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Muzinich's ESG Governance and Resourcing

Version #1 as of October 2023

Muzinich & Co

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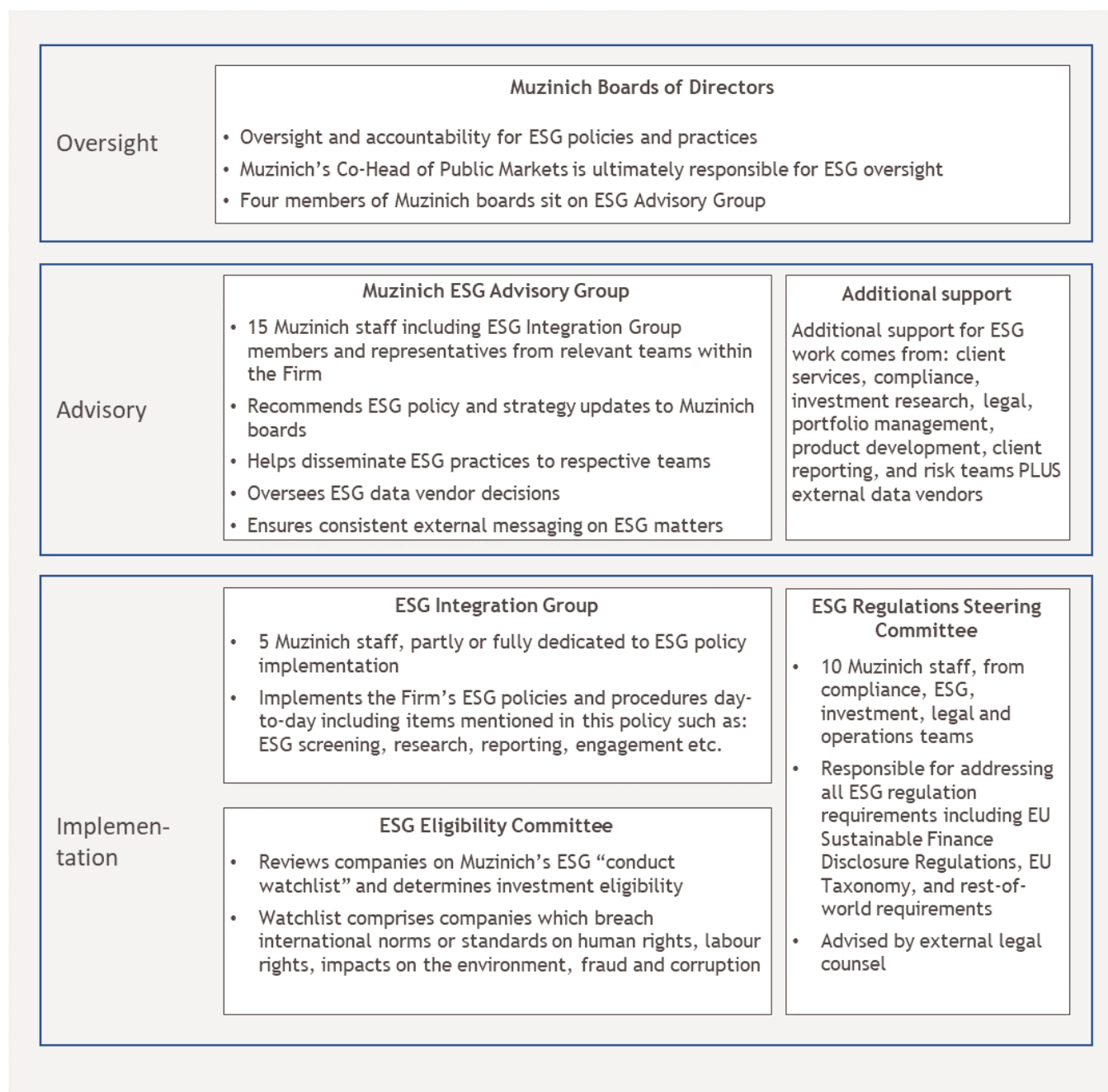
We believe best-practice responsible and sustainable investment requires strong commitment throughout our organization with ultimate oversight and accountability from members of our Boards of Directors.

