



**PUBLIC RI REPORT**

**2021 PILOT**

**CQS**

**Generated 2022-08-18**

# About this report

The PRI Reporting Framework helps to build a common language and industry standard for reporting responsible investment activities. **Public RI Reports** provide accountability and transparency on signatories' responsible investment activities and support dialogue within signatories' organisations, as well as with their clients, beneficiaries and other stakeholders.

This **Public RI Report** is an export of the signatory's responses to the PRI Reporting Framework during the 2021 reporting period. It includes the signatory's responses to mandatory indicators, as well as responses to voluntary indicators that the signatory has agreed to make public.

The information is presented exactly as it was reported. Where an indicator offered a multiple-choice response, all options that were available to select from are included for context. While presenting the information verbatim results in lengthy reports, the approach is informed by signatory feedback that signatories prefer that the PRI does not summarise the information.

## Context

In consultation with signatories, between 2018 and 2020 the PRI extensively reviewed the Reporting and Assessment processes and set the ambitious objective of launching in 2021 a completely new investor Reporting Framework, together with a new reporting tool.

We ran the new investor Reporting and Assessment process as a pilot in its first year, and such process included providing additional opportunities for signatories to provide feedback on the Reporting Framework, the online reporting tool and the resulting reports. The feedback from this pilot phase has been, and is continuing to be analysed, in order to identify any improvements that can be included in future reporting cycles.

## PRI disclaimer

This document presents information reported directly by signatories in the 2021 reporting cycle. This information has not been audited by the PRI or any other party acting on its behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented.

The PRI has taken reasonable action to ensure that data submitted by signatories in the reporting tool is reflected in their official PRI reports accurately. However, it is possible that small data inaccuracies and/or gaps remain, and the PRI shall not be responsible or liable for such inaccuracies and gaps.

# Table of Contents

Module/Indicator	Page
Senior Leadership Statement (SLS)	4
Organisational Overview (OO)	8
Investment and Stewardship Policy (ISP)	20
Fixed Income (FI)	62
Hedge Fund (HF)	86

# Senior Leadership Statement (SLS)

## Senior leadership statement

### Our commitment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1 S1	CORE	N/A	N/A	PUBLIC	Our commitment	GENERAL

- Why does your organisation engage in responsible investment?
- What is your organisation's overall approach to responsible investment?
- What are the main differences between your organisation's approach to responsible investment in its ESG practice and in other practices, across asset classes?

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 Responsible Investment into our investment process we seek to enhance our ability to identify value, investment opportunities and, critically, to generate the best possible returns and outcomes for our clients.

ESG factors are integral to evaluate probability of default, loss given default, and to drive active ownership. As responsible investors, we must comprehend the world faced by future generations alongside delivering returns. Across our long-only strategies we consider this to be total portfolio thinking, which incorporates long-term outcomes based on risk, return and consistent goals.

Our firm-wide integrated approach to ESG includes five stages. Each of these are undertaken by specialist credit investment professionals, who have real ownership of their analysis, decisions and outcomes. We do not outsource internally or externally our fundamental investment responsibilities.

The five stages of our process are:

1. Incorporate data (our research teams will use external data sources as a starting position)
2. Internal evaluation (internal ESG analysis, ratings and trajectories)
3. Decide (as part of allocation and single-name decisions)
4. Engage (to influence long-term corporate behaviour directly and collaboratively)
5. Monitor (re-assess, re-engage, identify controversies)

Our Responsible Investment Policy places expectations across all strategies to take ESG integration into account as part of their decision making. A number of CQS Strategies have dedicated Statements of Intent. These outline the outcomes we expect to generate for our clients, and cover our ESG selection, carbon metrics & targets and expected long-term influence with the companies whom we invest.

CQS places great value on fundamental analysis of ESG factors and understanding each company's approach. This is of critical importance as we seek to work through idiosyncratic risk and opportunities including our efforts in understanding the impact of Climate Change, as we seek to identify the companies which are both resilient and adapting to the transition to a low carbon economy.

Our approach to engagement continues to formalise with the introduction of targeted engagement programmes which have objectives which are mapped to the Sustainable Development Goals, and aligned, wherever relevant, to our public support of improved disclosure through the Task Force on Climate-related Financial Disclosures. Engagement is fundamental to delivering long-term and sustainable outcomes through the effective and wider application of our investors capital.

## Annual overview

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1 S2	CORE	N/A	N/A	PUBLIC	Annual overview	GENERAL

- Discuss your organisation's progress during the reporting year on the responsible investment issue you consider most relevant or material to your organisation or its assets.
- Reflect on your performance with respect to your organisation's responsible investment objectives and targets during the reporting year. This might involve e.g. outlining your single most important achievement, or describing your general progress, on topics such as the following:
  - refinement of ESG analysis and incorporation
  - stewardship activities with investees and/or with policy makers
  - collaborative engagements
  - attainment of responsible investment certifications and/or awards

CQS became a signatory to PRI in 2019, with our primary intention being a continual development of our Responsible Investment process.

We have developed across the board, with a particular focus on reporting, engagement and playing our part in the transition to a low carbon economy. Our Governance has been further formalised with the introduction of a Responsible Investment Governance Committee, reporting directly to the CQS Board Executive Committee. This oversight is essential in our commitment and accountability to clients.

Moving to stewardship and engagement. Our approach has been structured to best utilise our position as a leading credit provider when engaging and seeking to influence a long-term change in the way companies operate or behave. CQS has now submitted reporting to become a signatory of the UK Stewardship Code.

Through the introduction of a CQS Engagement Group, represented and peer reviewed by Research Analysts and Portfolio Managers across our business, we are able to foster a collective approach, across the capital structure, to generate insight and long-term action. Our engagements may focus on a wide range of factors, from financial stability through to environmental or social considerations, but aim to be targeted in approach with clear and specific objectives. It is important we focus on achieving our objectives (either directly or collaboratively) and delivering effective communication to our clients as we work together for positive and sustainable outcomes.

On the global transition to a low carbon economy; CQS has become a public supporter of TCFD, a Participant Signatory to Climate Action 100+ and a signatory to CDP (formerly the Carbon Disclosure Project). This group of initiatives are a collective action in terms of disclosure, collaboration and data as we enhance our tools in understanding and navigating, risk, opportunity and adaptability associated with climate change. CQS completed the CDP Non-Disclosure Project, lending its name to 308 companies with whom we have exposure, but are not currently responding to the request for Climate, Deforestation of Water Stress disclosures.

As we look ahead at the impact of Climate Change on our world and company specific financing, we recognise the importance of disclosure and are cognisant of the challenges in sub-Investment Grade data coverage. We have commenced an audit of around 600 companies to request information relating to when they will be issuing scope 1, 2 and 3 disclosures, TCFD alignment, Greenhouse Gas emission reduction targets (including where relevant net zero targets) and the percentage of revenue and/or capex relating to climate solutions (which are aligned to the EU Sustainable Taxonomy objectives).

This engagement will provide a valuable and detailed understanding of how sub-investment grade companies are responding to the transition to a low carbon economy and, importantly, provide a forward transition analysis on a number of our portfolios. This is a significant undertaking and we hope to share further detail with our clients later in 2021. Harnessing our data will be imperative, and we are exploring how it can be used to develop systems and tools for our Portfolio Managers for which third parties do not yet have the coverage to produce.

Since CQS joined PRI in 2019, we have taken great strides in formalising our process, and in progressing our ability to deliver the outcomes expected of our investors. We are looking to maintain this continual progression and generate the best possible returns and outcomes for our clients.

## Next steps

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1 S3	CORE	N/A	N/A	PUBLIC	Next steps	GENERAL

### What specific steps has your organisation outlined to advance your commitment to responsible investment in the next two years?

Our commitment over the next two years is a focus on: 1) Working ourselves and collaboratively to build ESG data, climate disclosure and internal systems which address the challenges of data coverage within sub-investment grade credit markets, and 2) Hold ourselves to account by improving our reporting to clients while also continually developing our portfolios sustainability approaches. A scalable and insightful approach to responsible and sustainable investment is central in our commitment to deliver specialist credit solutions to investors which provide long term outcomes through a combination of risk, return and consistent goals.

## Endorsement

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1 S4	CORE	N/A	N/A	PUBLIC	Endorsement	GENERAL

The Senior Leadership Statement has been prepared and/or reviewed by the undersigned and reflects our organisation-wide commitment and approach to responsible investment.

---

Name Sir Michael Hintze

---

Position Founder and Senior Investment Officer

---

Organisation's name CQS

---

● This endorsement is for the Senior Leadership Statement only and is not an endorsement of the information reported by CQS in the various modules of the Reporting Framework. The Senior Leadership Statement is simply provided as a general overview of CQS's responsible investment approach. The Senior Leadership Statement does not constitute advice and should not be relied upon as such, and is not a substitute for the skill, judgement and experience of any third parties, their management, employees, advisors and/or clients when making investment and other business decisions.

## Organisational Overview (OO)

## Organisational information

### Categorisation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 1	CORE	Signatory category	Multiple, see guidance	PUBLIC	Categorisation	GENERAL

Select the type that best describes your organisation or the services you provide.

(O) Fund management

(1) This is our only (or primary) type

## Subsidiary information

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 2	CORE	N/A	OO 2.1	PUBLIC	Subsidiary information	GENERAL

Does your organisation have subsidiaries that are also PRI signatories in their own right?

☐ (A) Yes

☒ (B) No

## Reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 3	CORE	N/A	N/A	PUBLIC	Reporting year	GENERAL

Indicate the year-end date for your reporting year.

	Month	Day	Year
Reporting year end date:	December	31	2021

# Assets under management

## All asset classes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 4	CORE	OO 4.1, OO 4.2	N/A	PUBLIC	All asset classes	GENERAL

What were your total assets under management (AUM) at the end of the indicated reporting year? Provide the amount in USD.

(A) AUM of your organisation, including subsidiaries US\$ 21,100,000,000.00

(B) AUM of subsidiaries that are PRI signatories in their own right and excluded from this submission US\$ 0.00

(C) AUM subject to execution, advisory, custody, or research advisory only US\$ 0.00

## Asset breakdown

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5	CORE	Multiple, see guidance	Multiple, see guidance	PUBLIC	Asset breakdown	GENERAL

Provide a percentage breakdown of your total assets under management at the end of your indicated reporting year.

### Percentage of AUM

(A) Listed equity – internal 0.0%

(B) Listed equity – external 0.0%

(C) Fixed income – internal >75%

(D) Fixed income – external	0.0%
(E) Private equity – internal	0.0%
(F) Private equity – external	0.0%
(G) Real estate – internal	0.0%
(H) Real estate – external	0.0%
(I) Infrastructure – internal	0.0%
(J) Infrastructure – external	0.0%
(K) Hedge funds – internal	10-50%
(L) Hedge funds – external	0.0%
(M) Forestry – internal	0.0%
(N) Forestry – external	0.0%
(O) Farmland – internal	0.0%
(P) Farmland – external	0.0%
(Q) Other – internal, please specify:	0.0%
(R) Other – external, please specify:	0.0%
(S) Off-balance sheet – internal	0.0%
(T) Off-balance sheet – external	0.0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.2 FI	CORE	OO 5, OO 5.1	Multiple, see guidance	PUBLIC	Asset breakdown	GENERAL

**Provide a further breakdown of your fixed income assets.**

**(A) Internal allocation**

(1) Passive – SSA 0.0%

(2) Passive – corporate 0.0%

(3) Passive – securitised 0.0%

(4) Active – SSA 0.0%

(5) Active – corporate >75%

(6) Active – securitised 10-50%

(7) Private debt 0.0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.2 HF	CORE	OO 5, OO 5.1	OO 9 HF, OO 10	PUBLIC	Asset breakdown	GENERAL

**Provide a further breakdown of your hedge fund assets.**

**(A) Internal allocation**

(1) Multi strategy 0.0%

(2) Long/short equity 0.0%

(3) Long/short credit 50-75%

(4) Distressed, special situations and event-driven fundamental	0.0%
---	------

(5) Structured credit	10-50%
-----------------------	--------

(6) Global macro	0.0%
------------------	------

(7) Commodity trading advisor	0.0%
-------------------------------	------

(8) Other, please specify:	0.0%
----------------------------	------

# ESG strategies

## Fixed income

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 6 FI	CORE	OO 5.2 FI	Multiple, see guidance	PUBLIC	Fixed income	1

Which ESG incorporation strategy and/or combination of strategies do you apply to your internally managed active fixed income?

	(2) Fixed income – corporate	(3) Fixed income – securitised
(A) Screening alone	0.0%	0.0%
(B) Thematic alone	0.0%	0.0%
(C) Integration alone	>75%	>75%
(D) Screening and integration	0.0%	0.0%
(E) Thematic and integration	0.0%	0.0%
(F) Screening and thematic	0.0%	0.0%
(G) All three strategies combined	0-25%	0.0%
(H) None	0.0%	0.0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 6.1 FI	CORE	OO 6 FI	N/A	PUBLIC	Fixed income	1

What type of screening is applied to your internally managed active fixed income?

**(2) Fixed income – corporate**

(A) Positive/best-in-class screening only 0.0%

(B) Negative screening only 0.0%

(C) A combination of positive/best-in-class and negative screening >75%

## Hedge funds

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 6 HF	CORE	OO 5	HF 10	PUBLIC	Hedge funds	1

Do you conduct negative screening on your hedge fund assets?

☐ (A) Yes

☒ (B) No

# Stewardship

## Fixed income

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9 FI	CORE	OO 5, OO 5.2 FI	Multiple, see guidance	PUBLIC	Fixed income	2

Does your organisation conduct stewardship activities for your fixed income assets?

	(5) Active – corporate	(6) Active – securitised
(A) Through service providers	<input type="checkbox"/>	<input type="checkbox"/>
(C) Through internal staff	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Collaboratively	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) We did not conduct this stewardship activity for this strategy/asset type	<input type="checkbox"/>	<input type="checkbox"/>

## Hedge funds

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9 HF	CORE	OO 5, OO 5.2 HF	Multiple, see guidance	PUBLIC	Hedge funds	2

Does your organisation conduct stewardship activities for your hedge fund assets?

	(1) Engagement
(A) Through service providers	<input type="checkbox"/>
(C) Through internal staff	<input checked="" type="checkbox"/>

(D) Collaboratively ☒

(E) We did not conduct this stewardship activity ☐

# ESG incorporation

## Internally managed assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 10	CORE	Multiple, see guidance	Multiple, see guidance	PUBLIC	Internally managed assets	1

For each internally managed asset class, select whether or not you incorporate ESG into your investment decisions.

