Policy on Climate Change

Version #1 as of October 2023

Muzinich & Co

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We believe climate change poses one of the single greatest risks to the stability of the global economy but will also be a major driver of future business and investment opportunities. We believe investors have a critical role to play in identifying, managing and mitigating physical and transitional climate risks relating to their investment decisions.

We note that significant uncertainty remains around climate tipping points, government policy relating to climate change, the social impacts of climate change, and corporate climate commitments and emissions data among other critical items. While we are mindful of the fact that we don't yet have the answer to every climate-related question, we are in no doubt about the urgency of climate action and the need for all investors to directly address climate change.

- Muzinich recognizes the importance and urgency of the requirements inherent in the Paris Agreement.
- We have committed to the Net Zero Asset Managers Initiative and as such commit to publishing time-bound targets for decarbonizing our portfolios. Ultimately, we have committed to align 100% of our assets under management with a pathway to net zero by 2050 at the latest.[1]
- We seek to provide investors with comprehensive data on the climate risks and impacts of their investments through regular carbon research and reporting.
- We exclude companies which derive significant revenues from either mining or producing energy from thermal coal across all Muzinich-branded funds.[2]
- We commit to developing investment products which proactively support the transition to a low carbon economy by both reducing contributions to carbon emissions and supporting climate solutions.
- We commit to integrating physical and transitional climate risks into our research process to ensure our portfolios are climate resilient.
- While we adhere to the concepts of climate transition and corporate engagement, we may ultimately exclude certain industries and businesses which we consider conflict with the goals of the Paris Agreement. For details of such exclusions, see our "Product-specific ESG Policies of Muzinich-branded Funds".
- Wherever it is practical to do so, Muzinich will pursue a climate approach which considers Scope 1, 2 and 3 carbon emissions and will seek to use science-based methodologies and targets to inform our climate objectives.
- Muzinich publicly supports the Task Force on Climate-related Financial Disclosures ("TCFD") and commits to producing relevant disclosures in line with this initiative by the end of 2023.
- Muzinich will allocate adequate human and informational resources, including a dedicated Climate Working Group, to implement this policy.

Implementing Our Climate Change Policy

Climate governance and disclosures at Muzinich

Muzinich's Co-Head of Public Markets and Board member, Tatjana Greil-Castro, is responsible for overseeing this policy and related procedures. An internal Climate Working Group will implement a climate action plan, including working with our investment team to set portfolio decarbonisation targets and disclosing those to investors on an ongoing basis.

Identifying and managing climate-related investment risks

Muzinich has engaged an independent ESG data provider to support our efforts to measure and manage carbon emissions and climate-related risks. We offer periodic carbon and climate reporting on all of

[1] Further details of Muzinich's Net Zero Asset Managers Initiative commitment will be published by October 2023.

[2] Further details are available in the "Product-specific ESG Policies of Muzinich-branded Funds"

Muzinich's liquid mutual funds and certain separately managed accounts. We have engaged a separate data provider to model carbon emissions of certain Muzinich private debt products. Our investment teams and data providers are working to increase their research coverage of entities in our investable universe by building further resource and engaging issuers on climate disclosures.

Muzinich is a signatory to Climate Action 100+, an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change[3]. Where relevant to our holdings, we use the Climate Action 100+ Net Zero Company Benchmark to monitor progress, inform engagement strategies and decisions, and assess the alignment of company decarbonization strategies with the goals of the Paris Agreement. We also seek to leverage freely available information and tools provided by initiatives including the Transition Pathways Initiative ("TPI")[4] and the Science Based Targets Initiative ("SBTi")[5], which provide more forward-looking insights into corporate climate trajectories to complement existing emissions and climate risk data.

Muzinich's ESG and investment teams aim to develop a customized corporate net zero assessment by the end of 2023 to further inform investment decisions and align our portfolios with a net zero trajectory by 2050 (i.e., Paris Aligned). We will also conduct scenario analysis to consider potential risks and opportunities associated with a 1.5 degrees centigrade temperature rise based on specific sector pathways and public policies aligned with net zero. We will also endeavor to consider Scopes 1, 2 and 3 corporate emissions, where reported by companies or modelled by our data providers.

Corporate and public policy climate engagement
Key themes linked to corporate climate engagement include, among other items, corporate climate governance, transparency and accountability; carbon emissions reporting; setting (science-based) emissions trajectories towards net zero; use of renewable energy; involvement in climate-related lobbying practices; and reporting and accounting for climate-related risks. Muzinich will take a targeted approach to engaging companies based on issuers' carbon intensity, sector pathways and other factors.

Muzinich conducts engagements directly with companies and as part of collaborative initiatives, including the Climate Action 100+ program. We also seek to engage policymakers either via investment industry initiatives, direct meetings with financial policy groups, or by participating in collaborative investor letter and statements to policy makers.

Allocating capital to climate solutions
Addressing climate change requires both reducing negative impacts of our investments and allocating capital to climate solutions such as resource efficiency, low carbon energy, transportation, real estate and agricultural models among other industries.

Green bonds and sustainability-linked bonds, loans and similar instruments help investors to allocate capital to specific climate-related or environmental projects, or towards the attainment of issuer-level targets. Muzinich holds such instruments but considers that not all self-labelled instruments support meaningful climate action and not all climate solution investment opportunities are issued as such instruments. We therefore seek to distinguish between the climate "quality" of such instruments by analyzing relevant legal documentation, use of proceeds, and ambitions of related targets, among other information.

As outlined in our "Policy on Engaging Issuers on ESG Matters", we believe that engagement for change can be a more powerful investment tool than outright divestment which in many cases simply shifts carbon emissions to another investor's financed emissions. Nevertheless, we recognize that certain industries and issuers will struggle to transition their business models within broadly accepted transition timelines and those which are locking in long term emissions (e.g., by

[3] See: https://www.climateaction100.org/
[4] See: https://www.transitionpathwayinitiative.org/
[5] See: https://sciencebasedtargets.org/

developing new fossil fuel assets) are unlikely to be responsive to investor engagement.

Product-level carbon intensity targets and thermal coal exclusions

The vast majority of Muzinich-branded UCITS funds have in place product-level ESG policies[6] which aim to reduce the relative carbon intensity of the respective fund's portfolios. Specifically, all Muzinich UCITS funds that disclose under Article 8 SFDR must maintain a weighted average carbon intensity ("WACI") at least 10% lower than its reference index chosen for ESG comparison purposes.

As outlined in our "Product-specific ESG Policies of Muzinich-branded Funds", all Muzinich Article 8 financial products exclude companies which derive more than 10% of their revenues from either thermal coal mining or energy production from thermal coal. As explained in the exclusion policy, certain Muzinich Article 8 funds may hold companies which derive up to 30% of their revenue from such activities but have published credible commitments to reduce their exposure to coal below the 10% threshold before 2025. Certain Muzinich public and private debt products also exclude conventional and non-conventional forms of oil and gas. Certain Muzinich funds and separately managed accounts apply additional exclusions for conventional and non-conventional forms of oil and gas and other heavily carbon intensive industries.

[6] Certain Muzinich UCITS funds which fall outside of this policy include funds of one and target dated funds. These represent less than 10% of all Muzinich AuM managed in UCITS structures as at the date of this policy. For further details of the product-level ESG policies, please refer to the "Product-specific ESG Policies of Muzinich-branded Funds".

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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