



CHORUS CAPITAL

Statement on principal adverse impacts of
investment decisions on sustainability factors

Reference year: 2023

Date of upload: 28 June 2024



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PAI Summary

I. Chorus Capital

Chorus Capital Management Limited (Chorus Capital), LEI: 213800PZHGTAMTTJA15, considers the principal adverse impacts (“PAIs”) of its investment decisions on sustainability factors. The present statement is Chorus Capital’s consolidated principal adverse sustainability impacts statement.

This statement covers the reference period 1 January to 31 December 2023. Principal adverse impacts are investment decisions’ most significant negative impacts on sustainability factors relating to i) climate and the environment, and ii) social and employee matters, including respect for human rights, anti-corruption, and anti-bribery matters. All data used to assess PAIs, and compliance, is provided by MSCI. The Appendix outlines further information on the methodology used.

Funds managed by Chorus Capital do not explicitly target specific sustainability objectives and therefore are reported under Article 6 of the European Union’s Sustainable Finance Disclosure Regulation (“SFDR”).

II. Description of the principal adverse impacts of sustainability factors

The mandatory indicators defined by the Commission Delegated Regulation (EU) 2022/1288, consisting of the Regulatory Technical Standards (“RTS”) under the EU SFDR, are set out in Table 1.1 – 1.3 below and cover investments across all funds managed by Chorus Capital.

The additional indicators selected, as per the SFDR RTS and the methodology described in section ‘Description of policies to identify and prioritise PAIs on sustainability factors’ below, are set out in tables 2.0, 3.0, and 4.0.

As per the SFDR RTS, these indicators will be published annually. The information provided in this report covers the period 1 January until 31 December 2023 and is calculated utilising four quarter-end snapshots. Subsequently, year-on-year data will be added until a historic comparison of performance over the past five years is achieved. It is important to note that Chorus Capital manages closed ended funds which may be partially invested during reporting periods. Therefore, comparison across reference periods may be skewed by the investment phase of Chorus Capital’s underlying funds.

III. Our Approach

Chorus Capital believes that the consideration of Environmental, Social, and Governance (“ESG”) factors in its investment process is critical to the long-term success and performance of the funds it manages and that the rigorous incorporation of ESG factors in investment decisions is in the best interest of its clients and end-investors. Accordingly, Chorus Capital’s investment strategy not only aims for robust financial returns but also supports sustainable and socially responsible business practices that align with the long-term interests and values of its stakeholders.

Chorus Capital’s Responsible Investment (“RI”) Policy, available upon request, was first introduced in 2019 and is reviewed annually and enhanced regularly. Chorus Capital seeks to progressively bolster the incorporation of ESG factors in its investment process. To that end, it closely monitors the progress made on the gradual (and ongoing) roll out of ESG-related reporting requirements for companies in various jurisdictions. Given Chorus Capital’s global investment focus, the development of global reporting standards and access to consistent and reliable data are necessary to address the current limitations on the speed at which it can further integrate ESG risk considerations into its investment decisions.

As part of its credit underwriting, Chorus Capital acknowledges that issues relating to sustainability factors might be material as they pertain to the long-term viability of some companies. Chorus Capital believes that material ESG factors can have an adverse impact not only on its investments but also on the planet and people. Therefore, it applies exclusionary screens to the investment portfolios in the funds it manages. As set out in its RI Policy, Chorus Capital targets highly polluting sectors from an environmental perspective and sensitive sectors from a social perspective. It also seeks to identify businesses that, in its view, do not pursue (or properly incorporate) sustainable business practices from an environmental or social standpoint, or whose weak governance might create negative externalities for the planet and/or society. Chorus Capital believes such factors might result in the potential failure of a given company over the longer term and are therefore relevant to its investment analysis. To assess such risk, it uses third-party data to supplement its internal credit research that combines top-down and bottom-up analysis.

Additionally, Chorus Capital engages with issuing banks to conduct due diligence on their respective ESG policies and procedures to better ascertain the ESG risks which their clients face (and to which Chorus Capital takes indirect exposure). To the extent possible, Chorus Capital seeks to source investment opportunities from banks with the most robust ESG policies within their peer group. Securing exposure to companies that Chorus Capital believes are better prepared to deal with material environmental and/or social issues over the longer-term horizon is an indirect consequence of this active choice.



