Muzinich & Co.
Responsible Investment Policy & Procedures

March 2021

Muzinich & Co

About Our Firm and Our Philosophy on Responsible Investment

Muzinich & Co.[1] 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 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 strong 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 the 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 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 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 investing, we may 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.

In laying out our firmwide approach to responsible investment, we intend for the detail set out in this document to address various requirements set out in the EU Sustainable Finance Disclosures Regulation.[2] The responsible investment landscape is evolving rapidly, and we will continue to develop our firmwide responsible investment policies and processes with the aim of positioning ourselves among the industry's leading practitioners.

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[1] This document contains information, data and opinions prepared by Muzinich & Co. Limited (Muzinich & Co. Limited is owned by Muzinich & Co., Inc. which together with its global affiliates, except where specified, throughout this questionnaire, are referred to as "Muzinich" or the "Firm") and

[2] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "EU Sustainable Finance Disclosures Regulation") (Available online) https://eur-lex.europa.eu/eli/reg/2019/2088/oj

The UN-supported Principles for Responsible Investment

Our responsible investment beliefs are aligned with the six UN-supported Principles for Responsible Investment ("PRI", the "Principles") to which Muzinich has been a signatory since 2010. In signing the Principles, we made the following commitments:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
Principle 4: We will promote acceptance and implementation of the Principles within our industry.
Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
Principle 6: We will each report on our activities and progress towards implementing the Principles.

Responsible Investment Policy Statement

We began incorporating client-specific ESG considerations into our investment strategies over 20 years ago and launched our first best-in-class ESG strategies in 2011. Today we continue to broaden and enhance our responsible investment strategy. Below we outline our Responsible Investment Policy (the "Policy").

ESG Integration	All of our investment teams across the various sub-asset classes of credit that we manage seek to consider and integrate important ESG factors into their research, investment decisions, and ongoing monitoring of our investments.
ESG Engagement	We seek to engage companies in our investment universe with the expectation that they enhance their ESG disclosures and/or improve their management of material ESG business risks, and negative environmental and social impacts.
ESG Transparency	We seek to disclose our responsible investment policies, procedures, and investment outcomes objectively to enable our investors to make informed decisions about the ESG aspects of their investments.
ESG Public Policy	We seek to engage public policymakers both as an individual Firm, and alongside our peers, to further adopt corporate and investor sustainability initiatives.
Exclusion policies	We respect that many investors wish to avoid certain business activities, and apply client-specific, proprietary industry, and/or conduct-based exclusions across a wide range of criteria.
Customized ESG strategies	We seek to offer solutions to investor ESG objectives by applying a range of different ESG methodologies or overlays across the range of different investment strategies that we manage.
Corporate Responsibility	We seek to align our own sustainability practices as a Firm with the expectations we hold for investee companies and aim to minimize our environmental footprint while acting with responsibility to all employees and stakeholders.

2021-03-04-5976

Policy Scope & Review Process

This Policy is drafted by Muzinich's Director of Responsible Investing with guidance from our internal ESG Advisory Group. The Policy is reviewed and approved by members of the Muzinich Boards of Directors at least annually. The ESG Advisory Group will review the Policy at least annually and will be responsible for suggesting updates to capture any necessary changes in line with our views on responsible investment best practices.

The varied characteristics of different sub-asset classes of credit or financial instruments that we invest in, such as bonds, loans, leases, asset financing, private debt, securitized debt, derivatives and money market instruments are such that we may consider ESG factors to a greater or lesser extent in each of these. Nevertheless, we endeavor to apply this Policy across all of the investment strategies that we manage, in vehicles structured in any way, including, but not limited to, mutual funds, commingled funds, and separately managed accounts. Further details on our tailored approach to responsible investment are described herein.

