



## **PUBLIC TRANSPARENCY REPORT**

**2023**

**Muzinich & Co**

Generated 15-12-2023

# About this report

PRI reporting is the largest global reporting project on responsible investment. It was developed with investors, for investors.

PRI signatories are required to report publicly on their responsible investment activities each year. In turn, they receive a number of outputs, including a public and private Transparency Report.

The public Transparency Reports, which are produced using signatories' reported information, provide accountability and support signatories to have internal discussions about their practices and to discuss these with their clients, beneficiaries, and other stakeholders.

This public Transparency Report is an export of the signatory's responses to the PRI Reporting Framework during the 2023 reporting period. It includes the signatory's responses to core indicators, as well as responses to plus indicators that the signatory has agreed to make public.

In response to signatory feedback, the PRI has not summarised signatories' responses – the information in this document is presented exactly as it was reported.

For each of the indicators in this document, all options selected by the signatory are presented, including links and qualitative responses. In some indicators, all applicable options are included for additional context.

## Disclaimers

### Responsible investment definitions

Within the PRI Reporting Framework Glossary, we provide definitions for key terms to guide reporting on responsible investment practices in the Reporting Framework. These definitions may differ from those used or proposed by other authorities and regulatory bodies due to evolving industry perspectives and changing legislative landscapes. Users of this report should be aware of these variations, as they may impact interpretations of the information provided.

### Data accuracy

This document presents information reported directly by signatories in the 2023 reporting cycle. This information has not been audited by the PRI or any other party acting on its behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented.

The PRI has taken reasonable action to ensure that data submitted by signatories in the reporting tool is reflected in their official PRI reports accurately. However, it is possible that small data inaccuracies and/or gaps remain, and the PRI shall not be responsible or liable for such inaccuracies and gaps.

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# SENIOR LEADERSHIP STATEMENT (SLS)

## SENIOR LEADERSHIP STATEMENT

### SENIOR LEADERSHIP STATEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1	CORE	N/A	N/A	PUBLIC	Senior Leadership Statement	GENERAL

#### Section 1. Our commitment

- Why does your organisation engage in responsible investment?
- What is your organisation's overall approach to responsible investment, and what major responsible investment commitment(s) have you made?

Muzinich & Co. is a privately-owned, institutionally focused investment firm specializing in public and private corporate credit. Our established track record stretches back over 30 years, highlighting our ability to deliver what we believe to be attractive risk-adjusted returns in a variety of market conditions with no style drift. We are acutely aware of our responsibility to protect our investors' capital and to invest for the long term.

We believe that sustainability will be one of the dominant investment themes over the next 20 years and beyond as changes in policy, regulation, consumer preferences and the need for greater resource efficiency drive new and important risks and opportunities for businesses and ultimately investors.

We believe it is critical to have a good understanding of which types of environmental, social and governance ("ESG") factors are most likely to be material to a company's short, medium and long-term survival and success. As a manager of corporate credit investments, we primarily focus on factors with potential to negatively impact the credit strength of companies within our investment universe.

As a long-term investor, we also believe it is important to consider the potential negative impact of companies we might choose to invest in on the environment and society as that may ultimately impact investment value, but also because we believe that we can minimize those negative impacts without necessarily harming returns. Ultimately, we believe that an ESG aware investment approach is well aligned with our fiduciary obligations.

We also consider it important to engage companies to help identify and manage the most material ESG risks in our investment universe. While we specialize in debt investment, we may on certain occasions hold equities directly or have exposure to equity via hybrid or convertible securities in certain situations. Nevertheless, we strongly believe that as a lender of capital, we can exert some influence over management decisions relating to ESG issues for the better.

We aim to apply the same responsible investment philosophy to all the of investments we make while recognising that, a) the varied characteristics of the different sub-asset classes of corporate credit in which we invest require a tailored approach to ESG research, integration and engagement, and b) different investors have varied ESG objectives whether those are financial, socially responsible, sustainability-focused or all three.

Muzinich has made strong commitments to responsible investment in terms of our internal governance, resourcing and training, as well as commitments to specific industry initiatives via collaborative engagements, broad educational materials for industry peers, and initiatives which require us to set specific investment or operational targets in relation to employee diversity and carbon emissions.

## Section 2. Annual overview

- Discuss your organisation's progress during the reporting year on the responsible investment issue you consider most relevant or material to your organisation or its assets.
- Reflect on your performance with respect to your organisation's responsible investment objectives and targets during the reporting year. Details might include, for example, outlining your single most important achievement or describing your general progress on topics such as the following (where applicable):
  - refinement of ESG analysis and incorporation
  - stewardship activities with investees and/or with policymakers
  - collaborative engagements
  - attainment of responsible investment certifications and/or awards

Since our last PRI report we have progressed significantly in the areas of ESG scoring for issuers, data integration, committing to align our financed emissions with a net zero trajectory, engaging issuers on ESG matters, internal ESG governance, ESG resourcing, and ESG training among other areas.

In particular, the delivery of ESG scoring for issuers has been a significant milestone for the evolution of ESG within Muzinich's investment business. Over the last two years, we have been developing our own proprietary ESG rating system for corporate bond investments, which went live earlier this year. Fundamental analysis of corporate credit is the core of our investment process. As lenders of capital, we distinguish ourselves by the depth of our understanding of companies' financial health, and key to that understanding is a comprehensive grasp of the Environmental, Social and Governance (ESG) factors material to each company's future. The asymmetric risk profile of credit means our primary focus is identifying ESG risks that may impair credit quality; however, we also recognise the urgent need for companies to transition to sustainable business practices to secure their financial longevity.

Muzinich's ESG Rating system is a two-part process that rates a company relative to its industry peers (the Industry Sustainability Rating - ISR) then, by adjusting for industry level ESG risk exposure, gives a globally comparable A+ to E- rating (the Global Sustainability Rating - GSR). This system gives us a consistent base for discussions within the credit research team and highlights areas for further engagement with issuers in their transition to more sustainable practices. The ratings are recorded in analysts' research templates and stored in a centrally accessible database.

Devising the system initially required extensive consideration at a conceptual level between senior members of the public debt investment and ESG teams at Muzinich. The practical development of the system then leaned heavily on both the broader credit analyst team, who were responsible determining which of the identified 160 different ESG Key Performance Indicators were most material for their industries (assigning weights accordingly), and the ESG data specialists within the business. Given the importance of this development to the investment function in particular, and the wider business more generally, the roll-out was supported by a comprehensive education and training programme, both at a group-wide level, and on a more targeted team or individual basis.

## Section 3. Next steps

- What specific steps has your organisation outlined to advance your commitment to responsible investment in the next two years?

Over the next two years we intend to progress our responsible investment policies and practices in the following areas:

- Enhancing Muzinich's engagement platform with an aim to increase the positive outcomes of our ESG related engagements by providing further internal training, increasing resourcing, updating our shared online platform to monitor and report on engagement activities. We ultimately aim to report in line with the requirements of the UK Stewardship Code.
- Developing a standalone biodiversity policy to guide our practices on minimizing negative biodiversity impacts and optimizing our portfolios for better biodiversity outcomes.
- Finalizing Muzinich's initial net zero commitments in line with the Net Zero Asset Managers Initiative including disclosures on our climate governance, metrics and decarbonization targets out to 2025.
- Enhancing our ESG reporting to investors through completion of new technical developments which will allow us to produce automated product-level reporting on a range of ESG metrics including carbon and climate information.
- Continuing and deepening our ESG training programme through the introduction of standardized, entry-level online training, further in-person training led by our ESG team, and the introduction of expert external speakers.
- Further developing our internal corporate social responsibility policies and practices in relation to people and planet.
- Developing new and innovative investment products to service the needs of investors in relation to net zero and sustainability more broadly.
- Enhancing our general external communication to investors on ESG matters.

#### Section 4. Endorsement

**'The Senior Leadership Statement has been prepared and/or reviewed by the undersigned and reflects our organisation-wide commitment and approach to responsible investment'.**

Name

Cheryl Rivkin

Position

Chief Administrative Officer & Director, Compliance

Organisation's Name

Muzinich & Co

● A

**'This endorsement applies only to the Senior Leadership Statement and should not be considered an endorsement of the information reported by the above-mentioned organisation in the various modules of the Reporting Framework. The Senior Leadership Statement serves as a general overview of the above-mentioned organisation's responsible investment approach. The Senior Leadership Statement does not constitute advice and should not be relied upon as such. Further, it is not a substitute for the skill, judgement and experience of any third parties, their management, employees, advisors and/or clients when making investment and other business decisions'.**

○ B

# ORGANISATIONAL OVERVIEW (OO)

## ORGANISATIONAL INFORMATION

### REPORTING YEAR

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 1	CORE	N/A	N/A	PUBLIC	Reporting year	GENERAL

What is the year-end date of the 12-month period you have chosen to report for PRI reporting purposes?

	Date	Month	Year
Year-end date of the 12-month period for PRI reporting purposes:	30	06	2023

## SUBSIDIARY INFORMATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 2	CORE	N/A	OO 2.1	PUBLIC	Subsidiary information	GENERAL

Does your organisation have subsidiaries?

- ☒ (A) Yes  
☐ (B) No

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 2.1	CORE	OO 2	OO 2.2	PUBLIC	Subsidiary information	GENERAL

Are any of your organisation's subsidiaries PRI signatories in their own right?

- ☐ (A) Yes  
☒ (B) No

## ASSETS UNDER MANAGEMENT

### ALL ASSET CLASSES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 4	CORE	OO 3	N/A	PUBLIC	All asset classes	GENERAL

What are your total assets under management (AUM) at the end of the reporting year, as indicated in [OO 1]?

USD

(A) AUM of your organisation, including subsidiaries, and excluding the AUM subject to execution, advisory, custody, or research advisory only

US\$ 35,991,495,457.00

(B) AUM of subsidiaries that are PRI signatories in their own right and excluded from this submission, as indicated in [OO 2.2]

US\$ 0.00

(C) AUM subject to execution, advisory, custody, or research advisory only

US\$ 0.00

### ASSET BREAKDOWN

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5	CORE	OO 3	Multiple indicators	PUBLIC	Asset breakdown	GENERAL

Provide a percentage breakdown of your total AUM at the end of the reporting year as indicated in [OO 1].



	(1) Percentage of Internally managed AUM	(2) Percentage of Externally managed AUM
(A) Listed equity	0%	0%
(B) Fixed income	>75%	0%
(C) Private equity	0%	0%
(D) Real estate	0%	0%
(E) Infrastructure	0%	0%
(F) Hedge funds	0%	0%
(G) Forestry	0%	0%
(H) Farmland	0%	0%
(I) Other	>0-10%	0%
(J) Off-balance sheet	0%	0%

**(I) Other - (1) Percentage of Internally managed AUM - Specify:**

Relates to Aviation Finance (Source: Muzinich, as at 30 June 2023)

## ASSET BREAKDOWN: INTERNALLY MANAGED FIXED INCOME

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 FI	CORE	OO 5	Multiple	PUBLIC	Asset breakdown: Internally managed fixed income	GENERAL

**Provide a further breakdown of your internally managed fixed income AUM.**

(A) Passive – SSA	0%
(B) Passive – corporate	0%

(C) Active – SSA	0%
(D) Active – corporate	>75%
(E) Securitised	>0-10%
(F) Private debt	>10-50%

## GEOGRAPHICAL BREAKDOWN

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 7	CORE	Multiple, see guidance	N/A	PUBLIC	Geographical breakdown	GENERAL

**How much of your AUM in each asset class is invested in emerging markets and developing economies?**

### AUM in Emerging Markets and Developing Economies

(C) Fixed income – corporate	(3) >10 to 20%
(D) Fixed income – securitised	(2) >0 to 10%
(E) Fixed income – private debt	(3) >10 to 20%

## STEWARDSHIP

## STEWARDSHIP

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 8	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Stewardship	GENERAL

Does your organisation conduct stewardship activities, excluding (proxy) voting, for any of your assets?

	(3) Fixed income - active	(11) Other
(A) Yes, through internal staff	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Yes, through service providers	<input type="checkbox"/>	<input type="checkbox"/>
(C) Yes, through external managers	<input type="checkbox"/>	<input type="checkbox"/>
(D) We do not conduct stewardship	<input type="radio"/>	<input type="radio"/>

## ESG INCORPORATION

### INTERNALLY MANAGED ASSETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 11	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Internally managed assets	1

For each internally managed asset class, does your organisation incorporate ESG factors into your investment decisions?

	(1) Yes, we incorporate ESG factors into our investment decisions	(2) No, we do not incorporate ESG factors into our investment decisions
(F) Fixed income - corporate	<input checked="" type="radio"/>	<input type="radio"/>
(G) Fixed income - securitised	<input checked="" type="radio"/>	<input type="radio"/>
(H) Fixed income - private debt	<input checked="" type="radio"/>	<input type="radio"/>
(V) Other: Relates to Aviation Finance (Source: Muzinich, as at 30 June 2023)	<input checked="" type="radio"/>	<input type="radio"/>

## ESG IN OTHER ASSET CLASSES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 15	CORE	OO 11, OO 12–14	N/A	PUBLIC	ESG in other asset classes	1

**Describe how your organisation incorporates ESG factors into the following asset classes.**

Internally managed  
(C) Other

Muzinich has a proprietary ESG scoring methodology developed specifically for airline leasing and aviation asset financing. The methodology focuses on the type, age and overall fuel efficiency of aircraft and the operator of the aircraft's own ESG credentials. Aircraft of a certain age are not eligible for investment. The team also exclude military aircraft from investment. Further details are available on request.

## ESG STRATEGIES

### FIXED INCOME

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17 FI	CORE	OO 5.3 FI, OO 11	Multiple, see guidance	PUBLIC	Fixed income	1

**Which ESG incorporation approach and/or combination of approaches does your organisation apply to your internally managed active fixed income?**

	(2) Fixed income - corporate	(3) Fixed income - securitised
(A) Screening alone	0%	>75%
(B) Thematic alone	0%	0%
(C) Integration alone	>0-10%	0%
(D) Screening and integration	>75%	0%
(E) Thematic and integration	0%	0%
(F) Screening and thematic	0%	0%
(G) All three approaches combined	0%	0%
(H) None	>0-10%	0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17.1 FI	CORE	OO 17 FI	N/A	PUBLIC	Fixed income	1

**What type of screening does your organisation use for your internally managed active fixed income where a screening approach is applied?**

	(2) Fixed income - corporate	(3) Fixed income - securitised
(A) Positive/best-in-class screening only	0%	0%
(B) Negative screening only	>75%	>75%
(C) A combination of screening approaches	>0-10%	0%

## ESG/SUSTAINABILITY FUNDS AND PRODUCTS

### LABELLING AND MARKETING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18	CORE	OO 11–14	OO 18.1	PUBLIC	Labelling and marketing	1

**Do you explicitly market any of your products and/or funds as ESG and/or sustainable?**

● **(A) Yes, we market products and/or funds as ESG and/or sustainable**

Provide the percentage of AUM that your ESG and/or sustainability-marketed products or funds represent:

>50-75%

- (B) No, we do not offer products or funds explicitly marketed as ESG and/or sustainable
- (C) Not applicable; we do not offer products or funds

**Additional information: (Voluntary)**

For the purposes of this question we have assumed that "sustainability-marketed products" refers to the commingled products we manage within scope of the SFDR which are classified as Article 8 products as a proportion of our total AuM which includes separately managed accounts and investment products which are out of scope of the SFDR.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18.1	CORE	OO 18	OO 18.2	PUBLIC	Labelling and marketing	1

**Do any of your ESG and/or sustainability-marketed products and/or funds hold formal ESG and/or RI certification(s) or label(s) awarded by a third party?**

● **(A) Yes, our ESG and/or sustainability-marketed products and/or funds hold formal labels or certifications**

Provide the percentage of AUM that your labelled and/or certified products and/or funds represent:

>0-10%

- (B) No, our ESG and/or sustainability-marketed products and/or funds do not hold formal labels or certifications

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18.2	CORE	OO 18.1	N/A	PUBLIC	Labelling and marketing	1

#### Which ESG/RI certifications or labels do you hold?

- ☐ (A) Commodity type label (e.g. BCI)
- ☐ (B) GRESB
- ☒ (C) Austrian Ecolabel (UZ49)
- ☐ (D) B Corporation
- ☐ (E) BREEAM
- ☐ (F) CBI Climate Bonds Standard
- ☐ (G) DDV-Nachhaltigkeitskodex-ESG-Strategie
- ☐ (H) DDV-Nachhaltigkeitskodex-ESG-Impact
- ☐ (I) EU Ecolabel
- ☐ (J) EU Green Bond Standard
- ☐ (K) Febelfin label (Belgium)
- ☐ (L) Finansol
- ☐ (M) FNG-Siegel Ecolabel (Germany, Austria and Switzerland)
- ☐ (N) Greenfin label (France)
- ☐ (O) Grüner Pfandbrief
- ☐ (P) ICMA Green Bond Principles
- ☐ (Q) ICMA Social Bonds Principles
- ☐ (R) ICMA Sustainability Bonds Principles
- ☐ (S) ICMA Sustainability-linked Bonds Principles
- ☐ (T) Kein Verstoß gegen Atomwaffensperrvertrag
- ☐ (U) Le label ISR (French government SRI label)
- ☐ (V) Luxflag Climate Finance
- ☐ (W) Luxflag Environment
- ☐ (X) Luxflag ESG
- ☐ (Y) Luxflag Green Bond
- ☐ (Z) Luxflag Microfinance
- ☐ (AA) Luxflag Sustainable Insurance Products
- ☐ (AB) National stewardship code
- ☐ (AC) Nordic Swan Ecolabel
- ☐ (AD) Other SRI label based on EUROSIF SRI Transparency Code (e.g. Novethic)
- ☐ (AE) People's Bank of China green bond guidelines
- ☐ (AF) RIAA (Australia)
- ☐ (AG) Towards Sustainability label (Belgium)
- ☐ (AH) Other

# SUMMARY OF REPORTING REQUIREMENTS

## SUMMARY OF REPORTING REQUIREMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 21	CORE	Multiple indicators	Multiple indicators	PUBLIC	Summary of reporting requirements	GENERAL

The following table shows which modules are mandatory or voluntary to report on in the separate PRI asset class modules. Where a module is voluntary, indicate if you wish to report on it.