	(1) ESG incorporated into investment decisions	(2) ESG not incorporated into investment decisions
(G) Fixed income – corporate	<input checked="" type="radio"/>	<input type="radio"/>
(H) Fixed income – securitised	<input checked="" type="radio"/>	<input type="radio"/>
(O) Hedge funds - Long/short credit	<input checked="" type="radio"/>	<input type="radio"/>
(Q) Hedge funds - Structured credit	<input checked="" type="radio"/>	<input type="radio"/>

# Voluntary reporting

## Voluntary modules

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 14	CORE	Multiple, see guidance	Multiple, see guidance	PUBLIC	Voluntary modules	GENERAL

The following modules are mandatory to report on as they account for 10% or more of your total AUM or are over USD 10 billion. The ISP (Investment and Stewardship Policy) module is always applicable for reporting.

(1) Yes, report on the module

ISP: Investment and Stewardship Policy



(C) Fixed income – corporate



(D) Fixed income – securitised



(I) Hedge funds



# ESG/sustainability funds and products

## Labelling and marketing

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 16	CORE	Multiple, see guidance	Multiple, see guidance	PUBLIC	Labelling and marketing	GENERAL

What percentage of your assets under management in each asset class are ESG/sustainability marketed funds or products, and/or ESG/RI certified or labelled assets? Percentage figures can be rounded to the nearest 5% and should combine internally and externally managed assets.

### Percentage

(D) Fixed income – active

0.0%

(H) Hedge funds

0.0%

## Climate investments

### Asset breakdown

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17	CORE	N/A	N/A	PUBLIC	Asset breakdown	GENERAL

What percentage of your assets under management is in targeted low-carbon or climate-resilient investments?

0-25%

# Other asset breakdowns

## Geographical breakdown

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18	CORE	Multiple, see guidance	N/A	PUBLIC	Geographical breakdown	GENERAL

What is the geographical breakdown of your organisation's assets under management by investment destination (i.e. where the investments are located)?

	(3) Fixed income – corporate	(4) Fixed income – securitised	(9) Hedge funds
(A) Developed	>75%	>75%	>75%
(B) Emerging	0-25%	0.0%	0-25%
(C) Frontier	0.0%	0.0%	0.0%
(D) Other	0.0%	0.0%	0.0%

## Fixed income constraints

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 20	CORE	OO 5.2 FI	OO 20.1	PUBLIC	Fixed income constraints	GENERAL

What percentage of your fixed income assets are subject to constraints? The constraints may be regulatory requirements, credit quality restrictions, currency constraints or similar.

Internal and external fixed income assets subject to constraints	
(B) Fixed income – corporate	0-25%

# Investment and Stewardship Policy (ISP)

## Responsible investment policy & governance

### Responsible investment policy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 1	CORE	N/A	ISP 1.1, ISP 1.2	PUBLIC	Responsible investment policy	1

Does your organisation have a formal policy or policies covering your approach to responsible investment? Your approach to responsible investment may be set out in a standalone guideline, covered in multiple standalone guidelines or be part of a broader investment policy. Your policy may cover various responsible investment elements such as stewardship, ESG guidelines, sustainability outcomes, specific climate-related guidelines, RI governance and similar.

- ☒ (A) Yes, we do have a policy covering our approach to responsible investment
- ☐ (B) No, we do not have a policy covering our approach to responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 1.1	CORE	ISP 1	Multiple, see guidance	PUBLIC	Responsible investment policy	1

What elements does your responsible investment policy cover? The responsible investment elements may be set out in one or multiple standalone guidelines, or they may be part of a broader investment policy.

- ☒ (A) Overall approach to responsible investment
- ☒ (B) Guidelines on environmental factors
- ☒ (C) Guidelines on social factors
- ☒ (D) Guidelines on governance factors
- ☒ (E) Approach to stewardship
- ☒ (F) Approach to sustainability outcomes
- ☒ (G) Approach to exclusions
- ☐ (H) Asset class-specific guidelines that describe how ESG incorporation is implemented
- ☒ (I) Definition of responsible investment and how it relates to our fiduciary duty

- ☒ (J) Definition of responsible investment and how it relates to our investment objectives
- ☒ (K) Responsible investment governance structure
- ☒ (L) Internal reporting and verification related to responsible investment
- ☒ (M) External reporting related to responsible investment
- ☒ (N) Managing conflicts of interest related to responsible investment
- ☐ (O) Other responsible investment aspects not listed here, please specify:

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 2	CORE	ISP 1.1	N/A	PUBLIC	Responsible investment policy	6

Indicate which of your responsible investment policy elements are publicly available and provide links.

- ☒ (A) Overall approach to responsible investment. Add link(s):  
<https://www.cqs.com/responsible-investing>
- ☒ (B) Guidelines on environmental factors. Add link(s):  
<https://www.cqs.com/responsible-investing>
- ☒ (C) Guidelines on social factors. Add link(s):  
<https://www.cqs.com/responsible-investing>
- ☒ (D) Guidelines on governance factors. Add link(s):  
<https://www.cqs.com/responsible-investing>
- ☒ (E) Approach to stewardship. Add link(s):  
<https://www.cqs.com/responsible-investing>
- ☒ (F) Approach to sustainability outcomes. Add link(s):  
<https://www.cqs.com/responsible-investing>
- ☒ (G) Approach to exclusions. Add link(s):  
<https://www.cqs.com/responsible-investing>
- ☒ (I) Definition of responsible investment and how it relates to our fiduciary duty. Add link(s):  
<https://www.cqs.com/responsible-investing>
- ☒ (J) Definition of responsible investment and how it relates to our investment objectives. Add link(s):  
<https://www.cqs.com/responsible-investing>
- ☒ (K) Responsible investment governance structure. Add link(s):  
<https://www.cqs.com/responsible-investing>
- ☒ (L) Internal reporting and verification related to responsible investment. Add link(s):

☐ <https://www.cqs.com/responsible-investing>

☒ (M) External reporting related to responsible investment. Add link(s):

☐ <https://www.cqs.com/responsible-investing>

☒ (N) Managing conflicts of interest related to responsible investment. Add link(s):

☐ <https://www.cqs.com/responsible-investing>

☐ (P) Our responsible investment policy elements are not publicly available

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 3	CORE	ISP 1.1	N/A	PUBLIC	Responsible investment policy	1

What percentage of your total assets under management are covered by your policy elements on overall approach to responsible investment and/or guidelines on environmental, social and governance factors?

- ☐ (A) Overall approach to responsible investment
- ☐ (B) Guidelines on environmental factors
- ☐ (C) Guidelines on social factors
- ☐ (D) Guidelines on governance factors

AUM coverage of all policy elements in total:

☐ >75%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 4	CORE	ISP 1.1	N/A	PUBLIC	Responsible investment policy	1

Which elements does your exclusion policy include?

- ☒ (A) Legally required exclusions (e.g. those required by domestic/international law, bans, treaties or embargoes)
- ☒ (B) Exclusions based on our organisation's values or beliefs (e.g. regarding weapons, alcohol, tobacco and/or avoiding other particular sectors, products, services or regions)
- ☒ (C) Exclusions based on screening against minimum standards of business practice based on international norms (e.g. OECD guidelines, the UN Human Rights Declaration, Security Council sanctions or the UN Global Compact)

## Governance

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 6	CORE	N/A	ISP 8	PUBLIC	Governance	1

Do your organisation's board, chief-level staff, investment committee and/or head of department have formal oversight and accountability for responsible investment?

- ☒ (A) Board and/or trustees  
☒ (B) Chief-level staff (e.g. Chief Executive Officer (CEO), Chief Investment Officer (CIO) or Chief Operating Officer (COO))  
☒ (C) Investment committee  
☒ (D) Other chief-level staff, please specify:  
     Head of Research  
☒ (E) Head of department, please specify department:  
     Principal, Product & Responsible Investment  
☐ (F) None of the above roles have oversight and accountability for responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 7	CORE	N/A	ISP 8	PUBLIC	Governance	1

In your organisation, which internal or external roles have responsibility for implementing responsible investment?

- ☐ (A) Board and/or trustees  
☒ (B) Chief-level staff (e.g. Chief Executive Officer (CEO), Chief Investment Officer (CIO) or Chief Operating Officer (COO))  
☒ (C) Investment committee  
☒ (D) Other chief-level staff [as specified]  
☒ (E) Head of department [as specified]  
☒ (F) Portfolio managers  
☒ (G) Investment analysts  
☒ (H) Dedicated responsible investment staff  
☐ (I) Investor relations  
☐ (J) External managers or service providers  
☐ (K) Other role, please specify:  
☐ (L) Other role, please specify:  
☐ (M) We do not have roles with responsibility for implementing responsible investment.

## People and capabilities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 8	CORE	ISP 6, ISP 7	ISP 8.1, ISP 8.2	PUBLIC	People and capabilities	General

What formal objectives for responsible investment do the roles in your organisation have?

	(1) Board and/or trustees	(2) Chief-level staff	(3) Investment committee	(4) Other chief-level staff [as specified]
(A) Objective for ESG incorporation in investment activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Objective for contributing to the development of the organisation's ESG incorporation approach	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Objective for ESG performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(E) Other objective related to responsible investment [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(F) Other objective related to responsible investment [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(G) No formal objectives for responsible investment exist for this role	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	(5) Head of department [as specified]	(6) Portfolio managers	(7) Investment analysts	(8) Dedicated responsible investment staff
(A) Objective for ESG incorporation in investment activities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(B) Objective for contributing to the development of the organisation's ESG incorporation approach	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Objective for ESG performance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(E) Other objective related to responsible investment [as specified]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(F) Other objective related to responsible investment [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(G) No formal objectives for responsible investment exist for this role	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please specify for "(E) Other objective related to responsible investment".**

Objective for the governance and oversight of the CQS implementation of Responsible Investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 8.1	PLUS	ISP 8	N/A	PUBLIC	People and capabilities	General

**Describe the key responsible investment performance indicators (KPIs) or benchmarks that your organisation uses to compare and assess the performance of your professionals in relation to their responsible investment objectives.**

Portfolio Managers are expected to act responsibly within their decision making. If a company presents significant ESG and/or sustainability issues during the analysis, Portfolio Managers must consider the appropriateness of that investment. This can be based on the risk and return profile, investment horizon and an understanding of actions been taken by a company to address issues which may have been raised. We have sought not to be formulaic, but adopt a principles-based approach to our responsible portfolio construction.

Investment strategies which adopt an Statement of Intent, monitor the performance and metrics of responsible investment performance, in particular in relation to demonstrating better ESG rating breakdown and carbon intensity scores than the investment universe or index. Net Zero aligned targets may also be set and have been for certain client mandates. The commitments made by CQS Funds and mandates are monitored by the CQS Responsible Investment Governance Committee.

Research Analysts and Portfolio Managers are encouraged to actively engage with management teams prior to making an investment recommendation. If there is evidence of a lack of focus on ESG issues, or even a reluctance to engage, an adverse / qualified recommendation will likely be the result.

The CQS Head of Research is responsible for the ongoing oversight and quality of ESG analysis performed by our Research Analysts. To ensure consistency in approach, Research Analysts will be invited to periodically join the CQS Responsible Investment Governance Committee and present their rationale for applying certain ESG ratings and trajectories, especially where they differ to third party assessments. The inclusion of Senior Portfolio Managers within the Committee enables the testing and assurance of research process consistency.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 8.2	CORE	ISP 8	N/A	PUBLIC	People and capabilities	General

**Which responsible investment objectives are linked to variable compensation for roles in your organisation?**

**RI objectives linked to variable compensation for roles in your organisation:**

**(1) Board and/or trustees**

(A) Objective for ESG incorporation in investment activities

☐

(B) Objective for contributing to the development of the organisation's ESG incorporation approach

☐

**(2) Chief-level staff (e.g. Chief Executive Officer (CEO), Chief Investment Officer (CIO) or Chief Operating Officer (COO))**

---

(A) Objective for ESG incorporation in investment activities	<input checked="" type="checkbox"/>
--	-------------------------------------

---

(B) Objective for contributing to the development of the organisation's ESG incorporation approach	<input checked="" type="checkbox"/>
--	-------------------------------------

---

(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)	<input checked="" type="checkbox"/>
--	-------------------------------------

---

**(3) Investment committee**

---

(A) Objective for ESG incorporation in investment activities	<input checked="" type="checkbox"/>
--	-------------------------------------

---

(B) Objective for contributing to the development of the organisation's ESG incorporation approach	<input checked="" type="checkbox"/>
--	-------------------------------------

---

(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)	<input checked="" type="checkbox"/>
--	-------------------------------------

---

**(4) Other chief-level staff**

---

(A) Objective for ESG incorporation in investment activities	<input checked="" type="checkbox"/>
--	-------------------------------------

---

(B) Objective for contributing to the development of the organisation's ESG incorporation approach	<input checked="" type="checkbox"/>
--	-------------------------------------

---

(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)	<input checked="" type="checkbox"/>
--	-------------------------------------

---

---

**(5) Head of department**

---

(B) Objective for contributing to the development of the organisation's ESG incorporation approach ☒

---

(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions) ☒

---

(E) Other objective related to responsible investment (as specified in ISP 8 option E) ☒

---

**(6) Portfolio managers**

---

(A) Objective on ESG incorporation in investment activities ☒

---

(B) Objective for contributing to the development of the organisation's ESG incorporation approach ☒

---

(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions) ☒

---

(D) Objective for ESG performance ☒

---

**(7) Investment analysts**

---

(A) Objective for ESG incorporation in investment activities ☒

---

(B) Objective for contributing to the development of the organisation's ESG incorporation approach ☒

---

(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions) ☒

---

(D) Objective for ESG performance ☒

---

**(8) Dedicated responsible investment staff**

(B) Objective for contributing to the development of the organisation's ESG incorporation approach ☒

(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions) ☒

(E) Other objective related to responsible investment (as specified in ISP 8 option E) ☒

(G) We have not linked any RI objectives to variable compensation ☐

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 9	CORE	N/A	N/A	PUBLIC	People and capabilities	General

**How frequently does your organisation assess the responsible investment capabilities and training needs among your investment professionals?**

- ☐ (A) Quarterly or more frequently
- ☒ (B) **Bi-annually**
- ☐ (C) Annually
- ☐ (D) Less frequently than annually
- ☐ (E) On an ad hoc basis
- ☐ (F) We do not have a process for assessing the responsible investment capabilities and training needs among our investment professionals

## Strategic asset allocation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 10	CORE	N/A	ISP 10.1	PUBLIC	Strategic asset allocation	1

**Does your organisation incorporate ESG factors into your strategic asset allocation?**

- ☒ (A) We incorporate ESG factors into calculations for expected risks and returns of asset classes
- ☒ (B) We specifically incorporate physical, transition and regulatory changes related to climate change into calculations for expected risks and returns of asset classes
- ☐ (C) No, we do not incorporate ESG considerations into our strategic asset allocation
- ☐ (D) Not applicable, we do not have a strategic asset allocation process

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 10.1	CORE	ISP 10	N/A	PUBLIC	Strategic asset allocation	1

**For what proportion of assets do you incorporate ESG factors into your strategic asset allocation process?**

(A) We incorporate ESG factors into calculations for expected risks and returns of asset classes (1) for all of our assets

(B) We specifically incorporate physical, transition and regulatory changes related to climate change into calculations for expected risks and returns of asset classes (2) for the majority of our assets

# Stewardship

## Stewardship policy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 11	CORE	Multiple, see guidance	N/A	PUBLIC	Stewardship policy	2

What percentage of your assets under management does your stewardship policy cover?

