



LEA 02	Disclosures: Mandatory	Reason for interaction	Principle: PRI 1, 2, 3
Individual/ internal staff engagements	<p><input checked="" type="checkbox"/> To support investment decision-making in a company's business</p> <p><input checked="" type="checkbox"/> To influence corporate transition or identify the need for a transition</p> <p><input checked="" type="checkbox"/> To engage internal ESG advisors</p> <p><input checked="" type="checkbox"/> To engage internal ESG advisors</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage internal staff</p>	<p><input checked="" type="checkbox"/> To support investment decision-making in a company's business</p> <p><input checked="" type="checkbox"/> To influence corporate transition or identify the need for a transition</p> <p><input checked="" type="checkbox"/> To engage internal ESG advisors</p> <p><input checked="" type="checkbox"/> To engage internal ESG advisors</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage internal staff</p>	
Collaborative engagements	<p><input type="checkbox"/> To support investment decision-making in a company's business</p> <p><input type="checkbox"/> To influence corporate transition or identify the need for a transition</p> <p><input type="checkbox"/> To engage internal ESG advisors</p> <p><input type="checkbox"/> To engage internal ESG advisors</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage internal staff</p>	<p><input type="checkbox"/> To support investment decision-making in a company's business</p> <p><input type="checkbox"/> To influence corporate transition or identify the need for a transition</p> <p><input type="checkbox"/> To engage internal ESG advisors</p> <p><input type="checkbox"/> To engage internal ESG advisors</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage internal staff</p>	
Service provider engagements	<p><input type="checkbox"/> To support investment decision-making in a company's business</p> <p><input type="checkbox"/> To influence corporate transition or identify the need for a transition</p> <p><input type="checkbox"/> To engage internal ESG advisors</p> <p><input type="checkbox"/> To engage internal ESG advisors</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage internal staff</p>	<p><input type="checkbox"/> To support investment decision-making in a company's business</p> <p><input type="checkbox"/> To influence corporate transition or identify the need for a transition</p> <p><input type="checkbox"/> To engage internal ESG advisors</p> <p><input type="checkbox"/> To engage internal ESG advisors</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage internal staff</p>	

RI TRANSPARENCY REPORT

2020

CQS

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2020 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO TG		🔒	n/a							
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Fixed income AUM breakdown	✓	Private							✓
OO 08	Segregated mandates or pooled funds	🔒	n/a							✓
OO 09	Breakdown of AUM by market	✓	Public							✓
OO 10	Active ownership practices for listed assets	✓	Public							✓
OO 11	ESG incorporation practices for all assets	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓
OO LE 01	Breakdown of listed equity investments by passive and active strategies	✓	Private							✓
OO LE 02	Reporting on strategies that are <10% of actively managed listed equities	🔒	n/a							✓
OO FI 01	Breakdown of fixed income investments by passive and active strategies	✓	Private							✓
OO FI 02	Reporting on strategies that are <10% of actively managed fixed income	🔒	n/a							✓
OO FI 03	Fixed income breakdown by market and credit quality	✓	Public							✓
OO SAM 01	Breakdown of externally managed investments by passive and active strategies	🔒	n/a							✓
OO PE 01	Breakdown of private equity investments by strategy	🔒	n/a							✓
OO PE 02	Typical level of ownership in private equity investments	🔒	n/a							✓
OO PR 01	Breakdown of property investments	🔒	n/a							✓
OO PR 02	Breakdown of property assets by management	🔒	n/a							✓
OO PR 03	Largest property types	🔒	n/a							✓
OO INF 01	Breakdown of infrastructure investments	🔒	n/a							✓
OO INF 02	Breakdown of infrastructure assets by management	🔒	n/a							✓
OO INF 03	Largest infrastructure sectors	🔒	n/a							✓
OO HF 01	Breakdown of hedge funds investments by strategies	✓	Private							✓
OO End	Module confirmation page	✓	-							

CCStrategy and Governance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SG 01	RI policy and coverage	✓	Public							✓
SG 01 CC	Climate risk	✓	Private							✓
SG 02	Publicly available RI policy or guidance documents	✓	Public						✓	
SG 03	Conflicts of interest	✓	Public							✓
SG 04	Identifying incidents occurring within portfolios	✓	Private							✓
SG 05	RI goals and objectives	✓	Public							✓
SG 06	Main goals/objectives this year	✓	Private							✓
SG 07	RI roles and responsibilities	✓	Public							✓
SG 07 CC	Climate-issues roles and responsibilities	✓	Private							✓
SG 08	RI in performance management, reward and/or personal development	✓	Private							✓
SG 09	Collaborative organisations / initiatives	✓	Public				✓	✓		
SG 09.2	Assets managed by PRI signatories	🔒	n/a	✓						
SG 10	Promoting RI independently	✓	Public				✓			
SG 11	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
SG 12	Role of investment consultants/fiduciary managers	✓	Public				✓			
SG 13	ESG issues in strategic asset allocation	✓	Public	✓						
SG 13 CC		🔒	n/a							✓
SG 14	Long term investment risks and opportunity	✓	Private	✓						
SG 14 CC		✓	Private							✓
SG 15	Allocation of assets to environmental and social themed areas	✓	Private	✓						
SG 16	ESG issues for internally managed assets not reported in framework	✓	Public							✓
SG 17	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
SG 18	Innovative features of approach to RI	✓	Private							✓
SG 19	Communication	✓	Public		✓				✓	
SG End	Module confirmation page	✓	-							

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Incorporation strategies applied	✓	Public	✓						
FI 02	ESG issues and issuer research	✓	Private	✓						
FI 03	Processes to ensure analysis is robust	✓	Public	✓						
FI 04	Types of screening applied	✓	Public	✓						
FI 05	Examples of ESG factors in screening process	✓	Private	✓						
FI 06	Screening - ensuring criteria are met	✓	Public	✓						
FI 07	Thematic investing - overview	🔒	n/a	✓						
FI 08	Thematic investing - themed bond processes	🔒	n/a	✓						
FI 09	Thematic investing - assessing impact	🔒	n/a	✓						
FI 10	Integration overview	✓	Public	✓						
FI 11	Integration - ESG information in investment processes	✓	Public	✓						
FI 12	Integration - E,S and G issues reviewed	✓	Public	✓						
FI 13	ESG incorporation in passive funds	🔒	n/a	✓						
FI 14	Engagement overview and coverage	✓	Public		✓					
FI 15	Engagement method	✓	Private	✓	✓					
FI 16	Engagement policy disclosure	✓	Private	✓	✓					
FI 17	Financial/ESG performance	✓	Private							✓
FI 18	Examples - ESG incorporation or engagement	✓	Public	✓	✓					
FI End	Module confirmation page	✓	-							

Direct - Hedge Funds				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
HF 01	Rationale for adopting a RI policy	✓	Public							✓
HF 02	Normative codes/initiatives in the Hedge Fund industry	✓	Public				✓	✓		
HF 03	Organisation of RI responsibilities	✓	Public							✓
HF 04	RI training programme	✓	Public							✓
HF 05	Performance/remuneration metrics linked to RI incorporation	✓	Private	✓						
HF 06	ESG data, research and other resources used	✓	Public							✓
HF 07	ESG incorporation into quantitative and fundamental analysis	✓	Public	✓	✓					
HF 08	Changes to the RI incorporation process over the past 12 months	✓	Public	✓						✓
HF 09	Integration of Active Ownership	✓	Public	✓	✓					
HF 10	Examples of ESG risks/opportunities in investment decisions	✓	Public	✓	✓					
HF 11	Derivatives products and ESG impact	✓	Public							✓
HF 12	Long/short exposure and reporting	✓	Public	✓	✓					
HF 13	Metrics/KPI for RI progress	✓	Public	✓	✓					
HF 14	Exposure to climate risk	✓	Private							✓
HF 15	Reports to investors	✓	Public		✓					✓
HF End	Module confirmation page	✓	-							

Confidence building measures				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
CM1 01	Assurance, verification, or review	✓	Public							✓
CM1 02	Assurance of last year's PRI data	✓	Public							✓
CM1 03	Other confidence building measures	✓	Public							✓
CM1 04	Assurance of this year's PRI data	✓	Public							✓
CM1 05	External assurance	🔒	n/a							✓
CM1 06	Assurance or internal audit	🔒	n/a							✓
CM1 07	Internal verification	✓	Public							✓
CM1 01 End	Module confirmation page	✓	-							

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Reported Information

Public version

Organisational Overview

PRI disclaimer

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Basic information

OO 01

Mandatory

Public

Gateway/Peering

General

OO 01.1

Select the services and funds you offer

Select the services and funds you offer	% of asset under management (AUM) in ranges
Fund management	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
Fund of funds, manager of managers, sub-advised products	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Other	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Total 100%	

Further options (may be selected in addition to the above)

- Hedge funds
- Fund of hedge funds

OO 01.2

Additional information. [Optional]

CQS is a credit-focused multi-strategy asset manager founded by Sir Michael Hintze in 1999. Our deep experience allows us to offer solutions for investors across a range of return objectives and risk appetites. We are an active asset manager with expertise across the credit spectrum, including corporate credit, structured credit, asset backed securities, convertibles and loans. We are committed to delivering performance and high levels of service to our investors.

CQS has offices in London, New York, Hong Kong and Sydney. Our investors include pension funds, insurance companies, sovereign wealth funds, funds of funds, endowments and foundations, and private banks.

OO 02

Mandatory

Public

Peering

General

OO 02.1 Select the location of your organisation's headquarters.

United Kingdom

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- 1
- 2-5
- 6-10
- >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

277

OO 02.4 Additional information. [Optional]

FTE as at 31 December 2019.

OO 03	Mandatory	Public	Descriptive	General
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OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- Yes
- No

OO 04	Mandatory	Public	Gateway/Peering	General
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OO 04.1 Indicate the year end date for your reporting year.

31/12/2019

OO 04.2 Indicate your total AUM at the end of your reporting year.

Include the AUM of subsidiaries, but exclude advisory/execution only assets, and exclude the assets of your PRI signatory subsidiaries that you have chosen not to report on in OO 03.2

	trillions	billions	millions	thousands	hundreds
Total AUM		19	002	004	005
Currency	USD				
Assets in USD		19	002	004	005

Not applicable as we are in the fund-raising process

OO 04.4

Indicate the assets which are subject to an execution and/or advisory approach. Provide this figure based on the end of your reporting year

Not applicable as we do not have any assets under execution and/or advisory approach

Based on your reporting above, your total AUM is between 10 and 30 US\$ billion, and therefore your 2019/20 fee will be £ 11,149. Note that your total AUM is calculated by summing all figures provided in OO 04.2, 04.3, and 04.4.

OO 06

Mandatory

Public

Descriptive

General

OO 06.1

Select how you would like to disclose your asset class mix.

- as percentage breakdown
 as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	<10%	0
Fixed income	>50%	0
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	10-50%	0
Fund of hedge funds	0	0
Forestry	0	0
Farmland	0	0

Inclusive finance	0	0
Cash	0	0
Money market instruments	0	0
Other (1), specify	<10%	0
Other (2), specify	0	0

Other (1) specified

Structured Products

OO 06.2 Publish asset class mix as per attached image [Optional].

OO 06.3 Indicate whether your organisation has any off-balance sheet assets [Optional].

- Yes
- No

OO 06.5 Indicate whether your organisation uses fiduciary managers.

- Yes, we use a fiduciary manager and our response to OO 5.1 is reflective of their management of our assets.
- No, we do not use fiduciary managers.

OO 09 **Mandatory** **Public** **Peering** **General**

OO 09.1 Indicate the breakdown of your organisation's AUM by market.

Developed Markets

91.85

Emerging Markets

4.90

Frontier Markets

0.11

Other Markets

3.14

Total 100%

100%

Asset class implementation gateway indicators

OO 10	Mandatory	Public	Gateway	General
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OO 10.1 Select the active ownership activities your organisation implemented in the reporting year.

Listed equity – engagement

- We engage with companies on ESG factors via our staff, collaborations or service providers.
- We do not engage directly and do not require external managers to engage with companies on ESG factors.

Listed equity – voting

- We cast our (proxy) votes directly or via dedicated voting providers
- We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf

Fixed income Corporate (financial) – engagement

- We engage with companies on ESG factors via our staff, collaborations or service providers.
- We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

Fixed income Corporate (non-financial) – engagement

- We engage with companies on ESG factors via our staff, collaborations or service providers.
- We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

Fixed income Corporate (securitised) – engagement

- We engage with companies on ESG factors via our staff, collaborations or service providers.
- We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

OO 11	Mandatory	Public	Gateway	General
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OO 11.1 Select the internally managed asset classes in which you addressed ESG incorporation into your investment decisions and/or your active ownership practices (during the reporting year).

