



Before any final investment decision, the investor is invited to read the fund's prospectus available on request.



Tribune

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ESG in corporate private debt: how lenders are becoming agents of change

ESG engagement is not only possible in private corporate debt, it is highly effective. At LBP AM's European Private Markets platform, the vast majority of corporate debt transactions integrate bespoke sustainability KPIs. Our differentiator: ESG is not bolted onto the lending process but embedded at every stage of a deal's lifecycle, from selection through to long-term monitoring. In a market segment where convention says lenders are passive on sustainability, LBP AM's track record says otherwise.



Isabelle Luy-Landès,
Head of Direct Lending
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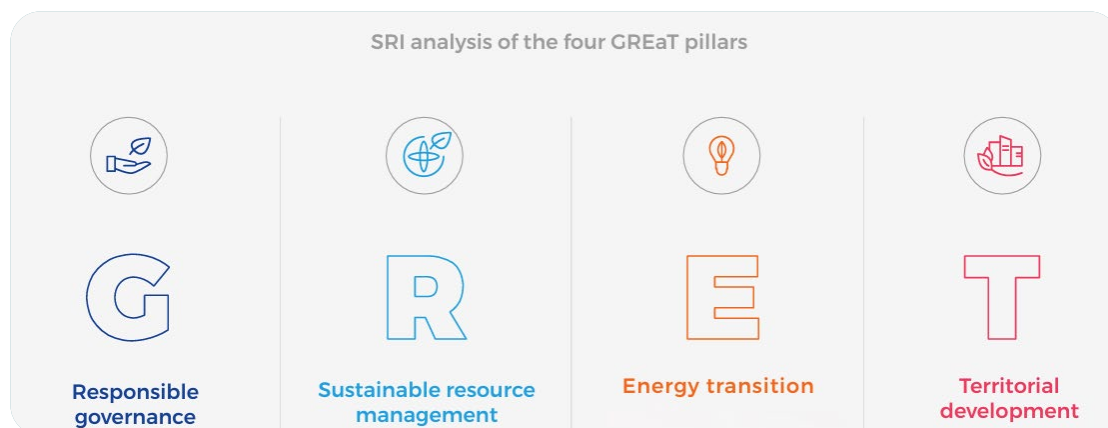
Emilie Goirand,
Head of ESG Corporate Debt &
Unlisted Solutions,
LBP AM

The assumption is understandable.

In listed markets, ESG engagement has well-established channels: shareholder resolutions, proxy voting, direct dialogue with boards. None of these apply in private corporate debt. There are no general meetings, no equity stake conferring governance rights, and mid-market borrowers rarely face the public scrutiny that drives ESG disclosure in listed companies. But that doesn't make private lenders passive on sustainability by default. The contractual relationship at the heart of every private debt transaction offers a different lever for engagement, which can be just as effective.

SELECTIVITY: ENGAGEMENT STARTS BEFORE THE FIRST EURO

Within the European Private Markets (EPM) platform, ESG engagement is integrated from the very start, at deal selection. We enter no deal on financial merit alone: a positive SRI assessment is mandatory to proceed. These evaluations rely on GREaT, LBP AM's proprietary ESG scoring methodology comprising 13 criteria and 76 indicators¹. If issuers fall below minimum thresholds in these criteria, the deal stops there.



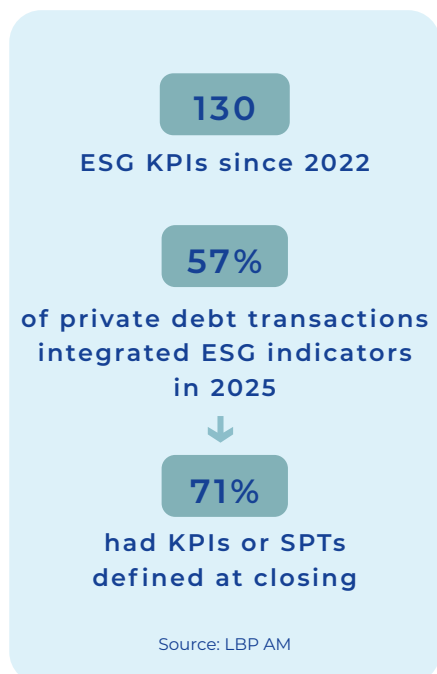
ESG engagement doesn't just mean applying a scorecard, however. Mid-market borrowers are rarely covered by specialised data providers, and many lack the resources to produce comprehensive sustainability reporting. That being said, ESG data availability in unlisted corporate markets is steadily improving, and the use of dedicated ESG due diligence is becoming more common. When companies can't supply the data, we step in to gather and structure it alongside them. Far from meeting resistance, we find that borrowers overwhelmingly welcome the process. The same is true of their shareholders, whether PE sponsors or family owners, who value the quality of these interactions. This kind of hands-on collaboration, well before any financing is signed, is what distinguishes active ESG partnership from passive screening.

