

# CQS Engagement Policy

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CQS is committed to operating in a 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, risk assessment valuations and performance, while also acting as a lever to shape and influence the world for generations to come.

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

## Engagement at CQS

At CQS we view engagement (either direct or collaboratively with wider stakeholders) as a key means by which to engender meaningful change in corporate behaviour over the long term while incentivising the right corporate behaviours.

Engagement is part of a wider approach to the assessment and integration of ESG factors. It should be used by CQS investment professionals as a tool to build a fundamental analysis of value, investment opportunity and risk.

This policy sets out how CQS expects itself to engage with corporate issuers, including the process we follow.

It is supplemental to the CQS Shareholder Rights & Stewardship Policy in which we outline how CQS undertakes asset holder engagement, stewardship, and proxy voting for its Funds in accordance with the requirements of relevant law and regulation.

## Approach

Engagement is identified as Stage 4 within the CQS 5-Stage ESG Process (please refer to the CQS Responsible Investment Policy).

Engagement is a key aspect of applying ESG factors effectively and should take place, wherever practicable, both pre-investment and post-investment.

CQS has an engagement framework which is designed to guide investment professionals on recommended areas of engagement by sector and sub-sector. Investment professionals may also tailor their approach depending on the country and/or region and having regard for the broader economic development and policy expectations of the countries in which the company being engaged operates.

All ESG engagements should be recorded within the CQS Research system, whether these are in relation to capital markets, sponsors or at an individual company level.

## Pre-Investment or Transactional Engagements

CQS may undertake engagement with a company as part of its pre-investment process prior to entering investment transactions. Such engagements should be used to better understand a company's E, S and G characteristics and activities, which form part of the CQS internal ESG assessment.

## Targeted Engagement Programmes

CQS has established an Engagement Group which will meet on at least a quarterly basis and whose membership includes CQS Analysts and Portfolio Managers across asset classes.

CQS Portfolio Managers or the CQS Engagement Group may determine that a company should be subject to a targeted engagement programme. This can be based on a number of considerations including, but not limited to:

- A company's overall ESG rating
- Development opportunities where CQS believes it has leverage to work with a company to make improvements to their Environmental, Social or Governance approach, or improved sustainability outcomes, and
- Controversies or material ESG Issues which have been identified during the pre or post investment phase (including any link to violations of UN Global Compact Principles)

Prioritisation of company's subject to such programmes will be considered based on materiality of issues identified (relative to company specific E, S or G issues versus overarching CQS engagement priorities), size of CQS position and our view on ability to materially influence change within a company.

All targeted engagement programmes should have specific considerations and objectives documented at the outset.

Each of these engagement objectives should be mapped to the relevant United Nations Sustainable Development Goal(s). Where applicable, objectives should consider sustainability outcomes, such as disclosures in alignment with the Task Force on Climate-related Financial Disclosures ("TCFD") and greenhouse gas reduction targets which are constructive to the Paris Agreement.

The CQS Engagement Group will review overall progress on a quarterly basis and determine whether engagement objectives should be expanded, reset, completed or stopped.

If goals are not met or progress does not meet our expectations, relevant Portfolio Managers are expected to consider next steps in relation to their investment (see Escalation process below).

In the event a material controversy is identified, for example a violation of UN Global Compact Principles, engagement may be immediate and led by the Portfolio Manager or Analyst without a structured engagement programme.

### Collaborative Engagements

CQS recognises the potential impact collaborative engagement is able to have in re-enforcing our own engagement activity.

CQS is a signatory to a number of initiatives which bring collaborative engagement opportunities, including CDP, Climate Action 100+, the International Corporate Governance Network ("ICGN") and the Principles for Responsible Investment ("PRI").

Where applicable, CQS will participate on collaborative action, in particular where such collaboration is possible on a company which are subject to a targeted engagement programme.

Further, where applicable, CQS will seek to be involved with and support capital markets and/or sponsor developments where related to the improvement of industry processes for responsible investment and sustainability outcomes.