Listed equity

- We address ESG incorporation.
- We do not do ESG incorporation.

Fixed income - corporate (financial)

- We address ESG incorporation.
- We do not do ESG incorporation.

Fixed income - corporate (non-financial)

- We address ESG incorporation.
- We do not do ESG incorporation.

Fixed income - securitised

- We address ESG incorporation.
- We do not do ESG incorporation.

Hedge funds

- We address ESG incorporation.
- We do not do ESG incorporation.

Other (1)

- We address ESG incorporation.
- We do not do ESG incorporation.

Other (1) [as defined in OO 05]

Structured Products

OO 12	Mandatory	Public	Gateway	General
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OO 12.1 Below are all applicable modules or sections you may report on. Those which are mandatory to report (asset classes representing 10% or more of your AUM) are already ticked and read-only. Those which are voluntary to report on can be opted into by ticking the box.

Core modules

- Organisational Overview
- Strategy and Governance

RI implementation directly or via service providers

Direct - Listed Equity incorporation

- Listed Equity incorporation

Direct - Listed Equity active ownership

- Engagements
- (Proxy) voting

Direct - Fixed Income

- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised

Direct - Other asset classes with dedicated modules

- Hedge Funds and/or Fund of Hedge Funds

Closing module

- Closing module

Peering questions

OO FI 03	Mandatory	Public	Descriptive	General
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Update: this indicator has changed from "Mandatory to report, voluntary to disclose" to "Mandatory". **Your response to this indicator will be published in the Public Transparency Report.** This change is to enable improved analysis and peering.

OO FI 03.2	Indicate the approximate (+/- 5%) breakdown of your corporate and securitised investments by investment grade or high-yield securities.
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Type	Investment grade (+/- 5%)	High-yield (+/- 5%)	Total internally managed
Corporate (financial)	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	100%
Corporate (non-financial)	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	100%
Securitised	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	100%

If you are invested in private debt and reporting on ratings is not relevant for you, please indicate below

OO FI 03.2 is not applicable as our internally managed fixed income assets are invested only in private debt.

CQS

Reported Information

Public version

Strategy and Governance

PRI disclaimer

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Investment policy

SG 01

Mandatory

Public

Core Assessed

General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input type="checkbox"/> Formalised guidelines on environmental factors <input type="checkbox"/> Formalised guidelines on social factors <input type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" type="checkbox"/> Fiduciary (or equivalent) duties <input type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input type="checkbox"/> Engagement policy <input type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

SG 01.3

Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- Your investment objectives that take ESG factors/real economy influence into account
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities
- ESG incorporation approaches
- Active ownership approaches
- Reporting
- Climate change
- Understanding and incorporating client / beneficiary sustainability preferences
- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

SG 01.4

Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

CQS is committed to operating in a socially responsible manner, embedding strong and clear governance, and conducting our business in a sustainable way.

In its role as an investment manager, CQS views ESG factors as a key driver of financing costs, valuations and performance, while also being capable of acting as a lever to shape and influence the world for generations to come.

Through the embedding of ESG into our investment process we seek to enhance our ability to identify value, investment opportunities and, critically, to generate the best possible returns for our clients.

The integration and assessment of ESG factors is a crucial part of our commitment across the CQS investment platform, both in public and privately held companies, and a key factor in our decision-making.

The ability to assess and integrate ESG factors varies between different investment strategies and is based on a range of considerations, including the investment strategy of the Fund. However through integration into our process and in the spirit of the principles outlined above, CQS carefully considers ESG factors during the investment process, and to the extent possible and relevant, will take into account real economy impacts as part of our ESG analysis.

SG 01.5

Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

Through the integration of ESG into our investment process we seek to enhance our ability to identify value and investment opportunities, assess risks and, critically, to generate the best possible returns for our clients. We believe this allows flexibility within our investment approach (rather than screening for example), while also being highly aware of how investment decisions reflect in terms of ESG standards.

Our integration approach seeks to ensure, when choosing between securities, the company with the higher ESG rating is likely to have a lower probability of default and/or loss given default.

Certain CQS strategies, in particular a number of Segregated Mandates deploy an additional exclusionary ESG screening approach prior to integration. As such, we are able to apply bespoke ESG strategy solutions for relevant clients who require an extended approach.

As previously mentioned, CQS is committed to operating in a socially responsible manner, embedding strong and clear governance, and conducting our business in a sustainable way. In our role as an investment manager, we view ESG factors as key drivers influencing financing costs, valuations and performance, while also acting as a lever to shape and influence the world for generations to come. Our approach to Responsible Investment and integration is applicable across the firm. However, given the nature of the investment strategies we operate, we do not take a restrictive approach with our portfolio managers. If, for CQS Hedge Funds in particular, they believe a market opportunity is available, after taking into account the relevant ESG considerations as an additional factor in guiding decision making, they are not encumbered in doing so.

Several other CQS strategies have taken steps further, and put in place are ESG statements of Intent, which outline how they intend to operate and any restrictions would be applicable in the context of Responsible Investment. Such approaches have been guided by feedback and the needs of our clients with respect to the outcomes sought for their investments.

No

I confirm I have read and understood the Accountability tab for SG 01

I confirm I have read and understood the Accountability tab for SG 01

SG 02	Mandatory	Public	Core Assessed	PRI 6
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 02.1 Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.

Policy setting out your overall approach

URL/Attachment

URL

URL

{hyperlink:https://www.cqs.com/esg}

Attachment (will be made public)

Fiduciary (or equivalent) duties

Screening / exclusions policy

We do not publicly disclose our investment policy documents

SG 02.2 Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment

URL

URL

{hyperlink:https://www.cqs.com/esg}

Attachment

Governance structure of organisational ESG responsibilities

URL/Attachment

URL

URL

{hyperlink:https://www.cqs.com/esg}

Attachment

ESG incorporation approaches

URL/Attachment

URL

URL

{hyperlink:https://www.cqs.com/esg}

Attachment

Reporting

Understanding and incorporating client / beneficiary sustainability preferences

We do not publicly disclose any investment policy components

SG 03	Mandatory	Public	Core Assessed	General
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SG 03.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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Yes

SG 03.2	Describe your policy on managing potential conflicts of interest in the investment process.
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Authorised by and reporting to the Executive Committee, Regulatory Oversight & Conflicts Committee (ROCC) dually focuses on the impact of regulatory developments upon CQS and on the assessment of conflicts of interest affecting the Firm or its funds. Within its capacity regarding regulation, the Committee identifies, informs and discusses upcoming regulatory developments that may have a location specific or global impact upon CQS regulated entities, client funds or other entities in the CQS Group. It also assists in the formulation of a considered and proportionate response to any identified impact of the regulatory developments and oversees the implementation and maintenance of this response.

With regards to conflicts within the investment process, the Committee evaluates potential and actual conflicts of interest that may exist between CQS and any client funds or between one client fund and another with a view to agreeing appropriate mitigation and/or ongoing monitoring and management of the conflict.

No

Objectives and strategies

SG 05	Mandatory	Public	Gateway/Core Assessed	General
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SG 05.1	Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.
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- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc basis
- It is not set/reviewed

SG 05.2	Additional information. [Optional]
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RI objectives are embedded into our ESG Policy and applied through the CQS 5-stage ESG process, specifically:

1. Incorporation
2. Evaluation
3. Decision Making
4. Engagement
5. Ongoing monitoring and reporting

We review our ESG framework and objectives, in particular through discussion with Sir Michael Hintze as Senior Investment Officer. We will continually seek to ensure our process delivers to the best interest of our clients and delivers long term investment performance. As part of this, our process and RI activities are continually under discussion and review. As a minimum, the ESG Working Group will review the RI activity and discuss additional steps which can be taken to further improve our process or the objectives we set ourselves. As mentioned throughout this PRI reporting, a deeper understanding and utilisation of Climate Change methodologies is one of our RI objectives during 2020. As enhancements are made to our process and objectives, we anticipate updating the ESG Policy at least annually to reflect these developments. These may also be referenced on our website as appropriate.

Certain CQS Funds have elected to have specific "Statements of Intent". These set out specific RI objectives that seek to go beyond the overarching integration framework the firm has applied. Such "Statements of Intent" can be revised at any time, depending on client feedback and expectation of the investment solution they require. This is particularly the case for the CQS Credit-Multi Asset Strategy, the CQS Global Convertible Bond Strategy and the CQS New City Global Equity Strategy.

Governance and human resources				
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SG 07	Mandatory	Public	Core Assessed	General
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SG 07.1	Indicate the internal and/or external roles used by your organisation, and indicate for each whether they have oversight and/or implementation responsibilities for responsible investment.
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Roles

- Board members or trustees
- Internal Roles (triggers other options)

Select from the below internal roles

- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Operating Officer (COO), Investment Committee
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
 - SIO, Head of Research**
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
 - Portfolio managers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
 - Investment analysts
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
 - Dedicated responsible investment staff
 - Investor relations
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
 - Other role, specify (1)
 - Other role, specify (2)
- External managers or service providers

SG 07.2

For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.

CQS' Management and Executive Committees are collectively responsible for the Firm's approach to ESG. The Senior Investment Officer is responsible for setting the ESG investment integration strategy and direction of the firm.

Portfolio Managers take individual responsibility for the management of their investment activities; this includes the consideration and application of ESG factors.

CQS is committed to providing transparent reporting to clients on relevant strategies to ensure ESG integration and ratings are in line with their expectations.

An ESG Working Group is place within CQS, represented across asset classes and business areas, which focuses on the details of ESG approach(s) being taken as well as, to the extent applicable, monitoring of ESG engagement volumes and approach, ESG ratings by asset class, and ESG metrics relating to relevant CQS Funds. The ESG Working Group is accountable to the CQS Executive Committee. The Working Group comprises of Heads of Research, Product, Investment Teams, General Counsel and Distribution.

SG 07.3

Indicate the number of dedicated responsible investment staff your organisation has.

	Number
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0

SG 07.4	Additional information. [Optional]
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We do not currently have a dedicated ESG representative. ESG responsibilities and development is shared across the organisation, and co-ordinated by our ESG Working Group. In the future as our process develops and areas of ESG specialism are required which extend beyond the integration approach across our investment process, we may consider the suitability of adding an ESG dedicated person. However we feel it is important that ESG remains operating with an "integrated approach" and not as a standalone ESG team. We have discussed with many firms who have ESG teams and advised that access and true involvement in the investment decision can be a challenge when that approach is taken. CQS is naturally keen to avoid that outcome, and as such, we have not felt it necessary to hire dedicated ESG resourcing to date, but include a responsible investing mindset, objectives and process as part of a wide variety of employees roles.

	I confirm I have read and understood the Accountability tab for SG 07
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I confirm I have read and understood the Accountability tab for SG 07

Promoting responsible investment

SG 09	Mandatory	Public	Core Assessed	PRI 4,5
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SG 09.1	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.
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Select all that apply

Principles for Responsible Investment

	Your organisation's role in the initiative during the reporting period (see definitions)
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- Basic
- Moderate
- Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--	--

CQS has undertaken a regular dialogue with the PRI since becoming a signatory, and in particular is using the reporting framework as a means by which to review and consider development of our process. In addition, CQS has attended the PRI in Person conference in 2019, sharing detailed notes with Portfolio Managers and the Executive Committee, as well as the recent London PRI regional 1 day conference.

These are invaluable insights into our understanding and process, and aid the firm in maintaining an understanding of the ESG landscape, how it is developing and where CQS should consider making further enhancements.

- Asian Corporate Governance Association
- Australian Council of Superannuation Investors
- AVCA: Sustainability Committee
- France Invest – La Commission ESG
- BVCA – Responsible Investment Advisory Board
- CDP Climate Change
- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Climate Action 100+
- Code for Responsible Investment in SA (CRISA)
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)
- ESG Research Australia
- Invest Europe Responsible Investment Roundtable
- Global Investors Governance Network (GIGN)
- Global Impact Investing Network (GIIN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Green Bond Principles
- HKVCA: ESG Committee
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

CQS New City Equity is a member of the ICGN. In October 2019, we participated in ICGN's annual survey on stewardship and also submitted comments to the Consultation on the revision of ICGN's Stewardship Guidelines.

- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- International Integrated Reporting Council (IIRC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Financial Action in the 21st Century
- Principles for Sustainable Insurance
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- Responsible Finance Principles in Inclusive Finance
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify

WTW Insightful Thinking - ESG

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Our Head of Research has recently become a participant in the Willis Towers Watson Insightful Thinking group on ESG. This includes participation in key discussions and insight into the development of ESG with leading members of the industry. CQS looks forward to an active participation in this group and possible opportunities to co-ordinate activity and thought leadership on ESG considerations.