(B) Fixed income >75%

(F) Hedge funds >75%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 12	CORE	ISP 1.1	ISP 12.1	PUBLIC	Stewardship policy	2

Which elements does your organisation's stewardship policy cover? The policy may be a standalone guideline or part of a wider RI policy.

- ☒ (A) Key stewardship objectives
- ☒ (B) Prioritisation approach of ESG factors and their link to engagement issues and targets
- ☒ (C) Prioritisation approach depending on entity (e.g. company or government)
- ☒ (D) Specific approach to climate-related risks and opportunities
- ☐ (E) Stewardship tool usage across the organisation, including which, if any, tools are out of scope and when and how different tools are used and by whom (e.g. specialist teams, investment teams, service providers, external investment managers or similar)
- ☒ (F) Stewardship tool usage for specific internal teams (e.g. specialist teams, investment teams or similar)
- ☐ (G) Stewardship tool usage for specific external teams (e.g. service providers, external investment managers or similar)
- ☒ (H) Approach to collaboration on stewardship
- ☒ (I) Escalation strategies
- ☒ (J) Conflicts of interest
- ☒ (K) Details on how the stewardship policy is implemented and which elements are mandatory, including how and when the policy can be overruled
- ☒ (L) How stewardship efforts and results should be communicated across the organisation to feed into investment decision-making and vice versa
- ☐ (M) None of the above elements are captured in our stewardship policy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 12.1	PLUS	ISP 12	N/A	PUBLIC	Stewardship policy	2

**Describe any additional details related to your stewardship policy elements or your overall stewardship approach.**

At CQS we use our position as a leading credit provider to engage and seek to influence long-term change in the way companies operate or behave. Engagement may focus on a wide range of factors, from financial stability through to environmental or social considerations, and be performed directly, or through collaborative initiatives such as CDP or Climate Action 100+. We may seek to engage in a number of ways: 1) During an investment analysis (especially at new issue stage) in order to enhance our understanding of a corporate issuer's approach 2) During the holding period of an investment where either material E, S or G issues are raised, and 3) Through targeted engagement programmes. CQS has an internally-developed Engagement Framework that is designed to guide our investment professionals on areas we feel are important by Sector and Sub-Sector. In the case of engagement programmes, we operate an Engagement Group which is responsible for selecting and prioritising specific engagement objectives (mapped to SDGs and/or Sustainability Outcomes) and assimilating progress. Companies are selected on a range of criteria including relative size of exposure, materiality of any issues which may have been identified, or CQS having a position of influence or control. This enables co-ordination across the platform and capital structure. Portfolio Managers will then take direct ownership and accountability for engagement priorities, with support from our specialist sector Research Analysts. These are the individuals charged with decision making and whether a company is included (or not) within a portfolio, as such they are ultimately accountable for engagement outcomes. This can include adjustment to a portfolio's exposure to the given company. Our current primary areas of engagement are as follows: 1. Sustainable business practices 2. Good governance and financial disclosure 3. Climate risk management and encouraging disclosure 4. Diversity within a company

## Stewardship policy implementation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 13	CORE	ISP 1.1	N/A	PUBLIC	Stewardship policy implementation	2

**How is your stewardship policy primarily applied?**

- (A) It requires our organisation to take certain actions
- (B) It describes default actions that can be overridden (e.g. by investment teams for certain portfolios)
- (C) It creates permission for taking certain measures that are otherwise exceptional
- (D) We have not developed a uniform approach to applying our stewardship policy

## Stewardship objectives

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 15	CORE	Multiple, see guidance	N/A	PUBLIC	Stewardship objectives	2

For the majority of assets within each asset class, which of the following best describes your primary stewardship objective?

	(2) Fixed income	(6) Hedge funds
(A) Maximise the risk–return profile of individual investments	<input type="radio"/>	<input type="radio"/>
(B) Maximise overall returns across the portfolio	<input type="radio"/>	<input type="radio"/>
(C) Maximise overall value to beneficiaries/clients	<input checked="" type="radio"/>	<input checked="" type="radio"/>
(D) Contribute to shaping specific sustainability outcomes (i.e. deliver impact)	<input type="radio"/>	<input type="radio"/>

## Stewardship prioritisation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 16	CORE	Multiple, see guidance	N/A	PUBLIC	Stewardship prioritisation	2

What key criteria does your organisation use to prioritise your engagement targets? For asset classes such as real estate, private equity and infrastructure, you may consider this as key criteria to prioritise actions taken on ESG factors for assets, portfolio companies and/or properties in your portfolio. Select up to 3 options per asset class from the list.

	(2) Fixed income	(6) Hedge funds
(A) The size of our holdings in the entity or the size of the asset, portfolio company and/or property	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) The materiality of ESG factors on financial and/or operational performance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Specific ESG factors with systemic influence (e.g. climate or human rights)	<input type="checkbox"/>	<input type="checkbox"/>
(D) The ESG rating of the entity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) The adequacy of public disclosure on ESG factors/performance	<input type="checkbox"/>	<input type="checkbox"/>
(F) Specific ESG factors based on input from clients	<input type="checkbox"/>	<input type="checkbox"/>
(G) Specific ESG factors based on input from beneficiaries	<input type="checkbox"/>	<input type="checkbox"/>
(H) Other criteria to prioritise engagement targets, please specify:	<input type="checkbox"/>	<input type="checkbox"/>
(I) We do not prioritise our engagement targets	<input type="checkbox"/>	<input type="checkbox"/>

## Stewardship methods

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 17	PLUS	Multiple, see guidance	N/A	PUBLIC	Stewardship methods	2

**Please rank the methods that are most important for your organisation in achieving its stewardship objectives. Ranking options: 1 = most important, 5 = least important.**

(A) Internal resources (e.g. stewardship team, investment team, ESG team or staff)	1
(B) External investment managers, third-party operators and/or external property managers (if applicable)	We do not use this method
(C) External paid services or initiatives other than investment managers, third-party operators and/or external property managers (paid beyond a membership fee)	We do not use this method
(D) Informal or unstructured collaborations with peers	3
(E) Formal collaborative engagements (e.g. PRI-coordinated collaborative engagements, Climate Action 100+, the Initiative Climat International (ICI) or similar)	2

## Collaborative stewardship

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 18	CORE	Multiple, see guidance	ISP 18.1	PUBLIC	Collaborative stewardship	2

**Which of the following best describes your organisation's default position, or the position of the service providers/external managers acting on your behalf, with regards to collaborative stewardship efforts such as collaborative engagements?**

- (A) We recognise that stewardship suffers from a collective action problem, and, as a result, we actively prefer collaborative efforts
- (B) We collaborate when our individual stewardship efforts have been unsuccessful or are likely to be unsuccessful, i.e. as an escalation tool
- (C) We collaborate in situations where doing so would minimise resource cost to our organisation

- (D) We do not have a default position but collaborate on a case-by-case basis
- (E) We generally do not join collaborative stewardship efforts

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 18.1	PLUS	ISP 18	N/A	PUBLIC	Collaborative stewardship	2

#### Describe your position on collaborating for stewardship.

We view collaborative engagement with wider stakeholders as a key means by which to engender meaningful change in corporate conduct over the long term, incentivising the right behaviours. Alongside being a public supporter of the TCFD, CQS has become a signatory to a number of collaborative initiatives including CDP and Climate Action 100+. We are typically investors in sub-investment grade developed market companies, many of which CDP may not yet have disclosures from. We feel it is important to lend our name when CDP target such companies and CQS has supported CDP with its non-disclosure campaign, advising 308 companies that CQS is an investor in their debt or equity and calling them to action in disclosure. As a leader in sub-investment grade debt, in particular within asset classes such as Loans, CQS will seek to support Capital Market and/or Sponsor developments where related to the improvement of industry process for responsible investment and sustainability outcomes. An example, which we are not yet able to publicly share details of, is CQS' involvement in an early stage collaborative initiative to catalyse a development within ESG rating coverage of the European loans market by third party rating providers. The CQS Engagement Policy outlines our approach to collaborative engagement. In this we explicitly recognise the power and impact collaborative engagement is able to have in addition to, and going beyond our own engagements outlined above. With regards to climate change, we believe the free-rider problem around collaboration should not be of concern as we drive for improved disclosure and companies demonstrating an ability to mitigate and adapt to the risks and opportunities presented. Due to the nature of the companies to which we are typically exposed, we use direct engagement and collaboration wherever possible, however this is on a case by case basis to ensure the best approach and outcome can be achieved.

## Escalation strategies

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 20	CORE	Multiple, see guidance	N/A	PUBLIC	Escalation strategies	2

If initial stewardship approaches were deemed unsuccessful, which of the following measures are excluded from the potential escalation actions of your organisation or those of the service providers/external managers acting on your behalf?

	(2) Fixed income	(3) Hedge funds
(A) Collaboratively engaging the entity with other investors	<input type="checkbox"/>	<input type="checkbox"/>
(B) Filing/co-filing/submitting a shareholder resolution or proposal	<input type="checkbox"/>	<input type="checkbox"/>

(C) Publicly engaging the entity (e.g. open letter)	<input type="checkbox"/>	<input type="checkbox"/>
(D) Voting against the re-election of one or more board directors	<input type="checkbox"/>	<input type="checkbox"/>
(E) Voting against the chair of the board of directors	<input type="checkbox"/>	<input type="checkbox"/>
(F) Voting against the annual financial report	<input type="checkbox"/>	<input type="checkbox"/>
(G) Divesting or implementing an exit strategy	<input type="checkbox"/>	<input type="checkbox"/>
(H) We do not have any restrictions on the escalation measures we can use	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

## Alignment and effectiveness

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 21	PLUS	Multiple, see guidance	N/A	PUBLIC	Alignment and effectiveness	2

**Describe how you coordinate stewardship across your organisation to ensure that stewardship progress and results feed into investment decision-making and vice versa.**

As investors primarily across developed markets, we have sought to introduce a global engagement model that is consistent and interconnected. Investment professionals from both the US and UK sit on the CQS Engagement Group and represent the range of assets we manage.

The Engagement Group is responsible for selecting and prioritising specific engagement objectives, as well as assimilating progress.

Companies are selected on a range of criteria including relative size of exposure, materiality of any issues which may have been identified, or CQS having a position of influence or control. This enables co-ordination across the platform and capital structure.

The group comprises a broad representation of Portfolio Managers, Research Analysts and members of the Distribution Team which focus in detail on a targeted group of companies each year that have been identified as requiring engagement on ESG issues. This is a powerful way of generating insight and action across the capital structure for companies in which CQS is invested. The CQS Engagement Group was formed in 2020 and continues to develop its process, with a particular focus in 2021 being on consistently reporting the outcome of our activities to investors.

Portfolio Managers taking direct ownership and accountability for engagement priorities (as part of the broader structure provided within the Engagement Group) is a key in ensuring progress and outcomes are directly linked with investment decision making.

CQS has adopted an approach of fully integrating Responsible Investment and Stewardship into the roles of Portfolio Managers and Research Analysts. This is we believe leads to better outcomes for investors versus standalone ESG investment teams which seek to influence the day to day activity of Investment Teams. As a result of full integration, asset class and sector expertise is applied throughout the integration of ESG factors. The result should be outcomes which are relevant, achievable and focused on the specifics to a individual sector and company.

The overall approach to stewardship and engagement is coordinated by both the CQS Head of Research and the Principal for Product and Responsible Investment. Maintaining accountability of Portfolio Management and Research Analyst level is essential, but broader co-ordination and oversight of activity is needed to maintain a focus on achieving objectives.

## Stewardship examples

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 22	PLUS	Multiple, see guidance	N/A	PUBLIC	Stewardship examples	2

Describe stewardship activities that you participated in during the reporting year that led to desired changes in the entity you interacted with. Include what ESG factor(s) you engaged on and whether your stewardship activities were primarily focused on managing ESG risks and opportunities or delivering sustainability outcomes.

	(1) Engagement type	(2) Primary goal of stewardship activity
(A) Example 1	a) Internally (or service provider) led	a) Managing ESG risks/opportunities
(B) Example 2	a) Internally (or service provider) led	b) Delivering sustainability outcomes
(C) Example 3	b) Collaborative	c) Both managing ESG risks and delivering outcomes
	(3) The ESG factors you focused on in the stewardship activity	(4) Description of stewardship activity and the desired change(s) you achieved
(A) Example 1	Survitec are a leading global designer and manufacturer of survival equipment for the aerospace & defence and marine sectors. It was acquired by private equity sponsor. Our engagement efforts sought to restructure the governance of the company and maintain our investment position.	Survitec are a leading global designer and manufacturer of survival equipment for the aerospace & defence and marine sectors. It was acquired by private equity sponsor in 2015. <b>(response continued in row below)</b>

As a result of mismanagement and a poorly executed corporate strategy, limited post-merger integration of M&A and a number of product quality issues, the business breached its June 2019 leverage covenant. Shortly afterwards, the sponsor announced they would not be injecting more money to cure the breach and would instead facilitate a consensual transition of ownership to lenders.

As one of the larger lenders, CQS (supported by our special situations team) formed part of an Ad-Hoc Group to stabilise the business then spearhead a full debt restructuring, including the injection of additional capital.

As part of our intensive programme of financial engagement with the company, it also became clear to us that they had an inadequate governance structure, with a lack of diversity on the board, an inability to hold management to account and an unsatisfactory corporate culture all contributing to the problems experienced by the company.

One of the key outcomes of our involvement within the Ad-Hoc Group stabilising the business was the appointment of an entirely refreshed Board of Directors and new Executive Chairman. **(response continued in row below)**

---

We worked closely with the other members of the Ad-Hoc Group to ensure the new directors would bring diversity of experience and expertise, including skillsets in operational turnaround/ post-merger integration, corporate restructuring and the end markets Survitec was selling into, to help drive through the business transformation in keeping with its new values centred on safety, trust, integrity and excellence.

CQS formed part of the selection committee for the new Executive Chairman and was instrumental in selecting a candidate who combined all these desired skills with what we judge to be a strong moral compass to set the business on the right footing.

The outcome of our engagement with Survitec has not only been restructuring the company debt but also a wholesale business transformation, with a new Board of Directors and new Executive Chairman bringing greater diversity in terms of experience and expertise, and a set of values for the company which we believe are much more in keeping with the 21st century and better for all stakeholders — including our investors. From the default in late-2019, CQS has recovered 113.5% (as at market value of 26 Feb 2021), in part due to CQS's active involvement in the appointment of new executive and non-executive Board members who have, and continue to, successfully execute on the transformation plan. We continue to hold the equity..

