



Stewardship in Action:

Case Studies of Leading Practice in Private Credit

September 2025

In July 2025, the UN-supported Principles for Responsible Investment (PRI) published [*Stewardship in Private Debt*](#) – a landmark guidance for our asset class. Pemberton was proud to contribute to this publication, which highlights the unique role private credit can play in shaping sustainable corporate practices.

At Pemberton, stewardship is not a principle on paper – it is embedded in how we partner with borrowers. The case studies that follow show how PRI's four stewardships tools come to life in our approach.

At its core, stewardship in private credit is about risk management and ensuring capital repayment. But when applied effectively, it can also enhance and accelerate the sustainability performance of private mid-market companies – fostering resilience, strengthening governance, and with the potential to contribute to long-term value creation.

Private credit offers unique levers of influence. Features such as sustainability-linked margin ratchets and standardised ESG clauses in loan agreements enable lenders to safeguard value while supporting well-managed businesses with strong growth potential.

PRI highlights four key stewardship tools for private credit investors:



Sharing
resources and
providing
training



Ongoing
dialogue and
engagement



Sustainability-
related
covenants
and margin
ratchets



Advocacy and
collaborative
engagement



Tool 1: Training and Resource Sharing

PRI identifies borrower training as a key stewardship lever. Leading practice involves structured, tailored, and data-informed workshops on material sustainability topics – delivered by subject-matter experts where appropriate and aligned with borrower priorities. Such portfolio support initiatives help drive enhanced disclosure.

The guidance also emphasises the value in systematically collecting, analysing, and benchmarking portfolio company sustainability data. By providing feedback on areas for improvement and progress relative to peers, General Partners (GPs) can help borrowers take actionable steps that preserve and create value. What was once a best-efforts data collection exercise at the pre-investment stage has evolved, with leading managers now embedding core governance and sustainability questions into due diligence questionnaires (DDQs).

Workshops: For the third year running, Pemberton has hosted a successful series of Sustainability and Carbon Workshops for direct lending portfolio companies. In 2024, thematic workshops focused on carbon emissions and workforce best practices, delivered in partnership with external experts, to prepare borrowers for upcoming regulatory reporting requirements.¹

“

We see these workshops as a commercial differentiator. When refinancing comes around, we want sponsors and borrowers to view Pemberton as a partner in their sustainability journey.”

Sustainability Data: Since 2016, Pemberton has deployed an annual ESG Borrower Questionnaire in direct lending. From 2022, data collection has been enhanced through specialist third-party platforms, aligned with leading frameworks and regulations such as SFDR, the Integrated Disclosure Project, and the ESG Data Convergence Initiative. These platforms incorporate benchmarks and embedded guardrails to strengthen data quality.

Due Diligence Assessment: Our annual questionnaire is complemented by a pre-investment ESG and carbon data capture process, systematically documented in the due diligence report, and establishing a baseline disclosure rating for each borrower at the time of lending. Within Origination, our experienced Investment Development team (“IDT”) leads due diligence across all investment strategies, geographies, and sectors, while acting as the central coordination between Origination and our dedicated Responsible Investment (RI) team. Specifically, IDT conducts the preliminary ESG DDQ, assigns a preliminary ESG rating, performs a climate risk diagnostic for each prospective borrower, and participates in ratchet discussions (see Tool 3).

Proprietary Rating and Feedback: Borrower data feeds into Pemberton’s proprietary ESG rating – including a dedicated carbon footprint score – to track year-on-year progress. To reinforce that governance and sustainability considerations are integral to our investment approach, our Origination and Credit teams share the annual ESG Scorecard with companies, which benchmark their disclosure and policies versus other portfolio assets.

