Task Force on Climate-Related Financial Disclosures ("TCFD") Report

May 2024

Overview

Lexington acknowledges the risk that climate change poses to our business, our industry, and our communities. Our primary objective is to generate attractive, risk-adjusted returns for the investors in our funds and we believe the adoption of strong ESG policies and practices can mitigate investment risk and positively impact long-term performance for our limited partners, consistent with our fiduciary duty. In addition, we strive to foster a culture of sustainability and encourage awareness of climate-related risks and opportunities in our investment process.

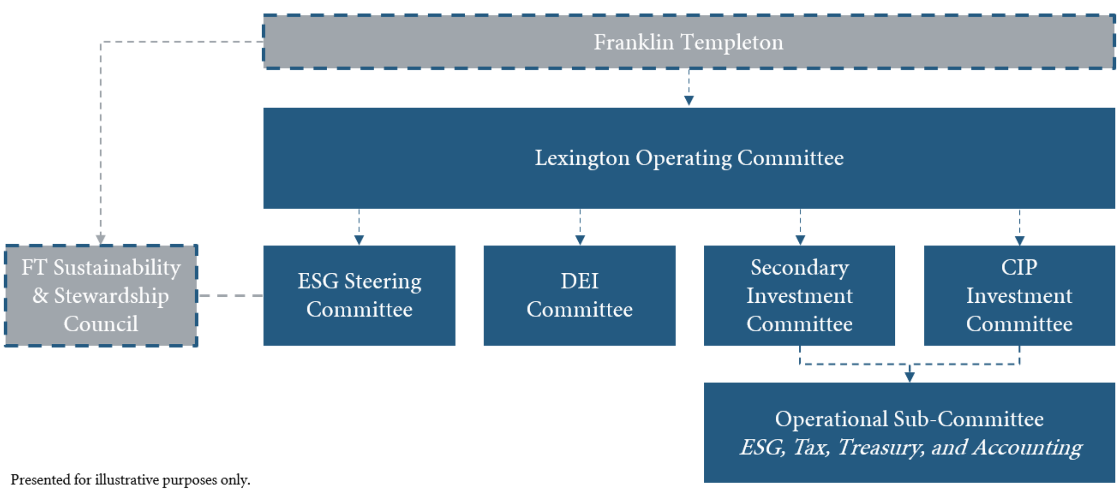
While Lexington does not pursue an ESG-based investment strategy, ESG considerations, including risks and opportunities related to climate change and the transition to a low carbon economy, are embedded in Lexington's governance and risk management frameworks and investment and portfolio construction principles. As a secondary investor or passive minority co-investor, we are not typically positioned to influence a sponsor or underlying portfolio company on climate factors. However, we believe that ongoing communication with our limited partners and underlying sponsors can help us achieve common goals and perpetuate transparency and consistent reporting around climate-related risks in our business. In this report, we disclose our efforts to assess and mitigate climate-related risk in our operations and investment activities and share our progress on climate objectives in line with the four pillars of the TCFD recommendations.

GOVERNANCE	Disclose the organization's governance around climate-related risks and opportunities

Lexington believes that strong senior-level oversight, clear allocation of responsibilities, and broad information sharing position the firm to evaluate, mitigate, and disclose climate-related risks in our operations and investment activities. Lexington has an ESG and Stewardship Policy, publicly available on our website[1], which defines and governs Lexington's approach to responsible investing. Lexington does not have an independent board of directors, and as such, Lexington's ESG efforts are ultimately overseen by Lexington's Operating Committee, described below.

In 2022, Lexington was acquired by Franklin Templeton, one of the industry's largest investment management organizations. Franklin has demonstrated a strong commitment to responsible investing and stewardship and has been acknowledged as a leader in sustainability. While Lexington remains operationally independent, we benefit from the considerable ESG expertise embedded within Franklin's global platform.

ILLUSTRATIVE ESG GOVERNANCE AT LEXINGTON



Presented for illustrative purposes only.

- ***Operating Committee:*** Lexington's Operating Committee, comprised of Wilson Warren (Partner & President) and Thomas Giannetti (Partner & CFO), is responsible for Lexington's day-to-day operations globally and is updated on ESG matters, including those related to climate change and climate risk, as appropriate. Mr. Giannetti is a member of Lexington's ESG Steering Committee.

[1] https://www.lexingtonpartners.com/responsible-investment

- ***ESG Steering Committee:*** Lexington has an ESG Steering Committee which is responsible for the oversight and implementation of the firm's ESG initiatives, ensuring adherence to the ESG and Stewardship Policy, and educating the firm on ESG issues. The ESG Steering Committee convenes at least semi-annually and is comprised of senior members from each team within the firm: secondary, co-investment, investor relations, fund administration, and legal and compliance, in order to benefit from diverse perspectives. Importantly, the ESG Steering Committee includes executives from Lexington's Operating Committee and the secondary and CIP investment committees, which ensures executive sponsorship of ESG integration across the firm.