---

(B) Example 2

In the case of First Quantum Minerals, which is subject to a CQS targeted engagement programme, we have particularly been focusing on the introduction of emissions targets. This remains an ongoing sustainability outcome focus for CQS. The company owns and operates a global portfolio of copper mining assets including Zambia, Panama, Finland and Australia.

CQS began a targeted engagement programme with First Quantum. Firstly, we conducted a thorough review of the company and its approach to ESG characteristics. As part of this analysis, we set an objective for ourselves to seek emissions reduction targets. **(response continued in row below)**

In December 2020, we held a lengthy discussion with management at First Quantum which provided helpful context to some of the recent decision making behind the introduction of a coal fired power plant in the remote region of the Cobre Panama operations where hydro, wind and solar power are not viable baseloads to support operations. As part of our discussions, we raised our expectation of emission reduction targets, to which they were receptive. Subsequently, the company published a Climate Change Position Statement in conjunction with 4Q 20 earnings. **(response continued in row below)**

In this, First Quantum made a commitment to set appropriate targets on absolute emissions during 2021 and subsequent years, as well as integrating an internal carbon price into new project analysis. CQS will continue to engage with First Quantum ahead of these targets being formalised, and strive for an outcome which aligns their commitment with the necessary reductions in accordance with the Paris Agreement. This is consistent with our approach of influencing long-term sustainability outcomes, where CQS is part of a consistent message to companies such as First Quantum on the need to set Paris aligned emission reduction targets..

(C) Example 3

A collaboration with Climate Action 100+ on American Airlines. The group is looking for an explicit commitment to achieving net zero emissions by 2050 + a transition plan for achieving short and medium term targets and disclosures. It is focused on accelerating the research/adoption of Sustainable Aviation Fuels (SAF) and researching the impacts of non-CO2 effects of aviation. Finally, a framework that articulates board accountability and oversight of climate change risks and opportunities.

CQS has joined a collective action group, Climate Action 100+, which pools investor resources to develop a set of recommended investor expectations around climate-related risks/opportunities and ultimately engages with companies, in this case American Airlines, to push for adoption/implementation of practices that will allow it to transition to thrive in a net zero emissions economy.

## Engaging policymakers

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 23	CORE	N/A	Multiple, see guidance	PUBLIC	Engaging policymakers	2

**How does your organisation, or the external investment managers or service providers acting on your behalf, engage with policymakers for a more sustainable financial system?**

- ☐ (A) We engage with policymakers directly
- ☒ (B) We provide financial support, are members of and/or are in another way affiliated with third-party organisations, including trade associations and non-profit organisations, that engage with policymakers
- ☐ (C) We do not engage with policymakers directly or indirectly

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 23.1	CORE	ISP 23	N/A	PUBLIC	Engaging policymakers	2

**What methods do you, or the external investment managers or service providers acting on your behalf, use to engage with policymakers for a more sustainable financial system?**

- ☐ (A) We participate in "sign-on" letters on ESG policy topics. Describe:
- ☒ (B) We respond to policy consultations on ESG policy topics. Describe:

CQS is a member of the International Corporate Governance Network, which aims to influence policy of governance and stewardship. We have we are able to participate and two surveys and a consultation led by ICGN and planning to continue and expand this method of policy interaction.

We are also a member of a number of Think Tanks, while while do not directly lobby, provide detailed insight into Policy developments which is considered by our Geopolitical investment research functions.

☒ (C) We provide technical input on ESG policy change. Describe:

CQS, through it's memberships, may provide technical input on Policy Change. This includes for example CQS responding to a ICGN consultation in 2020 on the Stewardship Code.

☐ (D) We proactively engage financial regulators on financial regulatory topics regarding ESG integration, stewardship, disclosure or similar. Describe:

☐ (E) We proactively engage regulators and policymakers on other policy topics. Describe:

☐ (F) Other methods used to engage with policymakers. Describe:

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 23.2	CORE	ISP 23	N/A	PUBLIC	Engaging policymakers	2

**Do you have governance processes in place (e.g. board accountability and oversight, regular monitoring and review of relationships) that ensure your policy activities, including those through third parties, are aligned with your position on sustainable finance and your commitment to the 6 Principles of the PRI?**

☒ (A) Yes, we have governance processes in place to ensure that our policy activities are aligned with our position on sustainable finance and our commitment to the 6 Principles of the PRI. Describe your governance processes:

Our approach to policy activities is overseen by the CQS Responsible Investment Governance Committee. The CQS Principal for Product and Responsible Investment is tasked with the ongoing development and governance of the CQS approach to Responsible Investment. This includes working internally and with external organisations which directly play a role in our approach to Responsible Investment. We expect, and seek to collaborate with organisations which are aligned to both the CQS and PRI objectives. This may be through organisations such as ICGN and also be informed through the work of our Geopolitical Strategist.

☐ (B) No, we do not have these governance processes in place. Please explain why not:

## Engaging policymakers – Policies

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 24	CORE	ISP 23	ISP 24.1	PUBLIC	Engaging policymakers – Policies	2

**Do you have policies in place that ensure that your political influence as an organisation is aligned with your position on sustainable finance and your commitment to the 6 Principles of the PRI?**

☒ **(A) Yes, we have a policy(ies) in place. Describe your policy(ies):**

Any political influence CQS is involved with is expected to follow the spirit of our Responsible Investment Policy. As such, we have sought to describe the approach and expectations within that Policy of any CQS employees or partners who are interacting at a level which brings policy influence.

☐ **(B) No, we do not a policy(ies) in place. Please explain why not:**

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 24.1	CORE	ISP 24	N/A	PUBLIC	Engaging policymakers – Policies	2

**Is your policy that ensures alignment between your political influence and your position on sustainable finance publicly disclosed?**

☒ **(A) Yes. Add link(s):**

<https://www.cqs.com/responsible-investing>

☐ **(B) No, we do not publicly disclose this policy(ies)**

## Engaging policymakers – Transparency

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 25	CORE	ISP 23	N/A	PUBLIC	Engaging policymakers – Transparency	2

During the reporting year, did your organisation publicly disclose your policy engagement activities or those conducted on your behalf by external investment managers/service providers?

☐ (A) We publicly disclosed details of our policy engagement activities. Add link(s):

☒ (B) We publicly disclosed a list of our third-party memberships in or support for trade associations, think-tanks or similar that conduct policy engagement activities with our support or endorsement. Add link(s):

<https://www.cqs.com/responsible-investing>

☐ (C) No, we did not publicly disclose our policy engagements activities during the reporting year. Explain why:

☐ (D) Not applicable, we did not conduct policy engagement activities

## Climate change

### Public support

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 26	CORE	N/A	N/A	PUBLIC	Public support	General

Does your organisation publicly support the Paris Agreement?

☒ (A) Yes, we publicly support the Paris Agreement Add link(s) to webpage or other public document/text expressing support for the Paris Agreement:

<https://www.fsb-tcfd.org/supporters/> [https://www.cdp.net/en/investor/signatories-and-members?anchor=st\\_member\\_\\_block\\_section&page=1&per\\_page=all](https://www.cdp.net/en/investor/signatories-and-members?anchor=st_member__block_section&page=1&per_page=all) <https://www.cqs.com/responsible-investing>

☐ (B) No, we currently do not publicly support the Paris Agreement

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 27	CORE	N/A	N/A	PUBLIC	Public support	General

**Does your organisation publicly support the Task Force on Climate-Related Financial Disclosures (TCFD)?**

☒ (A) Yes, we publicly support the TCFD Add link(s) to webpage or other public document/text expressing support for the TCFD:

<https://www.fsb-tcfid.org/supporters/> <https://www.cqs.com/responsible-investing>

☐ (B) No, we currently do not publicly support the TCFD

## Governance

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 28	CORE	N/A	N/A	PUBLIC	Governance	General

**How does the board or the equivalent function exercise oversight over climate-related risks and opportunities?**

☒ (A) By establishing internal processes through which the board or the equivalent function are informed about climate-related risks and opportunities. Specify:

The CQS Responsible Investment Governance Committee is directly accountable to the CQS Board Executive Committee. The RI Governance Committee is responsible for monitoring portfolios climate risks and opportunities, in particular for portfolios which have made climate commitments. Alongside regular reporting of its oversight and findings, the RI Governance Committee is expected to escalate material Climate risks and opportunities to the Board Executive Committee as may be necessary.

☐ (B) By articulating internal/external roles and responsibilities related to climate. Specify:

☒ (C) By engaging with beneficiaries to understand how their preferences are evolving with regard to climate change. Specify:

It is critical we listen to and respond to the needs of our investors. Several CQS strategies have made commitments to operate Weighted Average Carbon Intensity lower than an index or investment universe. We continue to evaluate our approach and the necessary targets required in line with those set by our clients.

☒ (D) By incorporating climate change into investment beliefs and policies. Specify:

Climate change has been incorporated into the CQS Responsible Investment Policy and the Engagement Policy. As investors in sub-investment grade debt, promoting disclosure is our primary objective. From disclosure, we are able to assimilate the risk and opportunity associated with our portfolios, and better enable positioning into companies which are able to mitigate and adapt in the transition to a low carbon economy.

☒ (E) By monitoring progress on climate-related metrics and targets. Specify:

It is the responsibility of our Responsible Investment Governance Committee to monitor progress against metrics and targets set within CQS portfolios. The Committee will seek to address directly with Portfolio Managers where any targets are not being met, and escalate as necessary. The continued development of data is critical in establishing a clear and accurate approach to monitoring portfolios.

☐ (F) By defining the link between fiduciary duty and climate risks and opportunities. Specify:

☐ (G) Other measures to exercise oversight, please specify:

☐ (H) The board or the equivalent function does not exercise oversight over climate-related risks and opportunities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 29	CORE	N/A	N/A	PUBLIC	Governance	General

**What is the role of management in assessing and managing climate-related risks and opportunities?**

☒ (A) Management is responsible for identifying climate-related risks/opportunities and reporting them back to the board or the equivalent function. Specify:

Each Investment Team and Portfolio Manager is responsible for investment decisions, and following the CQS 5-stage ESG process, which includes the assessment of climate risks and opportunities. The risks and opportunities are taken into account and discussed within a number of forums, including the CQS Asset Allocation Committee and the CQS Responsible Investment Governance Committee, which whom Portfolio Managers are also members.

☒ (B) Management implements the agreed-upon risk management measures. Specify:

Portfolio Managers are directly responsible for managing climate related risks and opportunities, while seeking to ensure commitments made to investors are maintained, such as operating carbon intensity metrics which are lower than the investment index / universe, or for certain CQS Funds applying a Net Zero investment approach.

☒ (C) Management monitors and reports on climate-related risks and opportunities. Specify:

CQS Portfolio Managers, as part of the integrated approach to ESG, consider the risks and opportunities associated with climate change on individual companies, especially in sectors which are vulnerable to both physical and transition risk as we transition to a low carbon economy. Analysis of the risks and opportunities is factored into the overall CQS internal ESG rating, with a trajectory set which often leans into a companies ability to adapt and mitigate the risk depending on their sector. The CQS Responsible Investment Governance Committee is beginning to collate data to assimilate risks and opportunities, as well as monitoring portfolios vulnerability to climate change. Third party data provides, such as the MSCI Climate tool are being introduced into the business to further scale this process, which acknowledging the challenges associated with data for the companies in which CQS will often invest.

☒ (D) Management ensures adequate resources, including staff, training and budget, are available to assess, implement and monitor climate-related risks/opportunities and measures. Specify:

As part of continually developing our approach to Responsible Investment, training and access to tools to better assimilate risk and opportunity is an ongoing priority. CQS for example is introducing MSCI Climate Tools, while also looking at internal developments which may allow greater mapping decarbonisation targets against those which are required to decarbonise in line with the Paris Agreement. CQS Management is supportive of these developments and with appropriate business case and rationale will provide budget and resource as we continue to develop our process.

☐ (E) Other roles management takes on to assess and manage climate-related risks/opportunities, please specify:

☐ (F) Our management does not have responsibility for assessing and managing climate-related risks and opportunities

# Strategy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 30	CORE	N/A	Multiple, see guidance	PUBLIC	Strategy	General

**Which climate-related risks and opportunities has your organisation identified within its investment time horizon(s)?**

☒ **(A) Specific financial risks in different asset classes. Specify:**

CQS' investment time horizon can vary and in duration and extend to between 3-4 years depending on the nature of the investment. Therefore, CQS sees legal and regulatory risks to be more significant in this timeframe. Policy and regulation shifts in favour of sustainable operations, and new capital expenditure due to the transition, will leave certain assets stranded. Defaults by businesses will rise as a result of divestment, creating more credit risk for CQS. As international trade, government revenues, interest rates and exchanges rates are all impacted, there is an increased demand for liquidity and higher refinancing risk, resulting in liquidity risk. Socioeconomic changes (consumption patterns, migration) and changes in demand and costs from the transition to a low carbon economy, creates market risk by repricing of fixed income.

☒ **(B) Specific sectors and/or assets that are at risk of being stranded. Specify:**

CQS anticipates a shift in policy and regulation away from fossil fuel intensive industries with a fossil fuel phase-out, for the transition to a low-carbon economy. Therefore, sectors that are at risk of being stranded are large carbon emitters in the energy sector, like oil and gas, steel and coal. Stranded assets are important to financial risk management, as these assets can lead to economic loss, which as credit investors factors into our analysis of probability of default and loss given default.

☒ **(C) Assets with exposure to direct physical climate risk. Specify:**

We recognise physical risk is associated with warming that is 'locked in' for the next decade because of physical inertia in the geophysical system. Therefore, there are some physical risks to be considered in the short term, within the investment time horizon. However, these physical risks are more likely to be acute, rather than chronic, for example heatwaves, floods, cyclones and wildfires. Assets that rely on natural resources or land are at particularly high risk of direct physical climate change. For example, farming in the US is at risk of extreme temperatures, droughts and wildfires.

☒ **(D) Assets with exposure to indirect physical climate risk. Specify:**

Direct impacts of climate change tend to be local to climate events, however they have knock-on effects across regions and sectors. There are indirect financial and operational impacts from disruption to the operations of major customers or suppliers from severe weather, like floods. Additionally, travel and leisure is likely to be impacted by indirect physical risks as demand and ability to travel falls. Assets that will be impacted by indirectly by physical climate risks are those that have are impacted further down their supply chain, which we expect to see beginning to impact Credit and ESG ratings of certain issuers, depending on their sector and geography.

☒ **(E) Specific sectors and/or assets that are likely to benefit under a range of climate scenarios. Specify:**

Since we expect transition risks to be more significant in the shorter investment time horizon, assets that are likely to benefit under a range of climate scenarios need to be resilient to transition risks. For example, low carbon-intensive industries are likely to benefit as well as companies which clearly contribute to the mitigation and adaptability objectives of the EU Taxonomy. There is likely to be a large shift in capital towards more sustainable sectors, as investors seek these long term investments.

