Cartesia

Cartesia's approach to ESG rests on four pillars with a strict Exclusion Policy, an ESG Best-in-Class Policy, an ongoing Due-Diligence of CLO Managers as well as an Engagement Policy

Exclusion Policy

The Investment Manager excludes the following sectors: Controversial weapons, Prostitution, adult entertainment, Tobacco and Thermal coal by excluding CLOs investing their collateral in Loans issued by companies involved in the Controversial Sectors.

The assessment of the level of involvement in each activity is based on percentage of revenue.

Sustainable investments aligned with Société Générale

In accordance with the Société Générale Group's "Defense" sector policy, which meets the obligations of the Ottawa (1999) and Oslo (2008) conventions applicable to all French management companies, companies involved in activities related to prohibited or controversial weapons (antipersonnel mines, cluster bombs, depleted uranium weapons) are excluded from the fund's investment universe.)

ESG Best-in-Class Policy

The Sub-Fund follows a Best-in-Class approach by investing in European CLOs whose Dealcribe's ESG Score represents approximately the top 50% of the European CLO market.

Dealscribe Rating System

The Sub-Fund will use ESG scores provided by specialized company Dealscribe, a recognized technology-enabled research firm providing unbiased analysis on CLO documentation and based on both human capabilities and Artificial Intelligence. The first part of Dealscribe analysis is to count the number of activities banned in each CLO, as covenanted in such CLO's offering circular. The second part assigns a weighting to the strength of each restriction based on revenue thresholds.

In addition to its own exclusion policy, the Sub-Fund will invest in deals with minimum ESG scores. This minimum threshold is deemed to increase during the life of the Sub-Fund as ESG criteria selection improves in the CLO industry. The Investment Manager will apply an ESG score to each CLO in which the Sub-Fund invests or is about to invest and, additionally, maintain during the life of the Sub-Fund a satisfactory weighted average consolidated ESG score i.e. a score that corresponds to a CLO that would be in the 1st quartile of the European CLO universe at the time of investment.

Ongoing Due Diligences of Managers

The investment process is based on qualitative and quantitative analysis. The Qualitative analysis is based on the Due Diligences on the CLO managers, its ESG Policy and its ability to select an ESG compliant collateral. Prior to investment, the Investment Manager reviews all CLO manager's ESG policies and framework, including a detailed ESG Due Diligence Questionnaire promoted and prepared by both the LSTA (Loan Syndication Trading Association) and the ELFA (European Leverage Finance association). Updates are performed annually.

The consideration of ESG criteria in the selection of securities aims to assess the ability of companies to transform the challenges of sustainable development into vectors of performance. The philosophy of this approach as a socially responsible investor is based on the conviction that taking into account extra-financial criteria beyond traditional financial analysis allows a better assessment of the risks and opportunities for the investor. Extra-financial analysis thus contributes to the creation of value, broadens the selection process and contributes to the robustness of the management process. In addition, ESG analysis makes it possible to assess the companies that are most successful, on the one hand, in limiting the ESG risks they face and, on the other hand, in seizing opportunities related to sustainable development.

Engagement Policy

Every month, the Investment Manager will screen the issuers representing more than 1% of its consolidated collateral portfolio. Each name will be analyzed to identify any company being involved in one or more recent very severe controversies under the MSCI nomenclature (red flag).

The Investment Manager will subsequently engage with the CLO Manager(s) that owns the flagged name and discuss their potential options. Potentially non satisfactory development may result in the disposal of the position in the Sub-Fund, for the best interest of the shareholders.