- Other collaborative organisation/initiative, specify

Standards Board for Alternative Investments - ESG Working Group

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Our Head of Research is a member of the SBAI ESG Working Group. The working group typically involves monthly calls where working group members will be invited to discuss developments, issues and opportunities within ESG specific, to the Alternative Investment industry.

SG 10	Mandatory	Public	Core Assessed	PRI 4
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SG 10.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
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Yes

SG 10.2	Indicate the actions your organisation has taken to promote responsible investment independently of collaborative initiatives. Provide a description of your role in contributing to the objectives of the selected action and the typical frequency of your participation/contribution.
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- Provided or supported education or training programmes (this includes peer to peer RI support) Your education or training may be for clients, investment managers, actuaries, broker/dealers, investment consultants, legal advisers etc.)
- Provided financial support for academic or industry research on responsible investment
- Provided input and/or collaborated with academia on RI related work
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment

	Description
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CreditSights London Conference - 6 December 2019 - Providing views on the development of Green Bonds and CQS insight into how these are beginning to now emerge in High Yield.

	Frequency of contribution
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- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Responded to RI related consultations by non-governmental organisations (OECD, FSB etc.)

	Description
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CQS New City Equity is a member of the ICGN (International Corporate Governance Network). In October 2019, we participated in ICGNs annual survey on stewardship and also submitted comments to the consultation on the revision of the ICGNs Stewardship Guidelines.

Frequency of contribution

- Quarterly or more frequently
 - Biannually
 - Annually
 - Less frequently than annually
 - Ad hoc
 - Other
- Wrote and published articles on responsible investment in the media
 - A member of PRI advisory committees/ working groups, specify
 - On the Board of, or officially advising, other RI organisations (e.g. local SIFs)
 - Other, specify
- No

SG 10.3

Describe any additional actions and initiatives that your organisation has taken part in during the reporting year to promote responsible investment [Optional]

In addition, CQS, where relevant opportunity present, continues to promote responsible investment with issuers in which we invest. For example, we have engaged energy suppliers about possible issuance of High Yield Green Bonds and the advantages of such issuance that could be applicable to counterparties, issuers and investors.

We have also regularly met with ESG industry specialists to share thoughts, insights and possible future areas of collaboration. In 2019 this includes for example Bank of New York Mellon, KPMG and a number of specialist providers.

More broadly outside of our ESG investment process, the firm has appointed the Carbon Trust to understand our corporate Carbon Footprint. This will help us to identify areas of improvement to reduce our carbon utilisation as a firm, and continue to promote operating our business in a sustainable way.

Outsourcing to fiduciary managers and investment consultants

SG 12

Mandatory

Public

Core Assessed

PRI 4

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 12.1

Indicate whether your organisation uses investment consultants.

- Yes, we use investment consultants
- No, we do not use investment consultants.

SG 12.7

Additional information [Optional].

CQS has engaged a number of consultants for early stage discussions relating to how our process could be reviewed or enhanced. While informative, we have continued with the approach of developing our ESG approach with internal employees at the helm. This is informed by information from the PRI, our clients, our peers and a range of other sources.

Our clients however do use Investment Consultants. We have held detailed ESG discussions with a number of these throughout 2019 and respond to ESG questionnaires on a regular basis. Our interaction with Investment Consultants provides an excellent way to keep in touch with how our clients ESG requirements are evolving and advancements that are required to our process, such as the future incorporation of TCFD methodology for example.

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1
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SG 13.1

Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, in order to assess future ESG factors

Describe

CQS Research Analysts consider during their process, ESG scenarios, including short, medium and long-term outlook, when undertaking the quarterly sector review, and when looking at individual issuers. ESG is also a function within CQS' thematic investment approach, which considers macro and geo-political trends to identify investment opportunities.

- Yes, in order to assess future climate-related risks and opportunities
- No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify
- We do not consider ESG issues in strategic asset allocation

SG 13.3

Additional information. [OPTIONAL]

As mentioned above, the CQS thematic investment strategy is used to identify trends and opportunities, utilising macro and geo-political investment strategists, with a view to identifying investment opportunities which may play out across the short, medium and long-term. Alongside Macro and Geopolitical, ESG is one of the themes actively considered. The output of this research is shared with all investment professionals and is utilised particularly in the CQS flagship Directional Opportunities Fund. The analysis aids decision making, including asset allocations, sectors and geographies. Other CQS Funds may also choose to lever the thematic research and investment capability, depending on their mandate, and where relevant, their ESG statement of intent.

Asset class implementation not reported in other modules

SG 16	Mandatory	Public	Descriptive	General
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SG 16.1

Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.

Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Listed equities - ESG incorporation	<p>In the CQS New City Global Equity Strategy (recognised by LuxFlag), ESG factors are incorporated into the entire investment process, including screening, research and monitoring.</p> <p>Given the highly concentrated portfolio and in-depth, bottom-up research strategy, the Managers are able to go beyond a mechanical incorporation of third-party ESG ratings. Their highly qualitative approach towards ESG aims at taking into account the specificities of each company, and will generally include the following outputs:</p> <p>A dedicated, redacted section in each initiation report covering the key ESG issues of a company. This section analyses in detail governance issues including quality of accounts and reporting, structure and diversity of the board and its committees as well as executive remuneration.</p> <p>Environmental and social issues are also covered to a degree of importance depending on the company</p> <p>A review of the controversies affecting the stock. While these are often backward looking, they reflect upon the company's ability to react to ESG-related issues and provide valuable insight into the company's governance practices.</p> <p>If a material ESG-related incident affects a stock in this list, the matter will be discussed internally, and, depending on its severity, an internal memo may be produced with engagement or portfolio decisions taken accordingly.</p>
Listed equities - engagement	<p>For the CQS New City Global Equity Strategy, as a shareholder, the Managers consider themselves responsible for actively contributing to the long term performance of the investee companies.</p> <p>This implies not only exercising shareholder rights (proxy voting), but also engaging with investee companies whenever areas of improvement are identified, with respect to ESG or else.</p> <p>The Managers will seek a constructive dialogue with the investee company but are ready to engage in the following ways when dialogue fails:</p> <ul style="list-style-type: none"> • Expressing concerns to corporate representatives or non-executive directors, either directly or in a shareholders' meeting; • Expressing concerns collectively with other investors; • Speaking at general meetings; and • Exit or threat to exit from the investment as a last resort. <p>Shareholder responsibility does not depend on the absolute or relative ownership in the investee company. However, in concord with the fiduciary duty towards clients, any engagement with investee companies will take into consideration resources and expected benefits. Importantly, the investment strategy is not that of an activist shareholder but, in contrast, focusses on companies where effective governance and a high-quality management are already in place.</p>
Listed equity - (proxy) voting	<p>The CQS New City Global Equity Strategy seeks to vote shares held and make informed and independent voting decisions, applying due care, diligence and judgement across the entire portfolio in the interests of their clients.</p> <p>All shareholder resolutions will be reviewed and voted on a case-by-case basis. The Managers will systematically vote on all resolutions in investee companies which represent more than 2% of the strategy's market value.</p> <p>If a resolution carries a potentially controversial element, specific research may be required and discussed internally. Such research may include specialised third-party research to provide an independent view on certain proxy items.</p> <p>In exercising its voting discretion, the Managers will consider the following factors:</p> <ul style="list-style-type: none"> • The nature of the issue;

	<ul style="list-style-type: none"> • The advantage which may result from exercising voting rights including whether it will advance investment objectives; • Possible actions which may be taken instead or on top of exercising voting rights, such as engaging with the investee company; • Other legal and ethical considerations, such as whether there may be any actual or potential conflict of interest in exercising voting rights.
Other (1) [as defined in Organisational Overview module]	CQS operates a CLO platform. The ESG process follows the firms 5-stage ESG process, in particular with respect to our broader Loans capability. All responses within the Fixed Income module are also applicable to CQS Loans team and therefore CLO platform it operates.

SG 16.2	Additional information [Optional].
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The description above applies to the approach taken by the CQS New City Global Equity Strategy (and similarly the North American Equity Strategy). CQS is in the process of developing further its broader Equity capability set with as a minimum the expectation of following the firms 5 stage ESG process. As new strategies become available to investors, the ESG process will be communicated and also included in the 2021 PRI reporting module.

Communication

SG 19	Mandatory	Public	Core Assessed	PRI 2, 6
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SG 19.1	Indicate whether your organisation typically discloses asset class specific information proactively. Select the frequency of the disclosure to clients/beneficiaries and the public, and provide a URL to the public information.
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Caution! The order in which asset classes are presented below has been updated in the online tool to match the Reporting Framework overview.

If you are transferring data from an offline document, please check your response carefully.

	Fixed income
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	Do you disclose?
--	------------------

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

Disclosure to clients/beneficiaries	
	<p>Disclosure to clients/beneficiaries</p> <p><input checked="" type="radio"/> Broad approach to RI incorporation</p> <p><input type="radio"/> Detailed explanation of RI incorporation strategy used</p>
	<p>Frequency</p> <p><input type="checkbox"/> Quarterly</p> <p><input type="checkbox"/> Biannually</p> <p><input type="checkbox"/> Annually</p> <p><input type="checkbox"/> Less frequently than annually</p> <p><input checked="" type="checkbox"/> Ad hoc/when requested</p>

Hedge Funds

Do you disclose?

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

Disclosure to clients/beneficiaries	
	<p>Disclosure to clients/beneficiaries</p> <p><input checked="" type="radio"/> Broad approach to RI incorporation for all strategies</p> <p><input type="radio"/> Detailed explanation of RI incorporation for each strategy used</p>
	<p>Frequency</p> <p><input type="checkbox"/> Quarterly</p> <p><input type="checkbox"/> Biannually</p> <p><input type="checkbox"/> Annually</p> <p><input type="checkbox"/> Less frequently than annually</p> <p><input checked="" type="checkbox"/> Ad hoc/when requested</p>

CQS

Reported Information

Public version

Direct - Fixed Income

PRI disclaimer

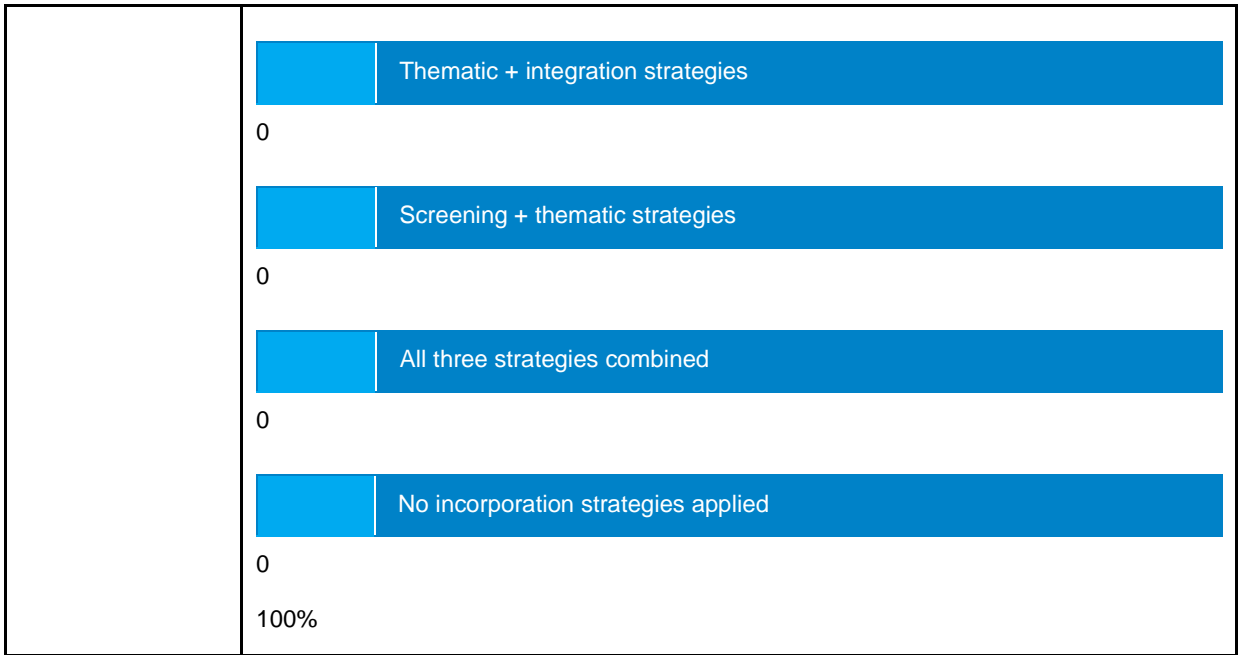
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ESG incorporation in actively managed fixed income

Implementation processes

FI 01	Mandatory	Public	Gateway	PRI 1
FI 01.1	Indicate (1) Which ESG incorporation strategy and/or combination of strategies you apply to your actively managed fixed income investments; and (2) The proportion (+/- 5%) of your total actively managed fixed income investments each strategy applies to.			

