

CQS Environmental, Social and Governance (ESG) Policy

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

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

Investment Approach

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

The ability to assess and integrate ESG factors varies between different investment strategies and is based on a complex set of considerations. In some instances, for example when risk within a client portfolio is hedged against the market as a whole, there may be little or no scope to consider ESG issues.

While ESG factors play an important part in our investment approach, CQS recognises that portfolios also have to meet clients' investment objectives. As a result, we view our approach to ESG factors as being "ESG aware" rather than being driven by ESG considerations alone.

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

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

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

Stage 1 – Data

Incorporation of third party ESG factors, metrics and data into CQS systems. This includes the incorporation of one or more external industry feeds, for example MSCI ESG Manager, Bloomberg, Thomson Reuters and RepRisk.

By way of example MSCI ESG Manager provides ESG ratings for around 13,000 issuers and 500,000 equity and fixed income securities globally. Its methodology looks at 37 ESG issues and 156 model variants. Raw data and ratings form the basis on which Stage 2 of the ESG process begins.

Stage 2 - Integration

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

Stage 3 - Evaluation

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

- **Environmental** - Climate Change, Water Stress, Biodiversity and Land Use, Toxic Emissions and Waste and Environment Opportunities
- **Social** – Labour management, Health and Safety, Privacy and Data Security, Stakeholder Opposition and Social Opportunities, Mobility and Diversity.
- **Governance** – Corporate Governance and Corporate Behaviour including Ethics, Corruption, Instability, Diversity and Remuneration.

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

Stage 4 – Engagement

Where practical and having regard to the asset class or investment type, CQS undertakes engagement on ESG issues through the use of proxy voting, influence or control positions (where we are a significant holder) and ultimately investment decision making.

Where appropriate, we will proactively engage in dialogue with companies to better understand, manage and address ESG issues, to support business growth, good governance, standards of conduct, and to invest accordingly.

Stage 5 - Monitoring

As part of the ESG lifecycle, CQS undertakes ongoing monitoring and reporting of ESG factors on investments. This includes periodic research re-assessments, a watching brief across news wires for developing ESG considerations and weekly internal fund level ESG risk reporting.

The Head of Sector Research is responsible for ensuring appropriate ongoing monitoring is undertaken.

Exclusion Screening

CQS will also implement negative screens for bespoke mandates, whether motivated by ESG or other factors, in consultation with clients. CQS has a number of different screens in operation at the current time, which are monitored by CQS Compliance.

Training and Dialogue

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

Our ESG assessment will be guided by industry best practice, international standards and frameworks such as those published by the OECD and the UN Global Compact. CQS monitors and may develop its processes using a number of sustainable investment initiatives, including the Carbon Disclosure Project, the Institutional Investors Group on Climate Change, the Paris Pledge for Action, and The Task Force on Climate-Change Financial Disclosure.

Oversight of Investment Integration

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

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

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

Corporate Social Responsibility (CSR)

Environmental awareness, social responsibility and commitment to good governance is at the heart of CQS' culture, business ethics and shared company values.

Our Firm-wide commitment to ESG goes beyond integrating ESG factors into our business and investment practices, and includes promoting and nurturing a conscientious mind-set and a commitment by all employees to good global citizenship and stewardship.

CQS strives to ensure best practice with regard to CSR initiatives and seeks to be a responsible actor and to protect the quality of lives and livelihoods of those working for CQS and those impacted by our business, including in the local and wider communities.

Review of the policy

This ESG policy is reviewed at least once per year with the aim of continuous improvement and integration of lessons learnt. This document was last updated in June 2019.

Contacts

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