



# ESG and Corporate Responsibility Handbook

As of April 2024



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## I. Introduction

MGG Investment Group (“MGG”) seeks to add value for our clients, limited partners and other stakeholders by pursuing private lending and investment opportunities in the less competitive, middle-market, especially to deeply underserved non-sponsor companies.

Our mission is to provide strong risk-adjusted returns for our clients. While acting as a fiduciary to our clients, we are committed to building strong and sustainable partnerships with portfolio companies based upon sound ethical principles and responsibly running our own business as a good corporate citizen. Anything that makes a business more or less sustainable (whether environmental, social, governance-related or otherwise) can impact the communities in which we and our portfolio investments operate and factors into our risk-reward assessment. Incorporating such principles (often referred to as “ESG”) into our firm’s operations and investment decision-making supports our mission of seeking strong, risk-adjusted returns for our clients and limited partners and building long-term value for all of our stakeholders.

To this end MGG has:

- Become a “PRI” signatory as described below;
- Employed NorthPeak Advisory, one of the leading independent governance and ESG advisory firms globally, to support our ongoing ESG implementation;
- Engaged Holtara (formerly Apex), one of the leading independent ESG data analytics firms globally, to support our ongoing ESG implementation;
- Partnered with RepRisk, a pioneer in ESG data science that leverages the combination of AI and machine learning with human intelligence to systematically analyze public information and identify material ESG risks;
- Employed independent non-executive directors for our corporate fund structures; and
- As discussed further in Sections III and IV, permitted limited partners in the investment vehicles we manage (“limited partners”) to exclude from their holdings identified sectors on a going-forward basis pursuant to their written ESG policies and instructions.

We are proud signatories of the United Nations-supported Principles for Responsible Investment (“PRI”). It works to understand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. It encourages investors to use responsible investment to enhance returns and better manage risks, but does not operate for its own profit; it engages with global policymakers, but is not associated with any government; it is supported by, but not part of, the United Nations.

The six Principles for Responsible Investment set forth below are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. They do not, in our view, dictate specific investment choices. They are a framework for helping to think about risk and reward. The PRI were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system. They have attracted a global signatory base representing a majority of the world's professionally managed investments.

- 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 PRI within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the PRI.
- Principle 6: We will each report on our activities and progress towards implementing the PRI.

Our approach to ESG is rooted in our firm's investment philosophy and the trust placed in us by our partners. Our Guiding Principles (Annex A) and Corporate Responsibility Principles (Annex B) provide a framework for the shared values and responsible business practices that our employees are expected to follow. We believe that engaging with a well-defined set of investment criteria, which reflect the considerations set forth herein, mitigates risk and helps us achieve strong, risk-adjusted returns for our limited partners and build long-term value for our stakeholders.

## II. MGG Investment Group ESG Principles

We have formulated the following ESG Principles to guide our efforts in this area:

- MGG seeks to identify and understand both the societal and environmental impact of our activities in full alignment with our efforts to comply with our duties to our clients and investors.
- Our investment approach involves in-depth, pre-deal due diligence of prospective investments. Our approach is designed to take into account numerous factors and assessments that we deem appropriate, including—to the extent applicable—relevant ESG aspects.
- At MGG, we position ourselves as a strategic partner and seek to engage in a supportive approach with portfolio companies. Because we are often lenders and hence credit investors, we do not necessarily seek impact through any particular active ownership methods that might be more common for other types of investors—often pure control equity investors. We do, however, evaluate investments with respect to certain ESG factors, as discussed below.
- At MGG, we are likewise committed to Corporate Responsibility principles that reflect our beliefs of how good corporate citizens operate.
- We seek to report on and foster transparency regarding ESG topics in our communications with our limited partners. We aim to regularly engage with our Limited Partner Advisory Committee for feedback and guidance as appropriate, as we continue to implement and enhance our ESG program. We also strive to actively coordinate with our limited partners on ESG reports utilized within their organizations.

