Manulife | CQS Investment Management

# Manulife | CQS Responsible Investment Policy

As an investment manager, Manulife | CQS Investment Management (“**Manulife | CQS**”) puts investment performance at the centre of our approach to managing client portfolios. As credit investors we view environmental, social and governance (“**ESG**”) factors as potential credit risk drivers that may influence financing costs, risk assessment valuations and performance of the issuers in whom Manulife | CQS managed funds and/or mandates invest.

The assessment and integration of, and engagement on, ESG factors is an important part of the commitment across the Manulife | CQS investment platform to being effective stewards of our clients’ capital, both in public and privately held companies.

The extent to which the terms of, and the processes set out in, this policy apply to funds and/or mandates under Manulife | CQS’ management, may vary depending on the investment objectives/strategy of the relevant fund or mandate.

ESG matters are key factors in our decision-making for all Manulife | CQS-managed funds classified as Article 8 under the EU Sustainable Finance Disclosure Regulation, as well as certain bespoke client mandates with similar commitments.

By embedding responsible investment into our bottom-up, fundamentally driven investment process, we enhance our ability to identify risk, potential value and opportunity, and, critically, to generate the best possible returns and outcomes for our clients.

## Responsible Investment

We define responsible investing as an integrated function within our investment process that seeks, through internal fundamental credit analysis and engagement on ESG factors, to identify risk and opportunity across our investment universe that may impact our evaluation of probability of default and loss given default. We work hard to ensure that the companies to whom we lend have sufficient cash flow and liquidity to pay the interest and principal on their debt.

Our approach to responsible investing takes into account client commitments, together with national and international legal and regulatory policy requirements and their development.

## Our Approach

Funds and/or mandates under Manulife | CQS’ management invest across a wide range of asset classes, both directly and using derivatives, including, but not limited to, corporate debt (loans and bonds), structured credit, asset-backed securities and convertible securities. Manulife | CQS operates a five-stage responsible investment integration process. While designed to be integrated across asset classes, the extent to which certain aspects are relevant and applicable depends on the investment strategy. The ability to assess and integrate ESG factors may vary between different investment strategies and requires a nuanced approach.

### Stage 1 – Data Incorporation

Incorporation of third-party ESG factors, metrics and data into our systems and processes. This includes external industry feeds, for example MSCI ESG Manager (including MSCI CarbonMetrics), Bloomberg, Moody’s/S&P, Refinitiv, CDP and RepRisk, newswires and street research.

MSCI, our core data provider, is incorporated within our internal systems and accessible to all Manulife | CQS investment professionals. Other data sources are widely available via Bloomberg and other online access.

### Stage 2 – Integration

Integration into the investment process begins by taking external analysis and assigning an internal ESG rating and an ESG Outlook rating on individual companies. Research analysts will, whenever practical, engage with companies to deepen our understanding of their approach, including their long-term trajectory. ESG ratings and ESG Outlook ratings are factored into the investment rationale presented to portfolio managers and guide cash flow (including probability of default and loss given default) expectations.

Engagement and ESG research notes for the internal ESG rating and ESG Outlook rating are required to be stored in an accessible form and available for use across the Front Office. Consistent with our team-based approach and open culture, discussion and debate is encouraged, both within the research team and with the relevant portfolio managers.

## Stage 3 – Evaluation

Portfolio managers are required to consider (to an appropriate degree having regard to their investment strategy) ESG factors and potential sustainability outcomes as part of their investment decision making.

Factor guidelines include:

- **Environmental** – climate change (including the material long-term risks and opportunities), water stress, biodiversity and land use, toxic emissions and waste, environment opportunities and other relevant sustainability risks or opportunities.
- **Social** – labour management, health and safety, privacy and data security, stakeholder opposition and social opportunities, diversity and relevant sustainability risks.
- **Governance** – corporate governance and corporate behaviour including sound management structures, employee relations, remuneration of staff, tax compliance, ethics, corruption, instability and diversity.

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

## Stage 4 – Engagement

Borrower engagement is integral to our strategy across credit risks and business opportunities. Manulife | CQS seeks to engage with issuers during the pre-investment stages (2 & 3) and where appropriate during the holding period of such an investment.

Engagement is driven by sector or asset class analyst expertise supported by a proprietary Engagement Framework, which highlights to investment professionals key engagement considerations by sector and sub-sector.