Applicable modules	(1) Mandatory to report (pre-filled based on previous responses)	(2.1) Voluntary to report. Yes, I want to opt-in to reporting on the module	(2.2) Voluntary to report. No, I want to opt-out of reporting on the module
Policy, Governance and Strategy	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Confidence Building Measures	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(F) Fixed income – corporate	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(G) Fixed income – securitised	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(H) Fixed income – private debt	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>



## SUBMISSION INFORMATION

### REPORT DISCLOSURE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 32	CORE	OO 3, OO 31	N/A	PUBLIC	Report disclosure	GENERAL

How would you like to disclose the detailed percentage figures you reported throughout the Reporting Framework?

- ☐ (A) Publish as absolute numbers
- ☒ (B) Publish as ranges

## POLICY, GOVERNANCE AND STRATEGY (PGS)

### POLICY

#### RESPONSIBLE INVESTMENT POLICY ELEMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 1	CORE	OO 8, OO 9	Multiple indicators	PUBLIC	Responsible investment policy elements	1, 2

Which elements are covered in your formal responsible investment policy(ies)?

- ☒ (A) Overall approach to responsible investment
- ☒ (B) Guidelines on environmental factors
- ☒ (C) Guidelines on social factors
- ☒ (D) Guidelines on governance factors
- ☒ (E) Guidelines on sustainability outcomes
- ☒ (F) Guidelines tailored to the specific asset class(es) we hold
- ☒ (G) Guidelines on exclusions
- ☐ (H) Guidelines on managing conflicts of interest related to responsible investment
- ☒ (I) Stewardship: Guidelines on engagement with investees
- ☒ (J) Stewardship: Guidelines on overall political engagement
- ☒ (K) Stewardship: Guidelines on engagement with other key stakeholders
- ☒ (M) Other responsible investment elements not listed here

Specify:

Guidelines on integrating ESG into credit research.

- ☐ (N) Our organisation does not have a formal responsible investment policy and/or our policy(ies) do not cover any responsible investment elements

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 2	CORE	PGS 1	Multiple, see guidance	PUBLIC	Responsible investment policy elements	1

**Does your formal responsible investment policy(ies) include specific guidelines on systematic sustainability issues?**

- ☒ (A) Specific guidelines on climate change (may be part of guidelines on environmental factors)
- ☒ (B) Specific guidelines on human rights (may be part of guidelines on social factors)
- ☐ (C) Specific guidelines on other systematic sustainability issues
- ☐ (D) Our formal responsible investment policy(ies) does not include guidelines on systematic sustainability issues

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 3	CORE	PGS 1, PGS 2	N/A	PUBLIC	Responsible investment policy elements	6

**Which elements of your formal responsible investment policy(ies) are publicly available?**

- ☒ (A) Overall approach to responsible investment  
Add link:  
<https://www.muzinich.com/about/responsible-investing>
- ☒ (B) Guidelines on environmental factors  
Add link:  
<https://www.muzinich.com/about/responsible-investing>
- ☒ (C) Guidelines on social factors  
Add link:  
<https://www.muzinich.com/about/responsible-investing>
- ☒ (D) Guidelines on governance factors  
Add link:  
<https://www.muzinich.com/about/responsible-investing>
- ☒ (E) Guidelines on sustainability outcomes  
Add link:  
<https://www.muzinich.com/about/responsible-investing>
- ☒ (F) Specific guidelines on climate change (may be part of guidelines on environmental factors)  
Add link:  
<https://www.muzinich.com/about/responsible-investing>
- ☒ (G) Specific guidelines on human rights (may be part of guidelines on social factors)

Add link:

<https://www.muzinich.com/about/responsible-investing>

☒ **(I) Guidelines tailored to the specific asset class(es) we hold**

Add link:

<https://www.muzinich.com/about/responsible-investing>

☒ **(J) Guidelines on exclusions**

Add link:

<https://www.muzinich.com/about/responsible-investing>

☒ **(L) Stewardship: Guidelines on engagement with investees**

Add link:

<https://www.muzinich.com/about/responsible-investing>

☒ **(M) Stewardship: Guidelines on overall political engagement**

Add link:

<https://www.muzinich.com/about/responsible-investing>

☒ **(N) Stewardship: Guidelines on engagement with other key stakeholders**

Add link:

<https://www.muzinich.com/about/responsible-investing>

☒ **(P) Other responsible investment aspects not listed here**

Add link:

<https://www.muzinich.com/about/responsible-investing>

- ☐ (Q) No elements of our formal responsible investment policy(ies) are publicly available

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 4	PLUS	PGS 1	N/A	PUBLIC	Responsible investment policy elements	1 – 6

**Does your formal responsible investment policy(ies) identify a link between your responsible investment activities and your fiduciary duties or equivalent obligations?**

☒ **(A) Yes**

Elaborate:

We believe that investor focus on factors such as environmental sustainability, social wellbeing and corporate governance will continue to grow as changes in public policy, regulation, consumer preferences, and the incentives for greater resource efficiency become increasingly important sources of risk and opportunity for businesses and investors. We believe it is critical to have a good understanding of the types of environmental, social and governance ("ESG") factors that are most likely to be material to a company's short, medium, and long-term resilience and success. As a manager of corporate credit investments, we primarily focus on issues which have the potential to negatively impact credit strength and the macro environment, but equally we recognize that good management of ESG issues and a shift towards a more sustainable economy presents significant investment opportunities. As a long-term investor, we also believe it is important to consider the potential negative impact of portfolio companies on the environment and society, not only because those impacts can also harm investment value and investor reputations, but also because we believe investors can minimize their negative impacts without necessarily compromising returns. Ultimately, we believe that an investment approach which is both ESG and impact-aware, is well aligned with our fiduciary obligations as a fund manager. Furthermore, we consider it important to act as responsible stewards of our investments and engage companies to help identify and manage material ESG risks and sustainability impacts. While we very rarely hold equities directly, or have exposures via hybrid or convertible securities, we strongly believe that as a lender of capital we can exert influence over management decisions relating to ESG issues in the best long-term interests of those companies.

In addition, we believe climate change poses one of the single greatest risks to environmental, political and economic stability worldwide, and that moves to address climate change will also be a major driver of future investment opportunities. We believe investors have a critical role in identifying and managing physical and transitional climate risks and supporting the growth of solutions for a cleaner, low carbon economy.

- (B) No

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 5	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy elements	2

**Which elements are covered in your organisation's policy(ies) or guidelines on stewardship?**

- ☒ (A) Overall stewardship objectives
- ☒ (B) Prioritisation of specific ESG factors to be advanced via stewardship activities
- ☒ (C) Criteria used by our organisation to prioritise the investees, policy makers, key stakeholders, or other entities on which to focus our stewardship efforts
- ☒ (D) How different stewardship tools and activities are used across the organisation
- ☒ (E) Approach to escalation in stewardship
- ☒ (F) Approach to collaboration in stewardship
- ☐ (G) Conflicts of interest related to stewardship
- ☒ (H) How stewardship efforts and results are communicated across the organisation to feed into investment decision-making and vice versa
- ☐ (I) Other
- (J) None of the above elements is captured in our policy(ies) or guidelines on stewardship

## RESPONSIBLE INVESTMENT POLICY COVERAGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 8	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy coverage	1

**What percentage of your total AUM is covered by the below elements of your responsible investment policy(ies)?**

### Combined AUM coverage of all policy elements

(A) Overall approach to responsible investment  
 (B) Guidelines on environmental factors  
 (C) Guidelines on social factors  
 (D) Guidelines on governance factors

(7) 100%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 9	CORE	PGS 2	N/A	PUBLIC	Responsible investment policy coverage	1

**What proportion of your AUM is covered by your formal policies or guidelines on climate change, human rights, or other systematic sustainability issues?**

### AUM coverage

(A) Specific guidelines on climate change  
 (1) for all of our AUM

(B) Specific guidelines on human rights  
 (1) for all of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 10	CORE	OO 8, OO 9, PGS 1	N/A	PUBLIC	Responsible investment policy coverage	2

Per asset class, what percentage of your AUM is covered by your policy(ies) or guidelines on stewardship with investees?

☒ **(B) Fixed income**

(1) Percentage of AUM covered

- ☐ (1) >0% to 10%
- ☐ (2) >10% to 20%
- ☐ (3) >20% to 30%
- ☐ (4) >30% to 40%
- ☐ (5) >40% to 50%
- ☐ (6) >50% to 60%
- ☐ (7) >60% to 70%
- ☐ (8) >70% to 80%
- ☐ (9) >80% to 90%
- ☐ (10) >90% to <100%

☒ **(11) 100%**

☒ **(I) Other**

(1) Percentage of AUM covered

- ☐ (1) >0% to 10%
- ☐ (2) >10% to 20%
- ☐ (3) >20% to 30%
- ☐ (4) >30% to 40%
- ☐ (5) >40% to 50%
- ☐ (6) >50% to 60%
- ☐ (7) >60% to 70%
- ☐ (8) >70% to 80%
- ☐ (9) >80% to 90%
- ☐ (10) >90% to <100%

☒ **(11) 100%**

## GOVERNANCE

### ROLES AND RESPONSIBILITIES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11	CORE	N/A	Multiple indicators	PUBLIC	Roles and responsibilities	1

**Which senior level body(ies) or role(s) in your organisation have formal oversight over and accountability for responsible investment?**

- ☒ (A) Board members, trustees, or equivalent
- ☒ (B) Senior executive-level staff, or equivalent

Specify:

Co-head of Public Markets

- ☒ (C) Investment committee, or equivalent

Specify:

Portfolio Risk Analytics Committee

- ☒ (D) Head of department, or equivalent

Specify department:

Head of ESG, Co-Director of Research, Co-head of Public Markets

- ☐ (E) None of the above bodies and roles have oversight over and accountability for responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.1	CORE	PGS 1, PGS 2, PGS 11	N/A	PUBLIC	Roles and responsibilities	1, 2

**Does your organisation's senior level body(ies) or role(s) have formal oversight over and accountability for the elements covered in your responsible investment policy(ies)?**

	(1) Board members, trustees, or equivalent	(2) Senior executive-level staff, investment committee, head of department, or equivalent
(A) Overall approach to responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Guidelines on environmental, social and/or governance factors	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Guidelines on sustainability outcomes	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Specific guidelines on climate change (may be part of guidelines on environmental factors)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) Specific guidelines on human rights (may be part of guidelines on social factors)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(G) Guidelines tailored to the specific asset class(es) we hold	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(H) Guidelines on exclusions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(J) Stewardship: Guidelines on engagement with investees	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(K) Stewardship: Guidelines on overall political engagement	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(L) Stewardship: Guidelines on engagement with other key stakeholders	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(N) This role has no formal oversight over and accountability for any of the above elements covered in our responsible investment policy(ies)	<input type="radio"/>	<input type="radio"/>



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.2	CORE	N/A	N/A	PUBLIC	Roles and responsibilities	1 – 6

**Does your organisation have governance processes or structures to ensure that your overall political engagement is aligned with your commitment to the principles of PRI, including any political engagement conducted by third parties on your behalf?**

☒ **(A) Yes**

Describe how you do this:

Muzinich participates in numerous initiatives which support what we believe to be the best interests of furthering sustainable and responsible investment. Our support for these initiatives is discussed by Muzinich's ESG Advisory Group before any commitments are formally endorsed. These may include bilateral meetings with policy-makers, co-signing collaborative engagement letters, or participating in industry groups focused on sustainable finance. We note that we do not employ third parties to conduct political engagement on behalf of the Firm but do participate in industry bodies.

- ☐ (B) No
- ☐ (C) Not applicable, our organisation does not conduct any form of political engagement directly or through any third parties

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 12	CORE	N/A	N/A	PUBLIC	Roles and responsibilities	1

**In your organisation, which internal or external roles are responsible for implementing your approach to responsible investment?**

☒ **(A) Internal role(s)**

Specify:

Muzinich's 15-member ESG Advisory Group is the primary oversight function for responsible investment at the Firm, which includes Board-level representation. Within that group, a 5-member ESG Integration Group is responsible for implementing our ESG policies and procedures on a day-to-day basis. This group comprises two full-time ESG staff, our Director of Product and Marketing, the CEO of Dublin subsidiary, and a Director of Research.

- ☐ (B) External investment managers, service providers, or other external partners or suppliers
- ☐ (C) We do not have any internal or external roles with responsibility for implementing responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 13	CORE	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

**Does your organisation use responsible investment KPIs to evaluate the performance of your board members, trustees, or equivalent?**

● (A) Yes, we use responsible investment KPIs to evaluate the performance of our board members, trustees, or equivalent

Describe: (Voluntary)

A number of board members have ESG related aspects to their respective KPIs. These include:

- Three members of the board of Muzinich & Co., Inc. also sit on the firm's Portfolio Risk Analytics Committee (PRAC): the PRAC uses proprietary models and third-party risk monitoring tools to analyse intrinsic risks and monitor that portfolio investment restrictions and internal risk guidelines are observed, including ESG criteria. Consequently, part of the appraisal of PRAC members (linking to the variable part of their remuneration) relates to the successful implementation of portfolio ESG objectives.
- One board member for Muzinich & Co. Limited is lead portfolio manager for a number of portfolios that incorporate ESG criteria – including Muzinich's flagship ESG best-in-class pooled fund; the variable part of her remuneration is therefore evaluated on the performance of portfolios with ESG dimensions, amongst other elements.
- Another board member for Muzinich & Co. Limited has the delivery of diversity goals (set when becoming a signatory to the UK Government's Women In Finance charter) as part of his KPIs.

○ (B) No, we do not use responsible investment KPIs to evaluate the performance of our board members, trustees, or equivalent

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 14	CORE	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

**Does your organisation use responsible investment KPIs to evaluate the performance of your senior executive-level staff (or equivalent), and are these KPIs linked to compensation?**

● (A) Yes, we use responsible investment KPIs to evaluate the performance of our senior executive-level staff (or equivalent)

Indicate whether these responsible investment KPIs are linked to compensation

● (1) KPIs are linked to compensation

- (2) KPIs are not linked to compensation as these roles do not have variable compensation
- (3) KPIs are not linked to compensation even though these roles have variable compensation

Describe: (Voluntary)

It is part of our Firm culture to motivate employees in a direction that is aligned with the Firm's sustainable objectives and although employees have not historically been formally incentivised, they are supported to reduce the impact of our offices. Further, we have added an ESG contribution section to our annual employee review process for all investment professionals and have begun diffusing this to a wider set of non-investment professional employees starting with the 2020 year-end reviews.

Muzinich's dedicated ESG resources (Archie Beeching/Yiannis Bartzilas) and members of the Firm's Portfolio Risk Analytics Committee (which, fully independent of the investment team, uses proprietary models and third-party risk monitoring tools to analyse intrinsic risks and monitor that portfolio investment restrictions and internal risk guidelines are observed), are remunerated with a fixed and variable compensation package. The variable part of their remuneration is determined by successful delivery of primary objectives and the assessment of individual performance is considered not only within a professional's primary responsibilities, but also in relation to the individual's positive contribution to the Firm as a whole.