☒ **(F) Specific sectors and/or assets that contribute significantly to achieving our climate goals. Specify:**

Assets and sectors that contribute to climate solutions will contribute significantly to achieving climate goals. While mitigating carbon emissions is important, GHG emissions are backward looking in nature when considered within Carbon Intensity statistics. It is important for sectors to adapt and provide solutions in order to benefit most from the reducing cost of capital. This is of particular importance to the Energy sector through the introduction of carbon capture, storage and utilisation for example.

☐ (G) Other climate-related risks and opportunities identified. Specify:

☐ (H) We have not identified specific climate-related risks and opportunities within our organisation's investment time horizon

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 30.1	CORE	ISP 30	N/A	PUBLIC	Strategy	General

**For each of the identified climate-related risks and opportunities, indicate within which investment time-horizon they were identified.**

	(1) 3–5 months	(2) 6 months to 2 years	(3) 2–4 years	(4) 5–10 years
(A) Specific financial risks in different asset classes [as specified]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(B) Specific sectors and/or assets that are at risk of being stranded [as specified]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(C) Assets with exposure to direct physical climate risk [as specified]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(D) Assets with exposure to indirect physical climate risk [as specified]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(E) Specific sectors and/or assets that are likely to benefit under a range of climate scenarios [as specified]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(F) Specific sectors and/or assets that contribute significantly to achieving our climate goals [as specified]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	(5) 11–20 years	(6) 21–30 years	(7) >30 years	
(A) Specific financial risks in different asset classes [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

(B) Specific sectors and/or assets that are at risk of being stranded [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--	--------------------------	--------------------------	--------------------------

(C) Assets with exposure to direct physical climate risk [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
---	--------------------------	--------------------------	--------------------------

(D) Assets with exposure to indirect physical climate risk [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
---	--------------------------	--------------------------	--------------------------

(E) Specific sectors and/or assets that are likely to benefit under a range of climate scenarios [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
---	--------------------------	--------------------------	--------------------------

(F) Specific sectors and/or assets that contribute significantly to achieving our climate goals [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--	--------------------------	--------------------------	--------------------------

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 31	CORE	N/A	N/A	PUBLIC	Strategy	General

**Which climate-related risks and opportunities has your organisation identified beyond its investment time horizon(s)?**

☒ **(A) Specific financial risks in different asset classes. Specify:**

CQS is a credit focused firm, therefore credit risk is a particularly high financial risk, especially as we look closely at probability of default and loss given default. As businesses endure property damage, business disruptions and productivity losses from severe weather events there are higher defaults by businesses and credit risk rises. Additionally, business assets will become stranded due to transition risks, contributing more to credit risk and liquidity risk. Changes in demand and costs from the transition to a low carbon economy creates market risk by repricing of fixed income.

☒ **(B) Specific sectors and/or assets that are at risk of being stranded. Specify:**

If there is a delayed policy response, transition risks will be higher. The risk is rooted in the speed of transition to a greener economy and how this affects certain sectors and financial stability. Therefore, delayed action is riskier, resulting in more stranded assets. If certain carbon-intensive sectors are not given the time to adapt, then they are likely to be at a higher risk of being stranded if carbon pricing is implemented with little signalling.

☒ **(C) Assets with exposure to direct physical climate risk. Specify:**

Beyond the investment timeframe, physical risks become more extreme and chronic. In the long term, physical risks are more likely to be chronic, for example temperature rises, precipitation, agricultural productivity, sea levels. Certain regions will experience more extreme weather events, so physical risks will be higher if assets are in locations and regions where chronic weather events are more likely. Oil and gas are also likely to be exposed to the physical impacts of climate change. Additionally, real assets can be directly impacted by climate events, generated by climate change. The potential cost of insuring their physical assets is high relative to their market values.

☒ **(D) Assets with exposure to indirect physical climate risk. Specify:**

Direct impacts of climate change tend to be local to climate events, however they have knock-on effects across regions and sectors. As physical risks become more chronic, these indirect risks will become more widespread. Physical risks in the long term include sea temperature warming, which will deteriorate the biodiversity of the sea and negatively impact the fishing industry. Additionally, increased temperatures will impact productivity of labour and agriculture. Therefore, increasing operational risk for companies and creating more financial risk.

☒ **(E) Specific sectors and/or assets that are likely to benefit under a range of climate scenarios. Specify:**

- Sectors that are resilient to both physical and transition risks will likely benefit under a range of climate scenarios beyond the investment time horizon. Green energy sectors are likely to benefit under a range of climate solutions, for example biofuel. They will benefit from stronger policy and regulations, as there will be a shift in demand towards more sustainable sources of energy. Additionally, they will survive with physical risks, since they don't rely on scarce resources. Additionally, service sectors like healthcare are exposed to less physical risk, given their relative mobility.

☒ **(F) Specific sectors and/or assets that contribute significantly to achieving our climate goals. Specify:**

- Transitioning the energy sector is important to realise the climate goals of the Paris Agreement. Therefore, green energy, like wind, solar and nuclear, are paramount to creating more sustainable sources of energy. Additionally, making traditional energy sources less carbon intensive, or improving efficiency and storage is important to cut emissions. In the long term, investment in climate solutions is required. Further innovations in carbon capture can be realised and utilised. For example, climate solutions for CCU (carbon capture and utilisation) and carbon sequestration can provide solutions to the growing global carbon footprint.

☐ (G) Other climate-related risks and opportunities identified, please specify:

☐ (H) We have not identified specific climate-related risks and opportunities beyond our organisation's investment time horizon

## Strategy: Scenario analysis

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 33	CORE	N/A	ISP 33.1	PUBLIC	Strategy: Scenario analysis	General

**Does your organisation use scenario analysis to assess climate-related investment risks and opportunities? Select the range of scenarios used.**

☐ (A) An orderly transition to a 2°C or lower scenario

☒ **(B) An abrupt transition consistent with the Inevitable Policy Response**

☒ **(C) A failure to transition, based on a 4°C or higher scenario**

☐ (D) Other climate scenario, specify:

☐ (E) We do not use scenario analysis to assess climate-related investment risks and opportunities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 33.1	PLUS	ISP 33	N/A	PUBLIC	Strategy: Scenario analysis	General

**Describe how climate scenario analysis is used to test the resilience of your organisation's investment strategy and inform investments in specific asset classes.**

☒ **(B) An abrupt transition consistent with the Inevitable Policy Response**

In this scenario it is inevitable that governments will act to deter climate change. However, a forceful policy response to climate change within the near term is not priced into today's markets, leaving investor portfolios more exposed. The transition risk is rooted in the speed of transition to a greener economy and how this affects certain sectors and financial stability. The longer policy and action is delayed, the more disorderly, disruptive and abrupt the transition will be.

When policy is delayed, it also means that short term physical risks will be higher than the orderly transition. However, in the long run physical risks will not be as harmful as in the 4°C scenario.

Therefore, the abrupt transition has a focus on long term physical risks and medium term abrupt transition risks.

Acute physical impacts (e.g. heatwaves, floods, cyclones and wildfires), from extreme weather events, can lead to business disruption and damages to property. These events can increase underwriting risks for insurers and impair asset values.

The IPR outlines an increasing likelihood that governments will strengthen policy by 2025, as policy announcements expect to accelerate. In 2023, there is expected to be a global stocktake on climate, mitigation and finance. In 2025, countries submit their 3rd round of climate pledges (NDCs). We will consider different policy levers/forecasts (i.e. carbon pricing, coal phase out, clean power, ICE phase out, low-carbon buildings, clean industry, low-carbon agriculture, land use and forestry) to assess the resilience of the portfolio with transition risks.

In our process of developing this scenario, we are attempting to understand the implications of IPR's risks, and mapping how an abrupt transition will impact the portfolio, including any increased risk of probability of default and loss given default associated with the underlying investments within the portfolio. CQS Research Analysts and Portfolio Managers are equipped with the risks and scenarios to inform their analysis, tactical and strategic asset allocation.

☒ **(C) A failure to transition, based on a 4°C or higher scenario**

With a failure to transition to a greener and more climate friendly economy, the main risks that exist are physical risks. Therefore, we focus on physical risks, rather than transition risks in this scenario.

There are chronic physical impacts (e.g. temperature, precipitation, agricultural productivity, sea levels) that occur primarily from increased temperatures, sea levels rise and precipitation, which can affect labour, capital and agriculture productivity. These changes will require a significant level of investment and adaption from companies, households and governments.

In our process of developing this scenario, we are exploring different sources such as the IPCC RCP scenarios, the NGFS scenarios and the PRI's Inevitable Policy Response. Direct physical risks happen locally but they have knock on effects so it is important to also understand indirect physical risks that exist. We are beginning to map our portfolios regionally, and assess those regional physical impacts. Focusing on both these direct and indirect impacts of physical risks, will provide a meaningful overview of our exposed physical risks.

## Risk management

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 34	PLUS	ISP 30	N/A	PUBLIC	Risk management	General

Which risk management processes do you have in place to identify and assess climate-related risks?

- ☐ (A) Internal carbon pricing. Describe:
- ☒ (B) **Hot spot analysis. Describe:**  
 We are mapping both transition and physical risks to sector exposures within CQS portfolios.
- ☐ (C) Sensitivity analysis. Describe:
- ☐ (D) TCFD reporting requirements on external investment managers where we have externally managed assets. Describe:
- ☒ (E) **TCFD reporting requirements on companies. Describe:**  
 CQS is a public supporter of TCFD and encourages TCFD aligned reporting as part of its engagement priorities.
- ☐ (F) Other risk management processes in place, please describe:
- ☐ (G) We do not have any risk management processes in place to identify and assess climate-related risks

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 36	PLUS	N/A	N/A	PUBLIC	Risk management	General

How are the processes for identifying, assessing and managing climate-related risks incorporated into your organisation's overall risk management?

- ☒ (A) **The risk committee or the equivalent function is formally responsible for identifying, assessing and managing climate risks. Describe:**  
 The CQS Responsible Investment Governance Committee has formal responsibility for the oversight and supporting Portfolio Managers in the development of Climate risk.
- ☒ (B) **Climate risks are incorporated into traditional risks (e.g. credit risk, market risk, liquidity risk or operational risk). Describe:**  
 Climate risk is fully integrated into the CQS 5-stage ESG process, and a key consideration when applying internal CQS ESG ratings and trajectories.
- ☒ (C) **Climate risks are prioritised based on their relative materiality, as defined by our organisation's materiality analysis. Describe:**  
 Our internal reporting focuses on enabling Portfolio Managers are away of their largest carbon emitters and as such able to identify priorities as part of the CQS Engagement Group.
- ☐ (D) Executive remuneration is linked to climate-related KPIs. Describe:
- ☐ (E) Management remuneration is linked to climate-related KPIs. Describe:
- ☐ (F) Climate risks are included in the enterprise risk management system. Describe:
- ☐ (G) Other methods for incorporating climate risks into overall risk management, please describe:

☐ (H) Processes for identifying, assessing and managing climate-related risks are not integrated into our overall risk management

# Sustainability outcomes

## Set policies on sustainability outcomes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 40	CORE	ISP 1.1	N/A	PUBLIC	Set policies on sustainability outcomes	1, 2

Where is your approach to sustainability outcomes set out? Your policy/guideline may be a standalone document or part of a wider responsible investment policy.

- ☒ (A) Our approach to sustainability outcomes is set out in our responsible investment policy
- ☐ (B) Our approach to sustainability outcomes is set out in our exclusion policy
- ☒ (C) Our approach to sustainability outcomes is set out in our stewardship policy
- ☐ (D) Our approach to sustainability outcomes is set out in asset class-specific investment guidelines
- ☐ (E) Our approach to sustainability outcomes is set out in separate guidelines on specific outcomes (e.g. the SDGs, climate or human rights)

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 41	CORE	ISP 1.1	N/A	PUBLIC	Set policies on sustainability outcomes	1, 2

Which global or regionally recognised frameworks do your policies and guidelines on sustainability outcomes refer to?

- ☒ (A) The SDG goals and targets
- ☒ (B) The Paris Agreement
- ☐ (C) The UN Guiding Principles on Business and Human Rights
- ☐ (D) The OECD Guidelines for Multinational Enterprises, including guidance on Responsible Business Conduct for Institutional Investors
- ☐ (E) Other frameworks, please specify:
- ☐ (F) Other frameworks, please specify:

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 42	PLUS	ISP 1.1	N/A	PUBLIC	Set policies on sustainability outcomes	1, 2

What are the main reasons that your organisation has established policies or guidelines on sustainability outcomes? Select a maximum of three options.

- ☐ (A) Because we understand which potential financial risks and opportunities are likely to exist in (and during the transition to) an SDG-aligned world
- ☒ (B) Because we see it as a way to identify opportunities, such as through changes to business models, across supply chains and through new and expanded products and services
- ☐ (C) Because we want to prepare for and respond to legal and regulatory developments, including those that may lead to stranded assets
- ☐ (D) Because we want to protect our reputation and licence-to-operate (i.e. the trust of beneficiaries, clients and other stakeholders), particularly in the event of negative sustainability outcomes from investments
- ☒ (E) Because we want to meet institutional commitments on global goals (including those based on client or beneficiaries' preferences), and communicate on progress towards meeting those objectives
- ☐ (F) Because we consider materiality over longer time horizons to include transition risks, tail risks, financial system risks and similar
- ☐ (G) Because we want to minimise negative sustainability outcomes and increase positive sustainability outcomes of investments

## Identify sustainability outcomes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 43	CORE	N/A	Multiple, see guidance	PUBLIC	Identify sustainability outcomes	1

Has your organisation identified the intended and unintended sustainability outcomes from any of its activities?

- ☐ (A) No, we have not identified the sustainability outcomes from our activities
- ☒ (B) Yes, we have identified one or more sustainability outcomes from some or all of our activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 44	CORE	ISP 43	ISP 44.1	PUBLIC	Identify sustainability outcomes	1

**What frameworks/tools did your organisation use to identify the sustainability outcomes from its activities? Indicate the tools or frameworks you have used to identify and map some or all of your sustainability outcomes.**

- ☒ (A) The UN Sustainable Development Goals (SDGs) and targets
- ☒ (B) The Paris Agreement
- ☐ (C) The UN Guiding Principles on Business and Human Rights (UNGPs)
- ☐ (D) The OECD Guidelines for Multinational Enterprises, including guidance on Responsible Business Conduct for Institutional Investors
- ☒ (E) The EU Taxonomy
- ☐ (F) Other taxonomies (e.g. similar to the EU Taxonomy), please specify:
- ☐ (G) Other framework/tool, please specify:
- ☐ (H) Other framework/tool, please specify:
- ☐ (I) Other framework/tool, please specify:

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 44.1	CORE	ISP 44	N/A	PUBLIC	Identify sustainability outcomes	1

**At what level(s) did your organisation identify the sustainability outcomes from its activities?**

- ☐ (A) At the asset level
- ☐ (B) At the economic activity level
- ☒ (C) At the company level
- ☐ (D) At the sector level
- ☐ (E) At the country/region level
- ☐ (F) At the global level
- ☐ (G) Other level(s), please specify:
- ☐ (H) We do not track at what level(s) our sustainability outcomes were identified

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 45	CORE	ISP 43	SO 1	PUBLIC	Identify sustainability outcomes	1

How has your organisation determined your most important sustainability outcome objectives?