Additional details on our approach to ESG management during the investment and portfolio management processes, at the firm level, and in communications with our limited partners is outlined in the following sections.

## III. Investments & Risk Management

### Investment Screening

MGG's diligence process includes evaluating certain factors, subject to our fiduciary and contractual duties, including with respect to certain countries and sectors.

- **Countries:** While MGG's investments are primarily focused on North America, we invest in entities that may be located or that conduct business internationally; however, we will generally not invest in certain countries as a result of legal, regulatory or political risks, including countries subject to U.S. sanctions.
- **Sectors and products:** As a matter of risk management within our portfolios, we typically seek to avoid investing in companies with risks we believe are hard to quantify or otherwise challenging as a credit investor to underwrite, and/or are illegal under both U.S federal and state law. These evolve over time.

Even if we do not provide financing to such companies for operating legacy businesses we deem particularly risky, we might be interested in supporting either some of these companies in their process of transitioning away from the specific business lines we deem too risky or businesses that provide services to such companies—thus enabling the companies to establish a business model that is more sustainable in the long term as well as enhancing the risk/reward profile of the chosen investment. We believe that engaging in this kind of transitioning could come with some meaningfully positive ESG impacts.

Different aspects and phases of ESG incorporation into our processes are described below. Primarily the ESG assessment and analysis of our investments are conducted as part of the pre-deal due diligence process. MGG's investment due diligence approach is dynamic and multifaceted, and MGG's investment professionals may not perform some or all of the steps identified in this section in a given instance, or may perform different steps as needed.

### Investment Process

MGG will endeavor to incorporate ESG considerations into our investment process.

- **Due diligence:** Risk management is the primary driver for conducting ESG diligence. MGG evaluates material ESG-related risks and opportunities during its reviews of potential investments. We seek to identify potential issues that could affect the value of a target investment and/or our ability to implement changes and may engage external advisors to provide recommendations as needed. Such risks will generally be addressed in regular diligence results, including in the Investment Committee memoranda, as appropriate for each investment.

- **Post-investment oversight:** We believe ongoing ESG monitoring will help enhance the value of our investments by ensuring that relevant ESG issues are mitigated as appropriate and do not result in financial or reputational liability, including liability related to ESG-related misconduct. Our investment teams follow active oversight processes, which are designed to carefully track performance indicators. We seek to identify, analyze and address deviations from the strategic or financial plan, which may include material violations of environmental regulations, social and ethical business guidelines, and corporate governance. In addition, the investment teams hold regular meetings with management teams, as well as other periodic meetings as needed to discuss time-sensitive issues. We may also engage external advisors to provide recommendations as needed.

## Investment Impacts

At MGG, we believe that our investment approach could create positive ESG impacts through incentives and via active engagement.

- **Incentives:** Our approach could over time, where practicable, include creating explicit financial and/or other incentives for our portfolio companies to improve their ESG efforts. We may consider—with case-by-case assessment, and in the discretion and determination of the Investment Committee—modifying covenants, rates or other terms in cases where portfolio companies are committed to enhance some pre-agreed ESG aspects of their business operations and actually achieve such pre-agreed enhancements; provided, that MGG believes those changes are likely to lead—by MGG’s assessment—to lower investment risks and/or higher returns for MGG’s investors.
- **Engagement:** At MGG, we position ourselves as a strategic partner and seek to engage in a supportive approach with portfolio companies. Our goal is to bring needed financing and, where applicable, financial, strategic and operational support to the middle-market companies in which we invest, while addressing ESG considerations. However, as we are often lenders and hence credit investors, we do not necessarily seek impacts through any particular active ownership methods that might be more common for some other investors—often pure control equity investors.
- **Ongoing Monitoring and Reporting:** Once a transaction has been completed, as part of MGG’s ongoing portfolio monitoring, material ESG issues identified in the pre-deal investment process will continue to be monitored by the relevant investment professionals and reported to the Investment Committee as appropriate. Where necessary and practical to do so, MGG’s investment professionals may engage directly with the portfolio company and/or third parties on particular ESG issues. MGG expects the portfolio company to report periodically to MGG on any ESG themes agreed to prior to MGG’s investment. If an ESG issue arises during the investment period, it will be escalated through MGG accordingly. MGG monitors broad news sources for developing ESG considerations. MGG is committed to communicating and reporting its ESG performance to key internal stakeholders and, as appropriate, to external stakeholders such as investors. Updates on ESG risk and performance will be provided to investors at least annually.

