

Bain Capital Credit Environmental, Social and Governance (ESG) Considerations for Investment

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As one of the world’s largest private investment firms, Bain Capital believes that active environmental, social, and governance (ESG) management helps us to create lasting impact for all of our stakeholder groups, including investors, portfolio companies, employees and communities.

While the consideration of ESG factors has traditionally fallen under the purview of active equity investors with a greater ability to influence outcomes, we believe that credit investors also have an obligation to account for ESG factors. Because ESG risks can have a negative impact on an issuer’s ability to meet its financial obligations, we believe strong ESG management is consistent with our goal to seek to generate attractive risk-adjusted returns with the capital we invest.

This document illustrates the work that the Bain Capital Credit team undertakes to monitor and respond to ESG factors, and it supplements Bain Capital’s Guidelines for Responsible Investment, which outlines ESG management principles for the firm’s multiple asset classes.

ESG Factors

We believe sound ESG management can mitigate a range of business risks and create value for companies. Bain Capital Credit takes a broad view of ESG factors, which vary by company and industry, and we understand that materiality and relevance will differ across sectors and geographies.



Environmental	Social	Governance
<ul style="list-style-type: none"> • Emissions/pollution • Climate change • Waste management • Sustainability • Animal welfare 	<ul style="list-style-type: none"> • Diversity and discrimination • Human rights • Child and forced labor • Consumer protection • Data protection and privacy 	<ul style="list-style-type: none"> • Board composition/structure • Business ethics • Compliance/risk management • Employee relations • Stakeholder engagement

This illustration is representative of the environmental, social and governance factors Bain Capital Credit may evaluate. It is not meant to be an exhaustive list.

Bain Capital Credit takes into consideration a company’s products, services and, where applicable, the manner in which it conducts its business. Where appropriate, we encourage companies to adopt responsible practices and promote transparency, and we may engage companies via proxy voting, corporate actions and board seats. We also work to ensure awareness of ESG considerations across the Bain Capital Credit team to facilitate consistent application across strategies.

Pre-investment Evaluation

ESG factors are considered and debated as a part of the diligence process and, when appropriate, are incorporated into new Credit Committee approvals. If a potential investment raises questions after it is examined through the lens of our ESG guidelines, members of our Credit Committee meet with the investment team and other members of the team with relevant expertise to review the opportunity and determine its appropriateness. In some cases, Bain Capital Credit engages specialist consultants, such as environmental experts, and third-party platforms to assist in diligence of material ESG risks.

Bain Capital Credit’s research team is organized by industry focus, so we believe that we have an inherent and unique understanding of the specific ESG factors that may materially affect the companies in which we invest. Our investment team works to identify areas in particular sectors that might lead to outsize ESG risks and to filter those investments out of our pipeline.

Bain Capital Credit seeks to avoid investments in companies deriving more than 10% of revenues from the tobacco, firearms, munitions, and adult entertainment industries. We complete the below ESG/SRI checklist during diligence on liquid credit investments, all investments that may be included in the Bain Capital Credit SRI strategies, and some additional investments across strategies as needed.

BAIN CAPITAL CREDIT ESG/SRI CHECKLIST (1)			
Individual ESG Risk Factors – Are we aware of the following?			
	Yes	Are there mitigants? (2)	No
Excessive contribution to air, water or soil pollution?			
Promotion of the output of hazardous waste?			
Unsustainable resource practices?			
Clearly discriminatory or exclusionary human resources practices?			
Involvement with child or slave labor?			
Business dealings with regimes that do not support human rights?			
Business dealings with regimes on the OFAC list?			
Offering of exploitative products or services?			
Practices that would be considered cruel to animals?			
Inappropriate conduct by the board and/or management?			
Significantly acrimonious labor relations?			
Poor corporate citizenship?			
Any other factors which might conflict with our ESG philosophy?			

Are more than 10% of revenues generated from the following?		
	Yes	No
Tobacco		
Firearms		
Munitions		
Adult entertainment		
Alcohol (SRI strategies only)		
Gaming or gaming-related activities (SRI strategies only)		
Coal or coal-related activities (SRI strategies only)		
Fossil fuel or fossil-fuel related activities (SRI strategies only)		
Is this issuer approved for investment in the following funds?		
	Yes	No
Any Bain Capital Credit fund		
Bain Capital Credit SRI strategies		

1. Not all investment vehicles have the same requirements, each investment vehicle will be managed in accordance with its respective offering materials

2. Mitigants include a clear commitment to improvement and action and/or go-forward adherence to our ESG standards

If the questions in this checklist lead to any concerns regarding a potential investment, the Credit Committee discusses the opportunity and determines its appropriateness with the investment team and any other members of the team with relevant expertise.

Post-investment Monitoring

Bain Capital Credit takes its responsibility as a shareholder seriously and continues to diligence holdings during the ownership period. All Industry Teams are responsible for monitoring their respective credits once we have initiated an investment, which includes identifying potential tail-risks to the issuer (by country, sector and company) and assessing the quality of the management team.

Bain Capital Credit has investment professionals dedicated exclusively to helping improve the operations of companies and can mobilize an extensive network of outside resources when we hold a significant equity position. Should ongoing monitoring raise a concern with respect to ESG for a portfolio holding, the Industry Team will consider flagging the issue with the Credit Committee to determine the appropriate course of action.