

MV Credit is a pure private debt manager, offering a suite of private debt products across the capital structure. Historically focusing on subordinated debt, MV Credit offers investors access to senior debt, semi-liquid credit (Direct Lending – DL) as well as Broadly Syndicated Loans and CLOs (Broadly Syndicated Loans – BSL).

At MV Credit, the main goal is to deliver attractive sustainable long-term risk-adjusted returns and effective investment solutions through responsible investing. Sustainability, as well as more specific environmental, social and governance (“ESG”) considerations, is a key contributor to this goal, and is important to the firm’s operations, the financial markets, and society as a whole.

As MV Credit adopts a double materiality approach, sustainability considerations form an integral part of MV Credit’s investment decision making process, alongside financial considerations. Sustainability is a key focus when monitoring portfolio risks in order to limit downside risk.

## MV Credit is a signatory to the UN Principles for Responsible Investing (“PRI”)

MV Credit has been a PRI signatory since 2012. In signing the principles, MV Credit as an investor publicly commits to adopt and implement them to ensure consistency with its fiduciary and moral responsibilities. MV Credit believes the PRI provides a rigorous framework for monitoring the integration of sustainability into its investment processes, with the goal of meeting its clients’ investment objectives within a responsible framework.

## Sustainability integration in the investment process

Both in its DL and BSL activities, MV Credit takes into account sustainability factors as a part of its pre-investment due diligence procedures and ongoing monitoring processes. In order to integrate sustainability risks into its investment decision-making process, MV Credit incorporates the following:

- I. Negative screening - certain specific sectors, issuers or themes are excluded in order to be aligned with MV Credit’s own ethical beliefs, or where MV Credit does not feel comfortable investing, along with specific investor requirements, or where regulatory restrictions apply;
- II. Positive ESG screening - investing in companies that demonstrate positive or low ESG risk factors, and that are well situated to deliver sustainable growth; and
- III. ESG integration - the inclusion of sustainability risks analysis alongside traditional financial analysis conducted by MV Credit.

At the asset level, MV Credit examines the ESG attributes of a company / borrower before investing in it by adopting a risk materiality (case-by-case) approach whilst simultaneously utilising an ESG checklist proprietary to MV Credit, comprising a set of Environmental, Social, Governance and Stakeholders’ Key Performance Indicators (“KPI”). Whilst the checklist ensures consistency (driving a cohesive assessment framework for tracking KPI development and in turn the ESG-related risks throughout the life of the investment), the materiality approach corroborates / ensures that relevant ESG considerations not captured by the checklist are not omitted. This is supplemented by a controversy analysis, to ensure that no incident involving the company have been missed, which could have a negative impact on the parties involved, the environment or the operations of the company. This could harm its reputation and ultimately its financial profile. The analysis also performs a verification of alignment with international standards (UN Global Compact, ILO, OECD).

The ESG Investment Procedures, systematically applied and detailing the integration of sustainability into the wider investment process, are available on demand.

## Advocacy, engagement & transparency is at the core of MV Credit

MV Credit believes that responsible investing requires commitment from all stakeholders and partners in the industry; from asset owners and investment managers; to the private equity (“PE”) sponsors MV Credit invests alongside with; in addition to its banking counterparties; and ultimately the companies it invests in.

In Direct Lending, engagement through bilateral discussions with MV Credit’s investment partners is an integral part of its fundamental analysis across all investments. Direct communication between investment professionals, PE partnerships and investee companies facilitates the assessment of the quality of a company’s management, strategy, and operations. MV Credit directly engages borrowers throughout the investment process, on both a pre- and post-investment basis.

At the firm level, MV Credit seeks to collaborate with various investor and industry groups to foster best investment management practices. In addition, MV Credit participates in forums, workshops, panels, and relevant media activities to help increase public awareness around ESG. The purpose of doing so is to demonstrate and promote the benefits of good ESG practices both for companies and the investment industry.

MV Credit is committed to being transparent with its investors, shareholders, and other stakeholders about their sustainability initiatives, achievements, and objectives. MV Credit reports annually on its sustainability journey firm-wide, in a dedicated Sustainability report. MV Credit also provides existing clients with a detailed ESG performance report, both at fund level, and borrowers' level. All communications and reports further include the requirements of the FCA's Anti-Greenwashing Rule, i.e. ensuring that any reference to the sustainability characteristics of a product or service is consistent with the sustainability characteristics of the product or service, and is fair, clear and not misleading

## Corporate ESG Practices at MV Credit

MV Credit is committed to being a conscious and mindful investor, as well as a responsible corporate citizen. In this perspective, MV Credit integrates sustainability throughout its own corporate operations and focuses on what is required from portfolio companies it invests in.

### Environmental Practices

MV Credit strives to operate in an environmentally conscious manner through a variety of sustainable corporate initiatives. The firm has been calculating its carbon footprint since 2019, and has implemented a new procedure in 2023 to calculate both its corporate emissions and the financed emissions of its portfolios. The firm endeavours to minimise its impact on the environment by implementing stringent office recycling, reduced printing policies and issuing all employees with metal re-usable water bottles in a bid to reduce waste plastic consumption. MV Credit supports flexible working schedules and telecommuting, both for the good of its employees and for their impact on its carbon footprint.