2024 Engagement Statistics – Direct Lending

61%

Overall active engagement, measured by borrower count

39%

Of companies attended one or more thematic workshops

29%

Joined “teach-ins” for completion of the ESG Borrower Questionnaire

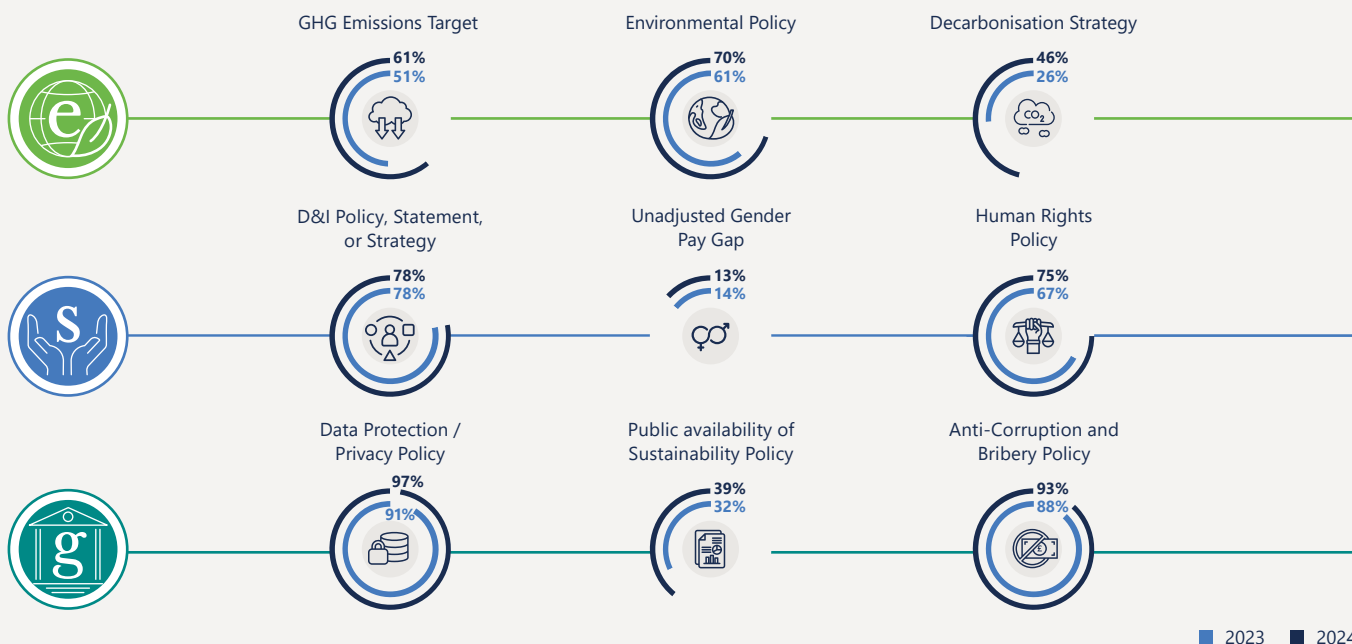
17%

Participated in in-depth discussions via multiple 1:1 meetings with the RI/Origination teams on performance KPIs

¹ Many of our mid-market companies initially fell in scope of the EU Corporate Sustainability Reporting Directive (CSRD) for FY2025, although the recent EU Omnibus Directive introduced a ‘stop-the-clock’ provision, granting a two-year extension to support readiness and disclosure capabilities.

Engagement to Encourage Disclosure

Borrower Policy and Practices Snapshot



Based on borrower count and portfolio companies that submitted data for Pemberton's ESG Questionnaire in 2023 and 2024.

Spotlight on Progress

A European producer with a leading franchise in the fresh packaged food convenience sector progressed from a **C rating in 2023 to an A rating in 2024** under Pemberton's ESG Rating – marking a strengthening of its sustainability practices.

Over the past 18 months, the company actively engaged with Pemberton's portfolio support programme, including participation in two thematic workshops focused on workforce and carbon best practice reporting.

The most notable area of improvement was the **enhancement of carbon emissions disclosure** – a growing priority for the company's customers as they seek to better understand and manage supply chain climate impacts. This progress is reflected in the company's improved carbon footprint score.

