

Regulation (EU) 2019/2088 (the “Sustainable Finance Disclosure Regulation”) Article 10 product disclosures for financial products that promote environmental or social characteristics

18 December 2023

Product Name / Legal Entity Identifier

CQS RCR II Feeder Fund (USD), LP	25490033K32B66O2ZS47
CQS RCR II Feeder Fund (EUR), LP	254900PMT57LPG0AGR19
CQS RCR II Master Fund (USD), LP	254900MTBH5AWA9HZJ80
CQS RCR II Master Fund (EUR), LP	2549009UR7E7Z7ZFRG60
CQS RCR II Fund Aggregator, LP	254900IHK1HXUH4PD209

(together, known as CQS RCR Fund II and here, the “Fund”)

(a) Summary

This information is provided in accordance with Article 10 of the Sustainable Finance Disclosure Regulation and is supplementary to the information provided in the Private Placement Memorandum and the supplement thereto related to the Fund.

Contained herein is information on the following:

- (i) Environmental and social characteristics of the Fund;
- (ii) Investment strategy;
- (iii) Proportion of investments used to meet environmental and social characteristics;
- (iv) Monitoring of environmental or social characteristics;
- (v) Methodologies;
- (vi) Data sourcing and processing;
- (vii) Limitations to methodologies and data;
- (viii) Due diligence; and
- (ix) Engagement policies.

(b) No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

(c) Environmental or social characteristics (“E/S”) of the financial product

In connection with the requirements of Article 8 of Sustainable Finance Disclosure Regulation, the Fund seeks to promote certain environmental and social characteristics, which consist of (i) restricting investment in thermal coal and oil sands; (ii) restricting investment in certain industries considered to be socially harmful; and (iii) not facilitating investment in controversial weapons.

The sustainability indicators used by the Fund include:

- (i) violations of any of the Ten Principles of the UN Global Compact;
- (ii) operational business involvement in the production of controversial weapons, including cluster munitions, landmines, incendiary weapons (including white phosphorus), blinding

laser weapons, non-detectable fragments, depleted uranium weapons, and/or nuclear and biological/chemical weapons;

- (iii) operational business that derives greater than 10 per cent. of revenue from direct involvement in tobacco sales or adult entertainment; and
- (iv) operational business that derives greater than 5 per cent. of revenue from direct involvement in thermal coal and/or oil sands.

(d) Investment strategy

The investment strategy of the Fund is set out in Private Placement Memorandum (including any supplements thereto); please email CQSClientService@cqsm.com to obtain a copy.

In order to meet the environmental and social characteristics promoted by the Fund, CQS (UK) LLP (the “**Investment Manager**”) will exclude Significant Risk Transfer (“**SRT**”) transactions with Obligators within the Visible Portfolio (as defined below) that:

- (i) are involved in the production, sale, or maintenance of controversial weapons, including cluster munitions, landmines, incendiary weapons (including white phosphorus), blinding laser weapons, non-detectable fragments, depleted uranium weapons, and/or nuclear and biological/chemical weapons;
- (ii) derive greater than 10 per cent. of their revenue from direct involvement in tobacco sales or adult entertainment;
- (iii) derive greater than 5 per cent. of their revenue from direct involvement in thermal coal and oil sands.

The Investment Manager will not invest in SRT transactions that, to the best of its knowledge, references Obligators within the Visible Portfolio (as defined below) who are linked to and/or engage in activities that involve forced labour, child labour, modern slavery, human trafficking, or other labour practices, in each case as prohibited under US, UK, and/or EU laws or deemed to be in breach of the Ten Principles of the UN Global Compact.

The Investment Manager will use third-party data screens to apply the exclusions set out above.

Notwithstanding the foregoing, the Fund may invest in SRT transactions that reference Obligators in the Visible Portfolio (as defined below) who would otherwise be prohibited under the above exclusions via SRT transactions which are structured to support and/or finance environmental transition or social development.

The restrictions set out above will be tested as at the date of purchase of the relevant SRT transaction and limited to investments in which the Investment Manager is able to look through to the underlying Obligators held within the SRT transaction (i.e. non-blind pools) and is able to map relevant environmental, social and governance (“**ESG**”) scoring and environmental data and metrics (such part of the Fund’s portfolio being the “**Visible Portfolio**”).

Whilst the Investment Manager will use its reasonable efforts to ensure the Fund does not invest otherwise than in accordance with the above exclusions, in respect of certain investments the Investment Manager may not be able to identify the Obligators or, in respect of

investment in a portfolio, confirm with the Issuing Bank the conformance of the portfolio with the above exclusions. The Fund is not prohibited from making such investments and, accordingly, such investments or portfolios are exempt from the Investment Manager's binding commitment to the above exclusions and the below non-binding investment guidelines.