1. GREaT stands for responsible governance, sustainable resource management, energy transition, and regional development. [Find out more about our SRI analysis methodology.](#)

STRUCTURING: EMBEDDING SUSTAINABILITY IN THE CONTRACT

This is where we fully activate the contractual lever, translating ESG ambitions into enforceable commitments. We tailor on average three KPIs per transaction based on the borrower's sector, maturity, and material risks, negotiate them directly with management, and embed them in the loan's financial documentation for the full duration. In sustainability-linked loans (SLLs), structured under the LMA Principles, a margin ratchet adjusts the interest rate in both directions: borrowers that meet their sustainability targets benefit from a reduced margin, while those that fall short see it increase.

Since 2022, the vast majority of our corporate debt transactions have included structured ESG KPIs, for a total of 130 KPIs, predominantly focused on decarbonisation and social outcomes. In 2025, only 57% of private debt transactions integrated ESG indicators with interest rate variation; among these, just 71% had KPIs or SPTs defined at closing². These figures point to both the room for progress that remains in the market and the feasibility of systematic integration for those willing to commit to it.

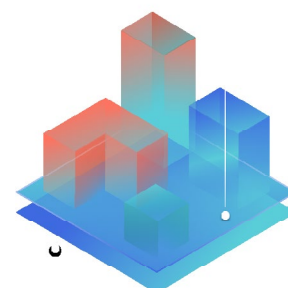


2. *Activité des fonds de dette privée en France (entreprises & infrastructure), France Invest & Deloitte, March 2026.*

THE LONG GAME: STAYING ENGAGED AFTER CLOSING

Genuine engagement continues throughout the deal lifecycle. We set seven-year KPI trajectories with annual assessments verified by an independent third party. If a company misses its targets, we respond with diagnosis: is the shortfall market-driven or company-specific? What support does the borrower need to get back on track? Many mid-market companies are still building their sustainability capabilities – some from scratch – and constructing the monitoring framework alongside them is itself a form of engagement, not just an oversight function.

To measure environmental impact at portfolio level, we have partnered with independent climate platform **Carbometrix** to calculate financed emissions and benchmark the portfolio's decarbonisation trajectory against SBTi and CDP-WWF reference scenarios. The aim is to turn climate commitments into a management tool that serves both the lender and the borrower—not a reporting obligation that serves neither.



APPLYING EXACTING STANDARDS ACROSS STRATEGIES AND GEOGRAPHIES

The Article 9 fund LBP AM Midcap Senior Debt³ (MSD) is the most exacting application of this approach.

This fund alone accounts for **78** of the EPM platform's 130 structured **ESG KPIs**, each carrying financial consequences through the margin ratchet. In 2024, the fund's overall **KPI achievement rate** was **72%**. That standard sets the benchmark for all our strategies.

In Article 8 funds across Europe, we apply the same GREaT scoring and selectivity, though without systematic margin ratchets. Consistently applying our analytical standards across strategies and geographies is a deliberate choice and, increasingly, a differentiator.

‘ Our conviction is clear

a company that does not integrate sustainability into its strategy will, in time, face greater difficulty refinancing and lose value.

Private corporate debt is not, as convention would have it, a space where ESG engagement can't take root: the mode of engagement is different – more direct, more hands-on, more embedded in the daily life of the lending relationship.

As mid-cap financing needs keep growing, our track record proves this model works. The question is how quickly others will follow.

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3. This fund is no longer available for sale. The information provided is for informational purposes only and does not constitute an offer to sell or a solicitation to buy.

Key risks to which investors are exposed: credit risk, market risk, counterparty default risk, concentration risk, and indemnification risk. For more details on these risks, please refer to the fund's legal documentation.



A PROVEN TRACK RECORD IN ESG-INTEGRATED PRIVATE DEBT

- LBP AM is a signatory to the Principles for Responsible Investment (PRI) and achieved a score of **100/100 on private debt in its 2025 assessment**⁴. Powered by 14 years of expertise, the EPM platform has completed **170 transactions across 127 invested companies** at year-end 2025, spanning family-owned and PE-sponsored businesses alike.
- By continuously developing and refining its ESG methodologies, LBP AM helps ensure that listed-market ESG advances flow through to unlisted portfolios.
- The trajectory of BatiBig, a specialist in energy renovation and building maintenance, illustrates the tangible outcomes of this partnership model: since our investment in 2022, the company has moved from limited CSR maturity to a structured sustainability roadmap, with four material KPIs embedded in deal documentation.

4. PRI Assessment Report 2025. LBP AM scores: Direct – Fixed Income – Private Debt: 100/100

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LBP AM

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