

28 June 2024

Cerberus European Capital Advisors LLP **Task Force on Climate-Related Financial Disclosures Report – 2023**

Cerberus European Capital Advisors LLP (“CECA”) is authorised and regulated by the Financial Conduct Authority (“FCA”) and is an advisory affiliate of Cerberus Capital Management, L.P. (“CCM”, together with its affiliates “Cerberus” or the “Firm”). CECA’s primary business is the provision of non-discretionary investment advice to, and arranging deals for, CCM.

CECA is in scope for the FCA’s ESG sourcebook reporting requirements. This report (the “Report”) serves as CECA’s entity report in accordance with chapters 2.1 and 2.2 of the FCA’s Environmental, Social and Governance (“ESG”) Sourcebook and is consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The disclosures set forth in this Report cover all relevant asset classes to which the FCA’s ESG Sourcebook applies (TCFD in-scope business) with respect to which CECA provides investment advice, which may include all such asset classes, although CECA does not currently advise on project-finance-related investments. The disclosures set forth herein are limited to CECA, but in many cases CECA’s approach to certain TCFD pillars may be encompassed within a broader CCM strategy, policy, or practice, which will be described herein. To the extent CECA’s approach to the governance, strategy or risk management of a particular strategy, asset class or product is materially different to the approach taken by CCM, efforts have been made to explain and highlight such differences.

All information contained in this Report is as of 31 December 2023 with a reporting period of 1 January 2023 to 31 December 2023.

Governance

Cerberus has a Firm-wide Environmental, Social, and Governance (ESG) Policy that was most recently updated in June 2023. The purpose of Cerberus’ ESG Policy is to provide a general framework for consideration of material ESG issues through Firm-wide processes across asset classes, while being consistent with and subject to any applicable fiduciary, legal, regulatory, or contractual duties.¹ Cerberus also has ESG sub-policies in effect for its various investment strategies, including with respect to the assets for which CECA provides investment advice. Cerberus’ ESG Policy specifically refers to climate change as an issue that may be applicable. Climate-related matters fall within the overall umbrella Cerberus’ ESG program and oversight. As such references to ESG contained in this disclosure are intended to capture climate-related factors, as relevant.

¹ For the purposes of the ESG Policy, “material” ESG issues are defined as those environmental, social, or governance issues that Cerberus determines have – or have the potential to have – a substantial impact on an organization’s or asset’s going-forward ability to create, preserve, or erode economic value. Such issues are often important to various stakeholders. The word “material” as used therein should not be equated to or taken as a representation about the “materiality” of such ESG factors under the US federal securities laws or any similar legal, accounting, or regulatory regime globally, or any contractual terms.

Cerberus' ESG Committee, composed of members of Cerberus' senior management and other appropriate subject matter experts, is responsible for oversight of Cerberus' ESG program, policies, and initiatives. The ESG Committee is tasked, in part, with generally overseeing Cerberus' sustainability posture, setting and overseeing the ESG Policy and ESG sub-policies, monitoring external developments, overseeing Cerberus' sustainability disclosures and communications, monitoring compliance with relevant legal and regulatory requirements, and overseeing Cerberus' signatory status to any ESG-related external frameworks and initiatives.

Cerberus' cross-functional ESG Team is responsible for working collaboratively across the Firm and the Firm's investment desks to coordinate and manage the implementation of the Firm's ESG program, policies, and procedures. The ESG Team plays an integral role in the collection and analysis of ESG data and other information, preparing relevant reporting and communications, and supporting the integration of environmental, social, and governance considerations into our investment processes and other firm functions such as sales operations, legal, and compliance, among others.

CECA's Executive Committee ("ExCo") has been delegated day-to-day responsibilities for the affairs of CECA. As a part of 2023 ExCo meetings, representatives from the various business lines and investment strategies, including a member of the ESG Team, attended and updated the ExCo on relevant matters, as non-voting members. The individual partners are the voting members of the ExCo. This Report has been presented to the ExCo and CECA's Chairman has reviewed and approved the Report.

Whilst ultimate oversight of ESG and climate change matters rests with Cerberus' ESG Committee, and as applicable the ExCo, during the course of 2023 Cerberus' ESG Team worked collaboratively across the Firm and Cerberus' investment desks, including with respect to the strategies upon which CECA provided investment advice, to co-ordinate and manage the implementation of Cerberus' ESG program, policies, and procedures.