Implementation of Our Responsible Investment Policy

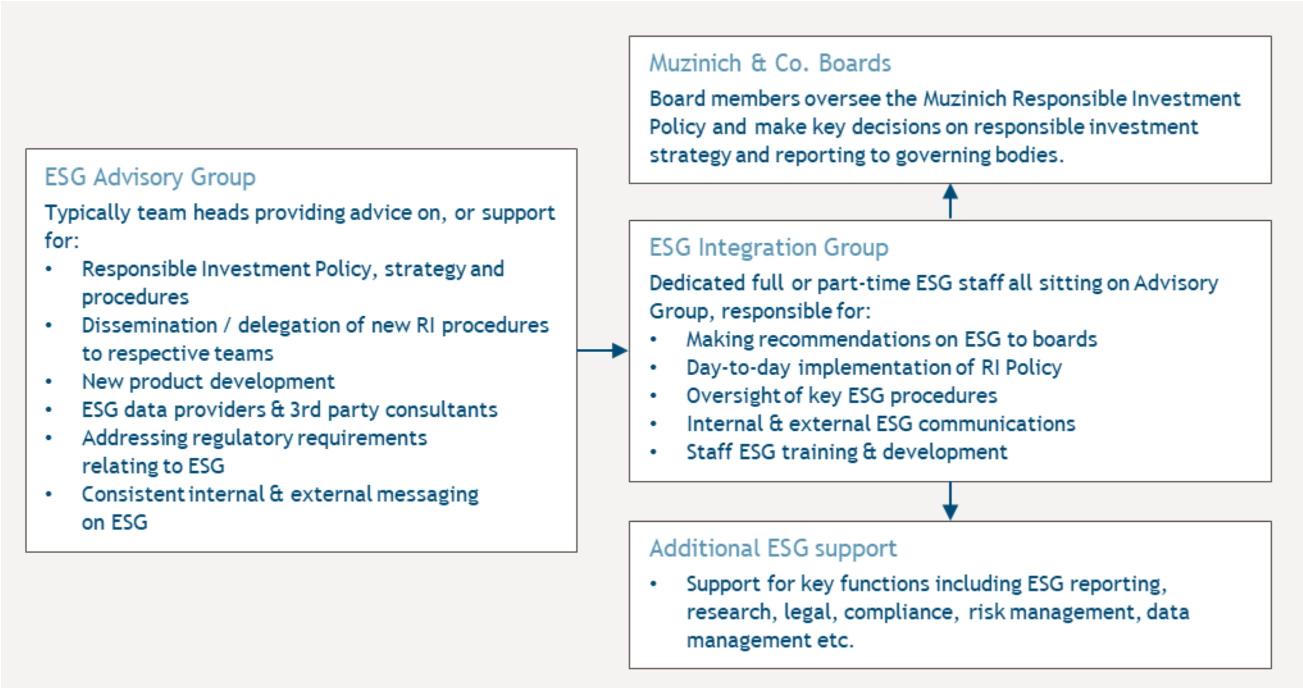
The remainder of this document describes how we implement our Policy, including specific procedures for ESG integration, engagement, and reporting - among other items. We note that industry expectations of responsible investment best practice are evolving rapidly, and as such we anticipate further development of a number of the procedures described.

Responsible Investment Governance and Resourcing at Muzinich

Implementation of our Policy requires a firmwide approach. Since signing the UN-supported Principles for Responsible Investment in 2010, we have built up a group of internal ESG champions who now participate in our ESG Advisory Group. Our objective is for the ESG Advisory Group to represent many of the key functions of the Firm, such as our senior management, investment, risk, client servicing, compliance, and sales teams. The ESG Advisory Group meets every two months to discuss, develop, and implement our ESG policies and to disseminate key responsible investment developments to their respective teams.

Our ESG Integration Group is a sub-group of the ESG Advisory Group and comprises staff members who are wholly or partially dedicated to our day-to-day implementation of our ESG procedures. Our Director of Responsible Investing chairs the ESG Advisory Group and reports to the key Boards of Muzinich & Co. on a periodic basis.

Figure 1: Members of the Muzinich ESG Advisory Group and ESG Integration Group as of February 28th, 2021[3]



ESG Advisory Group				
Kirsten Bode Private Debt	René Doering Client Servicing	Tom Douie Sales	ESG Integration Group	
Tatjana Greil Castro* Public Debt	Andrew Jenkins Research	Kate Laing Compliance	Archie Beeching Responsible Investment	Erick Muller Product/Investment Strategies
Alex Mckenna* Product/Fund servicing	Cheryl Rivkin* Risk	Alok Wadhawan Aviation Finance	Senan Kiran Research	Mickey Weatherston Client Servicing

Source: Muzinich as of February 28th, 2021. Oversight and membership subject to change. *Tatjana Greil Castro and Alex Mckenna are members of the Board of Muzinich & Co. Limited. Cheryl Rivkin is a member of the Board of Muzinich & Co., Inc.