As for investment professionals, the variable part of their remuneration is evaluated based on their recommendations and portfolio construction and on the performance of Muzinich's portfolios (including portfolios with ESG dimensions). We would note that from Q1 2021 onwards (when the 2020 year-end reviews took place), the responsibilities, evaluation and compensation of our investment professionals includes a formal responsible investment component which is segregated from other responsibilities or compensation metrics. This includes some consideration of ESG research, training and communicating key ESG metrics to our investors, and will be overseen by our Director of Credit Research. We would also note that Muzinich includes learning goals for responsible investing in the personal development plans for various team members.

Understanding that Muzinich's portfolios are managed on a team basis, team members benefit directly from the success of the investment management effort across the Firm's products. We note that in assessing an analyst's performance against his or her industry opportunity set, we would be quite cognizant of the reasoning behind certain decisions and adjust the Firm's view of the opportunity set accordingly. This adjustment could be for ESG reasons, such as the inability to invest in certain sectors or in companies that produce nuclear energy in a non-nuclear portfolio, or it could be for any other regulatory or guideline reasons (such as avoidance of CCC rated credit).

- (B) No, we do not use responsible investment KPIs to evaluate the performance of our senior executive-level staff (or equivalent)

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 15	PLUS	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

**What responsible investment competencies do you regularly include in the training of senior-level body(ies) or role(s) in your organisation?**

	(1) Board members, trustees or equivalent	(2) Senior executive-level staff, investment committee, head of department or equivalent
(A) Specific competence in climate change mitigation and adaptation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Specific competence in investors' responsibility to respect human rights	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Specific competence in other systematic sustainability issues	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(D) The regular training of this senior leadership role does not include any of the above responsible investment competencies	<input type="radio"/>	<input type="radio"/>

## EXTERNAL REPORTING AND DISCLOSURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 16	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

**What elements are included in your regular reporting to clients and/or beneficiaries for the majority of your AUM?**

- ☒ (A) Any changes in policies related to responsible investment
- ☒ (B) Any changes in governance or oversight related to responsible investment
- ☒ (C) Stewardship-related commitments
- ☐ (D) Progress towards stewardship-related commitments
- ☒ (E) Climate-related commitments
- ☒ (F) Progress towards climate-related commitments
- ☐ (G) Human rights-related commitments
- ☒ (H) Progress towards human rights-related commitments
- ☐ (I) Commitments to other systematic sustainability issues
- ☐ (J) Progress towards commitments on other systematic sustainability issues
- ☐ (K) We do not include any of these elements in our regular reporting to clients and/or beneficiaries for the majority of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 17	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

During the reporting year, did your organisation publicly disclose climate-related information in line with the Task Force on Climate-Related Financial Disclosures' (TCFD) recommendations?

- ☒ (A) Yes, including all governance-related recommended disclosures
- ☒ (B) Yes, including all strategy-related recommended disclosures
- ☒ (C) Yes, including all risk management-related recommended disclosures
- ☒ (D) Yes, including all applicable metrics and targets-related recommended disclosures
- ☐ (E) None of the above

Add link(s):

<https://www.muzinich.com/about/responsible-investing>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 18	PLUS	N/A	N/A	PUBLIC	External reporting and disclosures	6

During the reporting year, to which international responsible investment standards, frameworks, or regulations did your organisation report?

- ☒ (A) Disclosures against the European Union's Sustainable Finance Disclosure Regulation (SFDR)

Link to example of public disclosures

<https://www.muzinich.com/marketing/sfdr>

- ☒ (B) Disclosures against the European Union's Taxonomy

Link to example of public disclosures

<https://www.fundinfo.com/en/LandingPage?apiKey=7ad362f1-a3ed-08dc-d9ca-71aa3be6dff3&query=enhancedyield&country=GB>

- ☐ (C) Disclosures against the CFA's ESG Disclosures Standard
- ☐ (D) Disclosures against other international standards, frameworks or regulations
- ☐ (E) Disclosures against other international standards, frameworks or regulations
- ☐ (F) Disclosures against other international standards, frameworks or regulations
- ☐ (G) Disclosures against other international standards, frameworks or regulations

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 19	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

During the reporting year, did your organisation publicly disclose its membership in and support for trade associations, think tanks or similar bodies that conduct any form of political engagement?

☒ (A) Yes, we publicly disclosed our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement

Add link(s):

<https://www.muzinich.com/about/responsible-investing>

☐ (B) No, we did not publicly disclose our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement

☐ (C) Not applicable, we were not members in or supporters of any trade associations, think tanks, or similar bodies that conduct any form of political engagement during the reporting year

## STRATEGY

## CAPITAL ALLOCATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 20	CORE	N/A	N/A	PUBLIC	Capital allocation	1

Which elements do your organisation-level exclusions cover?

☒ (A) Exclusions based on our organisation's values or beliefs regarding particular sectors, products or services

☒ (B) Exclusions based on our organisation's values or beliefs regarding particular regions or countries

☒ (C) Exclusions based on minimum standards of business practice aligned with international norms such as the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, UN Security Council sanctions or the UN Global Compact

☒ (D) Exclusions based on our organisation's climate change commitments

☐ (E) Other elements

☐ (F) Not applicable; our organisation does not have any organisation-level exclusions

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 21	CORE	N/A	N/A	PUBLIC	Capital allocation	1

## How does your responsible investment approach influence your strategic asset allocation process?

- ☐ (A) We incorporate ESG factors into our assessment of expected asset class risks and returns
- ☐ (B) We incorporate climate change–related risks and opportunities into our assessment of expected asset class risks and returns
- ☐ (C) We incorporate human rights–related risks and opportunities into our assessment of expected asset class risks and returns
- ☐ (D) We incorporate risks and opportunities related to other systematic sustainability issues into our assessment of expected asset class risks and returns
- ☐ (E) We do not incorporate ESG factors, climate change, human rights or other systematic sustainability issues into our assessment of expected asset class risks and returns
- ☒ (F) Not applicable; we do not have a strategic asset allocation process

## STEWARDSHIP: OVERALL STEWARDSHIP STRATEGY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 22	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

For the majority of AUM within each asset class, which of the following best describes your primary stewardship objective?

### (2) Fixed income

(A) Maximise our portfolio-level risk-adjusted returns. In doing so, we seek to address any risks to overall portfolio performance caused by individual investees' contribution to systematic sustainability issues.



(B) Maximise our individual investments' risk-adjusted returns. In doing so, we do not seek to address any risks to overall portfolio performance caused by individual investees' contribution to systematic sustainability issues.



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 23	PLUS	OO 5, OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**How does your organisation, or the external service providers or external managers acting on your behalf, prioritise the investees or other entities on which to focus its stewardship efforts?**

We typically prioritize engagements based on criteria such as: severity of the ESG issue or potential Sustainability Risk, investment exposure, exposure to one of Muzinich's priority ESG themes, our access to management, and our expectations of a successful outcome. Our ESG priorities are determined by our ESG Advisory Group and are typically fundamental long-term ESG risks such as climate change, corporate disclosures, fraud, corruption, and human rights-related issues such as modern slavery. We believe it is important to be targeted with engagement activity as resource constraints will otherwise limit the effectiveness of our interactions with issuers. We typically engage companies during face-to-face meetings or phone calls, or via discussions with intermediaries or underwriters, and during investor events or company road shows.

Where we perceive poor management of ESG risks or adverse sustainability impacts, or a lack of transparency, we may provide feedback directly to the company and occasionally via intermediaries, particularly when choosing not to participate in a primary offering on ESG grounds. Findings from our company engagements support our ongoing monitoring and research on an issuer and are fed back into our proprietary ESG scores and research templates to be shared with the wider investment team.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 24	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**Which of the following best describes your organisation's default position, or the position of the external service providers or external managers acting on your behalf, concerning collaborative stewardship efforts?**

☒ (A) We recognise the value of collective action, and as a result, we prioritise collaborative stewardship efforts wherever possible

- ☐ (B) We collaborate on a case-by-case basis
- ☐ (C) Other
- ☐ (D) We do not join collaborative stewardship efforts

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 24.1	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2



**Elaborate on your organisation's default position on collaborative stewardship, or the position of the external service providers or external investment managers acting on your behalf, including any other details on your overall approach to collaboration.**

Muzinich participates in a number of collaborative engagement groups targeting both corporate issuers and policy-makers. We believe collaboration plays an important role in investor stewardship as it increases our voice in cases where only significant investment size will warrant the attention on an issuer, it also helps us to share insights and understanding of specific ESG themes and issues and can reduce the burden on issuers by streamlining investor expectations into a single group. We engage on both an individual basis and through collective arrangements. Muzinich has joined a number of collaborative investor initiatives and has committed to a variety of sustainability programs, standards, and codes. We note portfolio managers have been instrumental in helping push the industry in constructive ways for example, through Tatjana Greil Castro, Co-Head of Public Markets founding of the European Leveraged Finance Association (ELFA) which seeks to promote robust and transparent high-yield bonds, loans, and private debt markets. As a member of ELFA's ESG Committee, Muzinich is engaging with privately held companies and their private equity sponsors to dramatically increase the flow of ESG information reported by those companies. Please see the 'Our Commitments to Sustainable & Responsible Investing' section within our Responsible Investment policy document.

As it is not always practical to conduct collaborative engagements with other investors due to administrative and/or time constraints, much of the engagement activity Muzinich undertakes is on an individual basis; that is, Muzinich conversing on a bilateral basis with investee companies. However, where suitable opportunities arise, we are also an active participant in collaborative engagements. We recognise that collaborative engagement can present an effective mechanism via which to achieve objectives – through harnessing the scale of participant managers' AUM, accessing the broader technical expertise that may be present within the group, and potentially working alongside equity investors who have further influence through the additional rights bestowed as business owners – that may be more difficult (or not possible) to achieve when engaging independently.

In practice, when undertaking collaborative engagement activities, Muzinich typically does this via recognised collaborative initiatives such as the Climate Action 100+ program. Importantly, such industry-recognised initiatives typically have conduct rules that aim to ensure the avoidance of acting as a concert party (or similar), and which seek to prevent the exchange of confidential or 'inside' information; both of which we consider essential to be in place if we are to participate in any collective engagement activity.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 25	PLUS	OO 5, OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**Rank the channels that are most important for your organisation in achieving its stewardship objectives.**

☒ **(A) Internal resources, e.g. stewardship team, investment team, ESG team, or staff**

Select from the list:

- ☒ 1
- ☐ 4
- ☐ 5

☐ **(B) External investment managers, third-party operators and/or external property managers, if applicable**

☐ (C) External paid specialist stewardship services (e.g. engagement overlay services or, in private markets, sustainability consultants) excluding investment managers, real assets third-party operators, or external property managers

☒ (D) Informal or unstructured collaborations with investors or other entities

Select from the list:

- ☒ 3
- ☐ 4
- ☐ 5

☒ (E) Formal collaborative engagements, e.g. PRI-coordinated collaborative engagements, Climate Action 100+, or similar

Select from the list:

- ☒ 2
- ☐ 4
- ☐ 5

☐ (F) We do not use any of these channels

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 27	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

### How are your organisation's stewardship activities linked to your investment decision making, and vice versa?

Muzinich views stewardship activity and investment decision making as being intrinsically linked - both inform and complement each other. Muzinich analysts are encouraged to use outcomes from engagement activity to inform adjustments to the Firm's proprietary ESG scoring mechanism. In certain situations we may choose to hold investments which demonstrate weaker ESG characteristics on the grounds that we will engage and attempt to improve our holdings ESG management. Equally if we determine that an engagement is unlikely to be successful and that poor ESG risk management may be material to the value of an investment then we may choose to divest from that investment.

#### Full engagement / Monitoring dialogue

In terms of our ESG-focused conversations with investee companies, these can be broadly categorised into 'full engagement', whereby the aim is to participate in a two-way dialogue with the investee company with a specific aim of achieving a targeted change, and 'monitoring dialogue', where the objective is principally to receive information from the investee company to better understand the company and aspects of its undertakings, primarily to support our own investment decision-making process.

Of course, in practice, these two types of interaction with investee companies do not necessarily occur in isolation or are mutually exclusive. As examples: particular meetings with investee companies can cover both briefs; monitoring conversations can highlight issues that subsequently become the focus of full engagement with an investee company; and discussions with a particular issuer can help develop an understanding of best practice that can then form the basis of engagement with other companies performing sub-optimally-performing in that area.

#### Bottom-up company-specific / Top-down thematic

As an active manager, Muzinich's investment philosophy is predicated primarily on the value of detailed bottom-up fundamental credit research, with this research undertaken by an experienced team of credit analysts. As such, the identification of company-specific issues as the focus of engagement activity is a natural extension of this philosophy, with the same team of credit analyst being the primary implementors of Muzinich's engagement activity.

However, a macro-driven top-down approach is also a key feature of Muzinich's investment philosophy, while across the accounts we manage, Muzinich covers an extensive breadth of issuers given the typically broadly diversified nature of our portfolios. Further, our team of credit analysts are generally specialised by industry, and are also supported by an overarching engagement oversight function. Consequently, these factors provide a landscape suitable for the implementation of top-down thematic engagement approach.

Theoretically, a company-specific approach is generally more associated with engagement around governance issues, while the thematic approach leans more towards environmental- and social-focused engagement; however, this is certainly not a hard and fast rule. Muzinich's approach offers the flexibility to undertake engagement in the manner we determine most appropriate, dependent on the circumstances of the topic and targets.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 28	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**If relevant, provide any further details on your organisation's overall stewardship strategy.**

As corporate debt investors, we do not typically hold rights to vote on a company's management practices. Nevertheless, as a lender of capital for critical business expenditures and growth, we can express opinions about, and exert a certain amount of influence over, the businesses that we lend to. We believe engagement with issuers forms a critical part of our investment process and is generally a more powerful tool with which to influence ESG management than outright divestment from an entity. We therefore seek to engage with investee companies with the aim of improving ESG management and reducing adverse environmental or social impacts, except in cases where we consider that engagement is unlikely to result in any meaningful change. In such circumstances, we may ultimately decide to avoid an investment, to reduce our position, or divest from a company entirely.

Muzinich is committed to using engagement as a key responsible investment tool to manage material ESG risks and PAIs relating to the companies we invest in.

We are committed to participating in collaborative engagements either as a signatory to high-level engagement letters, or as a participant or leader in investor collaborations to engage issuers.

We are committed to transparency around our engagement procedures, our priority engagement themes, and information about the progress of our engagement activities.

We are committed to engaging with public policy makers as the primary drivers of sustainability-related policy for both corporates, and financial market participants.

We are committed to engaging investors to educate and better understand their requirements relating to ESG.

We are committed, where the option exists, to exercising voting rights in favor of corporate initiatives and actions which are in the best interests of issuers, the environment and society.

Where we perceive poor management of ESG risks or adverse sustainability impacts, or a lack of transparency, we may provide feedback directly to the company and occasionally via intermediaries, particularly when choosing not to participate in a primary offering on ESG grounds. Findings from our company engagements support our ongoing monitoring and research on an issuer and are fed back into our proprietary ESG scores and research templates to be shared with the wider investment team.

Muzinich maintains an ESG Engagement Framework (the “Framework”) which is accessible to all staff on our company intranet for the purposes of recording and sharing information on ESG engagement activity. The Framework includes information such as: names of target companies and key representatives; relevant ESG engagement themes; progress of the engagement activity; specific ESG targets or objectives set (e.g., decarbonisation commitments); and notable engagement outcomes.

For less liquid investments, such as private debt and other alternative credit strategies, where borrowers may have a greater or lesser incentive to engage with lenders on ESG issues, a different approach is required. A key determining factor here is the level of investor concentration. Engagements as part of club loans involving multiple investors with varied interests are generally less effective than engagements we may conduct as part of a direct, one-to-one lending deal.

While every engagement will take a slightly different course, the typical progression for one of our engagements will run as follows: Muzinich identifies or learns of an ESG issue that is specific to one company (such as a potential Sustainability Risk or adverse sustainability impact), or identifies a company with high levels of exposure to one of our priority ESG themes (e.g., climate change or biodiversity).

- 1) A Muzinich analyst (alongside our ESG Integration Group) will research the ESG issue, past impacts or potential risks relating to the target company, and possible solutions.
- 2) The analyst contacts the company to start an initial engagement and gather further details of the ESG issue with the target company.
- 3) During one or more follow-up meetings the analysts may further define the engagement objectives and set specific KPIs for the target company (e.g., publishing a target to reduce carbon emissions).
- 4) The analyst will review progress (e.g., against the KPIs) to determine next steps and feed back in their research to the investment team.
- 5) On reaching a pre-determined deadline or KPI, the analyst will determine whether they are satisfied with the outcome and decide whether further engagement (and KPI setting) is required.
- 6) If we decide that an engagement has been unsuccessful or that it is unlikely to be within the defined time period we may ultimately decide to avoid, reduce our position or divest from the company's securities entirely pending further review.