Where required by client-driven mandate commitments, Manulife | CQS may undertake stewardship and long-term engagement to exercise active ownership of investee companies to help investors achieve their investment objectives.

Our goal through engagement is to implement meaningful change over the long-term through consistent dialogue with issuers, as part of our commitment to being good stewards of capital. Engagement activity may be conducted directly, and at times, where relevant and subject to approval by the Responsible Investment Governance Committee ("**RIGC**"), collaboratively.

The approach to engagement should be read in conjunction with the Manulife | CQS Shareholder Rights and Stewardship Policy and the Manulife | CQS Engagement Policy.

## Stage 5 – Monitoring

Consistent with the investment approach across the Manulife | CQS platform, investment teams undertake ongoing portfolio monitoring and for relevant funds/mandates reporting of ESG factors on investments. This includes periodic research re-assessments and a watching brief across news wires for developing ESG considerations and controversies.

In line with certain fund and/or mandate commitments, should a company be flagged by our internal process as having a controversy linked to the Ten Principles of UN Global Compact, portfolio managers (of the relevant funds and/or mandates) and research analysts are expected to understand this in further detail and take appropriate action, as further outlined within our Engagement Policy.

The Head of Research, in conjunction with the RIGC, is responsible for ensuring appropriate ongoing company level monitoring is undertaken and the Risk team overseas and monitors fund/mandate positions to ensure that they are aligned with relevant commitments.

## Exclusions

Manulife | CQS may operate exclusion lists in respect of certain funds and/or mandates, in accordance with their offering documentation, individual statement of intent or mandate-driven requirements. These will be periodically monitored by the RIGC and coded, where third-party screens are available, into relevant pre-trade compliance systems.

Where Manulife | CQS becomes aware that an investment might involve a breach of an exclusion list, it may seek to divest itself of such investment.

In extreme cases, and as outlined within the Firm's Engagement Policy, should a company fail to engage with Manulife | CQS on material ESG risks or demonstrate a lack of willingness to address such issues, it may be excluded across all portfolios. Such decisions would be taken by the RIGC.

## Management of Conflict

Manulife | CQS will consider, mitigate and manage any conflicts arising in relation to its responsible investment approach in accordance with the Manulife | CQS Conflict of Interest Policy, and to the extent required, escalate to the Manulife | CQS Operating Committee ("**OpCo**"). The Opco 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 RIGC, and/or the Manulife | CQS Management Committee ("**ManCo**") as appropriate.

## Responsible Investing Customisation

When requested by our clients on a bespoke or customised basis, the investment team will work with clients to shape portfolios to their ESG or responsible investment needs. This may include positive selection methodologies, as well as exclusions based on activity, location or other methodology such as minimal standards based on international norms.

## Training and Reporting

Manulife | CQS welcomes an open dialogue with clients and stakeholders and values the opportunity to engage with experts to support and strengthen our stewardship initiatives. Portfolio managers and research analysts receive support from internal and external experts and participate in relevant training.

Manulife | CQS participates in appropriate signatory body initiatives as required by client and regulatory requirements and this may include public reporting. Details of relevant signatory body pledges and associated reporting, and regulatory obligations will be available on the Manulife | CQS website.

Manulife | CQS is committed to providing transparent and timely reporting on relevant strategies to meet client commitments and compliance with applicable law and regulation.

## Oversight and Governance Structure of Investment Integration

We believe that good governance is essential for effective fund management. Portfolio managers take individual responsibility for the management of their investment activities; this includes the consideration and application of ESG factors, engagement priorities and alignment of strategies to any relevant statement of intent.

Governance and process development of the Manulife | CQS Responsible Investment Policy is overseen by the RIGC which reports to the OpCo and is ultimately accountable to ManCo, the primary executive decision-making body for the Firm. The Risk Committee ("**RiskCo**") advises the ManCo on the Firm's overall current and future risk appetite and strategy.

# Policy Review

This policy is subject to review at least once per year. Any material changes will be presented to RIGC for approval.

# Policy Information

## Maintenance, Authorisation, and Review Requirements

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| **Department responsible** | RIGC |
| **Individual responsible (policy owner)** | Chair of the RIGC |
| **Minimum frequency of update/review** | Annual |
| **Distribution** | Internal – External with Policy Owner Consent |
| **Entity applicability** | All Group Companies |

## Update and Review Information

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| **Last updated** | March 2025 |
| **Updated by** | RIGC |