## **Risk Management**

MGG typically provides multi-year financing to its portfolio companies. Our due diligence process is designed to recognize material risk factors, including ESG risks, during the pre-investment phase, that could impact our investment returns, and, if appropriate, enables us to find ways to further mitigate risk. Additionally, our ongoing post-investment oversight helps us to manage and mitigate risks through appropriate measures, including engagement with our portfolio companies.

## **Limited Partner Responsible Investing Policies**

MGG acknowledges the responsible investing policies adopted by many of our limited partners and typically permits limited partners to exclude from their holdings identified sectors on a going-forward basis pursuant to their written ESG policies and instructions.

## IV. Internal Management & Corporate Responsibility

MGG proactively manages ESG-related criteria with respect to the firm's business operations. We are committed to our Corporate Responsibility Principles that reflect our beliefs of how a good corporate citizen operates.

Our strong, firm-wide commitment to our people, to promoting industry-wide integrity, and to sound governance practices promotes both a sustainable financial system and marketplace, and positively impact other channels, such as culture and well-being.

For our extensive Corporate Responsibility policy, please see Annex B attached hereto. MGG will also make such policy available upon request.

We will continuously seek to deepen our ESG integration, including potentially by:

- Continuing to enhance our ESG research resources, both internally and externally; and
- Providing appropriate ESG transparency to our portfolio companies, investors and other stakeholders.

We comply and report through the PRI framework.

### Environmental

We seek to ensure that our business operations are environmentally responsible and energy efficient or are seeking ways to enhance their business operations in this regard.

### Social

The success of our firm is rooted with the exceptional employees who build their careers here. Several components constitute our approach to engaging with our employees and the communities in which we operate:

- **Code of Ethics, Guiding Principles and Corporate Responsibility Principles:** We expect every member of the MGG team to exemplify the code of conduct/ethics codified in our Compliance Manual (available at our offices) our Guiding Principles (outlined in Annex A), and our Corporate Responsibility Principles (outlined in Annex B).
- **Equal Opportunity Employer:** The firm is an equal opportunity employer.
- **Training, Employee Health and Safety:** The firm offers annual and periodic training typically led by external experts. We also provide other ongoing training opportunities, including regarding compliance, anti-harassment and professional development. MGG follows all healthcare and safety regulations mandated by law. We also provide robust health-related benefits (medical, dental, vision) to our employees.
- **Philanthropy:** We are committed to supporting not-for-profit organizations with whom our employees have a strong existing connection and about whose causes we are passionate.

## Governance

MGG believes that its governance and oversight arrangements with clear separation of duties, conflict management and accountability result in a strong firm culture with high integrity.

Importantly, in our funds or entities with boards, the board of directors is responsible for fund governance. The board members are competent and possess complementary skills as well as ample time for prudent board work. The majority of the board members are independent from MGG in order to enhance conflict mitigation and investor protection.

Our firm has a seasoned management team that provides leadership and strategic direction. Our senior team believes that a critical factor in our firm's long-term success and sound corporate management is the successful implementation and maintenance of effective corporate governance. MGG's governance provides oversight, accountability and transparency both at the portfolio company level and within MGG itself, and ensures that our interests are aligned with those of our limited partners.