### CQS Engagement Priorities

The overarching priority engagement themes (at the time of publication), which should feed into CQS engagement programmes and objectives are:

1. Sustainable business practices (companies have established and appropriate ESG policies)
2. Good governance and financial disclosure
3. Climate risk management and encouraging disclosure (in alignment with TCFD)
4. Diversity within a company (with established and appropriate Diversity & Inclusion policies)

Engagements will also be idiosyncratic to each corporate issuer for which CQS engages, and engagement topics are tailored accordingly.

Typically, CQS will focus engagements in companies to which we invest, or expect to invest directly, as investments held via derivatives or structured credit (especially in the case of index exposures) typically present a lower level of opportunity to drive long term meaningful change. Such investments may still fall within CQS engagement programmes, or participate in collective action.

## Escalation

Priority engagements may require a number of actions in order to achieve the outcomes or objectives CQS is looking to address. As a principle, we believe in engagement to understand a company's approach or actions, rather than beginning on an exclusionary basis.

Should a material issue be identified which engagements fail to address, this can be cause for selling an investment, if insufficient action or progress is evident after a reasonable period. This can be at the discretion of both the Portfolio Manager and the CQS Engagement Group. The company may also become excluded from the relevant Fund's investment universe.

Prior to selling or exclusion, a number of other engagement approaches may be adopted such as:

- Collaboration (via initiatives such as CDP, Climate Action 100+ or with Private Equity Sponsors),
- Use of proxy voting (where applicable)
- Policy lobbying (including via third parties in which CQS is a member)
- Litigation.

The use of litigation is a measure available in extremis to drive change in relation to the practices of a company, but represents a severe escalation.

This CQS Engagement Policy does not impose any specific restrictions on the escalation actions available.

## Governance of CQS Responsible Engagement Activity

CQS' Board Executive Committee and Senior Investment Officer are responsible for the CQS strategy and approach towards Responsible Investment.

Governance and process development of the CQS Responsible Investment Policy and the CQS Engagement Policy is overseen by the CQS Responsible Investment Governance Committee ("RIGC") which is accountable to the Board Executive Committee. The CQS Engagement Group is accountable to the RIGC.

## Shareholder Rights and Voting

The CQS Shareholder Rights and Stewardship Policy describes in full our approach to Shareholder Rights and Voting practices. This includes the use of Voting as an escalation measure when engaging on E, S or G matters with a company (where a vote is available to us and appropriate in its use).

## Engaging with Policymakers

CQS involvement in lobbying and/or consultation on policymaking and related matters, in any jurisdiction, should be aligned to the firm's approach to Responsible Investment. Any CQS involvement which influences policymaking should be raised to and overseen by the Responsible Investment Governance Committee.

## Communication

CQS will regularly update clients and investors with information relating to CQS engagement programmes. Including (subject to legal and commercial confidentiality requirements) engagement objectives and the outcomes of such activity.

## Conflicts of Interest

CQS will consider, mitigate and manage any conflicts arising in relation to its Engagement approach in accordance with the CQS Conflict of Interest Policy, and to the extent required, escalated to the CQS Regulatory Oversight and Conflict Committee ("ROCC"). ROCC meets on a quarterly basis and can consider any conflicts or regulatory matters arising from this policy, which can then be reported to the relevant individuals, the Responsible Investment Governance Committee, CQS Operating Committee and/or the Board Executive Committee as appropriate.

## Policy Review

This Policy is subject to review not less than once a year by Compliance. Any material changes will be presented to ROCC for approval.

## Policy Information

### Maintenance, Authorisation, and Review Requirements

<b>Department responsible</b>	Product & Responsible Investment
<b>Individual responsible (policy owner)</b>	Principal, Product & Responsible Investment
<b>Minimum frequency of update/review</b>	Annual
<b>Distribution</b>	Internal – External with Policy Owner Consent
<b>Entity applicability</b>	All Group Companies

### Update and Review Information

<b>Last updated</b>	May 2021
<b>Updated by</b>	Principal, Product & Responsible Investment