## STEWARDSHIP: ESCALATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 37	CORE	Multiple, see guidance	N/A	PUBLIC	Stewardship: Escalation	2

For your corporate fixed income assets, what escalation measures did your organisation, or the external investment managers or service providers acting on your behalf, use in the past three years?

- ☒ (A) Joining or broadening an existing collaborative engagement or creating a new one
- ☒ (B) Publicly engaging the entity, e.g. signing an open letter
- ☒ (C) Not investing
- ☒ (D) Reducing exposure to the investee entity
- ☒ (E) Divesting
- ☐ (F) Litigation
- ☐ (G) Other
- ☐ (H) In the past three years, we did not use any of the above escalation measures for our corporate fixed income assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 38	PLUS	OO 8, OO 5.3 FI	N/A	PUBLIC	Stewardship: Escalation	2

**Describe your approach to escalation for your internally managed SSA and/or private debt fixed income assets.**

(B) Private debt - Approach to escalation

As private debt investments are typically less liquid than public debt equivalents, investors tend to have fewer options to escalate engagement activity. Conversely we benefit from increased access to borrowers as we are often the sole lender or part of a small group of lenders. We also benefit from opportunities to engage the owners or sponsors of these borrowers such as senior management or private equity investors. Where we consider it necessary, we may seek to build monitoring and engagement structures into deal terms such as requiring a lender to provide regular reporting on a specific ESG issue we believe is material to the borrower, or designing margin ratchets which incentivize a borrower to improve specific ESG metrics, or disincentivise them to miss related targets. Borrowers are incentivised to meet the terms of debt deals as not doing so may imply financial penalties and/or a technical default on the debt.

## STEWARDSHIP: ENGAGEMENT WITH POLICY MAKERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39	CORE	OO 8, OO 9	PGS 39.1, PGS 39.2	PUBLIC	Stewardship: Engagement with policy makers	2

**Did your organisation, or the external investment managers or service providers acting on your behalf, engage with policy makers as part of your responsible investment approach during the reporting year?**

- ☐ (A) Yes, we engaged with policy makers directly
- ☒ (B) Yes, we engaged with policy makers through the leadership of or active participation in working groups or collaborative initiatives, including via the PRI
- ☒ (C) Yes, we were members of, supported, or were in another way affiliated with third party organisations, including trade associations and non-profit organisations, that engage with policy makers, excluding the PRI
- ☐ (D) We did not engage with policy makers directly or indirectly during the reporting year beyond our membership in the PRI

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39.1	CORE	PGS 39	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

During the reporting year, what methods did you, or the external investment managers or service providers acting on your behalf, use to engage with policy makers as part of your responsible investment approach?

- ☒ (A) We participated in 'sign-on' letters
- ☒ (B) We responded to policy consultations
- ☒ (C) We provided technical input via government- or regulator-backed working groups

Describe:

Muzinich participated in various ESG working groups within industry associations which provided technical feedback on consultations relating to ESG such as regulatory consultations.

- ☐ (D) We engaged policy makers on our own initiative
- ☐ (E) Other methods

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39.2	CORE	PGS 39	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

During the reporting year, did your organisation publicly disclose details of your engagement with policy makers conducted as part of your responsible investment approach, including through external investment managers or service providers?

- ☒ (A) We publicly disclosed all our policy positions

Add link(s):

<https://www.muzinich.com/about/responsible-investing>

- ☒ (B) We publicly disclosed details of our engagements with policy makers

Add link(s):

<https://www.muzinich.com/about/responsible-investing>

- ☐ (C) No, we did not publicly disclose details of our engagement with policy makers conducted as part of our responsible investment approach during the reporting year

## STEWARDSHIP: EXAMPLES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 40	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Examples	2

Provide examples of stewardship activities that you conducted individually or collaboratively during the reporting year that contributed to desired changes in the investees, policy makers or other entities with which you interacted.

(A) Example 1:

Title of stewardship activity:

#### Engagement with leading European bank

- (1) Led by
- ☒ (1) Internally led
  - ☐ (2) External service provider led
  - ☐ (3) Led by an external investment manager, real assets third-party operator and/or external property manager
- (2) Primary focus of stewardship activity
- ☐ (1) Environmental factors
  - ☐ (2) Social factors
  - ☒ (3) Governance factors
- (3) Asset class(es)
- ☐ (1) Listed equity
  - ☒ (2) Fixed income
  - ☐ (3) Private equity
  - ☐ (4) Real estate
  - ☐ (5) Infrastructure
  - ☐ (6) Hedge funds
  - ☐ (7) Forestry
  - ☐ (8) Farmland
  - ☐ (9) Other
- (4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

A leading European bank had a below-median ESG risk ranking with our ESG data provider, driven by a 'medium' risk score. However, within this score was a 'High' category material ESG issue around business ethics. Central to this is the extent of regulatory scrutiny, investigations and lawsuits in multiple jurisdictions that have been pursued against the bank. We have been undertaking engagement with the Investor Relations team at the target company with the most recent engagement occurring in Q1 2023. The bank has given reassurances around the efforts they have been making to address these issues, including pointing to their alignment with the measures communicated by the national financial regulator, and the extent of their expenditure on improving controls (including anti-financial crime and compliance controls) over recent years, which they note has led to a reduction in litigation charges and fines. We continue to monitor developments.

- (B) Example 2:  
Title of stewardship activity:

#### Engagement with a leading international airline

- (1) Led by
- ☒ (1) Internally led
  - ☐ (2) External service provider led
  - ☐ (3) Led by an external investment manager, real assets third-party operator and/or external property manager
- (2) Primary focus of stewardship activity
- ☒ (1) Environmental factors
  - ☐ (2) Social factors
  - ☐ (3) Governance factors
- (3) Asset class(es)
- ☐ (1) Listed equity
  - ☒ (2) Fixed income
  - ☐ (3) Private equity
  - ☐ (4) Real estate
  - ☐ (5) Infrastructure
  - ☐ (6) Hedge funds
  - ☐ (7) Forestry
  - ☐ (8) Farmland
  - ☐ (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

We engaged with a leading international airline in respect of their stated intention to reduce their carbon footprint, to gain an understanding of what progress was being made. They explained they are implementing a four-pillar strategy in that regard – focusing on the following areas: use of sustainable aviation fuels, efficient aircraft operations, infrastructure improvements and improved technology – and have an aim of net zero carbon emissions by 2050. Of particular note, they are investing in a younger fleet of aircraft as they believe that is the most effective and immediate way to reduce carbon emissions, due to newer models being more fuel efficient (on average 25% more efficient). The company has a young fleet of just over six years vs industry average of more than fifteen years. They also advised they signed a Global Sustainable Aviation Fuel Declaration last year to accelerate the development and use of sustainable aviation fuels; they have already started blending some of these sustainable aviation fuel into refined jet fuel. Other initiatives were highlighted too, including a carbon offset programme. We were encouraged by their activities and believe they are one of the better companies in their sector on this issue. We will continue to monitor developments going forward.

(C) Example 3:

Title of stewardship activity:

Engagement with a leading ports and shipping operator

(1) Led by

- ☒ (1) Internally led
- ☐ (2) External service provider led
- ☐ (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- ☐ (1) Environmental factors
- ☒ (2) Social factors
- ☐ (3) Governance factors

(3) Asset class(es)

- ☐ (1) Listed equity
- ☒ (2) Fixed income
- ☐ (3) Private equity
- ☐ (4) Real estate
- ☐ (5) Infrastructure
- ☐ (6) Hedge funds
- ☐ (7) Forestry
- ☐ (8) Farmland
- ☐ (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

The company is a global ports operator and logistics services supplier based in the middle east with facilities in 69 countries and over 55 thousand employees. We initially began communication with them in 2022 following press coverage of the abrupt firing of employees at a subsidiary in the UK, with concerns over the employment rights of the affected staff. The ongoing monitoring and dialogue focused on the progress being made towards an amicable resolution and whether that was also to the satisfaction of the UK government. Regarding the behaviour towards the employees, the company has to provide 3 months notice and income. The company actually offered the 786 employees 3 months of pay as mandated by law and 3 months of pay on top of that, of those employees 785 accepted the offer. As part of the offer, the employees had to accept not to make an unfair dismissal legal claim. Which leaves only 1 potential person who could claim. The last time we engaged with the company was in February 2023, with no news or lawsuits surfacing since the original issue.

(D) Example 4:

Title of stewardship activity:



- (1) Led by
  - (1) Internally led
  - **(2) External service provider led**
  - (3) Led by an external investment manager, real assets third-party operator and/or external property manager
- (2) Primary focus of stewardship activity
  - ☒ **(1) Environmental factors**
  - ☒ **(2) Social factors**
  - ☐ (3) Governance factors
- (3) Asset class(es)
  - ☐ (1) Listed equity
  - ☒ **(2) Fixed income**
  - ☐ (3) Private equity
  - ☐ (4) Real estate
  - ☐ (5) Infrastructure
  - ☐ (6) Hedge funds
  - ☐ (7) Forestry
  - ☐ (8) Farmland
  - ☐ (9) Other
- (4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

PEMEX is Mexico's 100% state-owned oil company and dominant energy player, representing around 18% of the Mexican public sector revenues (over 3% of GDP). The company is also one of the largest employers in the country with over 120,000 employees. The company has a Severe rating from our ESG data provider, stemming from high levels of fatalities, including those relating to fuel theft incidents. Also given the industry in which the company operates, it has high exposure to environmental risks. The company has targets up to 2025 to reduce its GHG emissions on a clearly defined scope of emissions. The short-term (up to 2025) GHG reduction target covers at least 95% of Scope 1 and 2 emissions and the most relevant Scope 3 emissions (where applicable) and the target (or, in the absence of a target, the company's latest disclosed GHG emissions intensity) is aligned with the goal of limiting global warming to 1.5%. Given that they are one of the largest employers in Mexico, we have taken steps to engage with them through the CA100+ investor group initiative (hence we have classified this as 'external service provider led') relating to all the issues mentioned above in order to improve their ESG performance, while remaining as an investor for more effective engagement.

Recent developments within the engagement include PEMEX setting up a new Sustainability Committee, who are responsible for working on and reviewing short- and medium-term targets in respect of GHG emissions and their progress towards net zero, amongst other responsibilities. A key focus of recent dialogue has been around ESG disclosure, with the investor working group encouraging greater disclosure on the aforementioned short- and medium-term targets, as well as areas such as commitment to TCFD reporting and methane emission data. Regarding the situation in respect of fuel thefts, while it was indicated that the company appears to be operating within specified protocols, they do not have third-party verification of pipeline management improvements. Consequently, the principle was raised that if there are insurance companies who do pipeline surveillance or other entities involved in the fuel anti-theft plan, perhaps they could provide some public corroboration of pipeline management improvements.

(E) Example 5:

Title of stewardship activity:

(1) Led by

- (1) Internally led
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- ☐ (1) Environmental factors
- ☐ (2) Social factors
- ☐ (3) Governance factors

(3) Asset class(es)

- ☐ (1) Listed equity
- ☐ (2) Fixed income
- ☐ (3) Private equity
- ☐ (4) Real estate
- ☐ (5) Infrastructure
- ☐ (6) Hedge funds
- ☐ (7) Forestry
- ☐ (8) Farmland
- ☐ (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

## CLIMATE CHANGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41	CORE	N/A	PGS 41.1	PUBLIC	Climate change	General

**Has your organisation identified climate-related risks and opportunities affecting your investments?**

☒ **(A) Yes, within our standard planning horizon**

Specify the risks and opportunities identified and your relevant standard planning horizon:

Muzinich has partnered with ISS ESG to source carbon and climate data on our public debt investments. Aside from core carbon emissions, we also consider more forward-looking metrics such as warming potential, net zero commitments, climate transition pathways, fossil fuel expansion, transition value at risk and physical climate risk. Our research horizon for debt instruments is typically to the maturity of the instrument or beyond so this ranges across short, medium and long term time horizons. Our considerations on climate-related risks go beyond this horizon as we are considering whether businesses in which we invest will be able to reach net zero emissions by 2050 and beyond.

☒ **(B) Yes, beyond our standard planning horizon**

Specify the risks and opportunities identified and your relevant standard planning horizon:

Muzinich has partnered with ISS ESG to source carbon and climate data on our public debt investments. Aside from core carbon emissions, we also consider more forward-looking metrics such as warming potential, net zero commitments, climate transition pathways, fossil fuel expansion, transition value at risk and physical climate risk. Our research horizon for debt instruments is typically to the maturity of the instrument or beyond so this ranges across short, medium and long term time horizons. Our considerations on climate-related risks go beyond this horizon as we are considering whether businesses in which we invest will be able to reach net zero emissions by 2050 and beyond.

○ (C) No, we have not identified climate-related risks and/or opportunities affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41.1	CORE	PGS 41	N/A	PUBLIC	Climate change	General

**Does your organisation integrate climate-related risks and opportunities affecting your investments in its overall investment strategy, financial planning and (if relevant) products?**

● (A) Yes, our overall investment strategy, financial planning and (if relevant) products integrate climate-related risks and opportunities

Describe how climate-related risks and opportunities have affected or are expected to affect your investment strategy, financial planning and (if relevant) products:

Muzinich believes climate change poses one of the most immediate and significant risks to the stability of the global economy which will require a rapid and drastic response from policy makers. This will lead to fundamental changes in the way many industries operate, with a knock-on effect to investment performance.

We are a specialised financial services company and while we consider the impact of our operational decisions to be relatively small, we believe that decisions we make as investors can have far greater impacts - both negative and positive. We believe corporate responsibility is simply good business. It can engage employees in their work and often highlights opportunities for operational efficiencies such as energy use and transport. It can also support our investment team's corporate engagement efforts by bringing certain ESG issues, of which climate-related issues are critical, to the forefront of attention.

We feel there are a number of key areas in which we as a business can have the biggest influence on the challenges in progressing to the target of net zero:

- Reducing overall carbon emissions of our portfolios: we have already started on this pathway with the introduction of a carbon intensity target for all Muzinich-branded UCITS Funds that are classified as Article 8 under the EU Sustainable Finance Disclosure Regulation; 'SFDR' (which represents the majority of Muzinich's assets under management). Specifically, for the relevant Funds, each portfolio is constructed with a Weighted Average Carbon Intensity (WACI) metric which is at least 10% below that of the portfolio's reference index. Further, we have a Fund within our Article 8 UCITS range specifically focused on reduced GHG emissions – the Muzinich Global High Yield Low Carbon Credit Fund – that has a WACI target of at least 40% below the reference index. In addition, these Funds also apply an exclusion in respect of mining and thermal coal, whereby investments are avoided in entities that derive more than 10% of their revenues from directly mining or extracting thermal coal and/or producing energy from thermal coal (though investment may be permitted in entities that derive between 10% and 30% of revenues from such sources when the investment manager believes that such entities have a credible plan and adequate resources to reduce their reliance on thermal coal).

- Setting targets for reduction in line with a net zero trajectory; we have signed up to NZAMI and aim to formulate our targets and define our strategy during this year.
- Engaging portfolio companies to improve their disclosures, set their own science-based decarbonisation targets, reduce their emissions, and support a fair and equitable transition: engagement is undertaken on both a bilateral basis and via collaborative forums including Climate Action 100+
- Engaging public policy makers to drive and facilitate economic transition: examples of activities we have undertaken in this area so far include ECB bond market contact group engagement, participation in voluntary carbon markets initiative, and signing investor letter to European Commission to set more ambitious carbon reduction targets.
- Incorporating climate risks and opportunities into our research and investment decision-making processes: incorporating ESG considerations deemed to be financially material, such as climate risks and opportunities, alongside more traditional financial metrics has always been a fundamental element of our ESG integration approach; in the formulation of our proprietary ESG scoring system rolled out earlier this year, we have a fixed weighting allocation to the carbon risk component of 20% (whereas the representation of all other ESG factors – including the mandatory KPIs – is variable, depending on the analyst's view of materiality).

○ (B) No, our organisation has not yet integrated climate-related risks and opportunities into its investment strategy, financial planning and (if relevant) products

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 42	PLUS	N/A	N/A	PUBLIC	Climate change	General

#### Which sectors are covered by your organisation's strategy addressing high-emitting sectors?

##### ☒ (A) Coal

Describe your strategy:

The vast majority of Muzinich's investment strategies by volume exclude companies involved in the mining of, or energy production from, thermal coal. We apply a revenue threshold of 10% in relation to these activities with potential exceptions for companies which derive up to 30% of revenues from thermal coal provided they have published clear plans to decommission coal assets by 2025. Further information is available in our responsible investment policy documents relating to the ESG policies of specific funds.