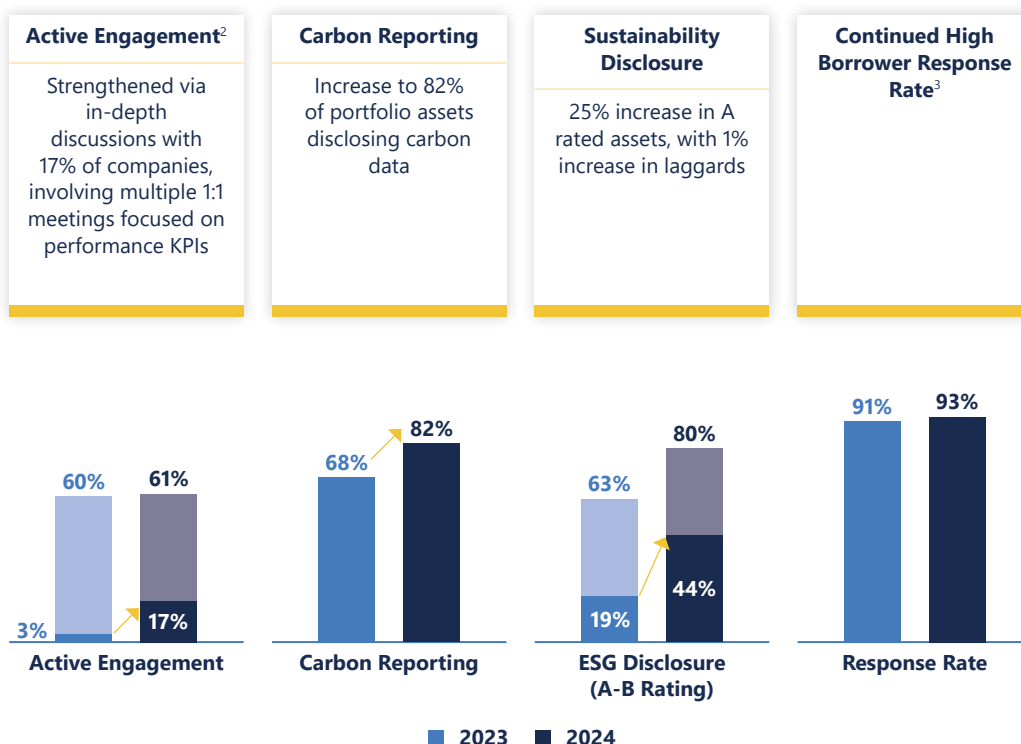
With over 600 employees across seven manufacturing sites in Europe, the company also continues to advance performance in workforce management.

Tool 2: Ongoing Dialogue and Engagement

Given the illiquid nature of investments, it is essential to assess a company's cashflow sensitivity to governance and sustainability risks at the pre-investment stage. But PRI highlights that ongoing engagement throughout the loan term allows lenders to monitor performance, with a responsible investing lens ensuring oversight captures factors beyond traditional financial analysis. Regular calls and meetings provide a forum to discuss material risks, address any deterioration, and maintain oversight of the risk-return profile. Covenants can ensure borrowers commit to ongoing sustainability disclosures via annual surveys, while dialogue with sponsors further supports alignment and shared learning, including on data quality.

At Pemberton, responsibility for post-investment performance monitoring lies with investment teams, while our dedicated Responsible Investing team also maintains ongoing dialogue through a range of channels including thematic workshops, 'teach-ins' around use (including metric calculations) of our third-party data capture platform, and one-to-one meetings. A dedicated Portfolio Engagement Analyst also liaises with sponsors to reduce the data burden on portfolio companies, eliminating duplicate questionnaire requests.

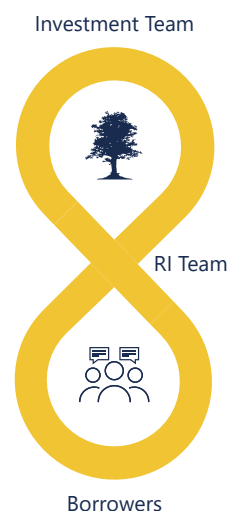
Our Rating and Engagement in Action



As borrowers mature on their sustainability journey, engagement is evolving from a focus on disclosure to performance-oriented dialogue

Note: Percentages shown are based on borrower count. In previous reporting we presented data using committed capital as the basis for percentage calculation.
Source: Pemberton Capital Advisors LLP.

