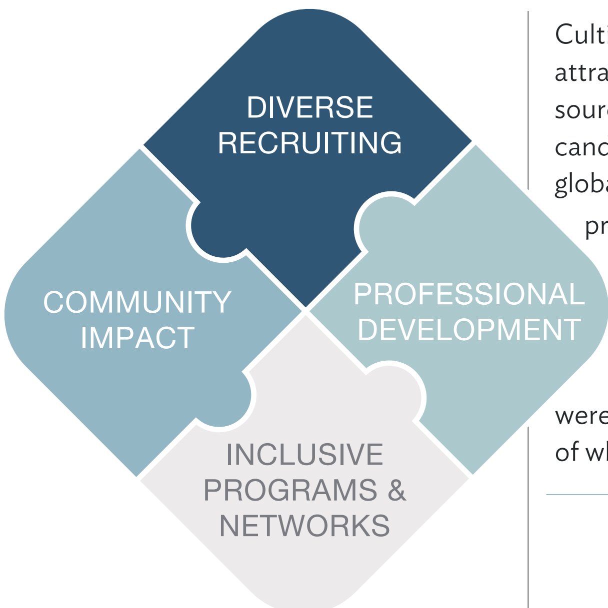
This represented a slight increase from 2022, when 70% of sponsors indicated they maintained a DEI policy or initiative, indicating that a strong majority of sponsors continue to pursue DEI as an integral part of broader ESG initiatives.

Overall, while ESG has faced headwinds in the past year, the results of Lexington's 2023 survey show that ESG adoption has not reversed among participating sponsors. ESG in the private markets continues to maintain momentum, advancing through sponsors' actions at the firm and portfolio levels.

Diversity, Equity, and Inclusion

Lexington believes a talented workforce with a wealth of diverse experiences, skills, and perspectives drives results – enhanced decision making, continued strong performance for our limited partners, and a rich firm culture. We are committed to fostering an inclusive work environment that celebrates differences and encourages input from all perspectives.

DEI PILLARS



Cultivating an inclusive workplace begins with our ability to identify and attract strong, diverse talent. We engage with our recruiting partners to source diverse applicant pools and increase accountability for diverse candidate considerations. In 2023, Lexington hired 21 professionals globally, of which 11, or 52%, are women. We believe our strong record of promotion and retention is a direct result of Lexington's rich culture, inclusive and collaborative work environment, and alignment of interests. Since 2010, apart from professionals that retired or became advisors to Lexington, only one partner has departed. During that period, Lexington has added 20 partners, all of whom were promoted from within. In 2023, Lexington promoted 20 professionals, of which 11, or 55%, are women.

DIVERSITY SNAPSHOT

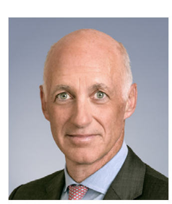
54% of professionals are diverse
(33% of investment professionals)

40% of 2023 promotions are diverse
(39% of investment professional promotions)

DEI COMMITTEE

Lexington established a DEI Committee in 2020 led by three of the Firm's partners: Jennifer Kheng, Bart Osman, and Victor Wu. The mission of the DEI Committee is to strengthen Lexington's core values by attracting, retaining, and advancing diverse talent and engaging with the communities in which we live and work.


Jennifer Kheng
Partner, Secondaries


Bart Osman
Partner, CIP


Victor Wu
Partner, Secondaries

Diversity data reflects Lexington professionals as of December 31, 2023. Gender data reflects all professionals globally and race/ethnicity information reflects non-white professionals in the U.S. based on the definitions in ILPA's latest Diversity Template.

DEI AT LEXINGTON

Lexington provides employees with mentorship, training, and experiences that develop their skills to maximize performance and realize their full potential. Lexington formalized a mentorship program in 2021. The program's mission is to encourage the development of relationships across geographies and disciplines and to provide access to the insights and networks of senior professionals beyond that of day-to-day work interaction. We believe the mutual learning from these mentorship relationships encourages improvement and creativity and reinforces our commitment to retention and promotion from within. Lexington has also implemented regular training for all employees focused on identifying and mitigating unconscious bias and building a positive and supportive workplace culture. This DEI education is also included as part of the onboarding process for all new joiners. Further, Lexington's senior leadership partakes in inclusive leadership training.