Our corporate governance is implemented and supported through several committees that comprise senior members of our firm, including:

- Investment Committee
- Management Committee
- Valuation Committee
- Compliance Committee
- ESG Committee
- Cybersecurity Committee

### Limited Partner Advisory Committee

Each MGG fund typically has a Limited Partner Advisory Committee that performs duties outlined in each fund's limited partnership agreement, including the provision of advice and counsel as requested by the general partner related to conflicts of interest and other partnership matters.

### PRI Signatory and Industry Collaboration

In May 2019, MGG became a signatory of the UN PRI. We are guided by the six Principles in our ESG efforts and strive to incorporate them into our firm's investment and operating procedures.

MGG is a PRI Signatory and the resources and expertise from the PRI will be utilized to further develop our ESG investment process, including the self-assessment transparency report. Reporting is done in a timely and transparent manner to our portfolio companies, investors, and other stakeholders.

## Compliance Program

A culture of compliance is a firm-wide mandate communicated by the senior team. Significant investment has been made in various tools and resources to support the development and maintenance of an effective compliance program. It was designed by experienced legal and compliance professionals and has been tailored specifically to MGG's business operations. In addition, we contract with leading independent third-party compliance consultants ACA Compliance Group and Salus GRC for compliance advisory services.

MGG conducts compliance training for all employees. Topics covered include: (1) code of ethics, (2) advertising and marketing, and (3) relevant regulatory updates.

MGG utilizes ACA's Employee Level Filing ("ELF") online software system that assists with (1) monitoring and documentation of employee personal trading, including pre-clearance requests, statement tracking and holdings, (2) automatic data feeds from designated brokerage firms, (3) employee self-reporting requests, including political contributions, gifts and entertainment, outside business activities, and document management and retention. MGG Investment Group also uses GlobalRelay, an email archiving software.

## ESG Committee

MGG has an internal ESG Committee to aid in the implementation and maintenance of this ESG and Corporate Responsibility Handbook ("Handbook") across the firm's business operations. The Investment Committee holds ultimate responsibility for the oversight of ESG issues in the investment process.

The ESG Committee meets on an ad hoc basis and provides periodic feedback to our firm's Management Committee. The ESG Committee will review this Handbook annually.

When needed, the ESG Committee will leverage external advisory recourses. Furthermore, North Peak Advisory has been appointed to assist with our ongoing ESG policy management. MGG is incorporating ESG factors into its investment approach as described above and, when needed, will utilize external ESG research resources.

In terms of reporting, MGG is continuing to review and enhance its reporting, including with respect to ESG matters.

## Cybersecurity Committee & Policies

MGG is committed to handling confidential information responsibly and the confidentiality and protection of firm, portfolio company, and investor information is one of MGG's fundamental responsibilities.

To that end, MGG has established a Cybersecurity Committee that meets on a periodic basis to review and assess the controls around IT, and take appropriate actions. The Cybersecurity Committee works closely with the firm's third-party IT service provider, ECI, to maintain ongoing IT and cybersecurity policies and procedures, which are summarized in our Due Diligence Questionnaire.

All mobile devices with corporate data are password-protected. MGG has the ability to send a signal to all mobile devices that hold corporate information, which completely wipes such data from such devices. In addition, remote access to the firm's server or IT system requires two-factor authentication and connecting via a secure access point provided to the firm's employees.

### **ESG and Independent Corporate Responsibility Consultants**

MGG's current ESG and corporate responsibility consultant is NorthPeak Advisory, which is run by former senior investment professionals at varied leading global institutional investors. The consultant provides expertise and guidance in the ongoing development of our ESG and Corporate Responsibility program.

## V. Limited Partner Reporting & Communications

We are committed to transparency in reporting and communications with our limited partners. We provide our limited partners detailed monthly, quarterly and annual written materials, hold an annual Investor Day, and conduct update meetings and conference calls with our limited partners.

Key reporting and communication initiatives include:

- **Disclosure:** This handbook is posted in the MGG online dataroom and is fully available upon request.
- **DDQ Response Updates:** MGG has an extensive Due Diligence Questionnaire. As our ESG program continues to develop, we will endeavor to periodically update the firm's ESG responses therein.
- **Quarterly Reports, Annual Meeting and Advisory Committee Materials:** The firm will provide ESG updates and case studies periodically to investors, including from time to time in quarterly reports, annual meeting materials, and Advisory Committee updates.