- ***Secondary & CIP Investment Committees:*** The Secondary and CIP Investment Committees (together, the "Investment Committee") are responsible for portfolio construction and the due diligence and monitoring of Lexington's investments. Each Investment Committee convenes as needed, typically weekly, and evaluates the merits, risks, and dynamics of a transaction, which may include factors related to climate risk and the transition to a low carbon economy. Material climate-related risks and opportunities, defined as those which may have a meaningful impact on the financial performance of a transaction, would be deliberated by the Investment Committee during the decision-making process.

- ***Operational Sub-Committee:*** In order to better track risks pre-investment, including those related to climate change, Lexington established an Operational Sub-Committee to monitor ESG, legal & compliance, finance and accounting, and tax considerations in due diligence. Upon completion of due diligence for all investments in a portfolio and completion of Lexington's models and summaries, the secondary and CIP investment teams are required to submit a completed questionnaire to Lexington's Operational Sub-Committee intended to identify any material risks associated with the transaction, including ESG risks associated with climate change and the transition to a low carbon economy.

- ***Franklin Templeton Sustainability and Stewardship Council:*** Following the closing of Lexington's acquisition by Franklin Templeton in April 2022, Lexington appointed an investment partner delegate to the Sustainability and Stewardship Council ("SSC"), which connects ESG leaders across Franklin's broad asset management platform on a monthly basis to promote sustainability and guide the evolution of Franklin's ESG infrastructure. Lexington is also a member of the Alternatives Sub-Committee, which meets regularly. Importantly, Lexington's representatives on the SSC are also members of the ESG Steering Committee, allowing for effective information sharing across our ESG initiatives.

- ***Third-Party ESG Consultant:*** Since 2021, Lexington has engaged third-party ESG consultants to assess Lexington's ESG program and advise on ways to improve our ESG-related policies and procedures in line with regulation and industry best practices. Lexington convenes with our ESG consultant on a bi-weekly basis.

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

Lexington has identified climate-related risks as posing low risk to the firm's direct operations. As a secondary and passive minority co-investor, Lexington becomes a substitute limited partner in underlying funds or a passive minority co-investor in underlying companies and relies on the underlying or lead sponsors to address climate-related risks and opportunities at the underlying portfolio company level. However, Lexington recognizes that portfolio holdings may face physical (acute or chronic) and/or transition (policy and legal, technology, market, or reputation) climate risks, but believes climate risks to the overall investment portfolio are relatively limited over our average hold period.

Our comprehensive up-front due diligence and detailed post-investment financial statement analysis are measures taken to detect ESG risks, including those related to climate change. Given the breadth of our investments, the time horizon and potential impact of climate-related risks and opportunities vary across the portfolio. ESG considerations are one of a number of factors that Lexington examines when considering investments. In addition, the particular ESG considerations assessed as part of a fund's investment process may vary considerably by transaction, and not every ESG factor may be identified or evaluated in each instance. Together with an analysis of underlying portfolio companies, Lexington evaluates the quality of the sponsors that are managing the investments, including the sponsor's approach to ESG issues. On a look-through basis, Lexington has examined the underlying company exposures of our latest secondary and co-investment funds to the four non-financial groups and 17 industries deemed by the TCFD to have the highest likelihood of climate-related financial impacts as a result of physical and/or transition risks. As of December 31, 2023 (based on 9/30/23 underlying GP values), in our latest global secondary, middle market secondary, and co-investment funds – LCP X, LMMI IV, and CIP V – the largest exposure to any single group of industries was less than 15% of Reported Value ("RV") (Agriculture, Food, and Forest Products), and the largest exposure to any one industry was less than 11% of RV (Packaged Foods and Meats). We believe the high level of diversification of Lexington's funds and the quality of underlying sponsors positions our funds to be resilient to climate-related risks.

At the firm level, Lexington recognizes that climate-related transition risks may impact the firm's overall ESG strategy in the short to medium term, particularly through the evolution of climate disclosure regulation for the financial industry. The firm's ESG Steering Committee is responsible for identifying material climate-related considerations and integrating climate risks into strategic planning.

RISK MANAGEMENT	Disclose how the organization identifies, assesses, and manages climate-related risks

Lexington has developed a rigorous investment monitoring process which includes an assessment of ESG factors during investment due diligence and portfolio monitoring.