Staff ESG Training & Incentives

Responsible investment and ESG touches on almost all aspects of our business, for example, credit research, risk management, legal, client reporting and regulatory compliance. We offer regular ESG educational sessions led by our Director of Responsible Investing or external experts, including staff from our external ESG data providers. We also ensure that all new joiners have been familiarized with our Policy and relevant procedures where relevant to their role. A number of our staff members have taken or are registered for more formal self-taught or university-led ESG and sustainability training courses and certifications. Members of our research team are also formally assessed on specific ESG targets as part of their appraisal process.

[3] Oversight and membership subject to change.

Tailoring Responsible Investment to Different Asset Classes

Muzinich manages various forms of public and private corporate debt investments which have distinct characteristics such as: availability of publicly reported ESG information, investment liquidity, capital structure, duration, investor concentration, and access to corporate management. While our responsible investment objectives are consistent across our investments, we seek to tailor our approach in an effort to align our investments with our Policy as best we can. In other words, we do not impose a single ESG integration or engagement framework across the different forms of corporate credit that we manage.

Public debt considerations and constraints: for bonds, loans, and structured finance investments, we seek to balance robust analysis of a relatively large investment universe with suitable consideration of ESG factors. As a general rule, we find that the availability and quality of reliable, timely ESG data increases as we move up the credit rating scale to the highest-rated investment-grade issuers. While this is true for ESG disclosures, this does not necessarily imply that higher-rated companies are less exposed to ESG risks. To counter this trade-off, we expect a more thorough analysis of ESG and non-ESG factors as we move down the ratings scale. We also typically engage high-yield issuers more on ESG disclosures and participate in initiatives to improve ESG research in this space.[4] Equally, as we would typically hold a larger proportion of the debt issued by a smaller issuer, we would expect to have a greater access to management for engagement purposes in those situations.

Private debt considerations and constraints: when conducting private market investment due diligence, we may have a longer window between becoming aware of an investment opportunity and actual execution of a deal. We also find that as a general rule we can have better access to management, and can therefore conduct deeper and more tailored ESG due diligence on a company. Again, there is a trade-off because less established, privately held companies typically disclose less ESG information publicly, which prevents us from making meaningful comparisons between companies on similar ESG data points.

Figure 2 highlights some of the considerations we make when developing responsible investment approaches in different asset classes. We note that these express our experience in general terms, but that there may be exceptions to each characteristic.

[4] See further comments on our relationship with our independent ESG research provider and the European Leveraged Finance Association (ELFA) initiative.

Figure 2: Responsible investment considerations for different asset classes and sub-asset classes of credit.[5]

	Public equities	Bonds	Loans	Structured finance	Club investments	Direct Origination Investments
ESG disclosures /Availability of third-party ESG data	Good	IG – good HY – adequate (< IG)	Limited	Limited	Limited	Limited
Ability to influence management via engagement	Good	Adequate (<equities)	Adequate (<equities)	Limited	Limited (< direct origination)	Limited (> club investments)
Commonly applied ESG incorporation processes	Exclusions Positive screens ESG integration Thematic Impact	Exclusions Positive screens ESG integration Thematic Impact	Exclusions ESG integration Thematic	Exclusions Thematic	Exclusions ESG diligence Impact	Exclusions ESG diligence Impact
Influence over loan terms	Not applicable	Negligible	Negligible	Negligible	Limited to Adequate	Adequate

External ESG Resources and Data

Sourcing consistent, high-quality, timely ESG data on a global universe of credit securities is essential for robust ESG integration, but is also a major challenge for investors. Our analysts aim to identify credit-relevant ESG issues as part of their fundamental, bottom-up analysis. In addition, we use third-party ESG data which includes, among other items: raw ESG data points; aggregated issuer ESG scores and rankings; ESG-related controversy records and scores; involvement in industries or business activities deemed to be controversial; alignment with international ESG standards or norms; and, a range of information related to carbon emissions and climate change.

We believe it is important to fully understand third-party ESG data and company ratings in context, and not to rely on information such as aggregated scores at face value, especially when integrating it into analyst recommendations and portfolio construction. Beyond static scores, it is important to understand whether a company is actively addressing ESG issues and to consider whether their ESG risk management is improving or deteriorating.