- ☒ (A) Identifying sustainability outcomes that are closely linked to our core investment activities
- ☐ (B) Consulting with key clients and/or beneficiaries to align with their priorities
- ☐ (C) Assessing the potential severity (e.g. probability and amplitude) of specific negative outcomes over different timeframes
- ☐ (D) Focusing on the potential for systemic impacts (e.g. due to high level of interconnectedness with other global challenges)
- ☐ (E) Evaluating the potential for certain outcome objectives to act as a catalyst/enabler to achieve a broad range of goals (e.g. gender or education)
- ☐ (F) Analysing the input from different stakeholders (e.g. affected communities, civil society or similar)
- ☐ (G) Understanding the geographical relevance of specific sustainability outcome objectives
- ☐ (H) Other method, please specify:
- ☐ (I) We have not yet determined our most important sustainability outcome objectives

## Transparency & Confidence-Building Measures

### Information disclosed – All assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 49	CORE	N/A	N/A	PUBLIC	Information disclosed – All assets	6

For the majority of your total assets under management, what information about your ESG approach do you (or the external managers/service providers acting on your behalf) include in material shared with clients, beneficiaries and/or the public? The material may be marketing material, information targeted towards existing or prospective clients or information for beneficiaries.

- ☒ (A) A commitment to responsible investment (e.g. that we are a PRI signatory)
- ☒ (B) Industry-specific and asset class-specific standards that we align with (e.g. TCFD, or GRESB for property and infrastructure)
- ☒ (C) Our responsible investment policy (at minimum a summary of our high-level approach)
- ☒ (D) A description of our investment process and how ESG is considered
- ☒ (E) ESG objectives of individual funds
- ☐ (F) Information about the ESG benchmark(s) that we use to measure fund performance
- ☒ (G) Our stewardship approach
- ☐ (H) A description of the ESG criteria applied (e.g. sectors, products, activities, ratings and similar)

- ☐ (I) The thresholds for the ESG criteria applied in our investment decisions or universe construction
- ☒ (J) A list of our main investments and holdings
- ☒ (K) ESG case study/example from existing fund(s)
- ☐ (L) We do not include our approach to ESG in material shared with clients/beneficiaries/the public for the majority of our assets under management

## Client reporting – All assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 50	CORE	Multiple, see guidance	N/A	PUBLIC	Client reporting – All assets	6

What ESG information is included in your client reporting for the majority of your assets under management?

- ☒ (A) Qualitative ESG analysis, descriptive examples or case studies
- ☒ (B) Quantitative analysis or key performance indicators (KPIs) related to ESG performance
- ☐ (C) Progress on our sustainability outcome objectives
- ☒ (D) Stewardship results
- ☐ (E) Information on ESG incidents where applicable
- ☐ (F) Analysis of ESG contribution to portfolio financial performance
- ☐ (G) We do not include ESG information in client reporting for the majority of our assets under management

## Frequency of client reporting – All assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 51	CORE	Multiple, see guidance	N/A	PUBLIC	Frequency of client reporting – All assets	6

For the majority of each asset class, how frequently do you report ESG-related information to your clients?

(B) Fixed income

(1) Quarterly

(F) Hedge funds

(4) On an ad hoc basis or upon request

## Confidence-building measures

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 52	CORE	OO 16.1	Multiple, see guidance	PUBLIC	Confidence-building measures	6

**What verification has your organisation had regarding the information you have provided in your PRI Transparency Report this year?**

- ☐ (A) We received third-party independent assurance of selected processes and/or data related to our responsible investment processes, which resulted in a formal assurance conclusion
- ☐ (B) We conducted a third-party readiness review and are making changes to our internal controls/governance or processes to be able to conduct an external assurance next year
- ☒ (C) The internal audit function team performed an independent audit of selected processes/and or data related to our responsible investment processes reported in this PRI report
- ☒ (D) Our board, CEO, other C-level equivalent and/or investment committee has signed off on our PRI report
- ☐ (F) We conducted an external ESG audit of our ESG/sustainability marketed funds or products (excluding ESG/RI certified or labelled assets)
- ☐ (G) We conducted an external ESG audit of our holdings to check that our funds comply with our RI policy (e.g. exclusion list or investee companies in portfolio above certain ESG rating)
- ☐ (H) We conducted an external ESG audit of our holdings as part of risk management, engagement identification or investment decision-making
- ☒ (I) Responses related to our RI practices documented in this report have been internally reviewed before submission to the PRI
- ☐ (J) None of the above

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 56	CORE	OO 14, ISP 52	N/A	PUBLIC	Confidence-building measures	6

**What responsible investment processes and/or data were audited by internal auditors/outsourced internal auditors?**

(A) Investment and stewardship policy (1) Processes assured

(D) Fixed income (1) Processes assured

(H) Hedge funds (1) Processes assured

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 57	PLUS	ISP 52	N/A	PUBLIC	Confidence-building measures	6

**Provide details about the internal audit process regarding the information provided in your PRI Transparency Report.**

The CQS PRI Transparency Report is reviewed and audited by those involved and with responsibility for the Responsible Investment within the organisation. In addition, the report has been reviewed by the Internal Audit function prior to submission, with comments fully incorporated.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 58	CORE	ISP 52	N/A	PUBLIC	Confidence-building measures	6

**Who has reviewed/verified the entirety of or selected data from your PRI report?**

(A) Board and/or trustees (3) parts of the report

(B) Chief-level staff (e.g. Chief Executive Officer (CEO), Chief Investment Officer (CIO) or Chief Operating Officer (COO)) (1) the entire report

(C) Investment committee (3) parts of the report

(D) Other chief-level staff, please specify:  
Head of Research (1) the entire report

(E) Head of department, please specify:  
Principal, Product & Responsible Investment (1) the entire report

(F) Compliance/risk management team (3) parts of the report

(G) Legal team (3) parts of the report

(H) RI/ ESG team (1) the entire report

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 62	PLUS	ISP 52	N/A	PUBLIC	Confidence-building measures	6

**Describe your organisation's approach to ensuring that your responsible investment processes are implemented as per your policies and guidelines. In your description please include the frequency of ensuring that your processes follow stated policies and include the choice of ESG fund audit, internal audit function and/or third-party external assurance.**

CQS reviews at least annually its policies relating to responsible investment. In order to oversee their implementation, we have introduced a Responsible Investment Governance Committee. This seeks to monitor activity across the organisation through both data and broader adoption oversight. This meeting takes place on a quarterly basis and is represented by a range of Senior Investment Professionals from across the business. Our emphasis in the forthcoming year is to build data and systems which enable ease and insight of monitoring alongside reporting to our clients.

Alongside this structure, our approach is to be transparent with clients, through meetings and communications on our process, our commitments and what we are able to achieve within the markets we operate. We seek to be honest and articulate the value we believe comes in a fully integrated model within investment professionals day to day roles.

As CQS Funds increasingly seek to provide sustainability outcomes, which may include the exposure to sustainability holdings or the engagement activity we undertake, we will continually review the rigour required to ensure commitments to clients are maintained.

The CQS PRI submission has been reviewed by Internal Audit. The process may be subject to an Internal Audit from time to time.

# Fixed Income (FI)

## Pre-investment phase

### Materiality analysis

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 1	CORE	OO 10	FI 1.1	PUBLIC	Materiality analysis	1

**Does your organisation have a formal investment process to identify material ESG factors for its fixed income assets?**

	(2) Corporate	(3) Securitised
(A) Yes, we have a formal process to identify material ESG factors for all of our assets	<input checked="" type="radio"/>	<input checked="" type="radio"/>
(B) Yes, we have a formal process to identify material ESG factors for the majority of our assets	<input type="radio"/>	<input type="radio"/>
(C) Yes, we have a formal process to identify material ESG factors for a minority of our assets	<input type="radio"/>	<input type="radio"/>
(D) No, we do not have a formal process. Our investment professionals identify material ESG factors at their own discretion	<input type="radio"/>	<input type="radio"/>
(E) No, we do not have a formal process to identify material ESG factors	<input type="radio"/>	<input type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 1.1	CORE	FI 1	N/A	PUBLIC	Materiality analysis	1

**How does your current investment process incorporate material ESG factors?**

	(2) Corporate	(3) Securitised
(A) The investment process incorporates material governance factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) The investment process incorporates material environmental and social factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) The investment process incorporates material ESG factors beyond our organisation's typical investment time horizon	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(D) The investment process incorporates the effect of material ESG factors on revenues and business operations	<input checked="" type="checkbox"/>	<input type="checkbox"/>

## ESG risk management

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 2	CORE	OO 10	FI 2.1	PUBLIC	ESG risk management	1

**How are material ESG factors incorporated into your portfolio risk management process?**

	(2) Corporate	(3) Securitised
(A) Investment committee members, or the equivalent function/group, have a qualitative ESG veto	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

(B) Companies, sectors, countries and currency are monitored for changes in ESG exposure and for breaches of risk limits



(C) Overall exposure to specific ESG factors is measured for our portfolio construction, and sizing or hedging adjustments are made depending on individual issuers' sensitivity to these factors



(D) Other method of incorporating ESG factors into risk management process, please specify below:



(E) We do not have a process to incorporate ESG factors into our portfolio risk management



**Please specify for "(D) Other method of incorporating ESG factors into risk management process".**

Addressing insufficient ESG policy of sponsors/issuers

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 2.1	CORE	FI 2	N/A	PUBLIC	ESG risk management	1

**For what proportion of your fixed income assets are material ESG factors incorporated into your portfolio risk management process?**

## (2) Corporate

(A) Investment committee members, or the equivalent function/group, have a qualitative ESG veto

(1) for all of our assets

(B) Companies, sectors, countries and currency are monitored for changes in ESG exposure and for breaches of risk limits

(1) for all of our assets

(C) Overall exposure to specific ESG factors is measured for our portfolio construction, and sizing or hedging adjustments are made depending on individual issuers' sensitivity to these factors

(1) for all of our assets

(D) Other method of incorporating ESG factors into risk management process	(1) for all of our assets
--	---------------------------

### (3) Securitised

(A) Investment committee members, or the equivalent function/group, have a qualitative ESG veto	(1) for all of our assets
---	---------------------------

(B) Companies, sectors, countries and currency are monitored for changes in ESG exposure and for breaches of risk limits	(1) for all of our assets
--	---------------------------

(D) Other method of incorporating ESG factors into risk management process	(1) for all of our assets
--	---------------------------

## ESG incorporation in asset valuation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 3	CORE	OO 10	FI 3.1	PUBLIC	ESG incorporation in asset valuation	1

**How do you incorporate the evolution of ESG factors into your fixed income asset valuation process?**

### (2) Corporate

### (3) Securitised

(A) We incorporate it into the forecast of cash flow, revenues and profitability



(B) We anticipate how the evolution of ESG factors may change the ESG profile of the debt issuer



(C) We do not incorporate the evolution of ESG factors into our fixed income asset valuation process



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 3.1	CORE	FI 3	N/A	PUBLIC	ESG incorporation in asset valuation	1

**In what proportion of cases do you incorporate the evolution of ESG factors into your fixed income asset valuation process?**

**(2) Corporate**

(A) We incorporate it into the forecast of cash flow, revenues and profitability (1) in all cases

(B) We anticipate how the evolution of ESG factors may change the ESG profile of the debt issuer (1) in all cases

**(3) Securitised**

(B) We anticipate how the evolution of ESG factors may change the ESG profile of the debt issuer (2) in the majority of cases

## Performance monitoring

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 4	PLUS	OO 5.2 FI, OO 10	N/A	PUBLIC	Performance monitoring	1

**Provide an example of an ESG factor that your organisation incorporated into your fixed income valuation or portfolio construction and describe how that affected the returns of those assets.**

**Example:**

(A) Example from your active management strategies:

First Quantum Minerals owns and operates a global portfolio of copper mining assets. Going forward, approximately 55% of EBITDA is expected to come from Zambia, with 38% in Panama, and other mines making up the remaining 7%. The company mines gold and nickel by-products at their copper mines, and recently began production at their first zinc mine in Australia. First Quantum's assets are well positioned on the cost curve and management has successfully grown production since 2000.

Our analysis and engagement with the company has shown that copper is a metal with critical significance in a future greener economy. Cleaner technologies such as electric vehicles, solar panels, and wind turbines contain 4x, 3x and 10x more copper respectively than internal combustion engines and traditional power generation methods. **(response continued in row below)**

---

China's grid expansion, which has an aggressive target of 84% of total energy supply to come from renewables by 2060, will continue to be a critical driver of the commodity's demand in future years. As additional governments target electrification of broader parts of the economy, copper will be needed to enable that transition, intertwining the metal with sustainability.

First Quantum's ESG strategy sits with its Environment, Health and Safety and Corporate Social Responsibility Committee of the Board of Directors. The company produces a detailed annual sustainability report tracking emissions, waste, water usage, safety, and local community relations, where they outline a number of industry standards and best practices that they implement into their operations. While many environmental metrics are increasing in proportion to the new Cobre Panama mine, the company's track record of detailed disclosure helps to mitigate risk. The company is rated BB by MSCI, a rating we affirm after supplementing with our own analysis and due diligence. **(response continued in row below)**

---

Mining has its share of environmental risk, but copper has a critical role to play in a more sustainable future. Investing in a company with strong disclosure allows us to get more comfortable with the ESG risks, in combination with a strong fundamental story, supporting our investment with First Quantum Minerals. The company is held across a range of CQS portfolios with a combination of direct exposure within long-only portfolios and derivative and equity exposure within other portfolios. CQS Research Analysts currently view the deleveraging of First Quantum and free cash flow generation remain strong given the supportive copper price outlook and validation for CQS to maintain the existing debt exposures, further noting the company's results were in line with most recent guidance provided in January 2021. EBITDA of \$725mm was slightly ahead of street estimates of \$700mm with CAPEX around \$15mm below the January guidance..

