



SFDR Article 5 Disclosure: Integration of Sustainability Risk into Remuneration

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This document has been prepared for the purpose of meeting the specific disclosure requirement set out in Article 5 of the 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, as may be amended, supplemented, consolidated, substituted in any form or otherwise modified from time to time (the “Disclosure Regulation”), in respect of the integration of sustainability risk into our remuneration policies.

This document is issued by each of the following Muzinich group entities (each a “Firm”):

- Muzinich & Co. Limited
- Muzinich & Co. (Ireland) Limited
- Muzinich & Co. SGR S.p.A.

Each Firm has separately implemented remuneration policies and procedures (each a “Remuneration Policy” and together the “Remuneration Policies”), which govern the processes concerning the payment of remuneration to the relevant Firm’s in-scope employees and other in-scope members of staff (the “Employees”). Each Firm has updated its Remuneration Policies, with effect from 10 March 2021, to reflect the integration of Sustainability Risk, as required by SFDR.

Each Firm acknowledges that its Remuneration Policy, and an individual employee’s remuneration, must be consistent with and promote sound and effective risk management (which includes the management of Sustainability Risk), and not encourage risk-taking that exceeds the level of tolerated risk of the Firm. The risk-limiting features of the Remuneration Policy include

(amongst other things) the application of non-financial metrics, such as an assessment of an employee’s compliance with the Group’s ESG policies, as applicable.

Performance measurement

Each Firm carries out an assessment of an individual’s performance, when assessing and determining variable remuneration. This assessment is based on both quantitative and qualitative criteria. The qualitative criteria used include, among others, an assessment of whether the relevant employee has complied with the Firm’s ESG policies, including its policy on the integration of Sustainability Risk in investment decision-making.

For Muzinich’s public debt investment professionals, the variable part of their remuneration is evaluated based on the overall performance of Muzinich’s portfolios (including portfolios with specific ESG characteristics or objectives). The responsibilities, evaluation and compensation of research analysts includes a formal responsible investment component which is segregated from other responsibilities or compensation metrics.

This assessment of compliance with the ESG policies will be carried out by senior management. In general terms, a positive or neutral assessment of overall compliance by an employee with the ESG policies may contribute to any additional variable remuneration being awarded to an individual Employee. In extreme cases, a negative assessment of overall compliance by an employee with the ESG policies may result in a reduction in the variable remuneration amount which would otherwise have been awarded to that individual.

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Risk warnings: **Exclusion Risk:** ESG screening can limit the investment opportunities available to a portfolio, such as the exclusion of certain investments for non-financial reasons. As such, a portfolio may underperform other similar portfolios that do not apply ESG screening. **ESG Risk:** Consideration of Sustainability Risks in the investment process can result in the exclusion of certain investments in a portfolio. Therefore, results may differ, and a portfolio that considers sustainability risks might underperform other similar portfolios that do not consider such risks.

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SFDR - Refers to Regulation (EU) 2019/2088 or the Sustainable Finance Disclosures Regulation (SFDR) a piece of European financial sector regulation which sets out obligations for financial market participants to disclose specific details on their approach to sustainability risks in their investment process and other details on the provenance of ESG claims that are used to market their financial products. Further details on Muzinich's SFDR disclosures are available in relevant product documentation such as fund prospectuses and supplements on our website www.muzinich.com.

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