We also believe that for our responsible investment policies to be effective, almost all functions within our

firm, from research and risk, to compliance and marketing, must actively contribute to our ESG efforts to ensure that ESG considerations are fully integrated within our business.

We have therefore developed an organizational structure which comprises the three ESG groups outlined in Figure 1.

Figure 1: Muzinich ESG oversight and governance.



Muzinich Board Members

The following Muzinich staff sit on Muzinich's ESG Advisory Group¹ and are also members of the Boards of Directors of Muzinich entities:

- Chief Administrative Officer & Director, Compliance *
- Chief Operating Officer - UK, EMEA & APAC † ‡
- Co-Head of Public Markets †
- Global Co Chief Compliance Officer ‡

* Muzinich & Co., Inc. board

† Muzinich & Co. Limited board

‡ Muzinich & Co. (Ireland) Limited board

ESG Integration Group

Muzinich's ESG Integration Group:

- comprises staff whose roles are dedicated partially or fully to ESG;
- is responsible for the day-to-day implementation of the Firm's ESG policies;
- also participates in the ESG Advisory Group; and
- is chaired by the Director of Responsible Investing.

ESG Advisory Group

Muzinich's ESG Advisory Group:

- meets periodically to discuss, develop and implement our ESG policies and procedures; and
- is responsible for advising on the Firm's ESG policies and supporting implementation and dissemination of those policies to their respective teams; and
- has a terms of reference which requires members to represent key functions within the Firm including, but not limited to research; public and private markets investment; risk; compliance; operations; client servicing; product development and relevant operational functions.

ESG Eligibility Committee

The ESG Eligibility Committee:

- comprises staff from a range of functions where investment team professionals must remain a minimum to ensure relative independence in decision making

- is responsible for determining eligibility of certain debt issuers which may carry outsized reputational and/or financial risks due to their involvement in controversial practices or industries such as severe human rights abuses, environmental harm, or business integrity failures; and
- issue determinations that are binding for the Investment Team.

Staff ESG Training and Incentives

Muzinich seeks to ensure that our staff are adequately informed and educated on ESG matters that are relevant to their roles. To this end we have established an ESG training program to ensure appropriate and comprehensive training for our staff. To ensure they are familiar with the key concepts of responsible investment, we provide ad hoc ESG training led by our Director of Responsible Investing or external specialists, including staff from our external ESG data providers. We also aim to ensure that all new joiners are familiarized with our ESG policies and procedures where relevant to their role and have run basic mandatory online ESG training for the majority of our staff. Furthermore, various Muzinich staff members have taken and passed more formal self-taught, or university led ESG courses and certifications.

For Muzinich's investment professionals, the variable part of their remuneration is evaluated based on the overall performance of Muzinich's portfolios (including portfolios with specific ESG characteristics or objectives). As of Q1 2021, the responsibilities, evaluation and compensation of public debt research analysts includes a formal responsible investment component which is segregated from other responsibilities or compensation metrics. We would also note that Muzinich includes learning goals for responsible investing in the personal development plans for various team members. Further details are available in the "[Integration of Sustainability Risk into Remuneration \(Article 5 SFDR\)](#)".

¹ As of the date of publication.

Risk warnings: **Exclusion Risk:** ESG screening can limit the investment opportunities available to a portfolio, such as the exclusion of certain investments for non-financial reasons. As such, a portfolio may underperform other similar portfolios that do not apply ESG screening. **ESG Risk:** Consideration of Sustainability Risks in the investment process can result in the exclusion of certain investments in a portfolio. Therefore, results may differ, and a portfolio that considers sustainability risks might underperform other similar portfolios that do not consider such risks.

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SFDR - Refers to Regulation (EU) 2019/2088 or the Sustainable Finance Disclosures Regulation (SFDR) a piece of European financial sector regulation which sets out obligations for financial market participants to disclose specific details on their approach to sustainability risks in their investment process and other details on the provenance of ESG claims that are used to market their financial products. Further details on Muzinich's SFDR disclosures are available in relevant product documentation such as fund prospectuses and supplements on our website www.muzinich.com.

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