The Issuing Banks of SRT transactions in which the Fund invests are required to follow good governance practices, including with respect to the Obligors.

In accordance with the requirements set out in the SFDR, the Investment Manager will assess the good governance practices of any Issuing Bank prior to investing (and on a periodic basis thereafter), considering in particular, but without limitation, the implementation of sound management structures, employee relations, remuneration of staff and tax compliance, where relevant to the SRT transactions.

In assessing these factors, portfolio managers and/or research analysts may, depending on the Issuing Bank and without limitation:

- (i) review external third-party data;
- (ii) examine related newswires;
- (iii) review the relevant Issuing Bank's website and/or public disclosures; and/or
- (iv) engage with senior management at the relevant Issuing Bank.

The Investment Manager is a signatory to the UN Principles for Responsible Investment and, as such, is committed to each of the six principles, including the incorporation of ESG issues into investment analysis and decision-making processes.

(e) Proportion of investments

It is expected that, once the Fund's portfolio is fully invested, at least 15-25 per cent. of the Fund's assets will be in "non-blind" pools and, therefore, aligned with the environmental and social characteristics promoted by the Fund, which do not qualify as sustainable investments. Approximately 75-85 per cent. of the investments of the Fund are expected to be in "blind" pools and, therefore, it will not be possible to definitively determine whether they are aligned with these characteristics.

Those "non-aligned" investments include derivatives, cash, cash equivalents and money market instruments for ancillary liquidity purposes.

The Fund has no minimum share of socially sustainable investments, nor sustainable investments with an environmental objective that are aligned with the EU Taxonomy Regulation.

There is no minimum share of investments in transitional and enabling activities.

(f) Monitoring of environmental or social characteristics

Please refer to the sustainability indicators set out in section (c) above. In addition, the environmental and social characteristics of the Fund are monitored using third-party data

screens to apply the exclusions set out above. Any issuers not covered by such third-party data will be assessed as part of the Investment Manager's integrated responsible investment approach.

(g) Methodologies

The Investment Manager's research, ratings, and view on underlying ESG drivers help to shape its view on probability of default and default loss implications in particular. In carrying out such analysis, and in determining whether underlying Obligor are subject to the exclusions set out above, the Investment Manager will engage with issuing banks on ESG related matters, including collecting questionnaire responses on the respective banks' approach to ESG within their borrower selection and monitoring. The Investment Manager may also collect data relating to controversies from RepRisk or other external data sources.

(h) Data sources and processing

The Investment Manager's core toolkit to facilitate ESG integration includes a subscription to MSCI ESG Manager, which provides ESG ratings for a large number of issuers and fixed income securities globally. MSCI's methodology looks at 35 ESG issues and a number of different model variants. This is used by the Investment Manager's sector analyst team, as a starting position, to analyse and model ESG impact. This facilitates internal ESG analysis of underlying collateral pools within the SRT transactions.

Similarly, the Investment Manager uses third-party data sources to access CO2 emissions data. This enables the calculation of carbon intensity metrics of certain transactions and the Fund.

(i) Limitations to methodologies and data

The main limitations to the methodologies referred to in section (g) above and data sources referred to in section (h) above are lack of visibility of the underlying Obligor. Approximately 75-85 per cent. of the investments of the Fund are expected to be in "blind" pools and, therefore, it will not be possible to definitively determine whether they are aligned with E&S characteristics.

(j) Due diligence

The factors considered by the Investment Manager will vary depending on the SRT transaction in question, but typically include the themes addressed by the sustainability risks as set out in the "*Risk Factors*" section of the Private Placement Memorandum.

In respect of the Fund, the Investment Manager:

- (i) Engages with Issuing Banks on ESG related matters;
- (ii) Assesses, records, and monitors good governance practices of Issuing Banks;
- (iii) Collates ESG questionnaire responses on respective banks' approach to ESG within their borrower selection and monitoring;
- (iv) Updates the exclusions noted previously in the Restricted List application on a regular basis; and

- (v) Considers existing and emerging ESG risks as part of its investment research process and determines the most significant risks to the Fund.

(k) Engagement policies

As an active investor, the Investment Manager may also engage, if deemed appropriate, on behalf of the Fund with Issuing Banks during due diligence to reduce or remove exposures which are outside of ESG parameters, as well as to provide other ESG data relating to the portfolios such as ESG ratings and Weighted Average Carbon Intensity data.

The Investment Manager's Engagement policy and Stewardship and Shareholder Rights policy are available on the Investment Manager's website (www.cqs.com).

(l) Designated reference benchmark

The Fund has not designated a reference benchmark for the purposes of attaining the environmental characteristics which the Fund seeks to promote.