Indicators applicable to investments in investee companies

Table 1.0: Climate and other environment-related indicators

Adverse Sustainability Indicator	Metric	Impact (2023)	Coverage	Reported	Estimated	Explanation	Actions taken and planned
Greenhouse Gas Emissions							
1. GHG Emissions	Scope 1 GHG emissions	28,596.65 tCO2e	96.16%	90.03%	6.13%	Sum of portfolio companies' Carbon Emissions - Scope 1 (tCO2e) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash.	Actions Taken and planned - In 2019, Chorus Capital introduced an RI Policy, an integral framework designed to embed ESG considerations within our investment decision-making processes. Our RI policy outlines Chorus Capital's commitment to sustainability and responsible investment practices, and describes our ESG screening and exclusion criteria, including our zero-tolerance of companies that derive more than 10% of their revenues from sectors such as thermal coal, oil sands, and other significant greenhouse gas (GHG) emitters. - In 2024, Chorus Capital implemented the inclusion of proxy-based carbon metrics in all quarterly fund-level reporting. Given the private nature of most risk sharing transactions ("RST"), underlying company data is often unavailable. Therefore, these metrics allow for a more complete view of GHG emissions at a fund level. - A key component of Chorus Capital's strategy is our engagement with partner banks during the underwriting process. Through this engagement, we look to negotiate the exclusion of high GHG emitting companies from portfolios and, in turn, align bank's practices with our ESG requirements, fostering a culture of sustainability within the financial sector. - To enhance investment analysis, Chorus Capital has integrated third-party ESG data sources by contracting MSCI. We have built this external data into our internal data infrastructure which supplements all internal credit research, providing a comprehensive assessment of GHG emissions and other ESG risks. This ensures that all underwriting includes an assessment of ESG risks. - As part of our credit underwriting, we acknowledge that all environmental issues, including those relating to GHG emissions, might be material as they pertain to the long-term viability of some companies as they face changing consumer preferences and other transition risks. As a result, where possible, we assess the environmental scores of all exposures within a given RST portfolio on a name-by-name basis, actively seeking to exclude any companies that engage in operations that release excessive greenhouse gases into the atmosphere. Whilst Chorus Capital has zero tolerance policies in place for several high-emitting sectors, our bottom-up analysis includes an assessment of whether businesses have a realistic transition plan in place for divestment from these operations. We acknowledge that high emitting businesses that fail to adequately plan for the transition to net-zero face the biggest risks in the coming years. This includes the consideration of external ESG scores, provided by
	Scope 2 GHG emissions	4,693.65 tCO2e	96.16%	88.83%	7.32%	Sum of portfolio companies' Carbon Emissions - Scope 2 (tCO2e) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash.	
	Scope 3 GHG emissions	138,147.42 tCO2e	96.16%	0.00%	96.16%	Sum of portfolio companies' Scope 3 - Total Emission Estimated (tCO2e) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash.	
	Total GHG emissions	171,439.00 tCO2e	96.16%	0.00%	96.16%	The total annual Scope 1, Scope 2, and estimated Scope 3 GHG emissions associated with the market value of the portfolio. Companies' carbon emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	
	Carbon Footprint	Carbon Footprint	970.41 tCO2e per €M EVIC	96.16%	0.00%	96.16%	
2. Carbon Footprint	Carbon Footprint	970.41 tCO2e per €M EVIC	96.16%	0.00%	96.16%	The total annual Scope 1, Scope 2, and estimated Scope 3 GHG emissions associated with 1 million EUR invested in the portfolio. Companies' carbon emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	
3. GHG intensity of investee company	GHG Intensity of investee companies	1,297.29 tCO2e per €M revenue	96.85%	0.00%	96.85%	The portfolio's weighted average of its holding issuers' GHG Intensity (Scope 1, Scope 2 and estimated Scope 3 GHG emissions/EUR million revenue).	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	14.30%	95.80%	95.80%	0.00%	The percentage of the portfolio's market value exposed to issuers with fossil fuels related activities, including extraction, processing, storage and transportation of petroleum products, natural gas, and thermal and metallurgical coal.	
5. Share of non-renewable energy	Share of non-renewable energy consumption and non-renewable energy production of investee companies from	74.37%	70.99%	70.99%	0.00%	The portfolio's weighted average of issuers' energy consumption and/or production from	