We seek to maintain strong relationships with our external, independent ESG data providers and to actively share feedback where we believe it will add to the quality of their research. We also strive to improve the research coverage of our investment universe. To this end, we commission our primary ESG data provider to initiate new research on roughly 20 companies each year, making the results of this research available to their wider client base.

[5] For illustrative purposes only. This figure should not be interpreted as an indication of Muzinich practices.

How We Consider ESG Factors in Our Investment Process

We believe ESG factors (including sustainability risks, as defined by the EU Sustainable Finance Disclosures Regulation) are becoming increasingly material drivers of business risk and opportunity due to tightening regulations, changing consumer perceptions and awareness, and the need for greater resource efficiency among other things. We therefore consider ESG analysis to be a useful lens through which we can analyze a company's securities alongside more traditional financial factors.

We consider "values-based", "ethical" or "socially responsible" factors to be conceptually different from ESG factors (as defined herein) as they may not necessarily present an immediate financial risk to a company, although in practice, values-based and ESG considerations can frequently overlap.

Muzinich may consider different types of ESG information for different purposes such as:

- consideration of ESG factors which might drive business risk and opportunity as part of the credit research process;
- consideration of historic controversies or incidents relating to ESG factors which raise red flags in our research process;
- consideration of issuer involvement in specific industries (e.g., tobacco products) or business conduct (e.g., gross corruption) which are excluded from specific funds or separately managed accounts;
- consideration of absolute ESG scores or relative ESG rankings for screening which involves a minimum threshold (i.e., ESG best-in-class screening);
- consideration of the positive sustainability impacts of a business or debt use-of-proceeds, such as sustainable bonds or green bonds, when seeking to align investments with those positive impacts; and/or,
- consideration of the quality of an issuer's ESG disclosures and/or risk management when deciding whether to engage that issuer.

It is not our objective to consider a prescriptive or exhaustive list of ESG factors when conducting ESG analysis, but to identify the issues which might be most material on a case-by-case basis. There are however certain factors which we consider to be priority ESG risks for certain industries, or which we believe to be universally important. Examples of ESG factors which might be considered as part of investment research are provided in Figure 3.

Figure 3: Examples of ESG factors which might be considered as part of an integrated research process.[6]

Environmental	Social	Governance
Biodiversity Environmental regulation Greenhouse gas emissions Natural resource use Physical climate risks Waste and pollution	Community relations Diversity and inclusion Health and safety Human rights Labor relations Public health	Audit practices Board skills Corporate accountability Corporate disclosures Fraud and corruption Internal controls

[6] Source: Muzinich & Co., as of 31 December 2020. Provided for illustrative and example purposes only, not necessarily considered for all investments or all-inclusive.

Integrating ESG into Investment Decisions – Publicly Traded Debt

Our investment teams are responsible for incorporating ESG considerations into their credit analysis or due diligence processes, written evaluations, and investment decisions. As explained herein, our approach to ESG integration varies depending on which sub-asset class our analysts are researching. As a manager of corporate credit, we are primarily interested in identifying industry and company exposures to ESG issues which might drive credit risk, as well as an issuer's management of those issues. We are also increasingly focused on the positive and negative impacts which companies have on environmental and social factors. Our analysts do not follow a mechanistic or rules-based approach to determine which ESG issues might be most material, but instead assess those issues on an issue-by-issue and company-by-company basis.

We recognize that ESG issues can impact company performance in different ways and to varying degrees depending on contextual factors such as company sector, size, geographic location, and the vehicle or asset class we invest in. Wherever practical, our analysts consider ESG factors alongside traditional financial metrics, such that one does not supersede the other.

In addition to our analysts own research, our public markets investment team supplements analysis with data from third-party independent ESG specialists. We estimate that we have access to some form of third-party ESG research on over 95% of the companies with investment-grade credit ratings. The ESG research coverage for high-yield issuers – which are often privately held – is less comprehensive at around 70-80% of our investable universe. We note that the range of individual ESG data points reported by issuers will vary greatly – these numbers represent the proportion of issuers that have reported sufficient ESG information to generate an ESG score or rating.