Portfolio Monitoring



²Active Engagement defined as in-person workshops, teach-ins and/or 1:1 meetings.

³Response rate assessment excludes investments realised intra-year or where realisation was known and occurred in H1 of the following year. Non-responses may be linked to timing of investment vs reporting campaign timing or other agreed exemptions. The ESG data presented herein does not necessarily reflect the situation upon the day financing has been approved and is subject to change over time. Further, such ESG data may not be representative of Pemberton's approach to Sustainable Finance Disclosure Regulation ("SFDR") or other regulatory initiatives. Pemberton uses ESG data collected via its own internal due diligence, external consultants and third-party data analytical tools when considering a prospective borrower's ESG risk profile. Such due diligence relies on the availability and accuracy of various sources, such as borrower disclosures, which often include forward-looking statements of intent and are not necessarily fact-based or objectively measurable. Pemberton is also dependent on the subjective judgements in respect of ESG risks of its investment analysts.

Tool 3: Sustainability Margin Ratchets

While Tools 1 and 2 promote knowledge-building and positive behaviours, sustainability-related covenants and margin ratchets provide more direct levers for action. As PRI notes, these mechanisms “mandate or financially incentivise the borrower to take sustainability action, improve standards, create value for borrowers, preserve value for lenders, and promote long-term sustainable growth for all stakeholders.” Ratchet discussions often begin pre-deal but are rarely finalised by close; completing negotiations within six months post-close is most effective, as delays risk losing momentum and weakening borrower engagement.

At Pemberton, ESG margin ratchets are a cornerstone of our engagement strategy, applied selectively where they can deliver clear, measurable outcomes. More than a pricing tool, they enable three-way dialogue between private equity sponsors, borrowers, and our Origination and RI teams, providing a comprehensive view of a company’s sustainability strategy from the outset and ensuring alignment on performance expectations. In 2024, we executed multiple ESG-linked ratchets through these in-depth, collaborative discussions – typically involving agreement on material issues, assessment of performance trends (including historical data where available), and evaluation of whether proposed targets are suitably ambitious and measurable. This approach has gained strong traction, particularly among private sponsors committed to sustainability.

Our Transaction Legal team plays a critical role in ensuring loan documentation accurately reflects the commercial terms of each transaction, including the correct structuring and incorporation of ESG-linked margin ratchet KPIs and targets.

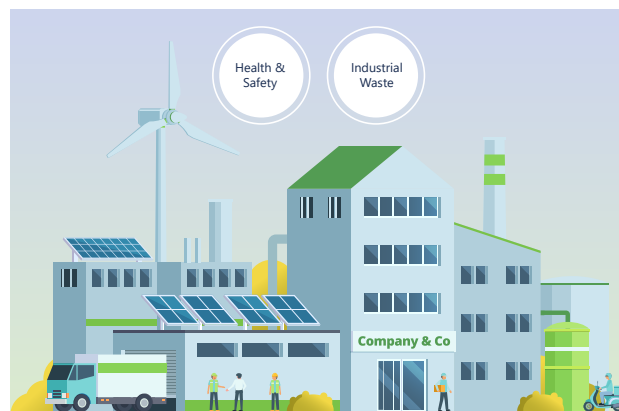
Project Nexus

Recently we financed a global group headquartered in Europe that delivers engineered solutions for infrastructure projects designed to limit environmental impacts. The company’s products have benefits such as minimising soil contamination, erosion control, coastal preservation, rockfall protection and engineered solutions to mitigate flooding.

The agreed sector-specific KPIs include year-on-year expansion of ISO 14001 certification to ensure proper disposal of industrial waste, and ISO 45001 certification to uphold effective workplace safety, across all operational plants. These ISO standards, developed by the International Organization for Standardization, provide globally recognised specifications to ensure consistency, quality, and safety across diverse industries and activities.