##### ☒ (B) Gas

Describe your strategy:

The vast majority of Muzinich's investment strategies apply carbon intensity targets which on occasions require strategy investment decisions to remove high carbon emitting issuers from the portfolio. These are identified as part of our monthly monitoring of this carbon efficiency objective at the portfolio level. Muzinich portfolio managers are provided with reporting and tools to identify the heaviest emitting holdings in their portfolio which in the vast majority of cases come from high carbon emitting sectors.

##### ☒ (C) Oil

Describe your strategy:

The vast majority of Muzinich's investment strategies apply carbon intensity targets which on occasions require strategy investment decisions to remove high carbon emitting issuers from the portfolio. These are identified as part of our monthly monitoring of this carbon efficiency objective at the portfolio level. Muzinich portfolio managers are provided with reporting and tools to identify the heaviest emitting holdings in their portfolio which in the vast majority of cases come from high carbon emitting sectors.

##### ☒ (D) Utilities

Describe your strategy:

The vast majority of Muzinich's investment strategies apply carbon intensity targets which on occasions require strategy investment decisions to remove high carbon emitting issuers from the portfolio. These are identified as part of our monthly monitoring of this carbon efficiency objective at the portfolio level. Muzinich portfolio managers are provided with reporting and tools to identify the heaviest emitting holdings in their portfolio which in the vast majority of cases come from high carbon emitting sectors.

☒ **(E) Cement**

Describe your strategy:

The vast majority of Muzinich's investment strategies apply carbon intensity targets which on occasions require strategy investment decisions to remove high carbon emitting issuers from the portfolio. These are identified as part of our monthly monitoring of this carbon efficiency objective at the portfolio level. Muzinich portfolio managers are provided with reporting and tools to identify the heaviest emitting holdings in their portfolio which in the vast majority of cases come from high carbon emitting sectors.

☒ **(F) Steel**

Describe your strategy:

The vast majority of Muzinich's investment strategies apply carbon intensity targets which on occasions require strategy investment decisions to remove high carbon emitting issuers from the portfolio. These are identified as part of our monthly monitoring of this carbon efficiency objective at the portfolio level. Muzinich portfolio managers are provided with reporting and tools to identify the heaviest emitting holdings in their portfolio which in the vast majority of cases come from high carbon emitting sectors.

☒ **(G) Aviation**

Describe your strategy:

The vast majority of Muzinich's investment strategies apply carbon intensity targets which on occasions require strategy investment decisions to remove high carbon emitting issuers from the portfolio. These are identified as part of our monthly monitoring of this carbon efficiency objective at the portfolio level. Muzinich portfolio managers are provided with reporting and tools to identify the heaviest emitting holdings in their portfolio which in the vast majority of cases come from high carbon emitting sectors.

☒ **(H) Heavy duty road**

Describe your strategy:

The vast majority of Muzinich's investment strategies apply carbon intensity targets which on occasions require strategy investment decisions to remove high carbon emitting issuers from the portfolio. These are identified as part of our monthly monitoring of this carbon efficiency objective at the portfolio level. Muzinich portfolio managers are provided with reporting and tools to identify the heaviest emitting holdings in their portfolio which in the vast majority of cases come from high carbon emitting sectors.

☒ **(I) Light duty road**

Describe your strategy:

The vast majority of Muzinich's investment strategies apply carbon intensity targets which on occasions require strategy investment decisions to remove high carbon emitting issuers from the portfolio. These are identified as part of our monthly monitoring of this carbon efficiency objective at the portfolio level. Muzinich portfolio managers are provided with reporting and tools to identify the heaviest emitting holdings in their portfolio which in the vast majority of cases come from high carbon emitting sectors.

☒ **(J) Shipping**

Describe your strategy:

The vast majority of Muzinich's investment strategies apply carbon intensity targets which on occasions require strategy investment decisions to remove high carbon emitting issuers from the portfolio. These are identified as part of our monthly monitoring of this carbon efficiency objective at the portfolio level. Muzinich portfolio managers are provided with reporting and tools to identify the heaviest emitting holdings in their portfolio which in the vast majority of cases come from high carbon emitting sectors.

☒ **(K) Aluminium**

Describe your strategy:

The vast majority of Muzinich's investment strategies apply carbon intensity targets which on occasions require strategy investment decisions to remove high carbon emitting issuers from the portfolio. These are identified as part of our monthly monitoring of this carbon efficiency objective at the portfolio level. Muzinich portfolio managers are provided with reporting and tools to identify the heaviest emitting holdings in their portfolio which in the vast majority of cases come from high carbon emitting sectors.

☒ **(L) Agriculture, forestry, fishery**

Describe your strategy:

The vast majority of Muzinich's investment strategies apply carbon intensity targets which on occasions require strategy investment decisions to remove high carbon emitting issuers from the portfolio. These are identified as part of our monthly monitoring of this carbon efficiency objective at the portfolio level. Muzinich portfolio managers are provided with reporting and tools to identify the heaviest emitting holdings in their portfolio which in the vast majority of cases come from high carbon emitting sectors.

☒ **(M) Chemicals**

Describe your strategy:

The vast majority of Muzinich's investment strategies apply carbon intensity targets which on occasions require strategy investment decisions to remove high carbon emitting issuers from the portfolio. These are identified as part of our monthly monitoring of this carbon efficiency objective at the portfolio level. Muzinich portfolio managers are provided with reporting and tools to identify the heaviest emitting holdings in their portfolio which in the vast majority of cases come from high carbon emitting sectors.

☒ **(N) Construction and buildings**

Describe your strategy:

The vast majority of Muzinich's investment strategies apply carbon intensity targets which on occasions require strategy investment decisions to remove high carbon emitting issuers from the portfolio. These are identified as part of our monthly monitoring of this carbon efficiency objective at the portfolio level. Muzinich portfolio managers are provided with reporting and tools to identify the heaviest emitting holdings in their portfolio which in the vast majority of cases come from high carbon emitting sectors.

☒ **(O) Textile and leather**

Describe your strategy:

The vast majority of Muzinich's investment strategies apply carbon intensity targets which on occasions require strategy investment decisions to remove high carbon emitting issuers from the portfolio. These are identified as part of our monthly monitoring of this carbon efficiency objective at the portfolio level. Muzinich portfolio managers are provided with reporting and tools to identify the heaviest emitting holdings in their portfolio which in the vast majority of cases come from high carbon emitting sectors.

☒ **(P) Water**

Describe your strategy:

The vast majority of Muzinich's investment strategies apply carbon intensity targets which on occasions require strategy investment decisions to remove high carbon emitting issuers from the portfolio. These are identified as part of our monthly monitoring of this carbon efficiency objective at the portfolio level. Muzinich portfolio managers are provided with reporting and tools to identify the heaviest emitting holdings in their portfolio which in the vast majority of cases come from high carbon emitting sectors.

☐ **(Q) Other**

- ☐ (R) We do not have a strategy addressing high-emitting sectors

Provide a link(s) to your strategy(ies), if available

<https://www.muzinich.com/about/responsible-investing>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
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PGS 43	CORE	N/A	N/A	PUBLIC	Climate change	General
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**Has your organisation assessed the resilience of its investment strategy in different climate scenarios, including one in which the average temperature rise is held to below 2 degrees Celsius (preferably to 1.5 degrees Celsius) above pre-industrial levels?**

- ☐ (A) Yes, using the Inevitable Policy Response Forecast Policy Scenario (FPS) or Required Policy Scenario (RPS)
- ☐ (B) Yes, using the One Earth Climate Model scenario
- ☐ (C) Yes, using the International Energy Agency (IEA) Net Zero scenario
- ☒ **(D) Yes, using other scenarios**  
Specify:

Yes, using the International Energy Agency (IES) Sustainable Development Scenario of "well below two degrees C".

- ☐ (E) No, we have not assessed the resilience of our investment strategy in different climate scenarios, including one that holds temperature rise to below 2 degrees

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
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PGS 44	CORE	N/A	N/A	PUBLIC	Climate change	General
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**Does your organisation have a process to identify, assess, and manage the climate-related risks (potentially) affecting your investments?**

- ☒ **(A) Yes, we have a process to identify and assess climate-related risks**  
(1) Describe your process

Muzinich analysts identify climate-related risks either directly through their own risk analysis or by considering climate risk metrics provided by an independent ESG data provider. These include both physical and transition risks. Where our research determines that one or more climate risks are sufficiently important they may determine whether those risks are already priced in to the value of a security or require additional consideration if not.

- (2) Describe how this process is integrated into your overall risk management

Muzinich systematically includes consideration of climate risks into our research process by including climate risk metrics in our proprietary ESG scoring methodology such that a single climate metric accounts for 20% of the overall ESG score. These scores are integrated into our standardized credit research templates alongside more traditional financial metrics and shared with our investment team including portfolio managers.

- ☒ **(B) Yes, we have a process to manage climate-related risks**  
(1) Describe your process

Although certain climate risks are differentiated from other risks for their longer term time horizons, we consider climate-related risks to be the same as any other type of risks in our analysis of credit issuers. In other words, where we consider physical or transitional climate factors to present considerable risks to the resilience of a business and thus its creditworthiness, we may seek to either price that risk into our research models (if not already done so by the market), or ultimately avoid investing in an issuer where the pricing of its securities to not reflect the level of risk we consider to be associated with those securities.

(2) Describe how this process is integrated into your overall risk management

Muzinich systematically includes consideration of climate risks into our research process by including climate risk metrics in our proprietary ESG scoring methodology such that a single climate metric accounts for 20% of the overall ESG score. These scores are integrated into our standardized credit research templates alongside more traditional financial metrics and shared with our investment team including portfolio managers.

- (C) No, we do not have any processes to identify, assess, or manage the climate-related risks affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 45	CORE	N/A	N/A	PUBLIC	Climate change	General

**During the reporting year, which of the following climate risk metrics or variables affecting your investments did your organisation use and disclose?**

- ☐ (A) Exposure to physical risk
- ☐ (B) Exposure to transition risk
- ☐ (C) Internal carbon price

☒ **(D) Total carbon emissions**

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- (2) Metric or variable used and disclosed

☒ **(3) Metric or variable used and disclosed, including methodology**

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

[https://api.fundinfo.com/document/16aea3ed209c3a010863385f1af74854\\_7293227/AR\\_GB\\_en\\_IE0004347849\\_YES\\_2022-11-30.pdf?apiKey=7ad362f1-a3ed-08dc-d9ca-71aa3be6dff3](https://api.fundinfo.com/document/16aea3ed209c3a010863385f1af74854_7293227/AR_GB_en_IE0004347849_YES_2022-11-30.pdf?apiKey=7ad362f1-a3ed-08dc-d9ca-71aa3be6dff3)

☒ **(E) Weighted average carbon intensity**

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- (2) Metric or variable used and disclosed

☒ **(3) Metric or variable used and disclosed, including methodology**

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

[https://api.fundinfo.com/document/16aea3ed209c3a010863385f1af74854\\_7293227/AR\\_GB\\_en\\_IE0004347849\\_YES\\_2022-11-30.pdf?apiKey=7ad362f1-a3ed-08dc-d9ca-71aa3be6dff3](https://api.fundinfo.com/document/16aea3ed209c3a010863385f1af74854_7293227/AR_GB_en_IE0004347849_YES_2022-11-30.pdf?apiKey=7ad362f1-a3ed-08dc-d9ca-71aa3be6dff3)

- ☐ (F) Avoided emissions
- ☐ (G) Implied Temperature Rise (ITR)
- ☐ (H) Non-ITR measure of portfolio alignment with UNFCCC Paris Agreement goals
- ☐ (I) Proportion of assets or other business activities aligned with climate-related opportunities
- ☐ (J) Other metrics or variables



- (K) Our organisation did not use or disclose any climate risk metrics or variables affecting our investments during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
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PGS 46	CORE	N/A	N/A	PUBLIC	Climate change	General
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**During the reporting year, did your organisation disclose its Scope 1, Scope 2, and/or Scope 3 greenhouse gas emissions?**

☒ **(A) Scope 1 emissions**

- (1) Indicate whether this metric was disclosed, including the methodology
  - (1) Metric disclosed
  - **(2) Metric and methodology disclosed**
- (2) Provide links to the disclosed metric and methodology, as applicable

<https://www.muzinich.com/about/corporate-social-responsibility>

☒ **(B) Scope 2 emissions**

- (1) Indicate whether this metric was disclosed, including the methodology
  - (1) Metric disclosed
  - **(2) Metric and methodology disclosed**
- (2) Provide links to the disclosed metric and methodology, as applicable

<https://www.muzinich.com/about/corporate-social-responsibility>

☒ **(C) Scope 3 emissions (including financed emissions)**

- (1) Indicate whether this metric was disclosed, including the methodology
  - (1) Metric disclosed
  - **(2) Metric and methodology disclosed**
- (2) Provide links to the disclosed metric and methodology, as applicable

<https://www.muzinich.com/about/corporate-social-responsibility>

- (D) Our organisation did not disclose its Scope 1, Scope 2, or Scope 3 greenhouse gas emissions during the reporting year

## SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
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PGS 47	CORE	N/A	Multiple indicators	PUBLIC	Sustainability outcomes	1, 2
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**Has your organisation identified the intended and unintended sustainability outcomes connected to its investment activities?**

- **(A) Yes, we have identified one or more specific sustainability outcomes connected to our investment activities**
- (B) No, we have not yet identified the sustainability outcomes connected to any of our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47.1	CORE	PGS 47	N/A	PUBLIC	Sustainability outcomes	1, 2

**Which widely recognised frameworks has your organisation used to identify the intended and unintended sustainability outcomes connected to its investment activities?**

- ☐ (A) The UN Sustainable Development Goals (SDGs) and targets
- ☐ (B) The UNFCCC Paris Agreement
- ☒ (C) **The UN Guiding Principles on Business and Human Rights (UNGPs)**
- ☒ (D) **OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors**
- ☒ (E) **The EU Taxonomy**
- ☐ (F) Other relevant taxonomies
- ☐ (G) The International Bill of Human Rights
- ☒ (H) **The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions**
- ☐ (I) The Convention on Biological Diversity
- ☒ (J) **Other international framework(s)**  
Specify:

The Principal Adverse Sustainability Impacts (PAI) as set out in Tables 1, 2 and 3 of Annex I of the Commission Delegated Regulation (EU) supplementing Regulation (EU) 2019/2088

- ☐ (K) Other regional framework(s)
- ☐ (L) Other sectoral/issue-specific framework(s)
  - ☐ (M) Our organisation did not use any widely recognised frameworks to identify the intended and unintended sustainability outcomes connected to its investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47.2	CORE	PGS 47	PGS 48	PUBLIC	Sustainability outcomes	1, 2

**What are the primary methods that your organisation has used to determine the most important intended and unintended sustainability outcomes connected to its investment activities?**

- ☒ (A) **Identify sustainability outcomes that are closely linked to our core investment activities**
- ☒ (B) **Consult with key clients and/or beneficiaries to align with their priorities**
- ☒ (C) **Assess which actual or potential negative outcomes for people are most severe based on their scale, scope, and irremediable character**
- ☒ (D) **Identify sustainability outcomes that are closely linked to systematic sustainability issues**
- ☐ (E) Analyse the input from different stakeholders (e.g. affected communities, civil society, trade unions or similar)
- ☐ (F) Understand the geographical relevance of specific sustainability outcome objectives
- ☐ (G) Other method
- ☐ (H) We have not yet determined the most important sustainability outcomes connected to our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 48	CORE	PGS 47.2	PGS 48.1, SO 1	PUBLIC	Sustainability outcomes	1, 2

Has your organisation taken action on any specific sustainability outcomes connected to its investment activities, including to prevent and mitigate actual and potential negative outcomes?

- ☒ (A) Yes, we have taken action on some of the specific sustainability outcomes connected to our investment activities
- ☐ (B) No, we have not yet taken action on any specific sustainability outcomes connected to our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 48.1	PLUS	PGS 48	N/A	PUBLIC	Sustainability outcomes	1, 2

Why has your organisation taken action on specific sustainability outcomes connected to its investment activities?