### Social Practices

At MV Credit, diversity is key to the investment success as diversity enhances and drives critical thinking. Driven by an entrepreneurial mindset, the company empowers its employees to actively contribute to the sustainability agenda and foster long-term value creation. In 2022/23 MV Credit expanded its Diversity, Equity, and Inclusion (DE&I) working group to 10 members and set out its commitment in the DE&I Policy, published on MV Credit's website. The firm strives to attract, nurture, and retain staff that are both talented and diverse. To that end, MV Credit is proud to be ahead of its peers in the private debt industry in terms of attaining a figure of 53% of female representation across both junior and senior level positions. In addition to gender diversity, MV Credit comprises over 20 different nationalities, among nearly 70 employees, and a variety of cultural backgrounds. MV Credit is also a sponsor and active participant of Out Investors, a global organisation founded with the mission of making the industry more welcoming for LGBT+ individuals, and a member of LGBT Great, the global LGBTQ+ financial services and business member community.

MV Credit also sees the importance of playing a proactive, positive role in the local community. MV Credit has partnered with Raise Your Hands (RYH), a platform of children's charities who would otherwise miss out on corporate donations. RYH both allocate corporate donations and coordinate volunteering opportunities within their portfolio. Hence, each year MV Credit offers its employees the opportunity to volunteer their time to various charities, with the goal of supporting vulnerable local communities. In addition, in order to work towards its goal of making a positive impact across a wide range of causes and sectors, MV Credit makes donations to several charities.

### Governance Practices

Operational excellence and proper governance are critical to the way MV Credit runs its business. Proper governance is also required by the firm's financial services regulators as part of its authorisation to conduct investment business. Group oversight and direction reside first and foremost with partners together with various internal committees (Management, Risk & Compliance, Allocation, Human Resources, Remuneration, and Sustainability). The exercise of proper oversight and the highest standard of conduct is further supported by MV Credit's independent auditors. Beyond complying with legal provisions and mitigating operational risks, these processes enable the firm to provide a transparent and high-quality service to its investors.

Senior management sets the tone at the top by articulating the organisation's strategy and values, and by maintaining the firm's culture of accountability, transparency and compliance. Specifically, with respect to its Sustainability initiatives, MV Credit named CEO Frederic Nadal the Chairman of the ESG Committee in 2018. The Sustainability Officer, supported by Frederic Nadal and the Sustainability Committee, is responsible for leading the sustainability initiatives at the firm. This entails ensuring MV Credit complies with regulations, supporting the sustainability efforts as part of the firm's own governance, granting the investment teams to any additional sustainability training and research as needed, and helping to provide sustainability solutions for its clients.

In addition, the Risk and Compliance Committee oversees all compliance and risk issues with respect to MV Credit's portfolio companies. An ESG Risk Management Procedure has been implemented to better define and track sustainability risks. As a second line of defence, the Compliance team has implemented Key Risk Indicators ("KRIs") and spot-checks, to monitor that the ESG characteristics are captured during the investment process.

Finally, in order to prove its commitment to the values promoted, MV Credit has aligned its carried interest – i.e. its performance fee – on sustainability KPIs for the most recent fund. MV Credit has also decided to drive its banking relationship in line with MV Credit's sustainability initiatives, by reflecting this structure within the financing – i.e. margin dependent on sustainability KPIs.

## Regulatory Disclosures and Client Reporting

Sustainability-related regulatory disclosures are available on the ESG page of MV Credit's website: <https://www.mvcredit.com/sustainability-risk-policy-disclosure-statement>, <https://www.mvcredit.com/no-consideration-of-adverse-impacts-of-investments-decisions-on-sustainability-factors>.

MV Credit discloses some publicly available reporting, including the annual Sustainability report and the TCFD report, in the ESG page of its website: <https://www.mvcredit.com/esg>.

MV Credit also provides annual ESG Performance reports to its existing clients, via the dedicated reporting portal for DL, as well as for BSL.

## Conflicts of interest

As a management company focused on private debt, MV Credit respects the principles of professional ethics applicable to it. The firm conducts its business in accordance with FCA Principle 8 which requires the firm to manage conflicts of interest fairly, both between the firm and its clients as well as between one client and another client. MV Credit's policy ensures that all appropriate steps are taken to maintain and operate effective organisational and administrative arrangements to identify, and to prevent or manage potential and actual conflicts of interest, always placing the best interests of investors at the forefront.

Throughout the firm, all teams are committed to complying with internal policies and procedures on which they are made aware of and regularly trained. The head of compliance and internal control ensures compliance with these principles through regular monitoring and the use of professional ethics teams.

## Conclusion

MV Credit is committed to developing its Sustainability policy integration in line with internationally established guidelines and conventions for responsible investing and to engaging with all stakeholders to promote ESG best practice. As MV Credit believes sustainability is all about progress, its ESG initiatives and policy are constantly evolving. MV Credit strives to improve its processes on a continuous basis with the aim to be best in class in leading initiatives within sustainability.

*Last updated July 2024*