Case Study



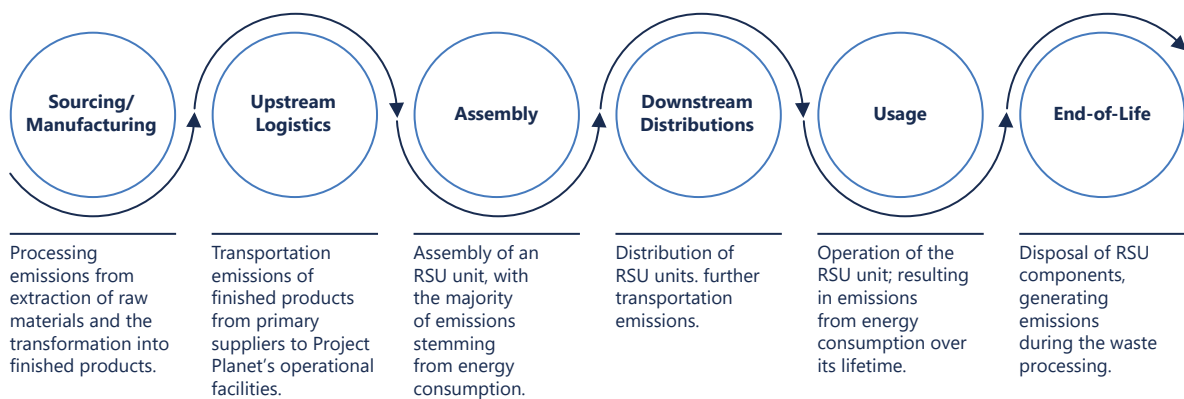


Project Planet

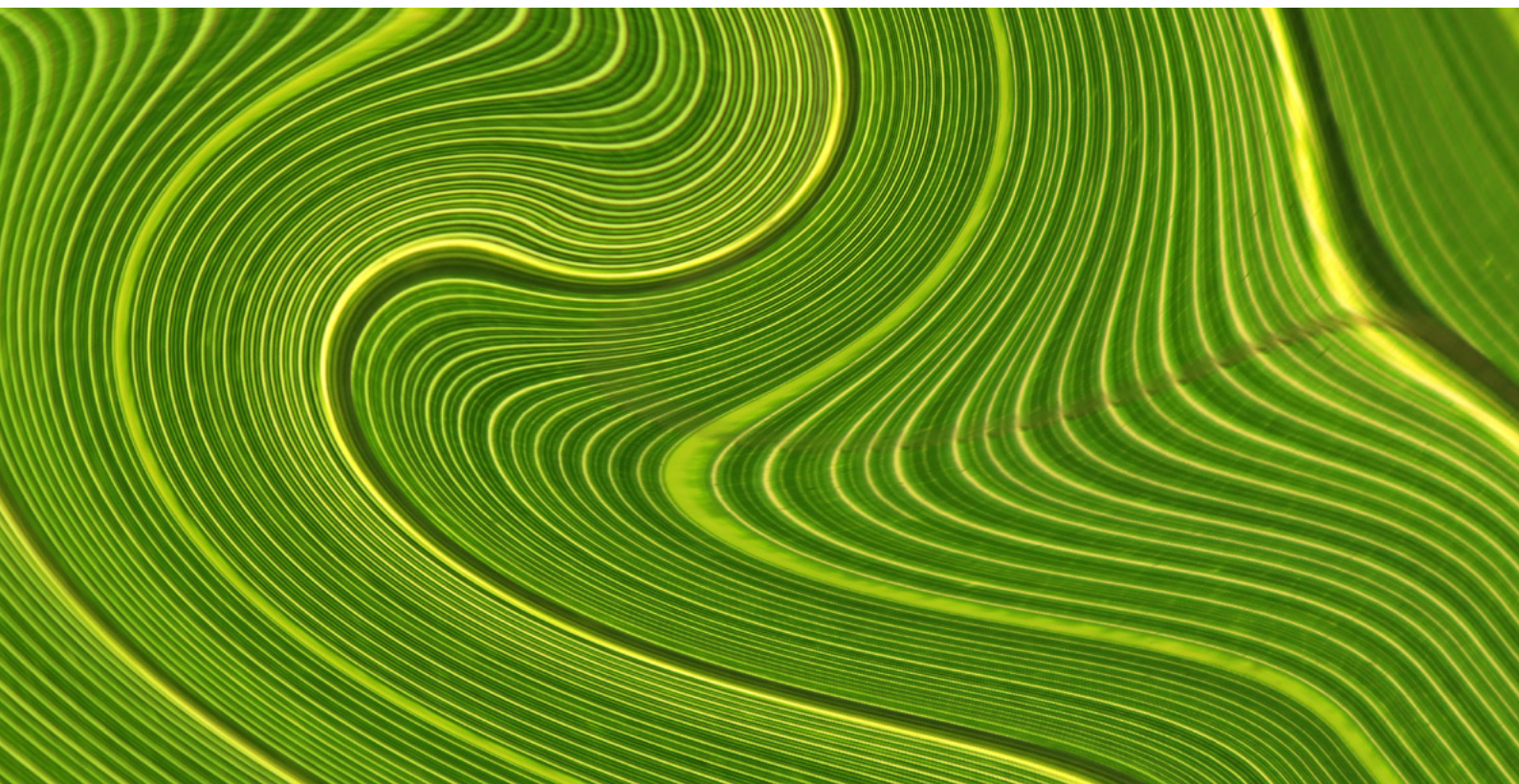
Pemberton provided financing to a European mid-market company that manufactures remote surveillance units (RSUs), which are deployed to prevent theft or vandalism in outdoor areas such as wind farms, solar parks, infrastructure and construction sites. Lifecycle analysis⁴ showed that approximately two-thirds of the company's emissions occur during sourcing, manufacturing and usage, with Scope 3 – primarily from the operational use of RSUs – accounting for 30% of the total carbon footprint.