- ☒ (A) We believe that taking action on sustainability outcomes is relevant to our financial risks and returns over both short- and long-term horizons
- ☒ (B) We believe that taking action on sustainability outcomes, although not yet relevant to our financial risks and returns, will become so over a long-time horizon
- ☒ (C) We have been requested to do so by our clients and/or beneficiaries
- ☐ (D) We want to prepare for and respond to legal and regulatory developments that are increasingly addressing sustainability outcomes
- ☐ (E) We want to protect our reputation, particularly in the event of negative sustainability outcomes connected to investments
- ☐ (F) We want to enhance our social licence-to-operate (i.e. the trust of beneficiaries, clients, and other stakeholders)
- ☒ (G) We believe that taking action on sustainability outcomes in parallel to financial return goals has merit in its own right
- ☐ (H) Other

## HUMAN RIGHTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 49	PLUS	PGS 47	PGS 49.1	PUBLIC	Human rights	1, 2

**During the reporting year, what steps did your organisation take to identify and take action on the actual and potentially negative outcomes for people connected to your investment activities?**

☒ **(A) We assessed the human rights context of our potential and/or existing investments and projected how this could connect our organisation to negative human rights outcomes**

Explain how these activities were conducted:

Muzinich's ESG integration process is implemented daily by each of Muzinich's credit analysts, who take ESG criteria into account in performing their research and relative value analysis, in cases where they believe such criteria may present a credit risk. We note for example that our examinations routinely include a search for non-compliance with the human rights requirements of the UN Global Compact. We primarily use Sustainalytics and Bloomberg among other ESG research sources.

In addition, Norms or Standards-based screens are applied to a significant number of our Funds, including Muzinich-branded UCITS Funds classified as Article 8 under SFDR (which represent the majority of our AUM), whereby the investment manager will avoid investments which the manager deems to have breached, or to be at severe risk of breaching, certain recognized international conventions, norms and/or standards relating to respect for human rights, labour relations, protection from severe environmental harm or incidents, and the avoidance of gross corruption and other business integrity failings, particularly where efforts to engage with the company have not resulted in a material change in practices within a reasonable time span.

With regards to norms-based screens, Muzinich's ESG Eligibility Committee ("EEC") is responsible for assessing breaches of international norms and standards and determining whether norms and behavioural based exclusions should be applied (either Firm-wide or specific to individual portfolios) to the issuer(s) concerned. The EEC has the power to exclude companies or instruments from investment eligibility or to allow investments subject to the imposition of additional qualifications such as engagement, timelines for goal realization, or other measures.

We may choose to address the risks identified in various ways including (1) non-engagement or divestment. (2) Continued investment/service use accompanied by direct engagement with a company's c-suite or collaborative industry engagement. We note that as credit investors, Muzinich is generally not in a position to vote on direct management in the way equity holders can. Rather our influence is "softer" but often can be effective. We prioritise engagements based on the importance of the investment or vendor to our portfolios or processes and by our perceived likelihood of success. We note that bond issuers are notably more receptive to productive conversations when they are in the market raising new money and we look to prioritize such opportunities with the companies and their underwriting banks.

If we identify any serious ESG controversy for our potential or actual investment targets with regard to human rights violations or other issues such companies would be presented to Muzinich's ESG Eligibility Committee (EEC) which would evaluate the challenges, set policy, and document. An incident could result in non-investment or divestment, natural runoff of expiring positions without renewal, or ongoing investment with an active engagement requirement overseen and monitored for progress by the EEC. If the EEC determines that an approach is not effective in meeting or exceeding specific targets set for the company/relationship, they will mandate change.

☒ **(B) We assessed whether individuals at risk or already affected might be at heightened risk of harm**

Explain how these activities were conducted:

We can cite examples of engagements that were ongoing during the period where consideration of the circumstances of individuals – either in terms of protection of rights or terms of protection from physical harm – were critical elements. One such engagement is a collaborative activity organised through Climate Action 100+; the focus of which is the state-owned Mexican oil company, PEMEX. As well as covering a number of environmental and climate areas, a key element of the engagement has been to address the high level of fatalities linked with the operations of the company, including those related to fuel thefts. A second example has been our dialogue with a global ports operator and logistics services provider. We initially began communication with them in 2022 following press coverage of the abrupt firing of employees at one of their subsidiaries, with concerns over the employment rights of the affected staff. The ongoing monitoring and dialogue focused on the progress being made towards an amicable resolution and whether that was also to the satisfaction of the local government.

- ☐ (C) We consulted with individuals and groups who were at risk or already affected, their representatives and/or other relevant stakeholders such as human rights experts
- ☐ (D) We took other steps to assess and manage the actual and potentially negative outcomes for people connected to our investment activities
  - ☐ (E) We did not identify and take action on the actual and potentially negative outcomes for people connected to any of our investment activities during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 49.1	PLUS	PGS 49	N/A	PUBLIC	Human rights	1, 2

**During the reporting year, which stakeholder groups did your organisation include when identifying and taking action on the actual and potentially negative outcomes for people connected to your investment activities?**

☒ **(A) Workers**

Sector(s) for which each stakeholder group was included

- ☒ (1) Energy
- ☒ (2) Materials
- ☒ (3) Industrials
- ☒ (4) Consumer discretionary
- ☒ (5) Consumer staples
- ☒ (6) Healthcare
- ☒ (7) Finance
- ☒ (8) Information technology
- ☒ (9) Communication services
- ☒ (10) Utilities
- ☒ (11) Real estate

☒ **(B) Communities**

Sector(s) for which each stakeholder group was included

- ☒ (1) Energy
- ☒ (2) Materials
- ☒ (3) Industrials
- ☒ (4) Consumer discretionary
- ☒ (5) Consumer staples
- ☒ (6) Healthcare
- ☒ (7) Finance
- ☒ (8) Information technology
- ☒ (9) Communication services
- ☒ (10) Utilities
- ☒ (11) Real estate

☒ **(C) Customers and end-users**

Sector(s) for which each stakeholder group was included

- ☒ (1) Energy
- ☒ (2) Materials
- ☒ (3) Industrials
- ☒ (4) Consumer discretionary
- ☒ (5) Consumer staples
- ☒ (6) Healthcare
- ☒ (7) Finance
- ☒ (8) Information technology
- ☒ (9) Communication services
- ☒ (10) Utilities
- ☒ (11) Real estate

☐ (D) Other stakeholder groups

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 49.2	PLUS	PGS 47	N/A	PUBLIC	Human rights	1, 2

**During the reporting year, what information sources did your organisation use to identify the actual and potentially negative outcomes for people connected to its investment activities?**

☒ **(A) Corporate disclosures**

Provide further detail on how your organisation used these information sources:

Our analysts review corporate disclosures to identify material risks and opportunities to the business, to verify information provided by our external ESG data providers, or as material on which to engage an issuer.

☒ **(B) Media reports**

Provide further detail on how your organisation used these information sources:

Our analysts may use media reports to identify material risks and opportunities to the business, to verify information provided by our external ESG data providers, or as material on which to engage an issuer.

☒ **(C) Reports and other information from NGOs and human rights institutions**

Provide further detail on how your organisation used these information sources:

Our analysts may use information from NGOs to identify material risks and opportunities to the business, to verify information provided by our external ESG data providers, or as material on which to engage an issuer.

☐ (D) Country reports, for example, by multilateral institutions, e.g. OECD, World Bank

☒ **(E) Data provider scores or benchmarks**

Provide further detail on how your organisation used these information sources:

We used data provider scores or benchmarks to identify ESG risks and opportunities relating to individual issuers, to assess controversial conduct or involvement in controversial and excluded industries to inform our research process and investment decisions.

☐ (F) Human rights violation alerts

☒ **(G) Sell-side research**

Provide further detail on how your organisation used these information sources:

Our analysts may use sell side research to identify material risks and opportunities to the business, to verify information provided by our external ESG data providers, or as material on which to engage an issuer.

☐ (H) Investor networks or other investors

☐ (I) Information provided directly by affected stakeholders or their representatives

☐ (J) Social media analysis

☐ (K) Other

# FIXED INCOME (FI)

## OVERALL APPROACH

### MATERIALITY ANALYSIS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 1	CORE	OO 21	N/A	PUBLIC	Materiality analysis	1

**Does your organisation have a formal investment process to identify and incorporate material ESG factors across your fixed income assets?**

	(2) Corporate	(3) Securitised	(4) Private debt
(A) Yes, our investment process incorporates material governance factors	(1) for all of our AUM	(2) for a majority of our AUM	(1) for all of our AUM
(B) Yes, our investment process incorporates material environmental and social factors	(1) for all of our AUM	(2) for a majority of our AUM	(1) for all of our AUM
(C) Yes, our investment process incorporates material ESG factors depending on different investment time horizons	(1) for all of our AUM	(2) for a majority of our AUM	(1) for all of our AUM
(D) No, we do not have a formal process; our investment professionals identify material ESG factors at their discretion	○	○	○
(E) No, we do not have a formal or informal process to identify and incorporate material ESG factors	○	○	○

## MONITORING ESG TRENDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 2	CORE	OO 21	N/A	PUBLIC	Monitoring ESG trends	1

**Does your organisation have a formal process for monitoring and reviewing the implications of changing ESG trends across your fixed income assets?**

### (2) Corporate

### (3) Securitised

(A) Yes, we have a formal process that includes scenario analyses

(2) for a majority of our AUM

(B) Yes, we have a formal process, but does it not include scenario analyses

(2) for a majority of our AUM

(C) We do not have a formal process for our fixed income assets; our investment professionals monitor how ESG trends vary over time at their discretion

○

○

(D) We do not monitor and review the implications of changing ESG trends on our fixed income assets

○

○

### **(A) Yes, we have a formal process that includes scenario analyses - Specify: (Voluntary)**

Our ESG integration policy applies to all Muzinich AUM however it is not always practical or possible, due the lack of data, to conduct scenario analysis on certain assets. Furthermore the short term nature of certain Muzinich strategies means that ESG scenario analysis is less material to the issuers held in the portfolio.

### **(B) Yes, we have a formal process, but it does not include scenario analyses - Specify: (Voluntary)**

Our ESG integration policy applies to all Muzinich AUM however it is not always practical or possible, due the lack of data, to conduct scenario analysis on certain assets. Furthermore the short term nature of certain Muzinich strategies means that ESG scenario analysis is less material to the issuers held in the portfolio.



## PRE-INVESTMENT

### ESG INCORPORATION IN RESEARCH

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 3	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

**For the majority of your fixed income investments, does your organisation incorporate material ESG factors when assessing their credit quality?**

	(2) Corporate	(3) Securitised	(4) Private debt
(A) We incorporate material environmental and social factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) We incorporate material governance-related factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) We do not incorporate material ESG factors for the majority of our fixed income investments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 4	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

**Does your organisation have a framework that differentiates ESG risks by issuer country, region and/or sector?**

	(2) Corporate	(3) Securitised	(4) Private debt
(A) Yes, we have a framework that differentiates ESG risks by country and/or region (e.g. local governance and labour practices)			
(B) Yes, we have a framework that differentiates ESG risks by sector	(1) for all of our AUM		(1) for all of our AUM
(C) No, we do not have a framework that differentiates ESG risks by issuer country, region and/or sector	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(D) Not applicable; we are not able to differentiate ESG risks by issuer country, region and/or sector due to the limited universe of our issuers	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 5	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

**How does your organisation incorporate material ESG factors when selecting private debt investments during the due diligence phase?**

☒ **(A) We use a qualitative ESG checklist**

Select from dropdown list:

- ☐ (1) in all cases
- ☒ **(2) in a majority of cases**
- ☐ (3) in a minority of cases

☒ **(B) We assess quantitative information on material ESG factors, such as energy consumption, carbon footprint and gender diversity**

Select from dropdown list:

- ☐ (1) in all cases
- ☒ **(2) in a majority of cases**
- ☐ (3) in a minority of cases

☒ **(C) We check whether the target company has its own responsible investment policy, sustainability policy or ESG policy**

Select from dropdown list:

- ☒ (1) in all cases
- ☐ (2) in a majority of cases
- ☐ (3) in a minority of cases

☒ (D) We hire third-party consultants to do technical due diligence on specific material ESG factors where internal capabilities are not available

Select from dropdown list:

- ☐ (1) in all cases
- ☐ (2) in a majority of cases
- ☒ (3) in a minority of cases

☒ (E) We require the review and sign-off of our ESG due diligence process by our investment committee, or the equivalent function

Select from dropdown list:

- ☒ (1) in all cases
- ☐ (2) in a majority of cases
- ☐ (3) in a minority of cases

☐ (F) We use industry-recognised responsible investment due diligence questionnaire (DDQ) templates

☐ (G) We use another method of incorporating material ESG factors when selecting private debt investments during the due diligence process

☐ (H) We do not incorporate material ESG factors when selecting private debt investments during the due diligence phase

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 6	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

How do you incorporate significant changes in material ESG factors over time into your fixed income asset valuation process?

	(2) Corporate	(3) Private debt
(A) We incorporate it into the forecast of financial metrics or other quantitative assessments	(1) for all of our AUM	(1) for all of our AUM
(B) We make a qualitative assessment of how material ESG factors may evolve	(2) for a majority of our AUM	(2) for a majority of our AUM
(C) We do not incorporate significant changes in material ESG factors	<input type="radio"/>	<input type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 7	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

**At what level do you incorporate material ESG factors into the risks and/or returns of your securitised products?**

● **(A) At both key counterparties' and at the underlying collateral pool's levels**

Explain: (Voluntary)

Muzinich has developed a methodology for assessing key counterparties, the ESG policies of securitised product pools, and the ESG profile of underlying collateral pool assets' ESG profiles. These are combined to form an overall assessment of the Collateralized Loan Obligations (CLO) we invest in.

- (B) At key counterparties' level only
- (C) At the underlying collateral pool's level only

## ESG INCORPORATION IN PORTFOLIO CONSTRUCTION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 8	CORE	OO 21	N/A	PUBLIC	ESG incorporation in portfolio construction	1

**How do material ESG factors contribute to your security selection, portfolio construction and/or benchmark selection process?**

	(2) Corporate	(3) Securitised
(A) Material ESG factors contribute to the selection of individual assets and/or sector weightings within our portfolio construction and/or benchmark selection process	(1) for all of our AUM	(3) for a minority of our AUM
(B) Material ESG factors contribute to determining the holding period of individual assets within our portfolio construction and/or benchmark selection process	(3) for a minority of our AUM	(3) for a minority of our AUM

(C) Material ESG factors contribute to the portfolio weighting of individual assets within our portfolio construction and/or benchmark selection process

(1) for all of our AUM

(3) for a minority of our AUM

(D) Material ESG factors contribute to the country or region weighting of assets within our portfolio construction and/or benchmark selection process

(1) for all of our AUM

(3) for a minority of our AUM

(E) Material ESG factors contribute to our portfolio construction and/or benchmark selection process in other ways

(F) Our security selection, portfolio construction or benchmark selection process does not include the incorporation of material ESG factors

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## POST-INVESTMENT

### ESG RISK MANAGEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 11	CORE	OO 21	N/A	PUBLIC	ESG risk management	1

**How are material ESG factors incorporated into your portfolio risk management process?**

	(2) Corporate	(3) Securitised	(4) Private debt
(A) Investment committee members, or the equivalent function or group, can veto investment decisions based on ESG considerations	(1) for all of our AUM	(1) for all of our AUM	(1) for all of our AUM
(B) Companies, sectors, countries and/or currencies are monitored for changes in exposure to material ESG factors and any breaches of risk limits	(1) for all of our AUM	(3) for a minority of our AUM	(1) for all of our AUM
(C) Overall exposure to specific material ESG factors is measured for our portfolio construction, and sizing or hedging adjustments are made depending on the individual issuer or issue sensitivity to these factors	(2) for a majority of our AUM	(3) for a minority of our AUM	(2) for a majority of our AUM
(D) We use another method of incorporating material ESG factors into our portfolio's risk management process			
(E) We do not have a process to incorporate material ESG factors into our portfolio's risk management process	○	○	○

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 12	CORE	OO 21	N/A	PUBLIC	ESG risk management	1

**For the majority of your fixed income assets, do you have a formal process to identify and incorporate material ESG risks and ESG incidents into your risk management process?**

	(2) Corporate	(3) Securitised	(4) Private debt
(A) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents and their implications for individual fixed income holdings	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents, and their implications for other fixed income holdings exposed to similar risks and/or incidents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents, and their implications for our stewardship activities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Yes, our formal process includes ad hoc reviews of quantitative and/or qualitative information on severe ESG incidents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(E) We do not have a formal process to identify and incorporate ESG risks and ESG incidents; our investment professionals identify and incorporate ESG risks and ESG incidents at their discretion	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
(F) We do not have a formal process to identify and incorporate ESG risks and ESG incidents into our risk management process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## PERFORMANCE MONITORING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 13	CORE	OO 21	N/A	PUBLIC	Performance monitoring	1

During the reporting year, how did your organisation incorporate material ESG factors when monitoring private debt investments?