During 2023, Cerberus established desk-based ESG Working Groups ("Working Groups") that are intended to be smaller and more specific to its strategies and asset classes. These Working Groups include representation from investment, legal, ESG and other relevant teams. Several of these Working Groups apply to assets with respect to which CECA provided investment advice. These groups coordinate with the ESG Team and are designed to execute Cerberus' ESG program at the investment-desk and strategy level to ensure greater nuances for markets and asset-classes can be effectively incorporated.

Responsibilities of the Working Groups include:

- » Supporting implementation of ESG sub-policies and procedures.
- » Data collection, control, and management.
- » Providing resources to Cerberus professionals and portfolio company personnel to support ESG integration and outcomes.
- » Integrating ESG/climate governance, risks, and strategy, as appropriate for the investment strategy and asset class.

- » Identifying continuing education and capacity building needs for Cerberus professionals and portfolio companies.

To ensure all relevant Cerberus (including CECA) professionals have access to relevant documents and resources used in their day-to-day activities in executing the ESG program, a SharePoint ESG website was created to centralize relevant resources in an accessible location.

Strategy and Risk Management

CECA's identification and assessment of the impact of climate-related risks and opportunities is a part of Cerberus' global approach to risk management. Reflecting the limited amount of data available, as described further in the Data and Metrics section below, Cerberus does not currently apply forward looking climate metrics or scenario analysis as a function of its risk management processes.

Cerberus took several other actions during 2023 related to strategy and risk management.

During 2023, the ESG Team updated the annual ESG questionnaire for its operationally controlled portfolio companies and real estate joint venture partners that it plans to administer to these entities in 2024. The updates included questions related to the way in which such entities identify, assess and manage climate-related risks, both physical and transition, as well as with respect to the actual or potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material. These topics will generally be integrated into Cerberus' overall engagement with such portfolio companies and joint venture partners that occurs as a part of the questionnaire and annual meeting process in 2024.

In 2023, Cerberus leveraged its annual questionnaire process with the majority of its operationally controlled portfolio companies to engage on ESG-related factors. In certain cases, Cerberus professionals supported portfolio companies in integrating material ESG objectives into business plans, and in many cases helped portfolio companies identify key issues that could help them to manage risk and/or preserve or create value for their businesses. At the end of 2023 Cerberus finalized a three-pillar Value Creation Framework intended for operationally controlled portfolio companies. This framework focuses on:

- » Establishing effective governance at board and management levels;
- » Developing a materiality-based ESG business strategy and setting a KPI-based roadmap; and
- » Quality data control and reporting.

Cerberus will work to roll this framework out during the 2024 annual meetings with these companies.

In addition to engaging directly with its portfolio companies to manage and discuss material ESG-related issues, Cerberus continues to invest in the development and distribution of relevant resources and education. During 2023 Cerberus developed the following resources to support its portfolio companies:

- » An ESG Governance Handbook to support portfolio companies in the establishment of fit-for-purpose governance programs.

- » A Greenhouse Gas (“GHG”) Emissions Handbook that provides an overview of GHG emissions accounting process, outlines Cerberus’ suggestions, and includes a repository of useful resources.
- » A handbook on Developing an Energy Efficiency Plan for the Manufacturing Sector: How to Get Started, which Cerberus plans to finalize and distribute to relevant companies in 2024. This handbook is intended to support manufacturing companies in reducing GHG emissions and to enhance energy efficiency which may lead to increased savings.
- » Climate and ESG board training for certain of its controlled companies. Cerberus has plans to formalize these trainings in 2024.

The ESG team also hosted 6 educational webinars for operationally controlled portfolio companies across its global portfolio. At least 113 unique attendees across 47 portfolio companies participated in these live sessions that covered topics including:

- » ESG data management and reporting.
- » First steps in developing a climate strategy.
- » EU Corporate Sustainability Reporting Directive (CSRD).
- » Carbon Disclosure Project and Ecovadis reporting expectations and processes.
- » Artificial intelligence: exploring the future of ESG.
- » Sustainability-linked loans.

During 2023, the ESG Team held two climate trainings for Cerberus professionals - to which CECA professionals were invited - and which covered topics such as:

- » Commonly used terms and measurements.
- » Regulations and mandatory reporting requirements.
- » Voluntary commitments and corporate action.
- » How to assess risks and opportunities from an investment perspective.

In 2024 Cerberus intends to continue an educational series for the Working Groups and certain other professionals. This series is intended to cover topics such as:

- » Physical and transition risks of climate change.
- » Evolving ESG-related regulatory frameworks and greenwashing.
- » Data management and reporting.