Adverse Sustainability Indicator	Metric	Impact (2023)	Coverage			Explanation	Actions taken and planned
			Reported	Estimated			
consumption and production	non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources					non-renewable sources as a percentage of total energy used and/or generated.	MSCI, in addition to an internal assessment based on all publicly available information.
6. Energy consumption intensity per high impact climate sector	NACE Code A (Agriculture, Forestry and Fishing)	N/A	86.41%	86.41%	0.00%	The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code A (Agriculture, Forestry and Fishing)	- The RI policy, which is available upon request, is reviewed annually and enhanced regularly. Chorus Capital seeks to progressively bolster the incorporation of ESG factors in its investment process, incorporating tighter thresholds and new requirements in line with industry best practices. This ongoing refinement ensures that our policy remains relevant, enabling us to effectively manage and mitigate climate-related risks.
	NACE Code B (Mining and Quarrying)	0.85 GWH per €M revenue	86.41%	86.41%	0.00%	The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code B (Mining and Quarrying)	- Chorus Capital is considering enhancing the incorporation of carbon emissions data in its analysis of disclosed RSTs. This would allow us to estimate how a new disclosed investment would impact the investing fund's carbon footprint.
	NACE Code C (Manufacturing)	5.74 GWH per €M revenue	86.41%	86.41%	0.00%	The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code C (Manufacturing)	
	NACE Code D (Electricity, Gas, Steam and Air Conditioning Supply)	1.84 GWH per €M revenue	86.41%	86.41%	0.00%	The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code D (Electricity, Gas, Steam and Air Conditioning Supply)	
	NACE Code E (Water Supply; Sewerage, Waste Management and Remediation Activities)	2.15 GWH per €M revenue	86.41%	86.41%	0.00%	The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code E (Water Supply; Sewerage, Waste Management and Remediation Activities)	
	NACE Code F (Construction)	0.08 GWH per €M revenue	86.41%	86.41%	0.00%	The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code F (Construction)	
	NACE Code G (Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles)	0.38 GWH per €M revenue	86.41%	86.41%	0.00%	The fund's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code G (Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles)	
	NACE Code H (Transportation and Storage)	0.99 GWH per €M revenue	86.41%	86.41%	0.00%	The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code H (Transportation and Storage)	
	NACE Code L (Real Estate Activities)	0.47 GWH per €M revenue	86.41%	86.41%	0.00%	The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code L (Real Estate Activities)	

Biodiversity



7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas	16.10%	N/A	98.57%	0.00%	98.57%	The percentage of the portfolio's market value exposed to issuers' that reported having operations in or near biodiversity sensitive areas and have been implicated in controversies with severe or very severe impacts on the environment.	<p>Actions Taken and planned</p> <ul style="list-style-type: none"> - Whilst Chorus Capital's RI Policy does not explicitly require the exclusion of companies that negatively impact biodiversity, as part of our credit underwriting, we acknowledge that all environmental issues, including those relating to biodiversity loss, can be material as they pertain to the long-term viability of some companies. As a result, where possible, we assess the environmental scores of all exposures within a given RST portfolio on a name-by-name basis. Chorus Capital also ensures that all bottom-up analysis includes an assessment of whether businesses acknowledge the issues and risks associated with inaction. This includes the consideration of external ESG scores, provided by MSCI, in addition to an internal assessment based on all publicly available information. - As part of our engagement with partner banks, we carry out due-diligence that considers whether an issuer integrates environmental considerations into their lending criteria. - We note that MSCI's screening tool flags several automobile manufacturers as operating in biodiversity-sensitive areas. Due to the high degree of ESG transparency in the sector, we note that the upscaling of exposures to achieve 100% coverage (under MSCI's methodology, as outlined in the Appendix II) may not accurately represent biodiversity risks across our exposures. Nevertheless, we intend to actively monitor this PAI in more detail going forward.
Water								
8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.74 tonnes of emissions per €M invested	N/A	2.00%	2.00%	0.00%	The total annual wastewater discharged (metric tons reported) into surface waters resulting from industrial or manufacturing activities associated with 1 million EUR invested in the portfolio. Companies' water emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	<p>Actions Taken and planned</p> <ul style="list-style-type: none"> - Whilst Chorus Capital's RI Policy does not explicitly require the exclusion of companies that contribute emissions to water, as part of our credit underwriting, we acknowledge that all environmental issues, including those relating to water pollution and emissions, might be material as they pertain to the long-term viability of some companies. As a result, where possible, we assess the environmental scores of all exposures within a given RST portfolio on a name-by-name basis. Chorus Capital also ensures that all bottom-up analysis includes an assessment of whether businesses acknowledge the issues and risks associated with inaction. This includes the consideration of external ESG scores, provided by MSCI, in addition to an internal assessment based on all publicly available information. - As part of our engagement with partner banks, we carry out due-diligence that considers whether issuers integrate environmental considerations in their lending practices. - We intend to actively monitor this PAI in more detail going forward.
Waste								
9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR	2.62 tonnes of hazardous	N/A	41.02%	41.02%	0.00%	The total annual hazardous waste (metric tons reported) associated with 1 million EUR invested in the portfolio. Companies' hazardous waste is	<p>Actions Taken and planned</p> <ul style="list-style-type: none"> - Whilst Chorus Capital's RI Policy does not explicitly require the exclusion of companies that produce hazardous waste, our