- ***Investment Due Diligence***: Lexington has continued to refine its due diligence process for over 30 years. This process combines a detailed "bottoms-up" company analysis with a qualitative assessment of the sponsor's strategy and reputation. As part of our due diligence process, we consider material short-term and long-term ESG risks and opportunities, including those related to climate change and the transition to a low-carbon economy. We define material risks and opportunities as those which may have a meaningful impact on the financial performance of a transaction. 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. At the company level, depending on the nature of the transaction, Lexington leverages ESG tools and resources as appropriate, including a third-party ESG risk data tool and ESG due diligence conducted by sponsors. During due diligence, deal teams are expected to consult a list of relevant illustrative ESG indicators, as outlined in Annex A of the ESG and Stewardship Policy, in conjunction with the consideration of other factors, and report any material ESG issues to the Operational Sub-Committee as described above. Lexington's funds are highly diversified across sector, geography, and industry and therefore, the relevant ESG factors of the underlying companies tend to vary considerably across the physical and transition risks and opportunities identified by the TCFD. Given the average hold period of our secondary and co-investment funds, we generally focus our risk analysis on the short- and medium-term.
- ***Annual ESG Survey:*** Each year, Lexington surveys the underlying sponsors of its actively investing secondary and co-investment funds about their responsible investment activities and reporting. Lexington's ESG survey is intended to capture the underlying sponsors' views on responsible investment and to obtain insights into any ESG initiatives these sponsors may have implemented. As part of this effort, in 2023, Lexington expanded the survey to include questions related to greenhouse gas ("GHG") emissions, climate standards, and reporting frameworks modeled on the UN-sponsored Principles for Responsible Investment ("PRI") and TCFD guidance.
- ***Reporting:*** Transparency and communication are central to the way we conduct our business. Lexington publishes our annual ESG report publicly to our website to document progress on the firm's ESG and climate commitments and summarize findings from the annual ESG survey. We also share our report with all Limited Partners and participating general partners upon request. As a signatory to the PRI, Lexington is required to report on the firm's responsible investment activity on an annual basis. Lexington provides detail on its climate strategy through PRI reporting, which incorporates TCFD recommendations into its reporting framework.

METRICS & TARGETS	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

As secondary and passive minority co-investors, Lexington does not manage or control the underlying investments and, therefore, has limited ability to engage with portfolio companies directly on ESG-related issues, including climate risk. As described above, we expanded our annual ESG survey in 2023 to include questions related to emissions and climate commitments. We endeavor to continue to refine our data collection approach in order to better understand and measure climate-related risks in our portfolio.

In 2023, Lexington received survey responses from over 100 sponsors representing over $3.5 trillion in AUM. Of respondents, 19% reported formally supporting the TCFD, 52% measure GHG emissions at the firm-level, and 56% measure GHG emissions at the investment-level. The proportion of sponsors who have adopted climate initiatives increased year-over-year, with approximately a third of respondents maintaining specific climate commitments (e.g., participation in Science Based Targets ("SBTi") and/or Net Zero Asset Managers ("NZAM") initiatives). Through our survey, we also encourage our underlying sponsors to report to the ESG Data Convergence Initiative ("EDCI"). We believe that our commitment to surveying GPs on an annual basis and comparing the results of this survey over time allows us to monitor how our sponsors are responding to climate-related risks, improve data transparency, and promote acceptance and implementation of ESG best practices among a highly diversified portfolio of sponsors.

At the firm level, Lexington has made inroads in refining our climate strategy. Lexington's 2023 Annual Meeting was carbon neutral for the second consecutive year as we offset 136 metric tons of associated carbon emissions. In addition, Lexington began tracking Scope 1 and 2 emissions in 2022 and expanded emissions measurement to include Scope 3 emissions associated with business travel in 2023. Lexington's 2023 carbon footprint for Scope 1, 2, and 3 (business travel) emissions totaled approximately 2,441 metric tons, which was calculated by our third-party consultant in line with the GHG Protocol Corporate Accounting and Reporting Standard and emissions factors from the EPA and DEFRA. We have offset these emissions with verified carbon credits.

ACTION PLAN

Lexington will continue to prioritize generating attractive, risk-adjusted returns in our funds and to ensure the firm's interests are strongly aligned with those of our investors. While we believe that ESG principles have been embedded in our firm's culture and investment ethos for over a decade, we remain resolute in our commitment to strengthening our core ESG values, driving sustainable growth in our industry, and providing transparency around our business. Further, we will strive to elevate our ESG capabilities to promote positive change within our firm, our industry, and our communities as it relates to climate change and the transition to a low-carbon economy.

We will specifically undertake the following actions:

- Collect decision-useful information that advances our understanding of how underlying sponsors in our portfolio address climate-related physical and transition risks;
- Encourage standardized climate and ESG reporting among general partners, where possible;
- Contribute to the conversation on ESG in our industry through collaboration with our peers and industry groups;
- Continue to engage in firm-wide carbon foot-printing and offset programs.