Cerberus monitors evolving legal and regulatory requirements and developments as they relate to climate-related measures applicable to its business and will continue to monitor these developments and implement climate-related strategies or risk-management processes, as Cerberus deems appropriate.

Data and Metrics

With respect to Scope 1 and Scope 2 climate data, CECA is in the process of collecting data and ensuring proper procedures and controls are implemented for eventual reporting processes. Cerberus has initiated the collection of emissions data for its direct lease offices and worked with certain of its vendors to set up processes to collect emissions data for business travel. As a part of its engagement with operationally controlled portfolio companies, Cerberus is supporting such companies on effective emissions baselining and management.

With respect to Scope 3 (financed emissions) data, CECA is in the process of mapping its portfolio categorizations to TCFD-based asset classes and beginning to collect data points that will be relevant for reporting purposes. Although this may change, CECA currently plans to align its reporting, to the extent possible, with the Partnership for Carbon Accounting Financials (“PCAF”) reporting framework, noting that the PCAF framework does not cover all asset classes for which CECA provides investment advice.

With respect to the operationally controlled equity portfolio on which CECA advises, the Cerberus ESG Team and relevant other team members are working directly with many of these companies to support their efforts to map, calculate, and report GHG emissions to Cerberus as well as their other stakeholders or regulators.

The core of Cerberus’ data collection process is the annual portfolio questionnaire, which was distributed to operationally controlled Private Equity, Supply Chain, Frontier, Global Financial Opportunities, Direct Lending, RMBS, Corporate Credit, and Real Estate platform companies, along with real estate JV partners during 2023. Cerberus distributed 6 asset-class specific questionnaires, which contained qualitative and quantitative questions to identify risk management and value creation opportunities by evaluating relevant ESG maturity and practices of portfolio companies within each asset class. While Cerberus asks about climate-related data, there is no guarantee that climate-related data will be reported, or that it will be reported accurately.

In addition, in its direct lending, non-equity portfolio Cerberus similarly conducted an annual questionnaire process that was limited to data collection to evaluate value enhancement opportunities, but which does not currently include follow-up engagement related to borrower responses.

To increase efficiency and safeguard the quality of its data collection process, during 2023 Cerberus finalized the onboarding of a centralized platform for data collection and analysis. Through the platform, Cerberus distributed the 2022 portfolio questionnaire, launched in February 2023 which covered portfolio data for calendar year 2022. The platform was also accessible to Cerberus portfolio companies to enable them to better manage ESG data and through the creation of relevant dashboards, support them in analyzing such data. In addition, Cerberus developed a quality assurance checklist for its portfolio companies to be able to easily verify the accuracy of data provided to us through the platform as well as more easily identify areas for future improvements for data controls to be implemented.

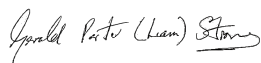
With respect to the other assets on which CECA advises, depending on the asset class and investment process, the ESG Team and other relevant professionals may obtain and assess emissions related data during the due diligence process.

At this time CCM, and by extension, CECA, receives very little climate-related data through these processes, and when and if received, such data is frequently of poor quality and/or not third-party assured. With respect to operationally controlled companies, Cerberus three-pillar Value Creation Framework, described above, is intended to support improved data quality and reporting over time. With respect to other asset classes upon which CECA provides advice, there is no guarantee that CECA will receive data that it requests, and data challenges may persist. As such, CCM is in discussions with data estimate providers so that where it does not receive actual emissions data of sufficient quality, it may consider using estimated data.

Moreover, with respect to certain asset classes (such as consumer non-performing loans) under the CECA umbrella, there remains unclear guidance on the calculation and attribution of financed emissions within the PCAF framework. As such, data remains subject to methodological challenges. CECA will continue to monitor developments in this area.

Given the limitations described above, CECA does not currently have sufficient actual or estimated emissions data to disclose in a manner that would be fair, clear, and not misleading. CECA will continue to monitor developments and will consider disclosing estimated data, to the extent it concludes that such data is not misleading. Moreover, CCM, and by extension, CECA, has not yet set any climate-related targets, reflecting the limited climate-related data that it currently obtains.

The climate related disclosures for CECA in this report comply with the requirements set out in ESG 2.2 (TCFD entity report) and other relevant sections of the FCA ESG Sourcebook.



Liam Gerald Strong, CEO

28 June 2024