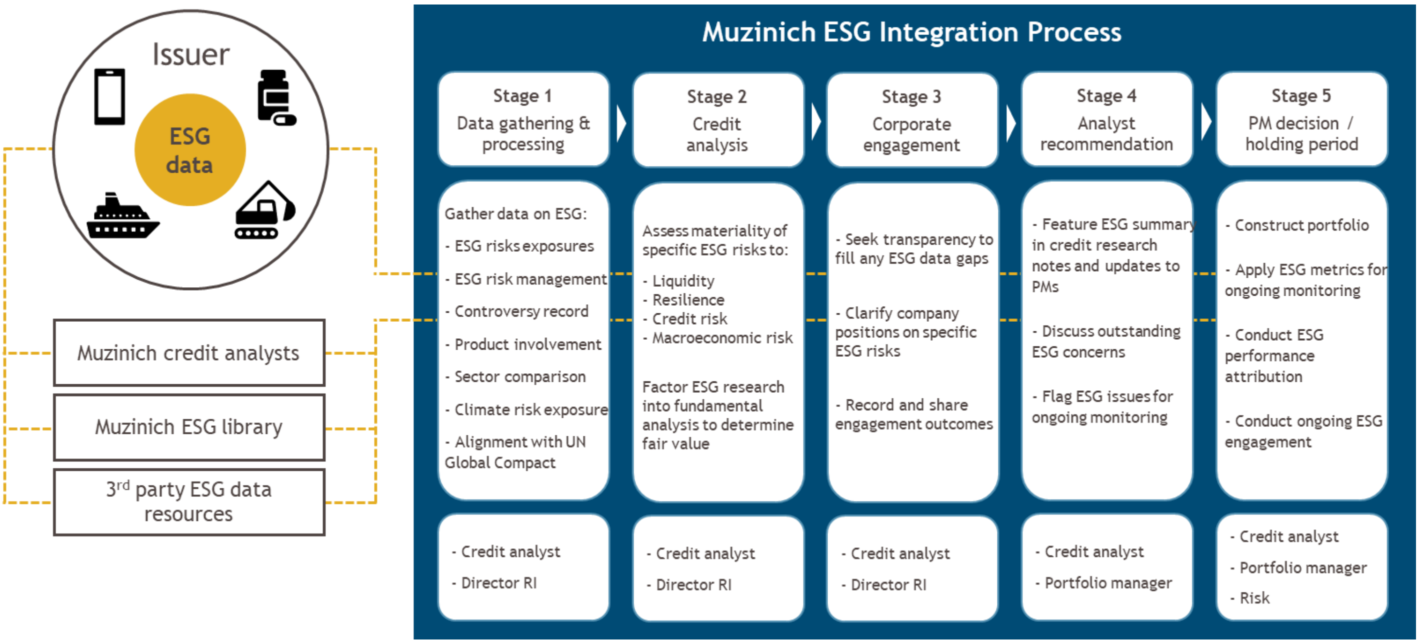
In practical terms, where we are able to gather reliable, comparable ESG data, we integrate that into our IT systems for research, trading, and reporting. Our standardized credit research templates include a dedicated ESG section which comprises a quantitative "ESG Scorecard" and a more qualitative "ESG Commentary".[7] Our research team members are responsible for completing these commentaries and typically include a range of information such as: their views on a company's exposure to certain ESG risks and the materiality of those risks; the perceived accuracy of any ESG data provided by third parties; any ongoing engagement activity involving the company; and forward looking comments on a company's commitment to specific timebound ESG targets. The research templates are shared with the whole public markets investment team and are stored on a shared platform where they can be accessed by all members of the investment team.

To further supplement our ESG research, informative research from academics, sell-side research providers, non-governmental organizations and elsewhere is stored in Muzinich's ESG library, which is accessible by all in our company intranet.

Figure 4 demonstrates conceptually how our ESG integration process works.

[7] Redacted examples of the ESG research sections of our credit research templates are available on request.

Figure 4: How we integrate ESG research into our fundamental bottom-up analysis of listed credit securities.[8]



Integrating ESG into Investment Decisions – Private Debt Investments

The characteristics of investment strategies focused on private companies such as corporate loans, private debt, and credit alternatives require a dedicated ESG integration approach distinct from our approach to public markets investments. While the ESG factors we consider in these investments may be similar, ESG disclosures made by smaller, less established private companies limits our ability to make industry-level comparisons based on publicly reported ESG data. Nevertheless, our investment teams seek to identify credit-relevant ESG issues as they relate to business risks as part of their initial due diligence and ongoing engagements and monitoring with portfolio companies. This assessment is typically based on: their own experience in dealing with specific sectors; input from our Director of Responsible Investing; and, recognized ESG materiality frameworks such as the Sustainability Accounting Standards Board (SASB) Materiality Map.[9]