invested, expressed as a weighted average

waste per €M invested

apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).

exclusionary policy for sectors and companies was designed to preserve natural ecosystems, including the prevention of hazardous and radioactive waste.

- As part of its credit underwriting, Chorus Capital acknowledges that all environmental issues, including those relating to hazardous waste, might be material as they pertain to the long-term viability of some companies. As a result, where possible, we assess the environmental scores of all exposures within a given RST portfolio on a name-by-name basis, actively seeking to exclude any companies that engage in operations that actively produce hazardous and radioactive waste. Chorus Capital also ensures that all bottom-up analysis includes an assessment of whether businesses acknowledge the issues and risks associated with inaction. This includes the consideration of external ESG scores, provided by MSCI, in addition to an internal assessment based on all publicly available information.
- As part of our engagement with partner banks, we carry out due-diligence that considers whether issuers integrate environmental considerations, including waste-related risks, in their lending practices. This approach ensures that our indirect investments do not contribute to the degradation of critical ecosystems, particularly for portfolio exposures with undisclosed underlying companies.

Table 1.1: Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse Sustainability Indicator	Metric	Impact (2023)	Coverage Reported	Estimated	Explanation	Actions taken and planned
Social and employee matters						
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.76%	96.11%	0.00%	96.11%	<p>The percentage of the portfolio's market value exposed to issuers with very severe controversies related to the company's operations and/or products.</p> <p>Actions Taken and planned</p> <ul style="list-style-type: none"> - Chorus Capital's RI policy explicitly requires a consideration of all social factors in our underlying investments. In addition to our exclusionary policy for sectors and companies that negatively impact society, our policy ensures that investments do not support companies with poor social and employee practices, promoting high standards for social and employee matters.
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.14%	95.40%	95.40%	0.00%	<p>The percentage of the portfolio's market value exposed to issuers that are not signatories in the UN Global Compact.</p> <ul style="list-style-type: none"> - As part of its credit underwriting, Chorus Capital acknowledges that all social issues might be material as they pertain to the long-term viability of some companies. As a result, where possible, we assess the social scores of all exposures within a given RST portfolio on a name-by-name basis, actively seeking to exclude any companies that violate labour rights, human rights, or other social factors.
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	10.31%	31.83%	31.83%	0.00%	<p>The portfolio holdings' weighted average of the difference between the average gross hourly earnings of male and female</p> <ul style="list-style-type: none"> - As part of our engagement with partner banks, we carry out due-diligence that considers whether issuers integrate social considerations in their lending practices. During the due



13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	37.07%	96.26%	96.26%	0.00%	employees, as a percentage of male gross earnings. The portfolio holdings' weighted average of the percentage of board members who are female.	diligence process, Chorus Capital checks if the bank and underlying borrowers in the portfolios support the UN Guiding Principles on Business and Human Rights (2011) and the OECD Guidelines for Multinational Enterprises (2011). This collaborative approach helps mitigate the social impact of the companies within the RST portfolios.
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.44%	96.95%	96.95%	0.00%	The percentage of the portfolio's market value exposed to issuers with an industry tie to landmines, cluster munitions, chemical weapons or biological weapons. Note: Industry ties include ownership, manufacturing and investments. Ties to landmines do not include related safety products.	- Investments made prior to the implementation of our RI Policy in 2019 contain a small exposure to companies engaged in the manufacturing of controversial weapons. These investments will amortise and redeem over the course of 2024-25. Given the buy and hold nature of RSTs and the banks' need to transfer significant risk, we are unable to remove borrowers during the life of the investment, unless they repay or prepay their loans. We intend to actively monitor this PAI in more detail going forward.