## ESG incorporation in portfolio construction

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 5	CORE	OO 10	FI 5.1	PUBLIC	ESG incorporation in portfolio construction	1

### How do ESG factors influence your portfolio construction?

	(2) Corporate	(3) Securitised
(A) The selection of individual assets within our portfolio is influenced by ESG factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) The holding period of individual assets within our portfolio is influenced by ESG factors	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(C) The portfolio weighting of individual assets within our portfolio or benchmark is influenced by ESG factors	<input checked="" type="checkbox"/>	<input type="checkbox"/>

(D) The allocation of assets across multi-asset portfolios is influenced by ESG factors through the strategic asset allocation process



(E) Other expressions of conviction, please specify below:



(F) The portfolio construction or benchmark selection does not explicitly include the incorporation of ESG factors



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 5.1	CORE	FI 5	N/A	PUBLIC	ESG incorporation in portfolio construction	1

**In what proportion of cases do ESG factors influence your portfolio construction?**

## (2) Corporate

(A) The selection of individual assets within our portfolio is influenced by ESG factors (1) in all cases

(B) The holding period of individual assets within our portfolio is influenced by ESG factors (1) in all cases

(C) The portfolio weighting of individual assets within our portfolio or benchmark is influenced by ESG factors (1) in all cases

(D) The allocation of assets across multi-asset portfolios is influenced by ESG factors through the strategic asset allocation process (1) in all cases

## (3) Securitised

(A) The selection of individual assets within our portfolio is influenced by ESG factors (2) in the majority of cases

(D) The allocation of assets across multi-asset portfolios is influenced by ESG factors through the strategic asset allocation process (2) in the majority of cases

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 6	PLUS	OO 10	N/A	PUBLIC	ESG incorporation in portfolio construction	1

Please provide two examples of how ESG factors have influenced weightings and tilts in either passive or active fixed income.

Please provide examples below:

(A) Example 1:

EDF is a French integrated utility and one of the largest electricity generator in the world. A highly strategic asset for France (in any given year more than 70% of French electricity is generated by the company), EDF is a listed company that it is still majority owned by the French state.

For many years EDF's credit profile has been steadily deteriorating as the company has been forced to operate under a regulatory framework that, in order to comply with EU regulation aimed at favouring competition in national electricity markets, did not allow the company to recoup its cost of capital and to generate positive free cash flows.

Starting from 2016 the deterioration of EDF's finances accelerated as the French state made the company the tool to implement its ambitious energy transition agenda. Already stretched, EDF balance sheets simply had not the room to accommodate the capex needed to ensure that France could continue to benefit from clean dispatchable nuclear energy whilst at the same time doubling its renewable generation capacity. **(response continued in row below)**

Our modelling analysis showed that under the current regulatory regime the cost of the nuclear fleet life extension programme (“Grand Carenage”) alone would have been enough to push EDF credit ratings into junk territory.

Given the credibility of the government commitment to its energy transition goals (France has been the first country to enshrine its transition goals into state law) we concluded that France was likely to devise a new and much more favourable regulatory framework for EDF to put the company in a position to pay for its transition bill. This would have had the side effect of materially improving EDF ability to generate strong free cash flow on a recurrent basis, hence reverting its rating trajectory.

On that basis, since June 2019 we started to invest across EDF capital structure and in particular into its subordinated debt securities which we believed stood to benefit the most from a better credit profile. From the beginning of 2020 the market also started to price in a higher probability of a new, more favourable regulatory framework for EDF. **(response continued in row below)**

---

Finally, in 4Q20, the French government publically admitted that it was locked into advanced negotiations with the EU Commission in order to get clearance to enforce a new regulatory regime that shielded EDF from competition and allowed the company to set electricity prices that fully covered its cost of capital. As of today those negotiations are continuing but it seems now clear that eventually the regulatory changes the French government is seeking (“Project Hercules”) will be implemented. This is a key factor for our Global Convertibles Fund which at the time of reporting, has EDF as it's largest single name position, with the Convertible included in EDF's Green Bond Framework alongside the downside protection..

---

(B) Example 2:

CQS has been increasing its exposure to two companies, Euro Garages Group (EG Group), and Motor Fuel Group (MFG). EG Group have been subject to a CQS Engagement Programme which focuses on their corporate governance and transition plans with the increased utilisation of Electric Vehicles (EV). MFG is also a market leader in Electric Vehicle Charging points. On a combined basis, these companies have increased from around 1% of NAV to 2% of NAV as at 31 March 2020, and are in the process of being increased further following strong fundamentals and positive direction on recent engagement activity.

The investment rationale is based on the transition opportunity as both business and consumers commence the shift to EV, which is expected to see widespread adoption.  
**(response continued in row below)**

---

EG Group and MFG are critically placed as two of the largest petrol forecourt operators in the UK, and in the case of EG Group, UK, Europe, the U.S. and Australia.

These are businesses which faces an immediate transition risk as EV technology, production and buying preferences develop. CQS has engaged with both MFG and EG Group to understand their transition plans and opportunity to service EV with a similar business model, essentially the introduction of ultra-rapid charging points (able to deliver up to 100 miles in 10 minutes of charge), point of time payment model and supplied by renewable energy. We are in active discussions with EG Group with potential financing of their EV business development, including via means such as a KPI linked loan or bond. **(response continued in row below)**

---

The company has recently confirmed the forthcoming appointment of a Global Head of ESG and the announcement of a separate mobility division to handle the business EV rollout. Our discussions with MFG have validated our comfort that the business has funds from cash flow to help support its further EV rollout initiatives.

This is an example of the transition to a low carbon economy presenting an imminent transition risk, thereby creating an investment opportunity for companies able to rapidly adapt their business plan. The CQS Credit-Multi Asset Fund is the Fund providing debt capital to these issuers. Overtime, the Fund has actively tilted a lower percentage (or underweighted) its exposure to energy related issuers, while also now increasing exposure to companies directly responding to the opportunities being created in the shift to EV..

---

## ESG incorporation in assessment of issuers

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 7	CORE	OO 10	N/A	PUBLIC	ESG incorporation in assessment of issuers	1

When assessing issuers'/borrowers' credit quality, how does your organisation incorporate material ESG risks in the majority of cases?

	(2) Corporate	(3) Securitised
(A) In the majority of cases, we incorporate material governance-related risks	<input type="radio"/>	<input type="radio"/>
(B) In addition to incorporating governance-related risks, in the majority of cases we also incorporate material environmental and social risks	<input checked="" type="radio"/>	<input checked="" type="radio"/>
(C) We do not incorporate material ESG risks for the majority of our credit quality assessments of issuers/borrowers	<input type="radio"/>	<input type="radio"/>

## ESG performance

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 8	CORE	OO 10	N/A	PUBLIC	ESG performance	1

In the majority of cases, how do you assess the relative ESG performance of a borrower within a peer group as part of your investment process?

	(2) Corporate	(3) Securitised
(A) We use the relative ESG performance of a borrower to adjust the internal credit assessments of borrowers by modifying forecasted financials and future cash flow estimates	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(B) We use the relative ESG performance of a borrower to make relative sizing decisions in portfolio construction	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) We use the relative ESG performance of a borrower to screen for outliers when comparing credit spreads to ESG relative performance within a similar peer group	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) We consider the ESG performance of a borrower only on a standalone basis and do not compare it within peer groups of other benchmarks	<input type="checkbox"/>	<input type="checkbox"/>
(E) We do not have an internal ESG performance assessment methodology	<input type="checkbox"/>	<input type="checkbox"/>

## ESG risk management

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 9	CORE	OO 10	FI 9.1	PUBLIC	ESG risk management	1

**For your corporate fixed income, does your organisation have a framework that differentiates ESG risks by issuer country and sector?**

- ☒ (A) Yes, it differentiates ESG risks by country/region (for example, local governance and labour practices)
- ☒ (B) Yes, it differentiates ESG risks by sector
- ☐ (C) No, we do not have a framework that differentiates ESG risks by issuer country/region and sector

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 9.1	CORE	FI 9	N/A	PUBLIC	ESG risk management	1

For what proportion of your corporate fixed income assets do you apply your framework for differentiating ESG risks by issuer country/sector?

	(1) for all of our corporate fixed income assets	(2) for the majority of our corporate fixed income assets	(3) for a minority of our corporate fixed income assets
(A) We differentiate ESG risks by country/region (for example, local governance and labour practices)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(B) We differentiate ESG risks by sector	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Securitised products

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 11	CORE	OO 10	N/A	PUBLIC	Securitised products	1

How do you incorporate ESG factors into the financial analysis of securitised products?

- ☐ (A) We analyse ESG risks and returns for both the issuer or debtor and the underlying collateral or asset pool
- ☒ (B) We perform ESG analysis that covers the issuer or debtor only
- ☐ (C) We perform ESG analysis that covers the underlying collateral or asset pool only
- ☐ (D) We do not incorporate ESG factors into the financial analysis of securitised products

# Post-investment phase

## ESG risk management

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 12	CORE	OO 10	N/A	PUBLIC	ESG risk management	1

**Do your regular reviews incorporate ESG risks?**

	(2) Corporate	(3) Securitised
(A) Our regular reviews include quantitative information on material ESG risks specific to individual fixed income assets	<input type="checkbox"/>	<input type="checkbox"/>
(B) Our regular reviews include aggregated quantitative information on material ESG risks at a fund level	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Our regular reviews only highlight fund holdings where ESG ratings have changed	<input type="checkbox"/>	<input type="checkbox"/>
(D) We do not conduct regular reviews. Risk reviews of ESG factors are conducted at the discretion of the individual fund manager and vary in frequency	<input type="checkbox"/>	<input type="checkbox"/>
(E) We do not conduct reviews that incorporate ESG risks	<input type="checkbox"/>	<input type="checkbox"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 13	CORE	OO 10	N/A	PUBLIC	ESG risk management	1

**Do you regularly identify and incorporate ESG incidents into the investment process for your fixed income assets?**

	(2) Corporate	(3) Securitised
(A) Yes, we have a formal process in place for regularly identifying and incorporating ESG incidents into all of our investment decisions	<input checked="" type="radio"/>	<input type="radio"/>
(B) Yes, we have a formal process in place for regularly identifying and incorporating ESG incidents into the majority of our investment decisions	<input type="radio"/>	<input checked="" type="radio"/>
(C) Yes, we have a formal process in place for regularly identifying and incorporating ESG incidents into a minority of our investment decisions	<input type="radio"/>	<input type="radio"/>
(D) Yes, we have an ad hoc process in place for identifying and incorporating ESG incidents	<input type="radio"/>	<input type="radio"/>
(E) We do not have a process in place for regularly identifying and incorporating ESG incidents into our investment decision-making	<input type="radio"/>	<input type="radio"/>

## Time horizons

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 14	CORE	OO 10	N/A	PUBLIC	Time horizons	1

**In the majority of cases, how does your investment process account for differing time horizons of holdings and how they may affect ESG factors?**

	(2) Corporate	(3) Securitised
(A) We take into account current risks	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) We take into account medium-term risks	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) We take into account long-term risks	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) We do not take into account differing time horizons of holdings and how they may affect ESG factors	<input type="checkbox"/>	<input type="checkbox"/>

## Long-term ESG trend analysis

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 15	CORE	OO 10	N/A	PUBLIC	Long-term ESG trend analysis	1

**Do you continuously monitor a list of identified long-term ESG trends related to your fixed income assets?**

	(2) Corporate	(3) Securitised
(A) We monitor long-term ESG trends for all of our assets	<input checked="" type="radio"/>	<input checked="" type="radio"/>

(B) We monitor long-term ESG trends for the majority of our assets	○	○
(C) We monitor long-term ESG trends for a minority of our assets	○	○
(D) We do not continuously monitor long-term ESG trends in our investment process	○	○

Examples of leading practice

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 17	PLUS	OO 10	N/A	PUBLIC	Examples of leading practice	1 to 6

Describe any leading responsible investment practices that you have adopted for some or all of your fixed income assets.

Description per fixed income asset type:

(B) Corporate	<p>Within the Alternative Credit industry, CQS has sought to develop a process to Responsible Investment which stands firm against some of the largest traditional asset managers within the industry. Our approach is targeted and pragmatic, focusing on our expertise in bottom up- fundamental credit analysis.</p> <p>It is important we continually strive for improvement and recognise the challenges of the markets in which we operate. <b>(response continued in row below)</b></p>
---------------	--

One leading initiative, within Developed Market Sub-Investment Grade is our commencement of a Climate Audit.

We are cognisant of the challenges in sub-Investment Grade data supply, and the backward looking nature of Carbon Intensity metrics. In constructing a portfolio for a client with Net Zero objectives, we have commenced an audit of all portfolio companies within our \$12bn Credit Multi Asset Strategy, to request information relating to when they will be issuing scope 1, 2 and 3 disclosures, TCFD alignment, GHG emission reduction targets (including where relevant net zero targets) and the percentage of revenue and/or capex relating to climate solutions (which are aligned to the EU Sustainable Taxonomy objectives). **(response continued in row below)**

---

This engagement will provide a valuable and detailed understanding of how our portfolio companies are responding to the transition to a low carbon economy and, importantly, provide a forward looking understanding for our largest portfolio. The information will be utilised not only within the Net Zero strategy, but more generally across our Multi-Asset Credit strategy as we seek to manage the portfolio with increasing awareness of the transition to a low carbon economy.

Harnessing this data is an imperative and has benefits across the CQS organisation given the extent of coverage. One development for 2021 will be how we systemise this data within internal processes, and potentially use the targets companies have advised us of to generate a sub-IG pathway analysis..

---

(C) Securitised

In 2019 CQS brought to market our first Fund investing in Regulatory Capital transactions. This is an investment strategy, that through securitised credit, looks to take advantage of opportunities in RCR transactions where banks share their core lending portfolio with a select few investors. Reg Cap is an investment strategy which remains in the early stages of industry adoption. **(response continued in row below)**

---

We have brought within this strategy a very clear approach to Responsible Investment, including the prevalence of engagement with issuing banks during due diligence to remove/reduce sectors such as the defence weapons industry from the end transaction). Our leading approach has been to analyse, within these complex transactions with a wide variety of private companies, to assess and report the distribution of ESG ratings and Weighted Average Carbon Intensity. While this is standard practice for public market strategies in Equity and Corporate Fixed Income, its introduction into a Reg Cap strategy required detailed analysis and reconciliation against data bases available to CQS, in order to guide prospective investors of the Responsible Investment outcomes this portfolio generates..