We welcome feedback from all of our limited partners regarding the content and format of our ESG reports and disclosures based on industry best practices.

## Annex A

### MGG Guiding Principles – Statement of the CIO & CEO

The thesis over my roughly 25-year career has been to study, work with, and learn from some of the best minds in private investing to produce best practices. The results have led to the following principles that guide our approach at MGG. They include:

1. We have been entrusted by our LPs to protect and grow their capital—invest it prudently and ethically:
  - *Manage risk—seek singles and doubles and avoid losses*
2. Our reputation sets us apart—nurture it by treating people fairly and honestly. Say what we mean and mean what we say.
  - *Invest in people and relationships—nothing pays greater dividends*
3. Do not follow the crowd—remain level-headed in bull markets and steadfast in bear markets.
  - *“Market” terms often do not coincide with investing fundamentals—never trade short-term gain for long-term problems*
  - *Motivate people by aligning interests and creating an environment where they are challenged to learn*
4. Complex, difficult situations often offer opportunity—those who dig in are often rewarded with great risk-adjusted returns.
5. Today’s news was yesterday’s opportunity—think proactive, not reactive.

**Kevin F. Griffin**  
CEO & CIO  
MGG Investment Group LP

## Annex B

### MGG Corporate Responsibility Principles

#### Governance & Culture

**We recognize the importance of robust governance practices that protect our investors' interests, help us to achieve sound long-term operational results and to create a great working culture.**

We believe that our governance practices—both at a corporate and a fund level—are robust and sound, thus, contributing to ensure effective oversight, clear segregation of duties, and creating strong accountability.

We strive to adopt industry-best practices throughout our operational platform to further strengthen the quality of our execution.

Our corporate culture is built on high integrity, ethics, and transparency, which—we strongly believe—is one of the key factors for us to be successful in the long-run. MGG wants to pursue the highest standards of behavior to be a trustworthy and respectful partner for our limited partners and other stakeholders.

#### Community

**We believe we have a positive impact on our surroundings.**

MGG senior management and employees are very active members of (e.g., on the board) and donors to varied not-for-profit institutions.

#### People

**Our people are key to our success. We are committed to building a great working environment for our people, where everybody is treated with respect and courtesy, and has the possibility to reach their full potential.**

As a firm, we support our employees' well being as well as professional development by numerous measures.

We foster a transparent and communicative culture which aims to offer a high level of transparency and easy access to senior management.

MGG is an equal opportunity employer and our staff comes from multicultural backgrounds. This creates a dynamic environment of diverse talent and original thinking, all in a collaborative way.

We emphasize making sure that we treat our employees with great care and that our operations satisfy human rights and labor standards.

## Social Responsibility

**We strive to be a good and responsible corporate citizen by acting lawfully with high integrity, and promoting good cooperation and care with our employees.**

MGG is committed to act always lawfully and respects the social codes and norms in the environments where it operates.

## Good Capital Market Citizenship

**We believe that MGG is well positioned to have a positive impact on market stability, functionality, and transparency.**

MGG seeks to be an active participant in industry collaborations and to work with regulators in order to support regimes that increase financial transparency, protect investors, and facilitates responsible capital market growth.

Our investment approach seeks to provide liquidity to underserved small and mid-cap market segments and benefits greatly the corporates in that segment.

We believe our commitment to sound governance practices, together with a solid operational platform, promotes investor protection and industry wide integrity, as well as builds trust amongst market participants.

ESG is incorporated in our investment process, helping us to make impactful investments.

## Environmental Sustainability

**We aim to reduce/minimize the adverse environmental impacts of our business operations.**

We continuously seek to reduce our impact on the environment.

We work to promote and achieve better ESG outcomes.