Indicators applicable to investments in sovereigns and supranationals

Table 1.2: Climate and other environment-related indicators

Adverse Sustainability Indicator	Metric	Impact (2023)	Coverage	Reported	Estimated	Explanation	Actions taken and planned
Environmental							
15. GHG Intensity	GHG intensity of investee countries	212.11 tCO ₂ e per €M GDP	100.00%	100.00%	0.00%	The portfolio's weighted average of sovereign issuers' GHG Emissions Intensity (Scope 1, 2 and 3 emissions/EUR M GDP)	Not applicable: we do not invest directly in sovereigns and supranationals.
Social							
16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0 – Count of unique countries	100.00%	0.00%	100.00%	The portfolio's number of unique sovereign issuers with European External Action Service (EEAS) restrictive measures (sanctions) on imports and exports	Not applicable: we do not invest directly in sovereigns and supranationals.
	Number of investee countries subject to social violations (relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0.00%	100.00%	0.00%	100.00%	The portfolio's percentage of unique sovereign issuers with European External Action Service (EEAS) restrictive measures (sanctions) on imports and exports	Not applicable: we do not invest directly in sovereigns and supranationals.

Indicators applicable to investments in real estate assets

Table 1.3: Climate and other environment-related indicators

Adverse Sustainability Indicator	Metric	Impact (2023)	Coverage	Reported	Estimated	Explanation	Actions taken and planned
Fossil Fuels							
17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	N/A	0.00%	0.00%	N/A	Actions taken and planned - Chorus Capital is fully dedicated to RSTs, meaning we do not have direct exposure to real estate investments. Despite this, we are committed to assessing the impact of fossil fuel exposure within the real estate portfolios underlying our RSTs. We recognize that a failure to address the risks associated with fossil fuel dependencies could result in significant financial difficulties and potential defaults in the future.
Energy Efficiency							
18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A	0.00%	0.00%	N/A	Actions taken and planned - While our primary investments are in RSTs and we do not hold direct real estate investments, we place great importance on the energy efficiency of the underlying real estate portfolios. Recognizing the transition risks associated with failing to comply with new energy efficiency regulations, we proactively consider the potential financial impacts of energy inefficiency on our investments. We utilize all publicly available information and specifically request energy efficiency scores for the real estate assets within our portfolios. This diligent approach enables us to identify and exclude companies with real estate assets that do not meet energy efficiency standards. Furthermore, we individually evaluate each exposure within a RST, assessing the environmental risks and the potential consequences of inadequate energy efficiency measures. This rigorous evaluation process helps us ensure that our investments are resilient and aligned with sustainable practices.



Indicators applicable to investments in investee companies

Table 2.0: Additional climate and other environmental-related impacts

Adverse Sustainability Indicator	Metric	Impact (2023)	Coverage	Reported	Estimated	Explanation	Actions taken and planned
Emissions							
4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	48.81%	96.51%	0.00%	96.51%	The percentage of the portfolio's market value exposed to issuers without a carbon emissions reduction target aligned with the Paris Agreement.	<p>Actions taken and planned</p> <ul style="list-style-type: none"> - See general approach outlined under the emissions section in Table 1.0. This selected additional climate metric supports our understanding of a company's exposure to transition risks caused by lack of carbon emission reduction initiatives aimed at aligning with the Paris Agreement, as well as misalignment with our own climate commitments and objectives. - Due to the low degree of coverage for our exposures (outlined in more detail in Appendix III), MSCI's methodology of upscaling exposures to achieve 100% coverage may not accurately capture the proportion of exposures that do not have carbon emission reduction initiatives aimed at aligning with the Paris Agreement. We note that in 2022 we updated our RI policy to reflect our focus on ensuring companies have transition plans in place. Alignment with the Paris Agreement is included in our underwriting analysis. Nevertheless, we intend to actively monitor this PAI in more detail going forward.