In certain situations, we may use standardized ESG questionnaires to support our due diligence and portfolio reporting to investors. Any material findings from our private debt team's initial ESG due diligence are included in a standardized template, which appears in the investment memorandums and is discussed by the Investment Committees, prior to making an investment decision. The ESG due diligence templates include: consideration of key ESG risks and opportunities; summaries of ESG issues the investment team should seek to engage the company on; and, priorities for ongoing monitoring should we decide to invest. In certain situations, Muzinich's Director of Responsible Investing may be invited to attend Investment Committee meetings as an observer to provide input on specific ESG considerations.

[8] Source: Muzinich. For illustrative purposes only and subject to change. The approaches outlined herein are tailored to each strategy and not all are uniformly applied across all strategies and client accounts. Risk management does not imply no or low risk.

[9] The Sustainability Accounting Standards Board (SASB) Materiality Map is available online: https://www.sasb.org/standards/materiality-map/

Engagement/Stewardship

Investor stewardship or engagement forms a critical part of our research and risk management process. 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 it is important to use this influence and engage with companies in our investment universe to actively identify, manage, and mitigate ESG business risks and/or minimize negative environmental or social impacts.

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 with company managements also raises the awareness of these topics. We typically prioritize engagements based on criteria such as: investment exposure, severity of the ESG issue, target industry, our expectations of access to management, and the likelihood of a positive outcome. Prioritization of engagement activity is essential as we believe more targeted engagements can be more effective. Opportunities to engage typically come in the form of company or investor-led bilateral meetings, phone calls, written correspondence, discussions with intermediaries/underwriters, or during investor events and company road shows.

Where we perceive poor management of ESG risk exposures or a lack of transparency, we provide feedback directly to the company or via intermediaries, particularly when choosing not to participate in a new issue on ESG grounds. Findings from our company engagements support ongoing monitoring and research on an issuer, and are fed back into our research and shared with the wider investment team.

Muzinich maintains an ESG Engagement Framework (the "Framework") which is accessible to all staff on our intranet for the purposes of recording ESG engagement activity. The Framework details information such as: names of target companies and representatives; ESG engagement themes; progress of the engagement activity; specific ESG targets or objectives set; and, notable engagement outcomes. The Framework was formulated in late-2019, and as we roll the Framework out across our public debt platform, we will gather further engagement data throughout 2021. We intend to report publicly on our engagement procedures and activities in line with the underlying principles of the UK Stewardship Code (2020) after having gathered engagement data for 2021.[10]

As outlined previously, a different approach is required for less liquid investments, such as private debt and other alternative credit strategies, where borrowers may have more or less incentive to engage with lenders on ESG issues. A key determining factor here is the level of investor concentration, with clear differences between club loans involving multiple investors with varied interests, and direct lending opportunities involving a single investor.

[10] Muzinich's holding statement on the 2020 UK Stewardship Code online https://www.muzinich.com/wp-content/uploads/New-UK-Stewardship-Code-Disclosure-Statement-2016.pdf

Negative Screening/Exclusions

We apply negative screens or exclusions to several public and private market strategies in line with investors' expectations and our own views on what we consider to be an acceptable level of reputational, financial, and/or sustainability risk. We have the capabilities to screen for a range of industry or norms-based criteria with different revenue and/or production-based thresholds. The majority of our European-domiciled comingled funds apply negative screens linked to the Norges Bank Investment Management (NBIM) exclusion list.[11] In addition, we apply our Controversial Weapons Policy to all of our commingled funds across our public and private debt investment strategies and to separately managed accounts on request.[12]

To ensure that exclusion policies for specific public debt strategies are not inadvertently breached, our Risk team programs rules relating to excluded companies into our trading platform. Where it is not possible to apply automated rules, we follow a documented procedure for ESG eligibility checks which involves certain members of our ESG Integration Group, Investment, and Risk teams. Strategies with explicit exclusion policies are also reviewed periodically by our Portfolio Risk Analytics Committee (PRAC) to ensure no breaches have occurred. In cases where negative screening rules are passively breached, our policy for Muzinich branded comingled funds is typically to sell all related securities within 30 days of notification.