Leveraging the ESG-linked margin ratchet, Pemberton worked with the PE sponsor and the company to agree a KPI focused on phasing out diesel-powered RSUs. The company committed to increasing clean power, primarily solar, by 7% annually from a 2023 baseline, aiming to fully eliminate diesel use by 2031.

Lifecycle assessment of the environmental impact of the product offering.



⁴Undertaken by the PE sponsor.



Tool 4: Advocacy and Collaborative Engagement

PRI notes that in less mature private credit markets – where standards are still evolving – collaborative engagement is essential. With stewardship in its infancy, raising expectations and building capabilities will be critical to advancing effective practice. Peer dialogue on sustainability trends and insights can be a powerful tool to collectively lift the standards of the industry.

At Pemberton, collaboration is a central pillar of our stewardship. We actively engage with industry groups to share knowledge, shape best practice, and stay ahead of emerging themes. Working with peers not only accelerates progress but also ensures alignment on the challenges and opportunities facing private credit.

In 2024, for example, we participated in the Working Group convened by the Institutional Investors Group on Climate Change (IIGCC) to develop the *Net Zero Investment Framework (NZIF) Private Debt Guidance*. This framework sets out concrete milestones and criteria for private credit managers to align portfolios with net zero.

Other Action Through Collaboration includes:



Pemberton became a signatory to the UN PRI in 2018. Our firm serves on the **Private Debt Advisory Committee** (PDAC) supporting the design, delivery and dissemination of sustainable investing guidance for our asset class.



Pemberton published its inaugural **TCFD Report in 2023**. This year's annual assessment, Climate Resilience Report, provides investors and other stakeholders with an understanding of our business and investment exposure to climate-related risks, and our management of these risks.



The **Initiative Climat International** (iCI) is a global community of private market investors (250 members representing USD4.1 trillion AUM, including Pemberton), seeking to better understand and manage the risks associated with climate change.



Pemberton became a member of the European Leveraged Finance Association (ELFA) in 2022 and serves on **ELFA's ESG Committee** that seeks to advance and streamline borrower disclosure through the development of tools such as the ESG Fact Sheets.



Pemberton joined the **Sustainable Investments Asset Owner Platform (SDI-AOP)** in 2024, which provides a common taxonomy for classifying investments aligned with the UN SDGs.



In closing, elevating stewardship in private credit requires collective effort – and we are pleased to contribute these case studies as a step toward raising the bar in our asset class.

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