Corporate (financial)	Screening alone	0
	Thematic alone	0
	Integration alone	90
	Screening + integration strategies	10
	Thematic + integration strategies	0
	Screening + thematic strategies	0
	All three strategies combined	0
	No incorporation strategies applied	0
		100%
Corporate (non-financial)	Screening alone	0
	Thematic alone	0
	Integration alone	90
	Screening + integration strategies	10



Securitized	Screening alone	0
	Thematic alone	0
	Integration alone	100
	Screening + integration strategies	0
	Thematic + integration strategies	0
	Screening + thematic strategies	0
	All three strategies combined	0
	No incorporation strategies applied	0
		100%

FI 01.2 Describe your reasons for choosing a particular ESG incorporation strategy and how combinations of strategies are used.

Through the integration of ESG into our investment process we seek to enhance our ability to identify value and investment opportunities, assess risks and, critically, to generate the best possible returns for our clients. We believe this allows flexibility within our investment approach, while also being highly aware of how investment decisions reflect in terms of ESG standards.

Our integration approach typically anticipates when choosing between securities, all else being equal, the company with the higher ESG rating is likely to have a lower probability of default and/or loss given default.

CQS is committed to operating in a socially responsible manner, embedding strong and clear governance, and conducting our business in a sustainable way. In our role as an investment manager, we view ESG factors as key drivers influencing financing costs, valuations and performance, while also acting as a lever to shape and influence the world for generations to come.

The assessment and integration of ESG factors is a crucial part of this commitment across the CQS investment platform, both in public and privately held companies, and a key factor in our decision-making.

FI 01.3	Additional information [Optional].
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Certain CQS strategies, in particular a number of Segregated Mandates, deploy an additional exclusionary ESG screening approach prior to integration. As such, we are able to apply bespoke ESG strategy solutions for relevant clients who require an such additional ESG considerations as part of their investment solutions.

FI 03	Mandatory	Public	Additional Assessed	PRI 1
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FI 03.1	Indicate how you ensure that your ESG research process is robust:
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- Comprehensive ESG research is undertaken internally to determine companies' activities; and products and/or services
- Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Issuer information and/or ESG ratings are updated regularly to ensure ESG research is accurate
- Internal audits and regular reviews of ESG research are undertaken in a systematic way.
- A materiality/sustainability framework is created and regularly updated that includes all the key ESG risks and opportunities for each sector/country.
- Other, specify
- None of the above

FI 03.2	Describe how your ESG information or analysis is shared among your investment team.
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- ESG information is held within a centralised database and is accessible to all investment staff
- ESG information is displayed on front office research platforms
- ESG information is a standard item on all individual issuer summaries, research notes, 'tear sheets', or similar documents
- Investment staff are required to discuss ESG information on issuers as a standard item during investment committee meetings
- Records capture how ESG information and research was incorporated into investment decisions
- Other, specify
- None of the above

FI 03.3	Additional information. [Optional]
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ESG is fully integrated into the CQS Investment Research approach, with issuers assigned an internal ESG rating which is determined by the relevant Sector Analyst. All internal ESG ratings, including an indication on whether the issuer has been notched up or down from the MSCI rating, is included on the CQS Research Connect Portal. This is available to all Portfolio Managers and ESG information sits alongside credit analysis, to help inform decision making.

In due course, we are seeking to incorporate carbon intensity metrics on an issuer by issuer basis into our Research Connect Portal to complement the overall ESG rating assigned by CQS Analysts and facilitate a increasingly accessible data source to Portfolio Managers.

(A) Implementation: Screening

FI 04	Mandatory	Public	Gateway	PRI 1
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FI 04.1	Indicate the type of screening you conduct.
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Select all that apply

	Corporate (financial)	Corporate (non-financial)	
Negative/exclusionary screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Positive/best-in-class screening	<input type="checkbox"/>	<input type="checkbox"/>	
Norms-based screening	<input type="checkbox"/>	<input type="checkbox"/>	

FI 04.2	Describe your approach to screening for internally managed active fixed income
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Exclusionary screens in the case of certain investors are typically undertaken through the use of GIC Sector classifications or single name issuer restrictions, which are discussed and agreed with a client from time to time. This may include decisions to exclude dirty energy such as Oil, Coal and Gas, or may have a Social bias such as decisions to exclude payday lenders. It may also be more general in nature such as exclusion of any issuer with an ESG rating of B or below, or with a Carbon Intensity score above certain levels determined by the client (which may also be in line with the Paris Agreement). CQS is able to, and does have investment solutions which accommodate a variety of ESG requirements.

The Portfolio Managers will then determine appropriate replacements to deliver to the clients performance objective, while demonstrating an ESG standard expected by the client. Where specific issuers have been agreed to be excluded in a client's mandate, the adherence to such exclusions is monitored by CQS Compliance.

FI 06	Mandatory	Public	Core Assessed	PRI 1
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FI 06.1	Indicate which systems your organisation has to ensure that fund screening criteria are not breached in fixed income investments.
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Type of screening	Checks
Negative/exclusionary screening	<input checked="" type="checkbox"/> Analysis is performed to ensure that issuers meet screening criteria <input type="checkbox"/> We ensure that data used for the screening criteria is updated at least once a year. <input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input checked="" type="checkbox"/> Audits of fund holdings are undertaken yearly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above

FI 06.2	Additional information. [Optional]
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The first stage of screening is performed by CQS Research Analysts and Portfolio Managers when considering the opportunity set, and alternative assets which provide the exposure our clients require. CQS then has in place both pre-and post trade systems to ensure assets are eligible for the individual portfolios we manage. An annual review and audit of portfolios to determine whether they continue to meet parameters set out within the terms of the Fund or mandate is undertaken, and made available to the CQS Audit Committee. This includes exclusionary screening requirements where applicable on certain CQS mandates.

(C) Implementation: Integration

FI 10	Mandatory	Public	Descriptive	PRI 1
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FI 10.1	Describe your approach to integrating ESG into traditional financial analysis.
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The Portfolios Managers follow the firm-wide five-stage ESG investment integration process, with Portfolio Managers and Research Analysts required to consider E, S, and G risks as part of their investment decision-making. There are up to 37 factors which are taken into account when analysing a company, with a focus on specific factors.

The five stages in our ESG process are:

6. Incorporation - of third party ESG metrics, data and external ratings into CQS systems
7. Evaluation - of ESG factors in our sector research process, including internal ratings and deployment into our front office systems
8. Decision making - Portfolio Managers consider research analysis as part of investment decision making
9. Company Engagement - Changing corporate behaviour towards identified ESG risks and issues may involve proxy voting, meetings, letters/emails and/or phonecalls influence or control positions, and ultimately making a decision to not trade, change exposure or exit a position altogether
10. Ongoing monitoring and reporting - includes period research re-assessments, a watching brief across news wires for developing ESG considerations and weekly proprietary fund-level ESG risk reporting for our Portfolio Management and Research Teams

ESG risks and opportunities are primarily taken into account at the investee company / issuer level of our strategies. At present the analysis is largely qualitative and engagement with companies is the mechanism we use to understand ESG risks and opportunities at a deeper level. We are continually enhancing our approach and developing our toolkit.

Key questions to be answered as part of our investment process are:

- What are the most significant ESG risks and opportunities facing any company or sector?
- How material and how well is the investee company/issuer managing these risks and opportunities?
- How does the investee company/issuer compare to its peers?

Our bottom-up research process is also beginning to take into account climate change when identifying the long-term probability of default and loss given default when selecting issuers. The inclusion of climate change within our ESG analysis enables portfolio managers to take into account real-world expected outcomes alongside the potential risk and reward investment opportunity.

Through the integration of ESG into our investment process we seek to enhance our ability to identify value and investment opportunities, assess risks and, critically, to generate the best possible returns for our clients. We believe this allows flexibility within our investment approach (rather than screening for example), while also being highly aware of how investment decisions reflect in terms of ESG standards.

Our integration approach seeks to ensure, when choosing between securities, the company with the higher ESG rating is likely to have a lower probability of default and/or loss given default.

Corporate (financial)

CQS consistently applies its five-stage ESG integration approach corporate credit issuers whether Financial or Non-Financial.

Of the 37 Factors taken into account, Corporate (Financials) will typically have a greater weighting to the Governance and Social aspects, specially

- Human Capital Deployment,
- Financial Product Safety,
- Privacy and Data Security,
- Access to Finance,
- Financial System Instability,
- Governance (such as Board, Pay, Ownership, Accounting, Business Ethics, Anti-Competitive Practices, Corruption& Instability, Financial System Instability)

It may also look carefully at the Financing Environmental Impact factor to determine the Financial Services provider is acting as, for example, a responsible lender.

The research approach will focus on the specific factors which are most relevant to an issuer, and formulate a view as to whether the MSCI ESG Rating is appropriate, or should be amended. Where a rating is not available, the same factor based methodology is applied for CQS to determine an outright ESG rating on an issuer.

Corporate (non-financial)

Similarly to the approach described for Corporate (Non-Financials), there will be a focus on relevant ESG Factors. In the case of a utilities company, this may include a particular focus on:

- Carbon Emissions (E)
- Toxic Emissions& Waste (E)
- Human Capital Deployment (S)

Opportunities in Renewable Energy (E)Governance (such as Board, Pay, Ownership, Accounting, Business Ethics, Anti-Competitive Practices, Corruption & Instability, Financial System Instability)

In the case of a food producer, the focus might be on social factors, and include:

- Opportunities in Nutrition and Health (S)
- Product Safety and Quality (S)
- Supply Chain Labour Standards (S)
- Water Stress (E)
- Governance (G)

We seek to apply a consistent, but flexible approach to ESG integration which enables Research Analysts to consider the appropriate factors relevant to a sector or issuer. The factors provide for a guiding principle when undertaking initial desk based ESG analysis. As outlined in the 5 stage process, a deeper understanding of a Corporates ESG position may be gained through engagement before, during or after the investment process. Our Analysts are encouraged to ask questions of Company Management during meetings and calls, even where other parties present may not be doing so. Understanding a Corporates ESG position at a deeper level can significantly aid an understanding that goes beyond the original MSCI data, and thereby apply CQS ratings which are considered and informative to Portfolio Managers beyond information available broadly on the street.

Securitized

For most ABS, ESG implementation requires a different approach than for Corporate Bonds. It is necessary to evaluate:

- Pool of assets
- The Special Purpose Vehicle (structure and documentation)
- Multiple potential counterparties to the transaction (originator, servicer, CLO manager, swap counterparty, trustee)

In the case of Corporate related risk (CLOs and Regulatory Capital) we consider:

- Sector Level - incorporating ESG considerations into analysis of collateral pool
- Loan level - Integrate CQS and 3rd party ESG metrics where applicable into ABS analysis
- Assess - approach of the CLO manager / Reg Cap issuer.

Our analysis approach seeks to better understand expected outcomes, such as consumer access to credit, responsible lending and servicing practices and originator risk retention / alignment of incentives.

FI 11	Mandatory	Public	Core Assessed	PRI 1
FI 11.1	Indicate how ESG information is typically used as part of your investment process.			

Select all that apply

	Corporate (financial)	Corporate (non-financial)	Securitized
ESG analysis is integrated into fundamental analysis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is used to adjust the internal credit assessments of issuers.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
ESG analysis is used to adjust forecasted financials and future cash flow estimates.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis impacts the ranking of an issuer relative to a chosen peer group.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
An issuer's ESG bond spreads and its relative value versus its sector peers are analysed to find out if all risks are priced in.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The impact of ESG analysis on bonds of an issuer with different durations/maturities are analysed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sensitivity analysis and scenario analysis are applied to valuation models to compare the difference between base-case and ESG-integrated security valuation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis is integrated into portfolio weighting decisions.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Companies, sectors, countries and currency and monitored for changes in ESG exposure and for breaches of risk limits.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The ESG profile of portfolios is examined for securities with high ESG risks and assessed relative to the ESG profile of a benchmark.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other, specify in Additional Information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 11.2
Additional information [OPTIONAL]

CQS considers a wide range of ESG information in its decision making, with a number of the typical uses described above relevant, depending on the investment mandate. In the example of our Credit Multi-Asset Fund, ESG information is a key component which is discussed at the Asset Advisory Committee on a monthly basis, with strategic and tactical investment allocation decisions informed using such information. This then feeds down to the specific issuer selection process. Securities rated as laggards by MSCI with a B or CCC ESG rating will require detailed analysis and clear investment rationale before being considered for inclusion.