Positive Screening/ESG Best-in-Class

We apply positive screening or ESG best-in-class overlays to select investment strategies. Our objective is to target companies which display ESG risk-management leadership relative to their index or industry peers as determined by our third-party ESG data provider. ESG best-in-class overlays are typically implemented in a two-step process: first, a chosen investment universe is screened to determine a new investable universe from which to construct an investment portfolio, and second, any new trades are automatically blocked from investment until approved by a member of our ESG eligibility group described in the exclusions section above. Relevant company ESG ratings are included in analyst write-ups and discussed by the investment team so that our portfolio managers know which securities should be eligible for a particular strategy before approaching the ESG eligibility group. In cases where companies passively breach an ESG threshold (for example an issuer falls below a screening threshold as a result of an updated ESG assessment) the portfolio manager will seek to strategically trade out of their position in that issuer.

As with our negative screening approach, positive screening, by its nature, reduces a given investment universe. Nevertheless, we believe such screening can also offer advantages based on our conviction that companies which display better ESG practices tend to be more financially resilient over longer time horizons. This belief is supported by several studies showing strong correlations between the two.[13]

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[11] Norges Bank Investment Management exclusion list is available online. Accessed 8 November 2019 https://www.nbim.no/en/the-fund/responsible-investment/exclusion-of-companies/

[12] Further details of Muzinich's Controversial Weapons Policy are available online: https://www.muzinich.com/about/responsible-investing

[13] See for example: Friede, G., Busch, T. & Bassen, A., 2015. ESG and Financial Performance: Aggregated Evidence from more than 2,000 Empirical Studies. and Bauer, R. and Hann, D. (2011). "Corporate Environmental Management and Credit Risk", Working Paper, Maastricht University

Reporting on ESG Aspects of Investment Strategies

We believe transparency is a critical element of robust responsible investment practices, both in terms of corporate ESG disclosures to investors, and asset manager disclosures to their clients. In addition to this document, we report on our ESG policies and procedures broadly through the PRI Reporting Framework which is completed by over 3,500 PRI signatories
annually. Prior to 2021, the PRI's Reporting Framework covered only the public debt elements of our investment offering; however, in the future, private debt investments will also be included in scope.[14]
At the individual investment strategy or product-level, we also offer customized ESG reporting for specific client requests, to the extent that we can provide the data and format requested, including, but not limited, to:

- Portfolio ESG 'profiles' including breakdowns of holding company ESG ratings, controversy scores, exposure to controversial sectors, relative ESG 'profile' versus a benchmark, and more.
- Summary of a strategy's compliance with an ESG policy (flagging any breaches of screening criteria).
- Narratives on select portfolio companies relating to specific ESG themes (e.g. positive impacts, exposure to renewable energy, company ESG engagements and so on).
- Portfolio environmental and carbon emissions profiles in absolute terms and relative to a benchmark, including key climate metrics such as carbon-to-revenue, carbon-to-value invested, and weighted average carbon intensity (WACI) of a portfolio.
- Additional climate metrics including portfolio alignment with specific climate scenarios (e.g. two degrees centigrade of global warming), exposures to underlying 'green' and 'brown' revenues, and carbon price risk exposures.

Promoting Responsible Investment

In accordance with our commitments to the PRI, we actively seek opportunities to promote responsible investment practices among our clients, industry peers, policy makers and other stakeholders. These activities may include:

- participating in collaborative ESG engagements and signing public statements on specific ESG issues.
- participating in industry initiatives which promote and facilitate investment and corporate sustainability initiatives.
- offering guidance and education on ESG practices to clients and prospective clients.
- sharing expertise on responsible investment practices via speaking engagements at investment industry conferences.

[14] As of 31 January 2021, 3,756 investment organizations and service providers had signed the UN-supported Principles for Responsible Investment.

Figure 5: Voluntary ESG initiatives Muzinich has committed to or supports as an investor and as a business.