Table 3.0: Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse Sustainability Indicator	Metric	Impact (2023)	Coverage	Reported	Estimated	Explanation	Actions taken and planned
Social and employee matters							
1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	3.00%	95.89%	95.89%	0.00%	The percentage of the portfolio's market value exposed to issuers without a workplace accident prevention policy.	<p>Actions taken and planned</p> <ul style="list-style-type: none"> - See general approach outlined in Table 1.1. This selected additional social metric supports our understanding of a company's exposure to unforeseen social and litigation risks caused by lack of adequate policies. Chorus Capital acknowledges that a lack of workplace accident prevention policies can result in large-scale and financially material litigation costs that can ultimately impact the longevity of a business. As a result, we consider this metric in our bottom-up credit analysis, actively assessing a company's social and employee policies.



Appendix I

Table 4.0: Methodology for Selected Additional PAI Indicators

Adverse Sustainability Indicator	Metric	Justification for selection as additional indicator
Emissions		
4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	<p>i. High Data Coverage: We have selected this indicator due to the high availability of data on carbon emission reduction initiatives across our investment portfolio, ensuring reliable and comprehensive reporting.</p> <p>ii. Material Impact on Financial/Default Risk: The presence or absence of carbon emission reduction initiatives significantly influences our assessment of transition risk, which is a key factor in determining the financial stability and default risk of the underlying companies.</p> <p>iii. Relevance Across Sectors: Carbon emissions and the associated reduction initiatives are critical considerations that are widely relevant across various sectors, impacting both environmental and financial sustainability.</p>
Social and employee matters		
1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	<p>i. High Data Coverage: We have chosen this indicator because of the extensive data coverage on workplace accident prevention policies, which allows us to perform thorough and accurate assessments of our investments.</p> <p>ii. Material Impact on Financial/Default Risk: The existence of workplace accident prevention policies is crucial in evaluating the granular risks associated with human rights and compliance with UN Global Compact (UNGC), OECD guidelines, and global norms. This, in turn, impacts the financial and default risk assessment of the companies.</p> <p>iii. Relevance Across Sectors: Workplace safety and accident prevention are universally relevant issues across all sectors, providing essential insights into a company's commitment to social responsibility and employee well-being.</p>

I. Description of policies to identify and prioritize principal adverse sustainability impacts

The SFDR defines Principal Adverse Impacts as an investment decision or investment advice's negative impact on sustainability factors. These include i) Environmental factors, ii) Social and employee matters, iii) Respect for human rights, and iv) Anti-corruption and anti-bribery. The PAIs are measured through a series of regulatory-defined indicators and outlined in Tables 1.0 – 4.0. These PAIs are designed to measure sustainability impacts in a systematic and comparable manner, although it is worth noting that due to the private nature of Chorus Capital's strategy (risk-sharing transactions), the low coverage across Chorus Capital's funds can make comparability less useful.

This PAI statement includes investments made prior to the introduction of Chorus Capital's RI policy in 2019. RSTs are typically a buy and hold investment strategy with limited liquidity in secondary markets. Banks that issue RSTs need to evidence to their regulators the transfer of significant risk to claim risk-weighted asset relief. Therefore, they are prohibited from buying back exposures referenced in RST transactions. Given this lack of liquidity, some investments have exposure to sensitive sectors predating Chorus Capital's RI focus. These investments are expected to amortise and redeem over the course of 2024-25. As a result, we expect many of the reported metrics impacted by new restrictions outlined in our RI policy to improve over time. Furthermore, as outlined in the RI policy, Chorus Capital has set minimum standards and exclusion policies on sustainability topics, triggering specific screening and monitoring, that can lead to an engagement with banks or the exclusion of specific sectors or borrowers from portfolios referenced in Chorus Capital's investments. These include:

i) Sanctions List Screening

Chorus Capital screens borrowers in banks' portfolios to ensure that none of the underlying exposures are subject to the Canadian, EU, UN, UK Office of Financial Sanctions Implementation ("UK OFSI") and the US Office of Foreign Assets Control ("US OFAC") sanctions lists.