☒ (A) We used a qualitative ESG checklist

Select from dropdown list:

- ☒ (1) in all cases
- ☐ (2) in the majority of cases
- ☐ (3) in the minority of cases

☒ (B) We assessed quantitative information on material ESG factors, such as energy consumption, carbon footprint and gender diversity

Select from dropdown list:

- ☒ (1) in all cases
- ☐ (2) in the majority of cases
- ☐ (3) in the minority of cases

☐ (C) We hired third-party consultants to do technical assessment on specific material ESG factors where internal capabilities were not available

☒ (D) We used industry body guidelines

Select from dropdown list:

- ☒ (1) in all cases
- ☐ (2) in the majority of cases
- ☐ (3) in the minority of cases

☐ (E) We used another method to incorporate material ESG factors into the monitoring of private debt investments

☐ (F) We did not incorporate material ESG factors when monitoring private debt investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 14	PLUS	OO 5.3 FI, OO 21	N/A	PUBLIC	Performance monitoring	1

Provide an example of how the incorporation of environmental and/or social factors in your fixed income valuation or portfolio construction affected the realised returns of those assets.



This example involves a leading international mining company operating copper, gold and molybdenum mines in North America, South America and Indonesia. While we favour the company as a credit issuer in financial terms, we continue to have concerns about the company's management of ESG risks. In particular, we note controversial conduct relating to environmentally harmful waste from several of its operations which poses a financial risk in light of increasingly strict environmental regulations in the markets in which the issuer operates. Our concern is that that these issues could lead to increasing legal and clean-up costs, while issues involving local security hired by the company in Indonesia continue to cause tension with local communities which may ultimately impact the company's social license to operate. We note that the company has implemented several measures to reduce the risk of both environmental and social incidents and we will continue to monitor the company before making a decision to invest in the future.

## DISCLOSURE OF ESG SCREENS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 18	CORE	OO 17 FI, OO 21	N/A	PUBLIC	Disclosure of ESG screens	6

For all your fixed income assets subject to ESG screens, how do you ensure that clients understand ESG screens and their implications?

- ☒ (A) We share a list of ESG screens
- ☒ (B) We share any changes in ESG screens
- ☒ (C) We explain any implications of ESG screens, such as any deviation from a benchmark or impact on sector weightings
  - ☐ (D) We do not share the above information for all our fixed income assets subject to ESG screens

# SUSTAINABILITY OUTCOMES (SO)

## SETTING TARGETS AND TRACKING PROGRESS

### SETTING TARGETS ON SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 1	PLUS	PGS 48	SO 2, SO 2.1, SO 3	PUBLIC	Setting targets on sustainability outcomes	1, 2

What specific sustainability outcomes connected to its investment activities has your organisation taken action on?

- ☒ (A) Sustainability outcome #1
  - (1) Widely recognised frameworks used to guide action on this sustainability outcome
    - ☐ (1) The UN Sustainable Development Goals (SDGs) and targets
    - ☒ (2) The UNFCCC Paris Agreement
    - ☐ (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
    - ☐ (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
    - ☐ (5) The EU Taxonomy
    - ☐ (6) Other relevant taxonomies
    - ☐ (7) The International Bill of Human Rights

- ☐ (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- ☐ (9) The Convention on Biological Diversity
- ☐ (10) Other international, regional, sector-based or issue-specific framework(s)

(2) Classification of sustainability outcome

- ☒ (1) **Environmental**
- ☐ (2) Social
- ☐ (3) Governance-related
- ☐ (4) Other

(3) Sustainability outcome name

All Muzinich-branded UCITS funds classified as Article 8 under the SFDR regime must maintain a weighted average carbon intensity at least 10% lower than their relevant reference indices in order to lower their overall carbon intensity.

(4) Number of targets set for this outcome

- ☐ (1) No target
- ☒ (2) **One target**
- ☐ (3) Two or more targets

☒ **(B) Sustainability outcome #2**

(1) Widely recognised frameworks used to guide action on this sustainability outcome

- ☐ (1) The UN Sustainable Development Goals (SDGs) and targets
- ☒ (2) **The UNFCCC Paris Agreement**
- ☐ (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
- ☐ (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- ☐ (5) The EU Taxonomy
- ☐ (6) Other relevant taxonomies
- ☐ (7) The International Bill of Human Rights
- ☐ (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- ☐ (9) The Convention on Biological Diversity
- ☐ (10) Other international, regional, sector-based or issue-specific framework(s)

(2) Classification of sustainability outcome

- ☒ (1) **Environmental**
- ☐ (2) Social
- ☐ (3) Governance-related
- ☐ (4) Other

(3) Sustainability outcome name

All Muzinich-branded funds classified as Article 8 under the SFDR regime exclude investments in companies which derive more than 10% of their revenues from thermal coal in order to avoid funding issuers with some of the most carbon intensive business models.

(4) Number of targets set for this outcome

- ☐ (1) No target
- ☒ (2) **One target**
- ☐ (3) Two or more targets

☒ **(C) Sustainability outcome #3**

(1) Widely recognised frameworks used to guide action on this sustainability outcome

- ☐ (1) The UN Sustainable Development Goals (SDGs) and targets
- ☐ (2) The UNFCCC Paris Agreement
- ☐ (3) The UN Guiding Principles on Business and Human Rights (UNGPs)

- ☐ (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
  - ☐ (5) The EU Taxonomy
  - ☐ (6) Other relevant taxonomies
  - ☐ (7) The International Bill of Human Rights
  - ☐ (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
  - ☐ (9) The Convention on Biological Diversity
  - ☒ (10) Other international, regional, sector-based or issue-specific framework(s)
- (2) Classification of sustainability outcome
- ☒ (1) Environmental
  - ☒ (2) Social
  - ☒ (3) Governance-related
  - ☐ (4) Other
- (3) Sustainability outcome name
- Muzinich manages two best-in-class ESG strategies which target issuers that demonstrate good ESG risk management as assessed by our independent ESG data provider's ESG scores and rankings. The objective is to target issuers which actively manage their exposure to sustainability risks thereby improving the portfolio's overall sustainability profile.
- (4) Number of targets set for this outcome
- ☐ (1) No target
  - ☒ (2) One target
  - ☐ (3) Two or more targets
- ☐ (D) Sustainability outcome #4
  - ☐ (E) Sustainability outcome #5
  - ☐ (F) Sustainability outcome #6
  - ☐ (G) Sustainability outcome #7
  - ☐ (H) Sustainability outcome #8
  - ☐ (I) Sustainability outcome #9
  - ☐ (J) Sustainability outcome #10

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 2	PLUS	SO 1	SO 2.1, SO 4, SO 5	PUBLIC	Setting targets on sustainability outcomes	1

For each sustainability outcome, provide details of up to two of your nearest-term targets.

#### (A1) Sustainability Outcome #1: Target details

(A1) Sustainability Outcome #1:	All Muzinich-branded UCITS funds classified as Article 8 under the SFDR regime must maintain a weighted average carbon intensity at least 10% lower than their relevant reference indices in order to lower their overall carbon intensity.
(1) Target name	WACI target

(2) Baseline year	
(3) Target to be met by	
(4) Methodology	Data for monitoring and managing portfolios in order to meet this target is derived from an independent ESG data provider. The weighted average carbon intensity metric is a sum product of the portfolio holdings' carbon intensity metrics apportioned by fund weight. Portfolios are monitored at least once per month and any risks of potential breaches are reported to portfolio managers at least monthly.
(5) Metric used (if relevant)	Weighted average carbon intensity.
(6) Absolute or intensity-based (if relevant)	(2) Intensity-based
(7) Baseline level or amount (if relevant):	Portfolios are benchmarked against relevant pre-determined reference indices which are chosen to represent the investable universe of the strategy in question.
(8) Target level or amount (if relevant)	At least 10% lower than the reference index.
(9) Percentage of total AUM covered in your baseline year for target setting	65%
(10) Do you also have a longer-term target for this?	(1) Yes
<b>(B1) Sustainability Outcome #2: Target details</b>	
(B1) Sustainability Outcome #2:	All Muzinich-branded funds classified as Article 8 under the SFDR regime exclude investments in companies which derive more than 10% of their revenues from thermal coal in order to avoid funding issuers with some of the most carbon intensive business models.
(1) Target name	Thermal coal exclusion
(2) Baseline year	
(3) Target to be met by	

(4) Methodology	Muzinich sources data on involvement in excluded from an independent ESG data provider. A relevant investable universe of issuers for each strategy is screened on a quarterly basis to identify issuers involved in excluded industries such as thermal coal extraction. Companies which are not eligible for investment are blocked in our trade compliance systems to avoid any investment in relevant portfolios.
(5) Metric used (if relevant)	% revenue derived from excluded industry practices.
(6) Absolute or intensity-based (if relevant)	(2) Intensity-based
(7) Baseline level or amount (if relevant):	Not applicable
(8) Target level or amount (if relevant)	Revenues below 10%
(9) Percentage of total AUM covered in your baseline year for target setting	63.18%
(10) Do you also have a longer-term target for this?	
<b>(C1) Sustainability Outcome #3: Target details</b>	
(C1) Sustainability Outcome #3:	Muzinich manages two best-in-class ESG strategies which target issuers that demonstrate good ESG risk management as assessed by our independent ESG data provider's ESG scores and rankings. The objective is to target issuers which actively manage their exposure to sustainability risks thereby improving the portfolio's overall sustainability profile.
(1) Target name	Best-in-class ESG overlay
(2) Baseline year	
(3) Target to be met by	
(4) Methodology	Muzinich uses data from its independent ESG data provider to apply positive screens to an investable universe so that issuers below the chosen threshold are not eligible for investment.
(5) Metric used (if relevant)	ESG Risk Score

(6) Absolute or intensity-based (if relevant)

(1) Absolute

(7) Baseline level or amount (if relevant):

Variable depending on relevant strategy

(8) Target level or amount (if relevant)

(9) Percentage of total AUM covered in your baseline year for target setting

(10) Do you also have a longer-term target for this?

(1) Yes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 2.1	PLUS	SO 1, SO 2	N/A	PUBLIC	Setting targets on sustainability outcomes	1

**For each sustainability outcome, provide details of up to two of your long-term targets.**

	(1) Target name	(2) Long-term target to be met by	(3) Long-term target level or amount (if relevant)
(A1) Sustainability Outcome #1: All Muzinich-branded UCITS funds classified as Article 8 under the SFDR regime must maintain a weighted average carbon intensity at least 10% lower than their relevant reference indices in order to lower their overall carbon intensity.	WACI target		Our carbon efficiency targets will remain unchanged for the foreseeable future.
(C1) Sustainability Outcome #3: Muzinich manages two best-in-class ESG strategies which target issuers that demonstrate good ESG risk management as assessed by our independent ESG data provider's ESG scores and rankings. The objective is to target issuers which actively manage their exposure to sustainability risks thereby improving the portfolio's overall sustainability profile.	Best-in-class ESG overlay		Our best-in-class ESG policies will remain unchanged for the foreseeable future.

## FOCUS: SETTING NET-ZERO TARGETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 3	PLUS	SO 1	Multiple, see guidance	PUBLIC	Focus: Setting net-zero targets	General

If relevant to your organisation, you can opt-in to provide further details on your net-zero targets.

- ☐ (A) Yes, we would like to provide further details on our organisation's asset class-specific net-zero targets
- ☐ (B) Yes, we would like to provide further details on our organisation's net-zero targets for high-emitting sectors
- ☐ (C) Yes, we would like to provide further details on our organisation's mandate or fund-specific net-zero targets
- ☒ (D) No, we would not like to provide further details on our organisation's asset class, high-emitting sectors or mandate or fund-specific net-zero targets
  - ☐ (E) No, our organisation does not have any asset class, high-emitting sectors or mandate or fund-specific net-zero targets

## TRACKING PROGRESS AGAINST TARGETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 4	PLUS	SO 2	SO 4.1	PUBLIC	Tracking progress against targets	1

**Does your organisation track progress against your nearest-term sustainability outcomes targets?**

### (A1) Sustainability outcome #1:

(A1) Sustainability outcome #1:

All Muzinich-branded UCITS funds classified as Article 8 under the SFDR regime must maintain a weighted average carbon intensity at least 10% lower than their relevant reference indices in order to lower their overall carbon intensity.

Target name:

WACI target

Does your organisation track progress against your nearest-term sustainability outcome targets?

(1) Yes

### (B1) Sustainability outcome #2:

(B1) Sustainability outcome #2:

All Muzinich-branded funds classified as Article 8 under the SFDR regime exclude investments in companies which derive more than 10% of their revenues from thermal coal in order to avoid funding issuers with some of the most carbon intensive business models.

Target name:

Thermal coal exclusion

Does your organisation track progress against your nearest-term sustainability outcome targets?

(1) Yes



**(C1) Sustainability outcome #3:****(C1) Sustainability outcome #3:**

Muzinich manages two best-in-class ESG strategies which target issuers that demonstrate good ESG risk management as assessed by our independent ESG data provider's ESG scores and rankings. The objective is to target issuers which actively manage their exposure to sustainability risks thereby improving the portfolio's overall sustainability profile.

**Target name:**

Best-in-class ESG overlay

Does your organisation track progress against your nearest-term sustainability outcome targets?

(1) Yes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 4.1	PLUS	SO 4	N/A	PUBLIC	Tracking progress against targets	1

**During the reporting year, what qualitative or quantitative progress did your organisation achieve against your nearest-term sustainability outcome targets?**

**(A1) Sustainability Outcome #1: Target details****(A1) Sustainability Outcome #1:**

All Muzinich-branded UCITS funds classified as Article 8 under the SFDR regime must maintain a weighted average carbon intensity at least 10% lower than their relevant reference indices in order to lower their overall carbon intensity.

**(1) Target name**

WACI target

**(2) Target to be met by****(3) Metric used (if relevant)**

Weighted average carbon intensity.

**(4) Current level or amount (if relevant)****(5) Other qualitative or quantitative progress**

(6) Methodology for tracking progress

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**(B1) Sustainability Outcome #2: Target details**

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(B1) Sustainability Outcome #2: All Muzinich-branded funds classified as Article 8 under the SFDR regime exclude investments in companies which derive more than 10% of their revenues from thermal coal in order to avoid funding issuers with some of the most carbon intensive business models.

(1) Target name Thermal coal exclusion

(2) Target to be met by

(3) Metric used (if relevant) % revenue derived from excluded industry practices.

(4) Current level or amount (if relevant)

(5) Other qualitative or quantitative progress

(6) Methodology for tracking progress

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**(C1) Sustainability Outcome #3: Target details**

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(C1) Sustainability Outcome #3: Muzinich manages two best-in-class ESG strategies which target issuers that demonstrate good ESG risk management as assessed by our independent ESG data provider's ESG scores and rankings. The objective is to target issuers which actively manage their exposure to sustainability risks thereby improving the portfolio's overall sustainability profile.

(1) Target name Best-in-class ESG overlay

(2) Target to be met by

(3) Metric used (if relevant) ESG Risk Score

(4) Current level or amount (if relevant)

(5) Other qualitative or quantitative progress

## INDIVIDUAL AND COLLABORATIVE INVESTOR ACTION ON OUTCOMES

### LEVERS USED TO TAKE ACTION ON SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 5	PLUS	SO 2	Multiple	PUBLIC	Levers used to take action on sustainability outcomes	1, 2, 5

During the reporting year, which of the following levers did your organisation use to take action on sustainability outcomes, including to prevent and mitigate actual and potential negative outcomes?

- ☒ (A) Stewardship with investees, including engagement, (proxy) voting, and direct influence with privately held assets
  - Select from drop down list:
    - ☒ (1) Individually
    - ☒ (2) With other investors or stakeholders
- ☐ (B) Stewardship: engagement with external investment managers
- ☒ (C) Stewardship: engagement with policy makers
  - Select from drop down list:
    - ☐ (1) Individually
    - ☒ (2) With other investors or stakeholders
- ☐ (D) Stewardship: engagement with other key stakeholders
- ☒ (E) Capital allocation
  - ☐ (F) Our organisation did not use any of the above levers to take action on sustainability outcomes during the reporting year

### CAPITAL ALLOCATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 6	PLUS	SO 5	N/A	PUBLIC	Capital allocation	1

During the reporting year, how did your organisation use capital allocation to take action on sustainability outcomes, including to prevent and mitigate actual and potential negative outcomes?

**(A) Across all sustainability outcomes**

(1) Capital allocation activities used	(2) Sector allocation (4) Divestment from assets or sectors
(2) Explain through an example	For the majority of Muzinich's AUM, relevant fund policies require exclusions of sectors including controversial weapons, tobacco, and thermal coal, as well as conduct-based exclusion criteria, and carbon efficiency criteria. Muzinich portfolio managers use capital allocation to avoid investments in companies involved in severe ESG controversies, or which breach internationally recognized norms of standards on human rights, labour rights, environmental impacts and corporate governance. In order to comply with policies on carbon intensity targets, portfolio managers also use capital allocation to reduce positions in heavy emitting issuers and/or increase positions in relatively low emitters to reduce the weighted average carbon intensity of a portfolio overall.

