

Muzinich & Co. Limited Interim Statement on the UK Stewardship Code.

We believe responsible investment is good investment; that environmental, social and governance (ESG) factors can materially impact corporate financial performance; and that consideration of ESG risks and opportunities can enhance our investment process and ultimately contribute to better investment outcomes.

We also believe that active engagement with portfolio companies can lead to better corporate ESG disclosures and management of ESG risks and opportunities. Ultimately, we believe that a responsible investment approach is well aligned with our fiduciary duty as a manager of corporate credit investments.¹

Because we hold these beliefs, we are strongly supportive of the 12 principles underlying the 2020 UK Stewardship Code (the Code) as it promotes these key concepts of responsible investment.

About the 2020 UK Stewardship Code

The Financial Reporting Council (FRC) regulates auditors, accountants and actuaries in the UK. In March 2020 the FRC launched a UK Stewardship Code to replace the 2012 version of the Code. It is voluntary for investors to provide full disclosures for the Code however there is a requirement from the Financial Conduct Authority (FCA) for UK asset Managers like Muzinich & Co. Limited to disclose whether they comply with the Code. UK asset owners, asset managers and service providers have been able to submit relevant disclosures to the FRC from March 2021 based on their stewardship activities undertaken in the preceding 12 months.

Among the key differences between the 2012 and 2020 versions, are the widening of scope to incorporate explicit consideration of asset classes beyond listed equities, and deeper consideration of investment practices beyond corporate engagement and proxy voting. This includes the consideration of ESG factors in an investor's research, investment decision making and investor transparency.²

¹ Please refer to Muzinich's Responsible Investment Policy for more information. Available online <https://www.muzinich.com/about/responsible-investing>

² Further information on the new 2020 UK Stewardship Code is available on the FRC's website <https://www.frc.org.uk/investors/uk-stewardship-code>

Our intention to sign the 2020 UK Stewardship Code

We welcome the changes to the Code wholeheartedly, particularly as they are broadly aligned with the UN-supported Principles for Responsible Investment to which Muzinich has been a signatory since 2010.

While the Code is primarily intended as a framework to be implemented by investors in UK-listed securities, we believe this should not preclude investors from reporting on their stewardship activities in relation to their investments worldwide. As a manager of global corporate credit investments, UK public fixed income assets make up a relatively small proportion of our portfolio. We also do not typically hold equity stakes in businesses and so do not have the opportunity to formally vote on management decisions or otherwise. Nevertheless, we believe it is important to engage companies on potentially material ESG risks, and to report on our engagements with portfolio companies, regardless of where they are headquartered, particularly as corporate supply chains often span the globe.

We have been updating our approach to corporate engagement and further integrating ESG factors into our credit research process. We are moving from an engagement approach which was primarily reactive to perceived short-term ESG risks, to one that also considers positive ESG impacts which will reduce related financial risks over longer time horizons, particularly climate change. We are also doing more to record data and examples of our ESG integration and engagement activity in order to report those to investors.

We therefore fully intend to become a signatory to the 2020 Code once we have completed the changes outlined above. This will allow us to complete the necessary disclosures required by the FRC to become a signatory to the Code on an ongoing basis. We expect to publish further information on our approach to stewardship and will update this statement as and when material changes occur.

Further information about our current and planned approaches to ESG stewardship is available on request. Please email ESG@muzinich.com or info@muzinich.com.

Last updated on 3rd August 2023.

Muzinich & Co. Limited is authorized and regulated by the Financial Conduct Authority.