All prospective transactions are screened against the five sanctions lists, with any exposure deemed to be subject to sanctions removed from such transactions. After closing an investment, Chorus Capital also monitors its existing fund exposures, with any potentially sanctioned entities escalated to the wider team for heightened monitoring.

ii) Sector Exclusions

Chorus Capital screens underlying corporates in the portfolios in which it invests using MSCI's Business Involvement Screening ("BIS") process. As a result, we do not accept exposure to corporates operating in the following sectors:

- Controversial Weapons: development, production, stockpiling, maintenance and offering for sale of controversial weapons and their key components. Controversial weapons include anti-personnel mines, biological weapons, chemical weapons, cluster munitions, nuclear weapons in countries not party to the Non-Proliferation Treaty and weapons banned by the Convention on Certain Conventional Weapons ("CCW").
- Oil Sands: companies deriving more than 10% of their annual revenue from the production of fossil fuels from oil or tar sands.
- Thermal Coal Mining: companies deriving more than 10% of their annual revenue from thermal coal mining.
- Tobacco: companies deriving more than 10% of their annual revenue from tobacco production and manufacturing.
- Adult Entertainment: companies deriving more than 10% of their annual revenue from the production, distribution or retailing of adult entertainment products.

iii) Sensitive Sectors

Chorus Capital also screens underlying portfolio borrowers for the following sensitive sectors using the MSCI BIS process to ensure that, on aggregate, exposure to these sectors does not exceed 10% of the portfolio notional weight in each transaction, and 5% at a fund level. These sensitive sectors include "military equipment", "alcohol", and "gambling".

We identify and consider PAIs using the following processes, outlined in more detail in our RI policy which is available upon request.

- Assessment of Partner Bank's ESG Credentials
- Assessment of Portfolios
- Guidelines on Environmental Factors
- Guidelines on Social Factors
- Guidelines on Governance Factors
- ESG Rating Screening
- Guidelines on Exclusions
- Guidelines on Engagement



All ESG-related factors are integrated into our pre-investment due diligence process, enabling us to identify exposure to PAIs and other sustainability impacts. These risks are assessed on a transaction level, and material impacts can preclude investment.

II. Engagement policies

Chorus Capital's approach to engagement is unique, due to the indirect exposure to underlying debt instruments. Chorus Capital participates in risk-sharing transactions with banks, transferring credit risk associated with specific loan portfolios. This indirect exposure necessitates a distinct engagement approach, focusing on the banks originating the loans rather than the underlying companies themselves.

Chorus Capital's engagement policy lies in its interaction and negotiation with partnering banks. This engagement is multifaceted, involving:

i) Dialogue on ESG Standards

- Chorus Capital actively engages with banks to discuss their ESG policies, practices, and the integration of ESG criteria in their lending processes.
- During the underwriting phase, Chorus Capital carries out due diligence to ensure that banks adhere to robust ESG standards and are committed to improving their sustainability practices. In addition to this due diligence, banks are asked to populate an ESG questionnaire, outlining details of ESG policies and practices.

ii) Influencing Lending Criteria

- By negotiating the terms of RSTs, Chorus Capital can influence the lending criteria adopted by banks. This includes advocating for stricter ESG requirements and the exclusion of companies that do not meet certain sustainability benchmarks.

iii) Monitoring and Reporting

- Continuous monitoring of banks' adherence to agreed-upon ESG standards and their performance on PAI indicators is a critical aspect of Chorus Capital's engagement strategy.
- Chorus Capital requires regular reporting from banks on their ESG initiatives and progress, fostering transparency and accountability.

Our engagement with banks can indirectly impact their borrowers in several ways:

i) Reduced Lending Opportunities

By promoting stringent ESG criteria and PAI considerations, we can influence banks to be more selective in their lending practices. Non-conforming companies, which do not meet the desired ESG standards, may find it increasingly challenging to secure financing. As more banks adopt these enhanced criteria, non-conforming companies may face a reduced number of potential lenders, thereby incentivizing them to improve their ESG practices to access funding.

ii) Increased Cost of Lending

For companies that fail to meet ESG criteria, the cost of borrowing may rise. Banks, which take Chorus Capital's engagement into account, might impose higher interest rates or stricter loan terms on these companies to account for the perceived higher risk. This financial pressure can serve as a catalyst for companies to re-evaluate and enhance their ESG strategies to lower their cost of capital.

Through investment in RSTs, Chorus Capital contributes to a more stable and sustainable financial system and economy. We are uniquely positioned to engage with our partner banks to discuss their responsible investing strategies and sustainability targets and assess the ESG risks to which the bank's clients are exposed. The stewardship process is important as it can generate additional alpha from material sustainability-related improvements, reduce investment risk, and drive better impact and financial outcomes.

III. References to international standards

Chorus Capital has integrated ESG and PAI considerations into its investment process. To ensure our approach aligns with global best practices, we reference several international standards that guide our investment strategies and reporting. These standards help us maintain a high level of transparency, accountability, and sustainable investment practices.