## Thematic bonds

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 18	PLUS	OO 6 FI	FI 18.1	PUBLIC	Thematic bonds	1

**What proportion of your total thematic investments are labelled green bonds, social bonds and/or sustainability bonds by the issuers in accordance with the four ICMA Social/Green Bond Principles?**

### Proportion out of total thematic fixed income investments:

(A) Proportion of green/SDG bonds linked to environmental goals 0-25%

(B) Proportion of social/SDG bonds linked to social goals 0.0%

(C) Proportion of sustainability/SDG bonds (i.e. combination of green and social bonds linked to multiple SDG categories) 0-25%

(D) None of the above >75%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 19	CORE	OO 6 FI	N/A	PUBLIC	Thematic bonds	1

**How do you determine which non-labelled thematic bonds to invest in?**

- ☒ (A) By reviewing the bond's use of proceeds
- ☒ (B) By reviewing companies' ESG targets
- ☒ (C) By reviewing companies' progress towards achieving ESG targets
- ☐ (D) We do not invest in non-labelled thematic bonds

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 20	CORE	OO 6 FI	N/A	PUBLIC	Thematic bonds	1, 2, 6

**What action do you take in the majority of cases where proceeds of a thematic bond issuer are not allocated to the original plan?**

- ☒ (A) We engage with the issuer
- ☒ (B) We alert regulators
- ☒ (C) We alert thematic bond certification agencies
- ☒ (D) We sell the security
- ☐ (E) We publicly disclose the breach
- ☒ (F) We blacklist the issuer
- ☐ (G) Other action, please specify:
- ☐ (H) We do not take any specific actions when proceeds from bond issuers are not allocated in accordance with the original plan

# Reporting/Disclosure

## ESG screens

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 21	CORE	OO 6 FI	N/A	PUBLIC	ESG screens	6

**How do you ensure that clients and/or beneficiaries understand ESG screens and their implications?**

(A) We publish a list of ESG screens and share it on a publicly accessible platform such as a website or through fund documentation Voluntary URL link(s) to list of ESG screens:

(2) for the majority of our fixed income assets subject to ESG screens

(B) We publish any changes in ESG screens and share it on a publicly accessible platform such as a website or through fund documentation Voluntary URL link(s) to ESG screen changes:

(2) for the majority of our fixed income assets subject to ESG screens

(C) We outline any implications of ESG screens, such as deviation from a benchmark or impact on sector weightings, to clients and/or beneficiaries

(4) for none of our assets subject to ESG screens

# Engagement

## Engaging with issuers/borrowers

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 22	CORE	OO 9 FI	FI 22.1	PUBLIC	Engaging with issuers/borrowers	2

**At which stages does your organisation engage with issuers/borrowers?**

(2) Corporate

(3) Securitised

(A) At the pre-issuance/pre-deal stage

☒

☒

(B) At the pre-investment stage

☒

☒

(C) During the holding period	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) At the refinancing stage	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) When issuers/borrowers default	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 22.1	PLUS	FI 22	N/A	PUBLIC	Engaging with issuers/borrowers	2

Describe your approach to engagement.

**Engagement approach per fixed income asset type or general description for all your fixed income engagement:**

(A) Description of engagement approach for all of our fixed income

At CQS we use our position as a leading credit provider to engage and seek to influence long-term change in the way companies operate or behave. Engagement may focus on a wide range of factors, from financial stability through to environmental or social considerations, and be performed directly, or through collaborative initiatives such as CDP or Climate Action 100+. We seek to engage in order to enhance our understanding of a corporate issuer's approach before making an investment decision, and during an investment where either material E, S or G issues are raised, or the company is subject to a focused engagement programme, which may include a focus on sustainability outcomes, such as a company setting emission reduction targets as we collectively strive towards a low carbon economy. CQS has an internally-developed Engagement Framework that is designed to guide our investment professionals on areas we feel are important. In the case of engagement programmes, we operate an Engagement Group which is responsible for selecting and prioritising specific engagement objectives, as well as assimilating progress. **(response continued in row below)**

Companies are selected on a range of criteria including relative size of exposure, materiality of any issues which may have been identified, or CQS having a position of influence or control. This enables co-ordination across the platform and capital structure. Portfolio Managers will then take direct ownership and accountability for engagement priorities, with support from our specialist sector Research Analysts. These are the individuals charged with decision making and whether a company is included (or not) within a portfolio, as such they are ultimately accountable for engagement outcomes. Portfolio Managers and Research Analysts may be supported by those are CQS who are responsible for the governance and development of the firms Responsible Investment approach..

---

(B) Description of engagement approach for our securitised fixed income

The CQS approach to engagement is consistent across our business and as described above. The investment team responsible for Securitised Credit sit both on the CQS Engagement Group and the CQS Responsible Investment Governance Committee. Engagement prior to an investment in an Asset Backed Security will typically be directly with sponsors or issuing bank, with an initial focus on the ensuring a appropriate ESG policy is in place as part of creating the securitisation. The ABS team may, where required or appropriate, select specific companies within a secularisation which they feel are suited to a targeted engagement programme.

---

(D) Description of engagement approach for our corporate fixed income

The CQS approach to engagement is consistent across our business and as described above. The CQS Credit team are represented through multiple Portfolio Managers and Research Analysts on both the CQS Engagement Group and the CQS Responsible Investment Governance Committee. We aim to engage almost always with management on ESG factors when considering a new issue, which as described, is essential in assessing probability of default and loss given default of any given corporate issuer. The CQS Credit team will typically make up a large proportion of the companies which are subject to targeted engagement programmes as we seek to realise ESG improvements and sustainability outcomes.

---

# Hedge Fund (HF)

## Policy

### Investment guidelines

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 1	CORE	N/A	N/A	PUBLIC	Investment guidelines	1, 4, 6

What activities and/or relationships are covered by your organisation's responsible investment policy(ies) and practices for your hedge fund assets?

- ☐ (A) Our ESG requirements of prime brokers
- ☐ (B) Our ESG requirements with administrators and custodians
- ☒ (C) Our ESG requirements regarding (proxy) voting service providers (or other third-party providers)
- ☒ (D) How breaches in our responsible investment policy are communicated with external parties and clients
- ☒ (E) How ESG is incorporated into our long and/or short exposures
- ☒ (F) How ESG is incorporated into our derivatives exposure
- ☐ (G) Whether sectors, issuers, equities and/or asset types are avoided due to ESG factors
- ☒ (H) How we engage with underlying investees, issuers or real assets
- ☐ (I) Our policies do not cover activities and/or relationships for our hedge fund assets

# Pre-investment phase

## Materiality analysis

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 2	CORE	OO 10	HF 2.1	PUBLIC	Materiality analysis	1

Does your organisation have a formal investment process to identify material ESG factors across your hedge fund strategies?

(3) Long/short credit

(5) Structured credit

(A) Yes, we have a formal process to identify material ESG factors for all of our assets



(B) Yes, we have a formal process to identify material ESG factors for the majority of our assets



(C) Yes, we have a formal process to identify material ESG factors for a minority of our assets



(D) No, we do not have a formal process to identify material ESG factors



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 2.1	CORE	HF 2	N/A	PUBLIC	Materiality analysis	1

How does your current investment process incorporate material ESG factors?

(3) Long/short credit

(5) Structured credit

(A) The investment process incorporates material governance factors



(B) The investment process incorporates material environmental and social factors



(C) The investment process incorporates material ESG factors beyond our organisation's typical investment time horizon



(D) The investment process incorporates the type of ESG factors and how they affect the shape of the risk profile on underlying exposures



## Long-term ESG trend analysis

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 3	CORE	N/A	HF 3.1	PUBLIC	Long-term ESG trend analysis	1

### How do you incorporate long-term ESG trends into your investment activities?

- ☒ (A) We use long-term ESG trends to identify opportunities that influence our sector exposure
- ☒ (B) We use long-term ESG trends to identify risks that influence our sector exposure
- ☒ (C) We use long-term ESG trends as part of our research process to identify investment opportunities
- ☒ (D) We use long-term ESG trends as part of our risk management process to manage investment positions
- ☒ (E) We use long-term ESG trends as part of our portfolio construction
- ☐ (F) We use long-term ESG trends to inform the development of our hedging strategies
- ☐ (G) We do not continuously monitor long-term ESG trends in our investment process

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 3.1	CORE	HF 3	N/A	PUBLIC	Long-term ESG trend analysis	1

For what proportion of assets do you incorporate long-term ESG trends into your investment process?

- ☐ (A) We monitor long-term ESG trends for all of our assets
- ☒ (B) We monitor long-term ESG trends for the majority of our assets
- ☐ (C) We monitor long-term ESG trends for a minority of our assets

## ESG incorporation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 4	CORE	OO 10	HF 4.1	PUBLIC	ESG incorporation	1

How does your investment research incorporate material ESG risks and opportunities into the selection of equities, credit or other individual assets?

(3) Long/short credit

(5) Structured credit

(A) We incorporate governance-related risks and opportunities that may affect the products and services delivered by companies or issuers



(B) We incorporate environmental and social risks and opportunities that may affect the products and services delivered by companies or issuers



(C) We incorporate environmental and social risks and opportunities that may arise from how companies or issuers undertake their operations



(D) We incorporate environmental and social risks and opportunities linked to a company's or issuer's supply chain



(E) We incorporate environmental and social risks and opportunities into our investment research and decision-making for other asset types or financial instruments



(F) Other, please specify below.



(G) Our strategy does not invest in individual or single assets



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 4.1	CORE	HF 4	N/A	PUBLIC	ESG incorporation	1

**In what proportion of cases do you incorporate the following material ESG risks and opportunities into the selection of equities, credit or other individual assets?**

### (3) Long/short credit

(A) We incorporate governance-related risks and opportunities that may affect the products and services delivered by companies or issuers

(2) in the majority of cases

(B) We incorporate environmental and social risks and opportunities that may affect the products and services delivered by companies or issuers

(2) in the majority of cases

(C) We incorporate environmental and social risks and opportunities that may arise from how companies or issuers undertake their operations

(2) in the majority of cases

(D) We incorporate environmental and social risks and opportunities linked to a company's or issuer's supply chain

(3) in a minority of cases

### (5) Structured credit

(A) We incorporate governance-related risks and opportunities that may affect the products and services delivered by companies or issuers

(2) in the majority of cases

(B) We incorporate environmental and social risks and opportunities that may affect the products and services delivered by companies or issuers (2) in the majority of cases

(C) We incorporate environmental and social risks and opportunities that may arise from how companies or issuers undertake their operations (2) in the majority of cases

(D) We incorporate environmental and social risks and opportunities linked to a company's or issuer's supply chain (3) in a minority of cases

## ESG incorporation in portfolio construction

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 6	CORE	OO 10	HF 6.1	PUBLIC	ESG incorporation in portfolio construction	1

### How do ESG factors influence your portfolio construction?

	(3) Long/short credit	(5) Structured credit
(A) The selection of individual assets within our portfolio is influenced by ESG factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) The holding period of individual assets within our portfolio is influenced by ESG factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) The portfolio weighting of individual assets within our portfolio is influenced by ESG factors	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(D) The selection of a specific benchmark is influenced by ESG factors	<input type="checkbox"/>	<input type="checkbox"/>
(E) The construction of short positions is influenced by ESG factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

(F) Other expressions of conviction, please specify below:

☐
☐

(G) The portfolio construction or benchmark selection does not explicitly include the incorporation of ESG factors

☐
☐

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 6.1	CORE	HF 6	N/A	PUBLIC	ESG incorporation in portfolio construction	1

**In what proportion of cases did ESG factors influence your portfolio construction?**

**(3) Long/short credit**

(A) The selection of individual assets within our portfolio is influenced by ESG factors (2) in the majority of cases

(B) The holding period of individual assets within our portfolio is influenced by ESG factors (2) in the majority of cases

(C) The portfolio weighting of individual assets within our portfolio is influenced by ESG factors (2) in the majority of cases

(E) The construction of short positions is influenced by ESG factors (2) in the majority of cases

**(5) Structured credit**

(A) The selection of individual assets within our portfolio is influenced by ESG factors (2) in the majority of cases

(B) The holding period of individual assets within our portfolio is influenced by ESG factors (2) in the majority of cases

(E) The construction of short positions is influenced by ESG factors (2) in the majority of cases

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 8	CORE	OO 10	N/A	PUBLIC	ESG incorporation in portfolio construction	1

**How does your assessment of emerging and potential ESG risks influence your investment strategy?**

	(3) Long/short credit	(5) Structured credit
(A) Emerging and potential ESG risks influence our research, valuation and portfolio weightings of fixed income assets	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Emerging and potential ESG risks influence our research, valuation and portfolio weightings of listed equities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Emerging and potential ESG risks influence our hedging strategies	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Emerging and potential ESG risks influence our research, valuation and portfolio weightings of other asset types or financial instruments	<input type="checkbox"/>	<input type="checkbox"/>
(E) Other, please specify below:	<input type="checkbox"/>	<input type="checkbox"/>
(F) We do not assess emerging and potential ESG risks	<input type="checkbox"/>	<input type="checkbox"/>

# Post-investment phase

## ESG risk management

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 11	CORE	OO 10	N/A	PUBLIC	ESG risk management	1

**Do your regular reviews incorporate ESG risks?**

	(3) Long/short credit	(5) Structured credit
(A) Our regular reviews include quantitative information on material ESG risks specific to individual securities	<input type="checkbox"/>	<input type="checkbox"/>
(B) Our regular reviews include aggregated quantitative information on material ESG risks at a fund level	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Our regular reviews only highlight fund holdings where ESG ratings have changed	<input type="checkbox"/>	<input type="checkbox"/>
(D) We do not conduct regular reviews. Risk reviews of ESG factors are conducted at the discretion of the individual fund manager and vary in frequency	<input type="checkbox"/>	<input type="checkbox"/>
(E) We do not conduct regular reviews of ESG risks	<input type="checkbox"/>	<input type="checkbox"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 12	CORE	N/A	N/A	PUBLIC	ESG risk management	1

**Do you regularly identify and incorporate ESG incidents into the investment process for your hedge fund assets?**

- (A) Yes, we have a formal process in place for regularly identifying and incorporating ESG incidents into all of our investment decisions
- (B) Yes, we have a formal process in place for regularly identifying and incorporating ESG incidents into the majority of our investment decisions
- (C) Yes, we have a formal process in place for regularly identifying and incorporating ESG incidents into a minority of our investment decisions
- (D) Yes, we have an ad hoc process in place for identifying and incorporating ESG incidents
- (E) Other, please specify:
- (F) We currently do not have a process in place for regularly identifying and incorporating ESG incidents into our investment decision-making

## Reporting/Disclosure

### Disclosure on ESG products

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 13	CORE	N/A	N/A	PUBLIC	Disclosure on ESG products	6

**For your hedge fund financial products, what do you report to clients and/or other stakeholders?**

- |  |   |
|--|---|
| (A) Our regular stakeholder reporting includes qualitative examples of engagement and/or ESG incorporation | (2) for all client and/or other stakeholder reporting on hedge funds, including ESG hedge funds |
| <hr/>  |   |
| (B) Our regular stakeholder reporting includes quantitative ESG engagement data                            | (2) for all client and/or other stakeholder reporting on hedge funds, including ESG hedge funds |
| <hr/>  |   |
| (C) Our regular stakeholder reporting includes quantitative ESG incorporation data                         | (2) for all client and/or other stakeholder reporting on hedge funds, including ESG hedge funds |
| <hr/>  |   |