Our Portfolio Managers are seeking to provide the best possible returns to investors. As a result of our ESG awareness and integration approach, coupled with trends where the cost of capital, probability of default and loss given default being influenced by the flow of ESG capital, we are increasingly beginning to see investment opportunities. Many CQS portfolios are also able to express views on the short side, which inherently impacts an issuer's cost of capital, and where done for an ESG rationale, can cement further an issuer's need to change approach.

ESG risks and opportunities are primarily taken into account at the investee company / issuer level of our strategies. At present the analysis is factored into credit modelling, as well as qualitative review and engagement with companies to understand ESG risks and opportunities. We are continually enhancing our approach and developing our toolkit.

FI 12	Mandatory	Public	Additional Assessed	PRI 1
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FI 12.1	Indicate the extent to which ESG issues are reviewed in your integration process.
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	Environment	Social	Governance
Corporate (financial)	<div style="background-color: #0072bc; color: white; padding: 2px;">Environmental</div> <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<div style="background-color: #0072bc; color: white; padding: 2px;">Social</div> <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<div style="background-color: #0072bc; color: white; padding: 2px;">Governance</div> <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Corporate (non-financial)	<div style="background-color: #0072bc; color: white; padding: 2px;">Environmental</div> <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<div style="background-color: #0072bc; color: white; padding: 2px;">Social</div> <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<div style="background-color: #0072bc; color: white; padding: 2px;">Governance</div> <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Securitised	<div style="background-color: #0072bc; color: white; padding: 2px;">Environmental</div> <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<div style="background-color: #0072bc; color: white; padding: 2px;">Social</div> <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<div style="background-color: #0072bc; color: white; padding: 2px;">Governance</div> <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all

FI 12.2	Please provide more detail on how you review E, S and/or G factors in your integration process.
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	Corporate (financial)
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The integration of ESG factors into the CQS process begins by sourcing data and reviewing the ESG reports MSCI, sell-side research, and other data providers have available on an issuer. A 37 Factor methodology is then considered depending on the issuer, its sector and where relevant, its country of risk. These factors which are taken into account when forming an ESG rating on an issuer are described below.

The Research process is able to navigate the relative importance of each of these factors, and may select a handful which require deeper analysis.

Where relevant and possible, analysts will also speak directly with Management of an issuer to better inform their ESG considerations. This may include 1:1 company meetings, or posing related questions during investor conferences.

The analyst has the flexibility to determine an appropriate ESG rating (which may be different to that of the source data). A rationale as to why such a rating has been concluded will be documented and available to Portfolio Managers as part of their decision making process. Analysts are not required to follow a specific criteria to determine an ESG rating - their breadth of experience across a sector and understanding of relative performance enables them to take a view in a dynamic way.

Ratings will be periodically reviewed, especially where trigger events occur (such as accidents in the workplace or negative news feedback - for example those identified via RepRisk). Such ESG re-assessment will feed into

the overall decision on whether an issuer remains a hold position, or should be sold in order, given the contribution to investment performance, probability of default, loss given default, cost of capital and valuations.

Understanding all material ESG factors is critical to making sound investment decisions. A full list of the factors is included in the next section. For Corporate Financials, the factors considered would typically be expected to focus on Governance and Social considerations.

Our bottom-up research process also takes into account climate change (and greenhouse gas emissions) when identifying the long-term probability of default and loss given default when selecting issuers. The inclusion of climate change within our ESG analysis enables portfolio managers to take into account real-world expected outcomes alongside the potential risk and reward investment opportunity.

Corporate (non-financial)

The integration of ESG factors into the CQS process begins by sourcing data and reviewing the ESG reports MSCI, sell-side research, and other data providers have available on an issuer. A 37 Factor methodology is then considered depending on the issuer, its sector and where relevant, its country of risk. These factors which are taken into account when forming an ESG rating on an issuer are described below.

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Ratings will be periodically reviewed, especially where trigger events occur (such as accidents in the workplace or negative news feedback). Such ESG re-assessment will feed into the overall decision on whether an issuer remains a hold position, or should be sold in order, given the contribution to investment performance, probability of default, loss given default, cost of capital and valuations.

Understanding all material ESG factors is critical to making sound investment decisions.

Key Environmental factors we review include:

- Climate ChangeCarbon Emissions
- Product Carbon Footprint
- Financing Environmental Impact
- Climate Change Vulnerability
-
- Natural CapitalWater Stress
- Bio-Diversity& Land Use
- Raw Material Sourcing
-
- Pollution& Waste
- Toxic Emissions& Waste
- Packaging Material& Waste
- Electronic Waste
- Environmental Opportunities
- Clean Tech
- Green Building
- Renewable Energy

Key Social factors we review include:

- Human CapitalLabor Management

- Health & Safety
- Human Capital Deployment
- Supply Chain Labor Standards
-
- Product Liability Product Safety & Quality
- Chemical Safety
- Financial Product Safety
- Privacy & Data Security
- Responsible Investment
- Insuring Health & Demographic Risk
-
- Stakeholder Opposition
- Controversial Sourcing
- Social Opportunities Access to communication
- Access to Finance
- Access to Health Care
- Opportunities in Nutrition & Health
-

Key Governance factors we review include:

- Corporate Governance Board
- Pay
- Ownership
- Accounting
-
- Corporate Behaviour Business Ethics
- Anti-Competitive Practices
- Corruption & Instability
- Financial System Instability
-

Our bottom-up research process also takes into account climate change (and greenhouse gas emissions) when identifying the long-term probability of default and loss given default when selecting issuers. The inclusion of climate change within our ESG analysis enables portfolio managers to take into account real-world expected outcomes alongside the potential risk and reward investment opportunity.

Securitized

As described previously, For most ABS, ESG implementation requires a different approach than for Corporate Bonds. It is necessary to evaluate:

- Pool of assets
- The Special Purpose Vehicle (structure and documentation)
- Multiple potential counterparties to the transaction (originator, servicer, CLO manager, swap counterparty, trustee)

In the case Corporate related risk (CLOs and Regulatory Capital) we consider:

- Sector Level - incorporating ESG considerations into analysis of collateral pool
- Loan level - Integrate CQS and 3rd party ESG metrics where applicable into ABS analysis
- Assess - approach of the CLO manager / Reg Cap issuer.

The analysis seeks to understand expected outcomes such as consumer access to credit, responsible lending and servicing practices and originator risk retention / alignment of incentives.

Fixed income - Engagement				
FI 14	Mandatory to Report Voluntary to Disclose	Public	Core Assessed	PRI 2
FI 14.1	Indicate the proportion of your fixed income assets on which you engage. Please exclude any engagements carried out solely in your capacity as a shareholder.			

Category	Proportion of assets
Corporate (financial)	<input type="radio"/> >50% <input type="radio"/> 26-50% <input checked="" type="radio"/> 5-25% <input type="radio"/> More than 0%, less than 5%
	<div style="background-color: #0070C0; color: white; padding: 5px;"> FI 14.2 Indicate your motivations for conducting engagement (Corporate, Financial fixed income assets) </div> <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue
Corporate (non-financial)	<input type="radio"/> >50% <input type="radio"/> 26-50% <input checked="" type="radio"/> 5-25% <input type="radio"/> More than 0%, less than 5%
	<div style="background-color: #0070C0; color: white; padding: 5px;"> FI 14.2 Indicate your motivations for conducting engagement (Corporate, non-financial fixed income assets) </div> <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue
Securitized	<input type="radio"/> >50% <input type="radio"/> 26-50% <input checked="" type="radio"/> 5-25% <input type="radio"/> More than 0%, less than 5%
	<div style="background-color: #0070C0; color: white; padding: 5px;"> FI 14.2 Indicate your motivations for conducting engagement (Securitized fixed income assets). </div> <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue

FI 14.3	Additional information.[OPTIONAL]
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CQS engaged with issuers on 153 occasions during 2019 on ESG related matters. Most of these engagements were via face-to-face meetings with some via email/letters and phone calls.

The pre and post-trade research process often involves direct engagement with issuers providing a forum to raise ESG related risks where applicable. Our engagement activities are driven through regular and ad hoc communication with the companies in which we invest. We make it clear to management and owners of businesses that environmental, social and governance factors are important to us and that we seek a change in behaviour to ESG risks and issues. Our sector-focused analysts draw available information through third-party providers and internal detailed bottom-up work, which is then supplemented with information derived through direct engagement with companies (meetings, calls, emails). We believe this direct engagement is a crucial part of our analysis as we are constantly striving to deepen our research on each company, and effect better outcomes for our investors. Our researchers conduct peer-level analysis to determine the leaders or laggards in a particular area. This approach is

applied consistently across the pillars of our ESG analysis, including climate change as a factor of the environmental pillar.

Engagements are cited within our internal research notes, which are shared with Portfolio Managers and discussed, at times in detail, about how certain engagements may lead to improved investment outcomes.

In the case of ABS, engagement is a means by which to influence the pool of credits, in particular when addressing multiple counterparties such as originator, servicer, CLO manager, swap counterparty and trustee. It would be less typical to meet with the underlying issuer directly given the nature of the asset class, however engagement with the counterparties is common practice across a range of factors, and where relevant / appropriate, will include ESG considerations.

Outputs and outcomes

FI 18	Voluntary	Public	Descriptive	PRI 1,2
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FI 18.1	Provide examples of how your incorporation of ESG analysis and/or your engagement of issuers has affected your fixed income investment outcomes during the reporting year.
----------------	--

Example 1

Type of fixed income
<input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial) <input type="checkbox"/> Securitised
ESG issue and explanation
<p>Magicap (Primary) - Social</p> <p>As part of the due diligence process on the BÖHM by Blackstone, we discovered that other dating applications, Tinder, Occupied, and Grinder (owned by Magicians' competitor and largest player in the space, Match Group) had recently been flagged in the SG Risk report for being accused of sharing users' personal information. We engaged with the arranging bank who confirmed the cases were confined strictly to the dating applications owned by Match Group. To add to this, we also took comfort with the fact that Bumble (primary dating app by Magicap) is the only dating application in the market where every interaction can be only initiated by women.</p> <p>Per survey conducted by the management at Magicap, we discovered that Bumble was the clear #1 app where women felt most safe, with 77% (#2 was Match.com, at 8%). Separately, the social stigma around online dating has faded, as studies show that online dating has become the most common dating channel, with ~39% of US couples meeting online in 2018.</p>
RI strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement
Impact on investment decision or performance
<p>Through a combination of desktop diligence, ESG Risk report, first-hand use of the application, and engagement with the arranging bank, we were able to get comfortable to participate in the transaction</p>

Example 2

Type of fixed income
<input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial) <input type="checkbox"/> Securitised
ESG issue and explanation
<p>Cobham (Primary)</p> <p>As part of the diligence process on the take-private financing supporting Advent's buyout of the UK aerospace & defense firm we discovered that two sub-divisions manufactured guidance and data-link for navigation of defense and actuation on jet fighters. As such, we engaged with the arranging banks and Advent who confirmed that in aggregate these do not comprise a material part of the components used in any one weapons system, are strictly not used in any heinous weaponry, namely cluster munitions/bombs, nuclear/biological or chemical weapons, etc. and collectively account for <10% of group revenues</p> <p>With Cobham at that point a publically listed entity, we also utilised the services offered by our core third party ESG data provider MSCI who had rated Cobham AA since 2015 (scale AAA to CCC), assigning them an industry adjusted score of 8.4/10, i.e. top 15 percentile. More specifically MSCI commented that across each of its key criteria Cobham fared strongly vis-à-vis industry peers, specifically citing strong governance practices and robust ethics and compliance frameworks.</p>
RI strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement
Impact on investment decision or performance
<p>Separately, Advent also commissioned global ESG advisory firm ERM (another loan investment of CQS') to prepare an Environmental, Health & Safety report which identified no red flags whilst confirming that the business has appropriate controls and systems in place. Otherwise there were no other concerns from either a Governance or Social standpoint.</p> <p>In summary, through a combination of desktop diligence, third party ESG tools, externally commissioned reports and, most importantly, active engagement with the sponsor we were able to get comfortable to participate in what was a very successful transaction.</p>