Initiative	Joined	About initiative	Role/ Focus
UN-Supported Principles for Responsible Investment	2010	The PRI is the world's leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.	Signatory/ investor focused
UK Women in Finance Charter	2018	This is a commitment by the UK Treasury and signatory firms to work together to build a more balanced and fair industry. Firms that sign up to this Charter are pledging to be the best businesses in the sector. The Charter reflects the government's aspiration to see gender balance at all levels across financial services firms.	Signatory/ business focused
LGPS Code of Transparency	2018	The Code is a voluntary code and covers the provision of transparent and consistent investment cost and fee information between Investment Managers and Administering Authorities. An Investment Manager may sign up to the Code in writing in the form agreed by the Board. By doing so the Investment Manager is demonstrating its commitment to the transparent reporting of LGPS investment costs and fees to administering authorities.	Signatory/ business & investor focused
ICI (Investment Company Institute)	2020	Muzinich is a member of the ICI 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.	Member/ investor focused
Climate Action 100+	2020	Climate Action 100+ is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The companies include 100 'systemically important emitters', accounting for two-thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive the clean energy transition.	Member/ investor focused
Task-force on Climate Related Financial Disclosures (TCFD)	2020	The Task Force on Climate-related Financial Disclosures (TCFD), created by the Financial Stability Board (FSB) provides a disclosure framework for corporations to identify, monitor and manage climate risks to their business. The objective of the TCFD is to develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders. The TCFD recommendations center around climate risk governance, risk management, metrics, and target setting.	Supporter /business & investor focused
PRI Statement on ESG in Credit Risk and Ratings	2020	By signing the ESG in credit risk and ratings statement, credit rating agencies and fixed income investors commit to incorporating ESG into credit ratings and analysis in a systematic and transparent way. To date, the statement is supported by more than 150 investors (with nearly US$30trn in collective AUM) and 19 credit rating agencies (CRAs).	Signatory/ investor focused
PRI Structured Finance Working Group	2020	The broad objectives of the ACSP are to: advise PRI on its program to identify how ESG factors are considered when investors allocate capital to structured products or when these are originated; promote more systematic and transparent incorporation of ESG factors in investment decisions in structured products; oversee the various expert working groups PRI will set up to address ESG consideration in structured products; review and advise on material to be published as part of this PRI program; and support outreach and awareness raising efforts for this PRI program.	Member/ investor focused
Private Sector Voluntary Carbon Markets Taskforce	2020	Tatjana Greil Castro has joined the initiative as a member of the Consultative Group of The Taskforce on Scaling Voluntary Carbon Markets, launched by Mark Carney, UN Special Envoy for Climate Action and Finance Advisor to UK Prime Minister Boris Johnson for COP26, is chaired by Bill Winters, Group Chief Executive, Standard Chartered and sponsored by the Institute of International Finance (IIF) under the leadership of IIF President and CEO, Tim Adams.	Supporter /investor focused

For further details on our approach and formal commitments to sustainability both as an investor, and as a Firm, please visit the Responsible Investment and Corporate Responsibility pages at muzinich.com.

How We Define Key Responsible Investment Terms

ESG factors: Environmental, social and governance (ESG) factors include those factors which are not typically measured in monetary terms, or included in financial statements, but which are nevertheless important to corporate financial performance and investment outcomes.[15]

ESG integration: The explicit consideration of ESG data alongside commonly considered financial data, with the aim of informing investment research and decision making.

ESG negative screening/exclusion: The explicit exclusion of certain industries, companies or other entities from an investment universe, based on predetermined criteria such as involvement in: production, use or sale of certain products (e.g. controversial weapons), or controversial business practices (e.g. fraud or corruption).

Positive Screening/ESG best-in-class: The explicit inclusion of certain industries, companies or other entities in an investment universe based on predetermined criteria, such as the ranking of ESG practices of those entities versus a benchmark; or involvement in certain products, services or behaviors deemed to have a positive environmental and/or social impact (e.g. low-carbon energy production or gender diversity).

Thematic investing: In the context of responsible investing, an investment strategy which targets one or more specific environmental and/or social themes (e.g. low-carbon energy or social housing).

Impact investing: Investments made to intentionally generate positive environmental and/or social impacts – which would not be created in the absence of those investments – without necessarily compromising financial returns.

Engagement/stewardship: Interaction led by an investor with (prospective) portfolio companies relating to ESG factors. Engagements are typically undertaken to seek improved corporate ESG disclosures or changes in behavior which are deemed to be in the long-term financial benefit of the company and its stakeholders.

Contact

If you would like to discuss any aspects of this publication, please contact us at ESG@muzinich.com

[15] Muzinich considers its definition of "ESG factors" to be aligned with the term "Sustainability Risks" as defined by the EU Sustainable Finance Disclosures Regulation.

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