Muzinich & Co. Group | Japanese Stewardship Code

Muzinich & Co., Inc., together with its global affiliates ("Muzinich" or the "Firm") is committed to compliance with the Japanese Stewardship Code.

We comply with the Code's Seven Principles as detailed below.

1.) Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.

Muzinich is a global institutional asset management firm specializing in global public and private corporate credit and credit alternative investments.

We believe fair and transparent governance is essential for a company's long-term success. We have long adhered to environmental, social and governance (ESG) standards. Incorporating sustainability discussions into the fixed income research process can be advantageous from an investment perspective, and therefore benefit client portfolios.

Across the Firm as a whole, Muzinich meets its stewardship responsibilities through a risk-based approach to evaluating the ESG environment of the companies in which we invest our clients' assets. Further, more than three-quarters of the assets Muzinich managed (as of January 31, 2018) observe and enforce specific ESG guidelines or approaches ranging from simple company or industry-based exclusion lists to Best in Class ESG strategies which target investments in companies we believe have above-average or Best in Class ESG characteristics in their categories or industry sectors. Muzinich has managed portfolios with specific ESG guidelines since 2000 and our Best in Class Strategies since 2011.

2.) Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

Muzinich publishes a Conflicts Policy detailing how the Firm manages conflicts in each of the key regulatory jurisdictions from which the Firm offers Portfolio Management Services. For the Muzinich & Co. Conflicts Policy relevant to your jurisdiction, please contact Muzinich at info@muzinich.com.

3.) Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of companies.

Muzinich has pursued a research-intensive program for evaluating and monitoring companies since the inception of our credit strategies in 1990. In-depth, fundamental research supports our investment decisions. We depend on companies to be transparent; we see weak governance as a 'red flag' and a potential credit risk. Consequently, we seek to avoid investing in companies where we detect poor governance practices.

4.) Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.

Public Debt - Meetings with company management teams are a key component of our investment research process. These meetings create an opportunity for us to engage constructively with management teams on specific concerns, often relating to ESG criteria. The underlying aim that governs our engagement with companies is to participate in stimulating an environment of continual ESG improvement and greater corporate disclosure.

Private Debt - We provide growth capital to businesses in industries we believe can help build diversified economies. We focus on providing financial solutions for smaller companies that offer sustainable, local employment opportunities to their communities. We seek out company owners and management teams we can actively support through value-building acquisitions, capital expansion, and shareholder transitions that unlock value, enhance productivity, and drive long-term economic growth.

5.) Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.

Most investments Muzinich makes on behalf of its clients are in debt instruments which do not come with voting rights. However, as debt investors, Muzinich holds C-suite level interactions with company management teams during which we express our preferences for transparency, improved disclosure, and specific practices or actions. We are able to share our ESG evaluations and those of our external ESG research advisor, Sustainalytics, with companies as we encourage them to take the steps required to improve their scores relative to peers.

For the relatively few instances in which Muzinich votes on behalf of its clients, Muzinich & Co. has a clear and detailed policy for voting proxies to best meet the objectives and interests of the account(s) for which the proxy is being voted. Broadly, we believe that our clients are best served by well-governed, transparent companies, but we would further look for votes to align with specific ESG preferences and goals as defined by our clients where applicable.

6.) Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.

Muzinich reports on our ESG efforts broadly to clients and their consultants and advisors through our public disclosure report available on the PRI website here. Muzinich has been a signatory of the PRI since 2010. In addition, we share account-specific ESG characteristics and company engagements with clients in our reporting to them where applicable.

7.) To contribute positively to the sustainable growth of investee companies, institutional investors should have in-depth knowledge of the investee companies and their business environment and skills and resources needed to appropriately engage with the companies and make proper judgments in fulfilling their stewardship activities.

Muzinich conducts in-depth proprietary research into the companies in which it invests in order to make proper judgments that can only be derived, in our view, from an educated perspective on each investment's relative financial and non-financial risk and reward. The Firm also commissions our external ESG advisors, Sustainalytics, to expand their research universe to include in-depth ESG evaluation and research on private companies not traditionally included in equity-focused ESG research. This practice increases the breadth of ESG research available to all clients of Sustainalytics as we believe that companies respond most favorably to ESG changes they believe the market will notice and appreciate through increased investment.