Example 3

Type of fixed income
<input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial) <input type="checkbox"/> Securitised
ESG issue and explanation
<p>Drax Group</p> <p>Drax is a British electrical power generation company who run Europe's largest biomass-fueled power station. By converting the Powerstation to use biomass rather than coal, Drax has already reduced carbon emissions by 86% and plans to go further.</p> <p>The firm has made a strategic shift. Historically operated the largest coal-fired plan in the U.K. at Selby, Yorkshire providing c.5% of the UK electricity supply. For many years the Selby plant was the single largest CO2 emitter in the U.K.. From 2013/14 Drax embarked on a radical strategic shift, converting coal-fired units to be powered by sustainable biomass instead.</p> <p>Many market participants still view Drax as a traditional power producer. Our environmental and financial analysis demonstrated that:</p> <ol style="list-style-type: none"> 1. Drax has successfully transitioned from a "dirty power" into one of the most environmentally friendly power generations in the U.K. 2. CQS view as sustainable because this is not done out of altruism but rather because it makes good commercial sense. Their business is centered around generating annuity-like cashflow streams from renewable energy sources.
RI strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement
Impact on investment decision or performance
<p>In May 2019, CQS became a corner investor in a secured notes issue of Drax aimed at funding the acquisition of Iberdrola hyrdo assets in the U.K.</p> <p>Our analysis suggests Drax has successfully developed a business model where strong credit qualities are a direct consequence of a strategic commitment to clean energy and sustainable energy sources. This continues to support our investment in the senior secured debt.</p>

Example 4

Type of fixed income
<input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial) <input type="checkbox"/> Securitised
ESG issue and explanation
<p>We considered a proposed investment in a USD denominated dual tranche convertibles from a Chinese video-based social network. CQS undertook ESG analysis and assigned a B rating, taking into account:</p> <ul style="list-style-type: none"> • Industry having a limited carbon footprint, and • low risk from a social perspective due to the prominence of R&D in the industry. <p>However careful consideration was required particularly to the governance of the issuer due to the fast growth it had experienced in recent years.</p>
RI strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement
Impact on investment decision or performance
<p>Given the considered ESG rating, its suitability under the Funds "Statement of Intent" and the investment case, CQS elected to participate in the deal.</p> <p>We engage actively with convertible issuers, seeking to clarify and deeply understand their SRI and climate change policies and ensure that they are reflected in the company's activity.</p>

Example 5

CQS

Reported Information

Public version

Direct - Hedge Funds

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Policy

HF 01	Mandatory	Public	Descriptive	General
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HF 01.1 What is your rationale for adopting a policy to incorporate RI into the investment decision-making process? Please select all options that apply to your organisation.

- To provide a framework and ESG applicability to security selection (the strategy) and decision-making in Hedge Funds (e.g. breaking the strategy into different components and focus on risk/return).
- To provide a framework of the fund governance structure.
- Because ESG incorporation is perceived as a competitive advantage in the industry.
- Growing momentum of sustainable investing in Hedge Funds in the financial community.
- Other
- None of the above (we don't have a policy addressing RI incorporation into Hedge Funds).

HF 01.2 Additional information. [Optional]

CQS is committed to operating in a socially responsible manner, embedding strong and clear governance, and conducting our business in a sustainable way. In our role as an investment manager, we view ESG factors as key drivers influencing financing costs, valuations and performance, while also acting as a lever to shape and influence the world for generations to come.

The assessment and integration of ESG factors is a crucial part of this commitment across the CQS investment platform, both in public and privately held companies, and a key factor in our decision-making. By embedding ESG into our investment process we enhance our ability to identify value, investment opportunities and, critically, to generate the best possible returns for our clients.

CQS is a global investment manager which invests across a wide range of asset classes, both directly and using derivatives, including corporate debt, distressed debt, convertible securities and equities.

The ability to assess and integrate ESG factors varies between different investment strategies and is based on a complex set of considerations. In some instances, for example when risk within a client portfolio is hedged against the market as a whole, there may be little or no scope to consider ESG issues. While ESG factors play an important part in our investment approach, CQS recognises that portfolios also have to meet clients' investment objectives. As a result, we view our approach to ESG factors as being "ESG aware" rather than being driven by ESG considerations alone.

When requested on a bespoke basis, the CQS investment team will work with clients to shape portfolios to their ESG needs including the extent to which any particular investment or type of investment should be excluded from such a bespoke mandate.

As specific strategies may vary in their approach, the relevant fund or strategy materials should be reviewed for a full description of how ESG is integrated and deployed.

CQS operates a five-stage ESG investment integration process which is followed across the business.

Stage 1 - Data Incorporation of third party ESG factors, metrics and data into CQS systems. This includes the incorporation of one or more external industry feeds, for example MSCI ESG Manager, Bloomberg, Thomson Reuters and RepRisk. By way of example MSCI ESG Manager provides ESG ratings for around 13,000 issuers and 500,000 equity and fixed income securities globally. Its methodology looks at 37 ESG issues and 156 model variants. Raw data and ratings form the basis on which

Stage 2 - Integration of ESG factors in our sector research process, including modelling and internal ratings with ESG methodologies applied to both public and private debt. Methodologies include analysing the relative importance and risk posed by any identified ESG issue. Research notes must be stored in accessible form and available for use across the Front Office. Discussion and debate is encouraged during the ESG internal analysis, both within the CQS Research team and with Portfolio Managers.

Stage 3 - Evaluation Portfolio Managers are required to consider (to an appropriate degree having regard to their investment strategy) ESG risks as part of their investment decision making. This includes, but is not limited to

- Environmental - Climate Change, Water Stress, Biodiversity and Land Use, Toxic Emissions and Waste and Environment Opportunities

- Social - Labour management, Health and Safety, Privacy and Data Security, Stakeholder Opposition and Social Opportunities, Mobility and Diversity.
- Governance - Corporate Governance and Corporate Behaviour including Ethics, Corruption, Instability, Diversity and Remuneration.

Portfolio managers may request additional ESG research where ESG considerations are thought to be especially relevant. The results of relevant ESG research (which may vary in degree by investment strategy and the specific investment) are then factored into investment decisions.

Stage 4 - Engagement Where practical and having regard to the asset class or investment type, CQS undertakes engagement on ESG issues through the use of proxy voting, influence or control positions (where we are a significant holder) and ultimately investment decision making. Where appropriate, we will proactively engage in dialogue with companies to better understand, manage and address ESG issues, to support business growth, good governance, standards of conduct, and to invest accordingly.

Stage 5 - Monitoring As part of the ESG lifecycle, CQS undertakes ongoing monitoring and reporting of ESG factors on investments. This includes periodic research re-assessments, a watching brief across news wires for developing ESG considerations and weekly internal fund level ESG risk reporting. The Head of Sector Research is responsible for ensuring appropriate ongoing monitoring is undertaken.

HF 02	Voluntary	Public	Descriptive	4,5
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HF 02.1	To which normative codes and initiatives are you a signatory to, or a voluntary adherent?
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- AOI Hedge Funds Principles 2014
- Standards Board for Alternative Investments (SBAI)
- Alternative Investment Management Association (AIMA)
- International Organisation of Securities Commissions (IOSCO)
- CFA's Asset Manager Code of Professional Conduct
- Other
- None of the above

HF 02.2	Additional information. [Optional]
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CQS is founding member of the SBAI (formally the HFSB).

Governance

HF 03	Mandatory	Public	Descriptive	General
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HF 03.1	Indicate whether and how your organisation has organised RI implementation and/or oversight responsibilities.
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- We have dedicated internal staff with RI oversight responsibility for Hedge Funds (CEO, CIO, PM, etc.)

	Specify
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Overall oversight of the CQS integrated ESG approach is undertaken by our Senior Investment Office and the Head of Research.

- We have dedicated internal staff with RI implementation responsibility for Hedge Funds (CEO, CIO, PM, etc.).

Specify

ESG is integrated within our investment capability. We therefore do not have dedicated staff but implement through our Research and Portfolio Management Teams.

- We use external consultants that have oversight and/or RI implementation responsibilities.
- Other
- We do not have staff dedicated to RI oversight and implementation.

HF 03.2	Additional information. [Optional]
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CQS Management and Executive Committees are collectively responsible for the Firm’s approach to ESG. The Senior Investment Officer is responsible for setting the ESG investment integration strategy and the direction of the firm. Portfolio Managers take individual responsibility for the management of their investment activities; this includes the consideration and application of ESG factors. CQS is committed to providing transparent reporting to clients on relevant strategies to ensure ESG integration and ratings are in line with their expectations. An ESG Working Group is in place within CQS, represented across asset classes and business areas, which focuses on the details of the ESG approach(s) being taken as well as, to the extent applicable, monitoring of ESG engagement volumes and approach, ESG ratings by asset class and ESG metrics relating to relevant CQS Funds. The ESG Working Group is accountable to the CQS Executive Committee. The Working Group comprises of Heads of Research, Product, Investment Teams, General Counsel and Distribution.

HF 04	Mandatory	Public	Descriptive	General
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HF 04.1	Please indicate whether you implemented any RI training program regarding hedge funds investments for your staff during the reporting year.
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- Yes, we have a formal RI training/educational program covering hedge funds.
- Yes, we have a RI training program to educate staff regarding our hedge funds policies.
- Yes, we regularly train our staff on code of ethics/compliance manuals covering hedge funds investments.
- Other
- No, we don’t have a RI training program.

HF 04.2	Explain how the RI training program is conducted?
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CQS welcomes an open dialogue with clients and stakeholders and values the opportunity to collaborate with experts to support and strengthen our sustainable investment initiatives. Portfolio managers and analysts receive support from internal and external experts, participate in training and capacity building programmes and share insights.

All investment professionals have taken part in mandatory training from the PRI Academy. MSCI Research training is conducted for all researchers and interested portfolio managers. We are constantly considering opportunities for further training and development of our investment professionals.

In addition, firm wide ESG educational insights are provided from time to time, such as the UN Sustainable Development Goals - what they are and how they can be made applicable to the investment process.

Additional information relating to training and communication activities can be found within the more detailed questions required in the PRI Strategy & Governance and Fixed Income modules.

Investment process				
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HF 06	Mandatory	Public	Descriptive	General
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HF 06.1

Please describe the ESG resources and tools used in your investment decision-making process.

Category of ESG	Reason for use
<input checked="" type="checkbox"/> ESG data (proprietary, 3rd party, etc.)	We use third-party tools to support the research, assimilation and consideration of ESG factors within our investment strategies. Data sources used include: MSCI ESG Manager, RepRisk, Bloomberg ESG functionality, Company reports and Thomson Reuters. These are typically used consistently across investment strategies, with certain strategies using additional resources (as is the case with Thomson Reuters ESG data).
<input checked="" type="checkbox"/> ESG research (broker, etc.)	CQS regularly engages with Sell-Side research as part of its investment decision making, which increasingly involves ESG analysis which can either be at an issuer level, or provide insight at sector and country level. While sell-side research is not delivered into the firm on an automated basis, the nature of information and opinion provided, in particular at issuer and sector level is complementary to the ESG analysis performed by CQS research teams and a regular input for Portfolio Managers when making investment decisions.
<input type="checkbox"/> Consultants	
<input checked="" type="checkbox"/> Other resources/tools/practices <div style="background-color: #0070C0; color: white; padding: 2px; display: inline-block;">Specify</div> Internal analysis and ESG rating	A deeper analysis and view on ESG characteristics beyond third party data inputs.

HF 06.2

Select and explain how these resources are incorporated into the investment and risk management process?

Category of ESG	Investment/risk management process	Additional text (optional)
ESG data (proprietary, 3rd party, etc.)	<input type="checkbox"/> Investment origination <input checked="" type="checkbox"/> Investment analysis <input checked="" type="checkbox"/> Portfolio construction <input type="checkbox"/> Trade management <input checked="" type="checkbox"/> Risk management	Our research teams will use a range of external data sources as a starting position, before preparing an internal ESG research note and our own ESG rating, which is made available to all Portfolio Managers and across CQS front office systems. This analysis is shared with Portfolio Managers who consider it when making investment decisions.
ESG research (broker, etc.)	<input type="checkbox"/> Investment origination <input checked="" type="checkbox"/> Investment analysis <input checked="" type="checkbox"/> Portfolio construction <input type="checkbox"/> Trade management <input checked="" type="checkbox"/> Risk management	Sell-side research is complementary to the third party data the firm received and used to inform our own ESG analysis, and is regularly considered by Portfolio Managers alongside our internal analysis.
Other resources/tools/practices	<input type="checkbox"/> Investment origination <input checked="" type="checkbox"/> Investment analysis <input checked="" type="checkbox"/> Portfolio construction <input type="checkbox"/> Trade management <input checked="" type="checkbox"/> Risk management	Integration of ESG factors in our sector research process internal ratings with ESG methodologies applied to both public and private debt. Methodologies include analysing the relative importance and risk posed by any identified ESG issue. Research notes are stored in accessible form and available for use across the Front Office. Discussion and debate is encouraged during the ESG internal analysis, both within the CQS Research team and with Portfolio Managers and forms a key part of the investment decision making process, rather than simply relying on external ESG data sources.