United Nations Principles for Responsible Investment (UNPRI)

Chorus Capital has been a UNPRI signatory since Q2 2022. The UNPRI provides a framework for incorporating ESG issues into investment decision-making and ownership practices. As signatories, we strive to:

- Incorporate ESG issues into investment analysis and decision-making processes.
- Be active owners and incorporate ESG issues into our ownership policies and practices.
- Seek appropriate disclosure on ESG issues by the entities in which we invest.
- Promote acceptance and implementation of the Principles within the investment industry.
- Work together to enhance our effectiveness in implementing the Principles.
- Report on our activities and progress towards implementing the Principles.

Specific Integration Practices

- Zero Tolerance Policies: our policies on controversial weapons, thermal coal, oil sands, and tobacco production align with the UN Global Compact principles and the Cluster Munitions Convention.
- Top-Down Screening and Sector Caps: our top-down screening and sector exposure caps are consistent with practices recommended by the UNPRI and the OECD Guidelines, ensuring sustainable and responsible investment practices.
- Carbon Neutral Certification: Chorus Capital Management Limited has been certified CarbonNeutral® since Q1 2022, demonstrating our commitment to reducing our environmental impact and aligning with international climate goals.

Additional Commitments

- Formal ESG Policy: introduced in Q1 2022, our ESG policy outlines our approach to integrating ESG factors into our investment process.
- Support for the UK Social Mobility Foundation: we support initiatives that help students from underprivileged backgrounds, fostering social mobility and providing equal opportunities.

Implementation in Our Processes

By integrating these international standards into our PAI and ESG risk analysis, we ensure that our investments are managed responsibly and sustainably. This commitment not only aligns with regulatory requirements but also meets our investors and stakeholders' growing expectations of transparent and sustainable investment practices.

We believe that adhering to these international standards strengthens our investment processes and enhances our ability to manage and mitigate adverse impacts, ultimately contributing to more sustainable and responsible investment outcomes.

I. Description of methodology and margin of error

Fund Measurements

To assess the Principal Adverse Sustainability Impacts (PASI) at the management company level, we have aggregated the holdings across all of Chorus Capital's outstanding funds. This includes investments made prior to the introduction of our RI policy in 2019.

Chorus Capital manages closed ended funds which may be partially invested during reporting periods and may see transactions added to the fund or redeemed. Therefore, comparison across reference periods may be skewed by the investment phase of Chorus Capital's underlying funds.

Owing to the changing composition of Chorus Capital's funds during the year, the calculation of PAIs is based on the average of the adverse impacts of Chorus Capital's investments at the end of each calendar quarter. The purpose of averaging four quarterly measurements is to provide a stable estimate of PAIs over a financial year. This approach also accounts for investments that may not be held throughout the entire period and for fluctuations in their relative weights over time.

Fund Coverage

Fund coverage, referred to within the PASI statement, is measured as a percentage of the total exposures identified within MSCI's universe. For 2023, MSCI's average universe coverage of Chorus Capital's funds was 22.37% (i.e. on page 2, Scope 1 GHG emissions coverage is reported as 96.16%. This represents 96.16% coverage of the 22.37% within MSCI's universe).

Treatment of Missing Data ('Re-Weighting')

Market participants are generally expected to pursue best efforts to close data gaps (Article 7.2 SFDR RTS). Where data is unavailable, MSCI's approach does not assume that the adverse impact is zero. This is more closely aligned with regulatory expectations.

For indicators based on quantitative data, MSCI fills data gaps through reweighting the securities without data at fund/portfolio level, essentially using an average of reported data for covered securities and certain indicators to account for the securities with missing data.

For example, on page 2, Scope 1 GHG emissions are measured at 28,596.65 tCO₂e. This number is calculated by taking the Scope 1 GHG emissions for the actual coverage at a management company level (22.37% * 96.16%) and rescaling to achieve full fund coverage.

II. Description of data sources

Chorus Capital uses MSCI data to calculate the prescribed PAIs in this report. Due to the private nature of the RST universe, coverage is limited, and data sourcing is on a commercially reasonable effort basis.

MSCI is a market leader in ESG and carbon data provision and adheres to international standards of reporting which comply with the measurements required under SFDR. Full details of MSCI's SFDR Adverse Impact Metrics Methodology are available [here](#).