**(B) Sustainability Outcome #1:**

(B) Sustainability Outcome #1:	All Muzinich-branded UCITS funds classified as Article 8 under the SFDR regime must maintain a weighted average carbon intensity at least 10% lower than their relevant reference indices in order to lower their overall carbon intensity.
(1) Capital allocation activities used	(2) Sector allocation (4) Divestment from assets or sectors
(2) Explain through an example	Maintaining product level weighted average carbon intensity targets requires our portfolio manager to optimise relevant portfolios for both risk/return characteristics and carbon intensity. At times this requires portfolio managers to divest from certain issuers which may cause a portfolio to otherwise breach its carbon intensity limits. Recent activities have included disposing of steel producer US Steel in certain portfolios where the position was having an outsized contribution to the overall portfolio carbon intensity.

**(C) Sustainability Outcome #2:**

(C) Sustainability Outcome #2:	All Muzinich-branded funds classified as Article 8 under the SFDR regime exclude investments in companies which derive more than 10% of their revenues from thermal coal in order to avoid funding issuers with some of the most carbon intensive business models.
(1) Capital allocation activities used	(2) Sector allocation (4) Divestment from assets or sectors

(2) Explain through an example

Exclusions of issuers involved in thermal coal mining and/or energy production require a systematic approach to avoiding such businesses. As a result of potential passive breaches resulting from corporate mergers, acquisitions or otherwise, we may be required to divest from existing holdings which breach thermal coal exclusion rules. As an illustration, we were an investor in Vivint Smart Home when it was announced that NRG Energy intended to acquire the company. This acquisition closed in Q1 2023; however, as the new parent company had thermal coal exposure, the holding was sold from certain portfolios to ensure they continued to meet their ESG requirements.

#### (D) Sustainability Outcome #3:

(D) Sustainability Outcome #3:

Muzinich manages two best-in-class ESG strategies which target issuers that demonstrate good ESG risk management as assessed by our independent ESG data provider's ESG scores and rankings. The objective is to target issuers which actively manage their exposure to sustainability risks thereby improving the portfolio's overall sustainability profile.

(1) Capital allocation activities used

(4) Divestment from assets or sectors

(2) Explain through an example

Maintaining ESG best-in-class policies at the strategy level may require portfolio managers to divest from certain holdings which may passively breach ESG scoring criteria over time. A recent case was with VW, whereby we exited our position in our flagship ESG best-in-class Fund as the company dropped below the Automotive sector median (having been 41st percentile when we established the position in 2022).

## STEWARDSHIP WITH INVESTEEES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 8	PLUS	SO 5	N/A	PUBLIC	Stewardship with investees	2

During the reporting year, how did your organisation use stewardship with investees to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?

## (A) Across all sustainability outcomes

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### (1) Describe your approach

To enhance our broad-based ESG integration approach, Muzinich has implemented an engagement approach whereby we seek to interact with companies in our investment universe to actively identify and mitigate ESG risks. Investor stewardship or engagement forms a critical part of our research and risk management process.

As corporate debt investors, we very rarely hold equities directly (or have exposures via hybrid or convertible securities), hence we do not typically hold rights to vote on a company's management practices.

Nevertheless, as a lender of capital for critical business expenditures and growth, we can express opinions about and exert a certain amount of influence over the businesses that we lend to. We believe it is important to use this influence and engage with companies in our investment universe to actively identify, manage and mitigate ESG risks.

Speaking directly with senior company executives helps us to uncover or clarify issues which have not been well understood by third party ESG research providers and credit markets.

Findings from our company engagements support ongoing monitoring and research on an issuer and feed back into future investment decisions. Our analysts actively engage with companies on ESG issues such as poor governance, poor transparency, environmental liability, or any other issue we believe may pose undue risk.

Members of our investment team seek to engage companies when they identify a material lack of transparency around a specific issue, particularly where important ESG information is not adequately disclosed.

Ensuring ESG topics are discussed in meetings also raises the awareness of these topics, both with the company management and fellow asset managers.

Where we perceive poor management of ESG risks or adverse sustainability impacts, or a lack of transparency, we may provide feedback directly to the company and occasionally via intermediaries, particularly when choosing not to participate in a primary offering on ESG grounds.

Findings from our company engagements support our ongoing monitoring and research on an issuer and are fed back into our proprietary ESG scores and research templates to be shared with the wider investment team.

During the reporting period, we have engaged on both an individual basis and through collective arrangements. Muzinich is a member of a number of collaborative investor initiatives and has committed to a variety of sustainability programs, standards, and codes.

(2) Stewardship tools or activities used

(1) Engagement

(3) Example

The target company had a below-median ESG risk ranking within the banking sector with our ESG data provider, driven by a 'medium' risk score. However, within this score was a 'High' category material ESG issue around business ethics. Central to this is the extent of regulatory scrutiny, investigations and lawsuits in multiple jurisdictions that have been pursued against the bank. We have been undertaking engagement with the Investor Relations team at the company, with the most recent engagement occurring in Q1 2023. The bank has given reassurances around the efforts they have been making to address these issues, including pointing to their alignment with the measures communicated by the local financial regulator, and the extent of their expenditure on improving controls (including anti-financial crime and compliance controls) over recent years, which they note has led to a reduction in litigation charges and fines. We continue to monitor developments.

**(B) Sustainability Outcome #1:**

(B) Sustainability Outcome #1:

All Muzinich-branded UCITS funds classified as Article 8 under the SFDR regime must maintain a weighted average carbon intensity at least 10% lower than their relevant reference indices in order to lower their overall carbon intensity.

(1) Describe your approach

(2) Stewardship tools or activities used

(3) Example

**(C) Sustainability Outcome #2:**

(C) Sustainability Outcome #2:

All Muzinich-branded funds classified as Article 8 under the SFDR regime exclude investments in companies which derive more than 10% of their revenues from thermal coal in order to avoid funding issuers with some of the most carbon intensive business models.

(1) Describe your approach

(2) Stewardship tools or activities used

(3) Example

#### (D) Sustainability Outcome #3:

(D) Sustainability Outcome #3:

Muzinich manages two best-in-class ESG strategies which target issuers that demonstrate good ESG risk management as assessed by our independent ESG data provider's ESG scores and rankings. The objective is to target issuers which actively manage their exposure to sustainability risks thereby improving the portfolio's overall sustainability profile.

(1) Describe your approach

(2) Stewardship tools or activities used

(3) Example

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 9	PLUS	SO 5	N/A	PUBLIC	Stewardship with investees	2

**How does your organisation prioritise the investees you conduct stewardship with to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?**

☒ **(A) We prioritise the most strategically important companies in our portfolio.**

Describe how you do this:

Our prioritization of stewardship activity is discretionary and whilst not entirely formulaic, we seek to prioritise engagements based on a combination of: a) the value of our investment in absolute terms, b) the value of our investment relative to total debt outstanding, c) the severity and urgency of the ESG issue in question, d) our perceived likelihood of a positive outcome based on the receptiveness of the issuer to engagement, the relative size of our holdings, our relationship with senior executives within the firm and so on. Decisions on engagement activities may come from our research team as part of their bottom-up credit research, our portfolio managers as part of their overall view of ESG risks in a portfolio, and from our ESG team as a result of more top-down thematic reviews of our holdings across all strategies.

Select from the list:

- ☒ 1  
☐ 3  
☐ 4

☒ **(B) We prioritise the companies in our portfolio most significantly connected to sustainability outcomes.**

Describe how you do this:

Please refer to our response to part (A) of this question.

Select from the list:

- ☒ 2  
☐ 3  
☐ 4



- ☐ (C) We prioritise the companies in our portfolio to ensure that we cover a certain proportion of the sustainability outcomes we are taking action on.
- ☐ (D) Other

## STEWARDSHIP: ENGAGEMENT WITH POLICY MAKERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 11	PLUS	SO 5	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

**During the reporting year, how did your organisation use engagement with policy makers to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?**

### (A) Across all sustainability outcomes

(1) Describe your approach	Where we consider it effective to do so, Muzinich may engage directly with policy makers as a member of technical working groups, investor collaborations, via sign-on letters or via other means. We do not apply a formulaic approach but simply seek to engage policy makers where we believe it might be possible to effect meaningful change with whatever means available and most effective.
(2) Engagement tools or activities used	<p>(1) We participated in 'sign-on' letters</p> <p>(2) We responded to policy consultations</p> <p>(3) We provided technical input via government- or regulator-backed working groups</p> <p>(4) We engaged policy makers on our own initiative</p>
(3) Example(s) of policies engaged on	<p>Collaborative industry bodies:</p> <p>Members of Muzinich's ESG team participate in working groups within organisations including the Investment Company Institute, the UN Principles for Responsible Investment and the European Leveraged Finance Association which engage policymakers, particularly financial regulators, to ensure ESG regulation is fit for purpose and benefits our clients.</p> <p>As an example, Muzinich's Co-Head of Public Markets, Tatjana Greil Castro, is a member of the Consultative Group of The Taskforce on Scaling Voluntary Carbon Markets (TSVCM), which was launched by Mark Carney, UN Special Envoy for Climate Action and Finance Advisor to UK Prime Minister Boris Johnson for COP26. The TVSCM was established to ensure the integrity of carbon credits, support the development of robust carbon market infrastructure, and support the scaling of carbon markets to allow significant financial flows into carbon credits and offsetting.</p>

**(B) Sustainability Outcome #1:**

(B) Sustainability Outcome #1:

All Muzinich-branded UCITS funds classified as Article 8 under the SFDR regime must maintain a weighted average carbon intensity at least 10% lower than their relevant reference indices in order to lower their overall carbon intensity.

(1) Describe your approach

(2) Engagement tools or activities used

(3) Example(s) of policies engaged on

**(C) Sustainability Outcome #2:**

(C) Sustainability Outcome #2:

All Muzinich-branded funds classified as Article 8 under the SFDR regime exclude investments in companies which derive more than 10% of their revenues from thermal coal in order to avoid funding issuers with some of the most carbon intensive business models.

(1) Describe your approach

(2) Engagement tools or activities used

(3) Example(s) of policies engaged on

**(D) Sustainability Outcome #3:**

(D) Sustainability Outcome #3:

Muzinich manages two best-in-class ESG strategies which target issuers that demonstrate good ESG risk management as assessed by our independent ESG data provider's ESG scores and rankings. The objective is to target issuers which actively manage their exposure to sustainability risks thereby improving the portfolio's overall sustainability profile.

(1) Describe your approach

(2) Engagement tools or activities used

(3) Example(s) of policies engaged on

## STEWARDSHIP: COLLABORATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 13	PLUS	SO 5	N/A	PUBLIC	Stewardship: Collaboration	2

During the reporting year, to which collaborative initiatives did your organisation contribute to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?

### (A) Initiative #1

(1) Name of the initiative	European Leveraged Finance Initiative (ELFA). Muzinich is a founding member of ELFA, sits on ELFA's board, and participates in its ESG Working Group, CLO Investor working group, Loan investor working group, and Private Debt Investor Working Group.
(2) Indicate how your organisation contributed to this collaborative initiative	<p>(A) We were a lead investor in one or more focus entities (e.g. investee companies)</p> <p>(B) We acted as a collaborating investor in one or more focus entities (e.g. investee companies)</p> <p>(C) We publicly endorsed the initiative</p> <p>(D) We provided pro bono advice, research or training</p>
(3) Provide further detail on your participation in this collaborative initiative	ELFA is a trade body acting as the voice of the investor community, which seeks a more transparent, efficient and resilient leveraged finance market. Muzinich has participated in several ESG initiatives to directly engage issuers about their ESG disclosures and educate them on investor ESG needs as well as various guidance papers on industry best practices and carbon disclosure.

### (B) Initiative #2

(1) Name of the initiative	Climate Action 100+
(2) Indicate how your organisation contributed to this collaborative initiative	<p>(B) We acted as a collaborating investor in one or more focus entities (e.g. investee companies)</p> <p>(C) We publicly endorsed the initiative</p>

(3) Provide further detail on your participation in this collaborative initiative

Participation in climate-focused collaborative engagement activities

### (C) Initiative #3

(1) Name of the initiative

Private Sector Voluntary Carbon Markets Taskforce

(2) Indicate how your organisation contributed to this collaborative initiative

(C) We publicly endorsed the initiative  
(D) We provided pro bono advice, research or training  
(G) We were part of an advisory committee or similar

(3) Provide further detail on your participation in this collaborative initiative

Muzinich's Co-Head of Public Markets participates in this initiative as a member of the Consultative Group of The Taskforce on Scaling Voluntary Carbon Markets (TSVCM), which was launched by Mark Carney, UN Special Envoy for Climate Action and Finance Advisor to UK Prime Minister Boris Johnson for COP26. The TVSCM was established to ensure the integrity of carbon credits, support the development of robust carbon market infrastructure, and support the scaling of carbon markets to allow significant financial flows into carbon credits and offsetting.

### (D) Initiative #4

(1) Name of the initiative

ICI (Investment Company Institute)

(2) Indicate how your organisation contributed to this collaborative initiative

(B) We acted as a collaborating investor in one or more focus entities (e.g. investee companies)  
(C) We publicly endorsed the initiative  
(G) We were part of an advisory committee or similar

(3) Provide further detail on your participation in this collaborative initiative

Muzinich is a member of the ICI's ESG Task Force. The ICI represents regulated funds globally. ICI's ESG Task Force is focused on engaging on global policymaking activity around issues related to ESG/sustainable investing including regulations on implementation of responsible investment and ESG disclosures by asset managers.

# CONFIDENCE-BUILDING MEASURES (CBM)

## CONFIDENCE-BUILDING MEASURES

### APPROACH TO CONFIDENCE-BUILDING MEASURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 1	CORE	N/A	Multiple indicators	PUBLIC	Approach to confidence-building measures	6

How did your organisation verify the information submitted in your PRI report this reporting year?

- ☐ (A) We conducted independent third-party assurance of selected processes and/or data related to the responsible investment processes reported in our PRI report, which resulted in a formal assurance conclusion
- ☐ (B) We conducted a third-party readiness review and are making changes to our internal controls or governance processes to be able to conduct independent third-party assurance next year
- ☒ (C) We conducted an internal audit of selected processes and/or data related to the responsible investment processes reported in our PRI report
- ☒ (D) Our board, trustees (or equivalent), senior executive-level staff (or equivalent), and/or investment committee (or equivalent) signed off on our PRI report
- ☒ (E) We conducted an external ESG audit of our holdings to verify that our funds comply with our responsible investment policy
- ☒ (F) We conducted an external ESG audit of our holdings as part of risk management, engagement identification or investment decision-making
- ☒ (G) Our responses in selected sections and/or the entirety of our PRI report were internally reviewed before submission to the PRI
- ☐ (H) We did not verify the information submitted in our PRI report this reporting year

## INTERNAL AUDIT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 4	CORE	OO 21, CBM 1	N/A	PUBLIC	Internal audit	6

What responsible investment processes and/or data were audited through your internal audit function?

- ☒ (A) Policy, governance and strategy  
Select from dropdown list:
  - ☐ (1) Data internally audited
  - ☐ (2) Processes internally audited
  - ☒ (3) Processes and data internally audited
- ☒ (D) Fixed income  
Select from dropdown list:
  - ☐ (1) Data internally audited
  - ☐ (2) Processes internally audited
  - ☒ (3) Processes and data internally audited

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 5	PLUS	CBM 1	N/A	PUBLIC	Internal audit	6

**Provide details of the internal audit process regarding the information submitted in your PRI report.**

Most of our PRI reporting reflects Muzinich's responsible investment policies and practices which is overseen and regularly reviewed by members of Muzinich's boards and senior executives. Muzinich's Responsible Investment Policy has run through two rounds of feedback at early and late draft stages to ensure it is consistent with other public disclosures made by the firm (for example our EU SFDR disclosures) and that we have all relevant procedures in place to match those disclosures. As part of a firmwide review of ESG practices following implementation of firm-level SFDR and EU Taxonomy disclosures, Muzinich & Co. Ireland's management company has thoroughly reviewed our internal practices and procedures. We have also conducted a review of our Responsible Investment Policy with our legal team and external counsel.

## INTERNAL REVIEW

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 6	CORE	CBM 1	N/A	PUBLIC	Internal review	6

**Who in your organisation reviewed the responses submitted in your PRI report this year?**

- ☐ (A) Board, trustees, or equivalent  
☒ **(B) Senior executive-level staff, investment committee, head of department, or equivalent**

Sections of PRI report reviewed

- ☒ **(1) the entire report**  
☐ (2) selected sections of the report  
☐ (C) None of the above internal roles reviewed selected sections or the entirety of the responses submitted in our PRI report this year