HF 07	Mandatory	Public	Descriptive	1,2
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HF 07.1 Does your organisation uses quantitative analysis?

- Yes
- We don't use quantitative analysis.

HF 07.2 Does your organisation uses fundamental analysis?

- Yes

Please indicate at which level ESG is incorporated into the analysis.

Fundamental approach	ESG incorporation	Outcomes and assessment/review
<input checked="" type="checkbox"/> Top-down <input checked="" type="checkbox"/> Bottom-up	<input checked="" type="checkbox"/> At a micro level - ESG factors are integrated into financial models (DCF, multiples, etc.) <input type="checkbox"/> Financial ratios with embedded ESG factors. <input checked="" type="checkbox"/> At a macro level - ESG factors are embedded with economic indicators (GDP, inflation, etc.) <input type="checkbox"/> Other	<p>CQS follows the 5-stage ESG process as previously described. The outcomes and assessment of ESG inputs can be highly variable when used within a Fundamental investment approach – however we monitor the ESG scoring of our portfolios, and ESG is a key consideration within the investment decision making process. Portfolio Managers may buy or sell positions based on both short and long term performance, depending on the performance variables they consider at the time of investment. This includes ESG and the integrated input and information that provides into investment decision making. ESG risks and opportunities are primarily taken into account at the investee company / issuer level of our strategies. At present the analysis is largely qualitative and engagement with companies is the mechanism we use to understand ESG risks and opportunities. We are continually enhancing our approach and developing our toolkit.</p> <p>Key questions to be answered as part of our investment process are:</p> <ul style="list-style-type: none"> • What are the most significant ESG risks and opportunities facing any company or sector? • How material and how well is the investee company/issuer managing these risks and opportunities? • How does the investee company/issuer compare to its peers? <p>Our bottom-up research process is also beginning to take into account climate change when identifying the long-term probability of default and loss given default when selecting issuers. The inclusion of climate change within our ESG analysis enables portfolio managers to take into account real-world expected outcomes alongside the potential risk and reward investment opportunity.</p>

We don't use fundamental analysis.

HF 07.3	Additional information [OPTIONAL]
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Integration of ESG factors in our sector research process, including internal ratings with ESG methodologies applied to both public and private debt. Methodologies include analysing the relative importance and risk posed by any identified ESG issue. Research notes must be stored in accessible form and available for use across the Front Office. Discussion and debate is encouraged during the ESG internal analysis, both within the CQS Research team and with Portfolio Managers.

CQS Hedge Funds seek to deliver attractive risk-adjusted returns through a combination of rigorous, bottom-up fundamental credit analysis (ensuring the Fund does not buy the underlying credit markets but lends to the right businesses or asset pools), and agile and dynamic portfolio management approaches. The wide range of Hedge Fund strategies CQS operates access opportunities across the capital structure. We ultimately seek to deliver returns to our clients and ensuring investors have a risk/reward profile consistent with their objectives, and careful consideration is applied to the probability of default and loss given default on every asset in the portfolio. The integration of ESG into our fundamental analysis facilitates this ongoing objective and allows the Investment team to take a full range of considerations into account when making investment decisions.

HF 08	Mandatory	Public	Descriptive	1,6
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HF 08.1

Could you please indicate whether there have been any changes to your RI incorporation process over the past 12 months (e.g. additional resources, information sources)?

- Yes
 No

HF 08.2

If yes, please describe them.

CQS has begun to source Carbon reporting data for its holdings, which is provided by MSCI and is available to all Portfolio Managers when seeking to understand Carbon Intensity as part of their investment decision making, and also provide meaningful data to CQS clients.

As our ESG approach and implementation strategies continue to develop, CQS will consider additional data and information sources. We anticipate over the short-medium term that a number of rating agencies (such as Moody's, S&P) will also make available ESG information as part of their credit rating. We will review as and when this is available and seek to continually improve our ESG process to ensure best practice and continued investment performance.

In addition, we have begun the process of informing our Investment professionals about the Sustainable Development Goals and how these can be used to consider long term investment horizons and well as contribute to sustainable investing approaches. We will be reviewing this further in 2020, and consider how the SDGs could be linked into our process on a repeatable basis. It is however worth noting at this stage that the Goals are in many ways inextricably linked, and in fact achieving some could have negative externalities for others – the SDG framework is one that will become increasingly inherent to regulation and corporate governance practices for many of the corporate issuers in which we invest. An evaluation process and investment decision may need to consider such externalities arising between the SDGs (and how they may be interpreted by different people or investors). As such we would see their incorporation as a potential enhancement and guide to our process rather than the basis of any policy or rules-based investment approach.

The CQS ESG process continues to develop with regular review of our approach to Responsible Investment, and the toolkit available to apply appropriate considerations. Further information on our process and developments can be found within the more detailed questions contained within the PRI Strategy & Governance and Fixed Income modules.

HF 09**Mandatory****Public****Descriptive****1,2****HF 09.1**

Please select and explain how active ownership practices are integrated into investment decisions.

(Proxy) Voting

CQS predominantly invests in Debt, and their related Derivatives. Proxy Voting is therefore less of a core engagement tool. Where CQS does hold equity and is able to reflect views in its proxy voting, it is committed to doing so on an active and responsible basis. All Proxy Voting decisions are made by the relevant Portfolio Manager / Investment Team. We will continue to look at enhancing this process so that continues to be a key component of our engagement strategy (especially as Equity capabilities within CQS develop). CQS uses a voting agency (ProxyEdge supported by Broadridge) when engaging in proxy voting for our funds. Managed accounts and Funds-of-One may request that other voting agency providers be utilised. ProxyEdge allows CQS to manage, track, reconcile and report our funds' proxy voting through electronic delivery of ballots, online voting and integrated reporting and record keeping.

Engagement

The foundation of ESG engagement is built upon regular communication with companies and the investment decisions made by our Portfolio Managers in order to change corporate behaviour towards ESG risks and issues.

Where practical and having regard to the asset class or investment type, CQS undertakes engagement on ESG issues through influence or control positions (where we are a significant holder) and ultimately investment decision making (as well as Proxy Voting as reflected in the section above).

Where appropriate, we will proactively engage in dialogue with companies to better understand, manage and address ESG issues, to support business growth, good governance, standards of conduct, and to invest accordingly. CQS engaged with issuers on 153 occasions during 2019 on ESG related matters. Most of these engagements were via face-to-face meetings with some via email/letters and phone calls.

The pre and post-trade research process often involves direct engagement with issuers providing a forum to raise ESG related risks where applicable. We make it clear to management and owners of businesses that environmental, social and governance factors are important to us and that we seek a change in behaviour to ESG risks and issues. Our sector-focused analysts draw available information through third-party providers and internal detailed bottom-up work, which is then supplemented with information derived through direct engagement with companies (meetings, calls, emails). We believe this direct engagement is a crucial part of our analysis as we are constantly striving to deepen our research on each company, and effect better outcomes for our investors. Our researchers conduct peer-level analysis to determine the leaders or laggards in a particular area. This approach is applied consistently across the pillars of our ESG analysis; climate change is one factor of our climate/environmental pillars.

We began formally tracking engagement activity in Q1 2019 through regular capturing of activity that is being undertaken across the business.

Such engagements are cited within our internal research notes, which are shared with Portfolio Managers and discussed, at times in detail, about how certain engagements may lead to improved investment outcomes.

In the case of ABS, engagement is a means by which to influence the pool of credits, in particular when addressing multiple counter-parties such as originator, services, CLO manager, swap counterparty and trustee. It would be less typical to meet with the underlying issuer directly given the nature of the asset class, however engagement with the counterparties listed is common practice

- Shareholder resolution
- None of the above
- Not applicable (N/A)

HF 10	Mandatory	Public	Descriptive	1,2
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HF 10.1	Please provide examples of where ESG risks and opportunities were incorporated into the investment decisions over the past 12 months.
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- Add Example 1

Hedge Funds Strategy	<p>Global macro, Event driven, Relative value</p> <p><input checked="" type="checkbox"/> Global macro</p> <p><input type="checkbox"/> Equity Hedge</p> <p><input checked="" type="checkbox"/> Event driven</p> <p><input checked="" type="checkbox"/> Relative value</p> <p><input type="checkbox"/> Risk parity</p> <p><input type="checkbox"/> Blockchain</p> <p><input type="checkbox"/> Fund of Hedge Funds</p>
ESG factors	<p>Environmental</p> <p><input checked="" type="checkbox"/> Environmental</p> <p><input type="checkbox"/> Social</p> <p><input type="checkbox"/> Governance</p>
ESG risks/opportunities	<p>CQS had credit risk exposure to a global mining company in the past 12 months. In early 2019, the company had a high profile environmental accident. We noted poor social performance due to substandard Health & Safety at the time.</p>
Financial risks	<p>Credit Risk
 Liquidity Risk</p>
Scope and process	<p>Our Sector Analyst conducted a full fundamental analysis of the company. This included engaging with the company and modelling the cashflows to determine the impact of the various ESG risks.</p>
Outcomes	<p>CQS decided to hold our exposure as diligence suggested the company is working to improve their ESG position.
 We have assigned an internal rating of CCC for the credit.</p>

Add Example 2

Hedge Funds Strategy	<p>Global macro, Event driven, Relative value</p> <p><input checked="" type="checkbox"/> Global macro</p> <p><input type="checkbox"/> Equity Hedge</p> <p><input checked="" type="checkbox"/> Event driven</p> <p><input checked="" type="checkbox"/> Relative value</p> <p><input type="checkbox"/> Risk parity</p> <p><input type="checkbox"/> Blockchain</p> <p><input type="checkbox"/> Fund of Hedge Funds</p>
ESG factors	<p>Social</p> <p><input type="checkbox"/> Environmental</p> <p><input checked="" type="checkbox"/> Social</p> <p><input type="checkbox"/> Governance</p>
ESG risks/opportunities	<p>CQS was looking to invest in both the equity and debt of a UK consumer loan business in 2019. ESG analysis revealed high APR of 49.9% and considerable concerns about its sustainability and social impact.</p>
Financial risks	<p>Equity Risk
Credit Risk</p>
Scope and process	<p>Fundamental Analysis</p>
Outcomes	<p>As part of our pre-trade fundamental research, CQS engaged with management.
CQS decided not to participate in equity or credit following the ESG research analysis as we considered the potential financial risks too high.</p>

Add Example 3

Hedge Funds Strategy	<p>Global macro, Event driven, Relative value</p> <input checked="" type="checkbox"/> Global macro <input type="checkbox"/> Equity Hedge <input checked="" type="checkbox"/> Event driven <input checked="" type="checkbox"/> Relative value <input type="checkbox"/> Risk parity <input type="checkbox"/> Blockchain <input type="checkbox"/> Fund of Hedge Funds
ESG factors	<p>Governance</p> <input type="checkbox"/> Environmental <input type="checkbox"/> Social <input checked="" type="checkbox"/> Governance
ESG risks/opportunities	<p>CQS had credit risk exposure to a global automotive group. The key risks were a combination of poor social ethics due to the dieselgate scandal combined with weak & complex governance</p>
Financial risks	<p>Credit Risk</p>
Scope and process	<p>Fundamental Analysis</p>
Outcomes	<p>We assigned an internal CCC rating but decided to maintain our long credit exposure in the last 12 months given improving situation. <w:br />This outcome is because we consider increased potential for an upgrade from CCC to B in the near future given the company is taking steps to reduce carbon footprint and address governance issues.</p>

Add Example 4

Hedge Funds Strategy	<p>Global macro, Event driven, Relative value</p> <p><input checked="" type="checkbox"/> Global macro</p> <p><input type="checkbox"/> Equity Hedge</p> <p><input checked="" type="checkbox"/> Event driven</p> <p><input checked="" type="checkbox"/> Relative value</p> <p><input type="checkbox"/> Risk parity</p> <p><input type="checkbox"/> Blockchain</p> <p><input type="checkbox"/> Fund of Hedge Funds</p>
ESG factors	<p>Governance</p> <p><input type="checkbox"/> Environmental</p> <p><input type="checkbox"/> Social</p> <p><input checked="" type="checkbox"/> Governance</p>
ESG risks/opportunities	<p>A financial institution was under investigation for its role as sole book runner for USD 6.5bn face value of bonds issued in 2012 and 2013. It was reported that many of the proceeds were siphoned of, with US prosecutors alleging over USD 2.7bn of the proceeds were misappropriated, including to pay bribes and kickbacks. <w:br />The scandal looked likely to end in an expensive settlement, reputation damage and further legal action against the firm from former employees.</p>
Financial risks	Credit Risk
Scope and process	Fundamental Analysis
Outcomes	CQS took a short credit position based on governance concerns.