"With the ongoing growth of our firm and market, Lexington has fostered a distinctive culture that champions inclusivity and collaboration. We aspire to create a workplace that embraces the value of our differences."

Jennifer Kheng
Partner, Secondaries

SPOTLIGHT:

WOMEN WHO LEAD

In 2020, Lexington established **Women Who Lead**, an employee resource group formed to cultivate a supportive culture for women and provide opportunities for all Lexington employees to participate in educational, philanthropic, and community building events and discussions to foster inclusivity. Women Who Lead successfully held more than 10 events in 2023, including a firmwide steps challenge to support UCSF Hematological Tissue Bank, for which Lexington matched 100% of the amount raised. During the holiday season, Women Who Lead also held a virtual fundraiser for Toys For Tots and Lexington matched 100% of those donations to support Restore, a nonprofit focused on supporting survivors of sex trafficking. Women Who Lead also sponsored a professional development workshop in partnership with LifeLabs Learning focused on presentation and delivery skills, and a wellness event focused on mindfulness.

PARTNERSHIPS

Over the course of several years, Lexington has established partnerships with leading organizations focused on DEI objectives. Lexington has helped foster career advancement and leadership of underrepresented talent through its support of The Robert Toigo Foundation ("Toigo"), which through its MBA program has developed a network of more than 1,800 high-performing graduates from over 20 top MBA programs. Lexington has made a multi-year commitment to partner with Toigo to sponsor a summer internship for first-year Toigo fellows. In addition, Lexington hosted an intern from Girls Who Invest – an organization committed to increasing the number of women in portfolio management and leadership in finance – and an intern from ABANA – an organization committed to the career advancement of MBA students from the Middle East and North Africa. While at Lexington, the interns had the opportunity to work with various groups, including our secondary, co-investment, and investor relations teams and participated in team-building events and outings. In 2023, Lexington became a signatory to Tuck (Dartmouth) Business Schools' Gender Equity Consortium, with the goal of promoting gender equity within private equity. Additionally, Lexington is a signatory to ILPA's Diversity in Action initiative, a group of limited partners and general partners with the aim of making the private equity industry more diverse and inclusive by adopting specific actions to advance DEI practices within our organizations over time. Lexington participated in Diversity in Action roundtables throughout the year and collaborated with other private equity sponsors on practical and actionable DEI practices.

TOIGO Bringing Diversity to Life | girls who invest | ABANA

GENDER EQUITY CONSORTIUM | Diversity in Action ilpa

COMMUNITY OUTREACH

Lexington has consistently devoted time and resources to engage with and give back to our local communities, sponsoring and making charitable contributions aligned with our DEI mission. The non-profit organizations and causes that Lexington supported this year include Sponsors for Educational Opportunity ("SEO") as a sponsor of the Alternative Investments Fellowship Program, the Waterside School, the One Love Foundation, Girls Who Invest, Restore NYC, and the Cornelia Connelly Center, among others.

Sponsored the 2023 TOIGO Gala.


Hong Kong team participated in a beach cleanup with Green Hope, collecting 210kg of trash.

New York professionals participated in the 2023 JPMorgan Corporate Challenge.

LOOKING FORWARD TO 2024

We are proud of the progress Lexington made towards our ESG objectives in 2023, a year in which we strengthened our internal policies and expanded our ESG data analysis capabilities. As we look towards 2024, Lexington plans to continue advancing our ESG and stewardship commitments, guided by our overarching firm values and signatory commitments. We continue to look for opportunities to engage with our sponsors and improve our visibility into their ESG efforts. We plan to explore additional methods of disclosure to provide stakeholders with further transparency into our ESG journey. We appreciate the strong support of our limited partners and look forward to continuing our commitment to transparency, alignment, and partnership as we begin a new year.

2024 PRIORITIES

- Complete firm-level carbon footprint assessment (Scopes 1, 2, and 3)
- Explore climate-focused disclosures in line with key industry frameworks such as TCFD
- Enhance ESG data analysis in the investment due diligence and monitoring process
- Broaden our partnership with leading DEI organizations such as TOIGO, Girls Who Invest, SEO, and ABANA
- Pursue initiatives that promote sustainability, charity and social responsibility across global platform
- Explore synergies with Franklin Templeton's Stewardship and Sustainability Council

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