Add Example 5

Hedge Funds Strategy	<p>Global macro, Event driven, Relative value</p> <input checked="" type="checkbox"/> Global macro <input type="checkbox"/> Equity Hedge <input checked="" type="checkbox"/> Event driven <input checked="" type="checkbox"/> Relative value <input type="checkbox"/> Risk parity <input type="checkbox"/> Blockchain <input type="checkbox"/> Fund of Hedge Funds
ESG factors	<p>Social, Governance</p> <input type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Governance
ESG risks/opportunities	<p>Concerns existed over the financial relationship between the CEO and majority shareholder of a fashion retailer and registered sex offender and accused paedophile and human trafficker Jeffrey Epstein. <w:br />Risk existed for the retailer that the CEO would be found guilty or participating in similar behaviour to Epstein, but more so that he employed Epstein to create aggressive tax evasion schemes threatening his personal credibility and potentially the credibility of the retailers book keeping.</p>
Financial risks	Credit Risk
Scope and process	Fundamental Analysis
Outcomes	CQS lowered the internal ESG rating from BB to B and took a short credit position based on Social and governance factor concerns.

- Add Example 6
- Add Example 7
- Add Example 8
- Add Example 9
- Add Example 10
- We are not able to provide examples

HF 10.2

Based on your example(s) provided above, please specify whether the incorporation of ESG factors affected the risk-adjusted returns of your hedge funds.

- The incorporation of ESG risks positively affected the risk adjusted returns of the hedge funds
- The incorporation of ESG risks negatively affected the risk adjusted returns of the hedge funds
- The incorporation of ESG risks had an overall neutral effect on the risk adjusted returns of the hedge funds
- No impact, or we do not track this information.

HF 11	Mandatory	Public	Descriptive	General
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HF 11.1

Do you use derivatives instruments as part of your hedge funds strategies and/or Funds of Hedge Funds?

- Yes
- No

HF 11.2

Please select all the applicable categories of derivatives used.

Listed/OTC	Category of derivatives
<input checked="" type="radio"/> Listed derivatives	<input checked="" type="checkbox"/> Futures <input checked="" type="checkbox"/> Options (Equity, Index, ETF, FX, IR, etc.) <input type="checkbox"/> Other <input type="checkbox"/> None of the above
<input checked="" type="radio"/> OTC derivatives	<input checked="" type="checkbox"/> Swaps <input checked="" type="checkbox"/> FRA <input checked="" type="checkbox"/> Exotic derivatives <input checked="" type="checkbox"/> CDS <input type="checkbox"/> Other <input type="checkbox"/> None of the above

HF 11.3

Please explain whether and how these derivatives impacted the risk-adjusted returns of your hedge funds investments?

Impact

- Positive impact

Outcomes

CQS uses a wide range of derivatives across its credit hedge funds both for outright long and short positions, as well as hedging portfolios. We are able to reflect our credit views in a number of ways, and derivatives are a key component of our investment approach, as well as the ability to apply leverage to portfolios. As a core part of the investment construct, derivatives are expected to have a positive impact on the risk-adjusted returns of our portfolios.

- Negative impact
- Neutral impact
- No impact or we do not track this information

HF 11.4

Please indicate whether the use of derivatives triggered ESG risks/opportunities at the fund level?

- Yes
- No, or undetermined

HF 11.5

Additional information [OPTIONAL]

While we may reflect our views using derivatives, the five stage ESG integration process still applies. This includes our approach to engagement. Being a debt holder via a derivative can mean access to the management team of an

issuer is more challenged, however where possible and relevant, we would not use this as a reason not seeking to engage with an issuer where it was considered particularly relevant.

Monitoring and reporting

HF 12	Mandatory	Public	Descriptive	1,2
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HF 12.1 Could you indicate whether you report separately on your funds' long/short/net exposures?

- Yes
- No
- Not Applicable

HF 12.2 Please explain your reporting process.

Exposure

- Long exposure

ESG data/reporting process

ESG scoring is provided on Long Positions, utilising the MSCI rating wherever possible to ensure consistency and measurability. Where a rating is not available, the CQS rating may be used within the reported scoring. CQS would be delighted to discuss with all of our Hedge Fund clients ESG reporting requirement and related aspects to their investment.

KPI and assessment

ESG scores are available to our portfolio managers to help understand their relative positioning. While our integrated 5-stage ESG process applies to all Funds, our Hedge Funds are typically not restricted from making certain investments where, after ESG consideration, it is still considered in the best interest of investors. Metrics provide information for our Portfolio Managers and Clients, but are not typically used to regulate against a defined "ESG Statement of Intent" as would be the case in many of our Long-Only Fixed Income Funds.

- Short exposure

ESG data/reporting process

ESG scoring is provided on Short Positions, utilising the MSCI rating wherever possible to ensure consistency and measurability. Where a rating is not available, the CQS rating may be used within the reported scoring. CQS would be delighted to discuss with all of our Hedge Fund clients ESG reporting requirement and related aspects to their investment.

KPI and assessment

ESG scores are available to our portfolio managers to help understand their relative positioning. While our integrated 5-stage ESG process applies to all Funds, our Hedge Funds are typically not restricted from making certain investments where, after ESG consideration, it is still considered in the best interest of investors. Metrics provide information for our Portfolio Managers and Clients, but are not typically used to regulated against a defined "ESG Statement of Intent" as would be the case in many of our Long-Only Fixed Income Funds.

Neutral exposure

ESG data/reporting process

CQS reports net exposure numbers to clients, but we do not report a Net ESG metric. This is because we feel it would be misleading, and therefore breakdown long and short metrics separately for our clients who request such data.

KPI and assessment

ESG scores are available to our portfolio managers to help understand their relative positioning. While our integrated 5-stage ESG process applies to all Funds, our Hedge Funds are typically not restricted from making certain investments where, after ESG consideration, it is still considered in the best interest of investors. Metrics provide information for our Portfolio Managers and Clients, but are not typically used to regulated against a defined "ESG Statement of Intent" as would be the case in many of our Long-Only Fixed Income Funds.

HF 12.3

Additional information [OPTIONAL]

We encourage our clients to discuss their ESG expectations and reporting requirements with us, and our process and outputs are continually in development. Should a client wish to receive any reporting related to Long/Short or Net ESG statistics, we will seek to provide such data in a way which is meaningful and appropriate.

HF 13

Mandatory

Public

Descriptive

1,2

HF 13.1

Please describe what metrics/initiatives (internal and/or external) your organisation uses to measure its progress in incorporating RI into the investment process.

Add Example 1

Hedge Funds Strategy	グローバルマクロ, イベントドリブン, レlatiブバリュウ <input checked="" type="checkbox"/> Global macro <input type="checkbox"/> Equity Hedge <input checked="" type="checkbox"/> Event driven <input checked="" type="checkbox"/> Relative value <input type="checkbox"/> Fund of Hedge Funds <input type="checkbox"/> Risk parity <input type="checkbox"/> Blockchain	
Metrics/Initiatives	Metrics <input checked="" type="checkbox"/> RI policy implementation <input type="checkbox"/> RI Recommendation changes <input type="checkbox"/> ESG Alpha <input type="checkbox"/> ESG Beta <input type="checkbox"/> GHG Emissions	Initiatives <input type="checkbox"/> Transparency <input checked="" type="checkbox"/> Integration of ESG data <input type="checkbox"/> Education <input type="checkbox"/> Other
Internal/external	<input checked="" type="checkbox"/> Internal <input type="checkbox"/> External	
Metrics/Initiatives definition	Awareness and integration of with the firms ESG policy, research ability and engagements	
Assessment/outcomes	Examples available to investors where ESG consideration have been taken into account, and where relevant, added demonstrable value to the Investment process.	

- Add Example 2
- Add Example 3
- Add Example 4
- Add Example 5
- Add Example 6
- Add Example 7
- Add Example 8
- Add Example 9
- Add Example 10
- We are not able to provide examples

HF 13.2	Additional information [OPTIONAL]
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As previously mentioned, oversight of our ESG process across the firm involves a variety of functions, from our Senior Investment Office, Head of Research to the ESG Working Group. Our process continues to develop and we are actively looking at developments which can be applied, such as the incorporation of TCFD methodologies. The extent to which Hedge Funds and their ESG mandates develop will be guided both by our approach to ensuring Responsible Investment, and also the developing requirements of our clients, while maintaining the integrity of the investment mandate we have been given.

HF 15.1	How often and in what format (e.g. meetings, written reports) does your organisation report to its investors on ESG activities risks assessments? Please provide reporting examples.
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Add Example 1

Frequency of reporting	<input type="radio"/> Annually <input checked="" type="radio"/> More frequently than annually <input type="radio"/> Other
Format	<input type="checkbox"/> Minutes of meetings <input checked="" type="checkbox"/> Written reports <input checked="" type="checkbox"/> Side letters/emails <input type="checkbox"/> Other
ESG activities	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Governance
Portfolio ESG risks assessment	<input checked="" type="checkbox"/> Fund governance <input type="checkbox"/> Linear constrains <input type="checkbox"/> Quadratic constraints <input type="checkbox"/> Other
Outcomes	<p>CQS makes available ESG reporting to its Hedge Fund investors on a upon request basis. We regularly complete questionnaires from consultant and clients reflecting our ESG approach and examples of how ESG has been included within the investment process. The outcome of such reporting seeks to demonstrate to our investors that ESG is targeted across the organisation and a input into investment decision making.</p>

- Add Example 2
- Add Example 3
- Add Example 4
- Add Example 5
- Add Example 6
- Add Example 7
- Add Example 8
- Add Example 9
- Add Example 10
- We are not able to provide examples

CQS

Reported Information

Public version

Confidence building measures

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Confidence building measures

CM1 01	Mandatory	Public	Additional Assessed	General
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CM1 01.1 Indicate whether the reported information you have provided for your PRI Transparency Report this year has undergone:

- Third party assurance over selected responses from this year's PRI Transparency Report
- Third party assurance over data points from other sources that have subsequently been used in your PRI responses this year
- Third party assurance or audit of the correct implementation of RI processes (that have been reported to the PRI this year)
- Internal audit of the correct implementation of RI processes and/or accuracy of RI data (that have been reported to the PRI this year)
- Internal verification of responses before submission to the PRI (e.g. by the CEO or the board)
 - Whole PRI Transparency Report has been internally verified
 - Selected data has been internally verified
- Other, specify
- None of the above

CM1 01.2 Additional information [OPTIONAL]

Review by Head of Research, responsible for the integrating of ESG across CQS investment process and also by CQS ESG Working Group.

Working Group contains senior members of the organisation and Heads of Department, including Investments, Product Development, Distribution and General Counsel.

CM1 02	Mandatory	Public	Descriptive	General
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CM1 02.1 We undertook third party assurance on last year's PRI Transparency Report

- Whole PRI Transparency Report was assured last year
- Selected data was assured in last year's PRI Transparency Report
- We did not assure last year's PRI Transparency report
- None of the above, we were in our preparation year and did not report last year.

CM1 03	Mandatory	Public	Descriptive	General
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CM1 03.1 We undertake confidence building measures that are unspecific to the data contained in our PRI Transparency Report:

- We adhere to an RI certification or labelling scheme
- We carry out independent/third party assurance over a whole public report (such as a sustainability report) extracts of which are included in this year's PRI Transparency Report
- ESG audit of holdings
- Other, specify

All data sourced from controlled functions, specifically CQS Risk and Infrastructure departments.

None of the above

CM1 04	Mandatory	Public	Descriptive	General
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CM1 04.1 Do you plan to conduct third party assurance of this year's PRI Transparency report?

- Whole PRI Transparency Report will be assured
- Selected data will be assured
- We do not plan to assure this year's PRI Transparency report

CM1 07	Mandatory	Public	Descriptive	General
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CM1 07.1 Indicate who has reviewed/verified internally the whole - or selected data of the - PRI Transparency Report . and if this applies to selected data please specify what data was reviewed

Who has conducted the verification

- CEO or other Chief-Level staff
- The Board
- Investment Committee
- Compliance Function
- RI/ESG Team
- Investment Teams
- Legal Department
- Other (specify)