

Does ESG Engagement deliver results? |MV|Credit

At the beginning of the year, MV Credit explored the role of ESG Engagement for private credit managers as a necessary and desirable component of a comprehensive ESG strategy integrated into the investment process, as well as over the life of ownership (available [here](#)). The article highlighted that MV Credit fully appreciates the importance of ESG Engagement and has formalised its own approach in its dedicated ESG Engagement policy available [here](#). This policy applies to all direct lending strategies managed by MV Credit.

However, while the benefits of ESG engagement are apparent in theory, it is less clear how these efforts are reflected at the level of portfolio company ESG performance. Therefore, this article will explore: does ESG Engagement deliver results?

MV Credit Approach to Engagement

MV Credit's Engagement practices are based on borrowers' current ESG performance as assessed by our annual ESG questionnaire. MV Credit has worked with a third party to develop a propriety scoring system, whereby each portfolio company is scored on a scale following their response to 60 tracked KPIs in the questionnaire. This tool has enabled additional engagement with the Sponsors of the businesses that MV Credit lends to as well as with portfolio companies directly. Specifically, MV Credit aims to focus its engagement on portfolio companies – as well as their respective Sponsors - that show the lowest ESG performances over the life of the investment.

In addition, on an ad-hoc basis and upon borrowers' requirement, MV Credit can provide some dedicated education sessions to provide guidance on how to improve the borrower's ESG Score.

In practice, MV Credit will engage with all borrowers either through quarterly management calls, annual lender calls, ad-hoc Q&As or direct conversations with the relevant Sponsor. MV Credit's dedicated ESG Officer also organises frequent meetings with key private equity partners to (i) share data collected on both sides and (ii) define priority work streams, potentially together with other majority lenders.

Results of MV Credit's Engagement Campaign

In 2023, MV Credit has meaningfully engaged with several portfolio companies as a result of its data collection campaign which concluded in June 2023. MV Credit has found its approach to Engagement to be well received by the majority of its portfolio companies and Sponsors with the main takeaways included:

1. MV Credit found that many portfolio companies are **still on the journey** to formalising ESG integration and were open to incorporating MV Credit's feedback and KPIs when building the companies' ESG strategy.
2. Portfolio companies are **bolstering internal resources** to better support ESG integration. As ESG still falls in the scope of the CFO's responsibilities for the majority of the companies, MV Credit has found that in some cases, portfolio companies who underperformed in the most recent ESG scoring exercise have only recently hired internal ESG expertise. **Use of ESG service** providers is also increasing to support better data collection across key metrics like GHG emissions. MV Credit therefore expects an improvement in scoring to be reflected in next year's data collection exercise as a result of this growth in resources.
3. Portfolio companies were often able to provide **additional data** following a direct conversation with MV Credit's ESG team.

Case study 1: Food Products company

Following the ESG assessment of this portfolio company in 2022, MV Credit received a proactive request for further feedback on how the business can improve its ESG score. MV Credit's ESG Officer thoroughly reviewed the ESG scoring with the portfolio company and was able to offer guidance on 'quick win' KPIs such as the introduction of intrusion tests for the company's IT system as well as the implementation of Health, Safety and Security certifications. The portfolio company was also able to present its forthcoming sustainability projects which would address many of its improvement areas and offer better ESG data.

In 2023, MV Credit saw great improvements of the company's ESG score, now scoring 74/100, well above the benchmark of 50 points and improving by 32% in comparison to prior year. MV Credit noted in particular that the company:

- Produced its first sustainability report;
- Implemented first solar panel project; and
- Introduced a new whistleblowing system.

Having engaged with the company's ESG officer in 2023, MV Credit identified areas of further improvement which will likely be implemented in the time for the next year's assessment. This includes improving the data collection around health & safety KPIs, improving the level of women and independent members of the Board as well as increasing the overall diversity of the workforce.

Overall, MV Credit maintains a good relationship with company's Sustainability officer and looks forward to seeing further improvements in its ESG performance and scoring.

Case study 2: Company Software Company

MV Credit engaged with this portfolio company in both 2022 and 2023, continuing to establish a direct relationship with the company's senior management team. Following a low score of 18 in 2022, MV Credit provided comprehensive feedback to the company identifying several 'Quick wins' to improve its score such as:

- Improvement of labour turnover rate;
- Share of employee benefitting from a training; and
- Share of women in the workforce and in management positions.

In addition, when engaging directly in 2022, the company indicated that many ESG initiative had been implemented in 2022 which were therefore not yet reflected in the scoring such as a formalised business Code of Conduct and environmental policy and the implementation of the intrusion tests of IT system. Direct Engagement is a good way to understand such nuances which are not as easily captured in a quantitative scoring system.

In 2023, MV Credit was pleased to see that the company implemented the majority of advice provided by MV Credit and showed improvement across its scoring by 28%. Speaking directly to the CFO as part of MV Credit's Engagement campaign, the company reported that ESG is now more central as material KPIs and risks are discussed monthly at the advisory board meeting and quarterly at the supervisory board. The company has also advised of its intention to further improve its score via ongoing ESG developments, such as (i) implementing an incentivizing remuneration policy, (ii) switching energy provider to get renewable energy for electricity, (iii) calculating its full carbon footprint, and (iv) implement SBTi targets. In addition, the company was grateful for MV Credit's detailed feedback and ESG questionnaire which has been helpful to guide the company's ESG strategy. MV Credit will continue this direct contact through the rest of the hold period and subsequent ESG data campaigns.

Conclusion

In order to be meaningful, ESG engagements requires an investment of resources and time on the part of the manager. MV Credit continues to see the value in this investment, given the direct improvements in ESG performance of its portfolio companies as a result of the engagement work led by MV Credit's ESG team. The above two case studies demonstrate this, but a broader analysis of the data shows that 67% of portfolio companies with whom MV Credit in engaged in 2022, improved their score in the 2023 data collection campaign despite an increase in required KPIs from 56 to 60 KPIs.

Looking ahead, as responsible lenders, MV Credit will continue to provide guidance to its portfolio companies and private equity sponsors on ESG matters. To learn more about MV Credit's ESG Engagement policy and ESG integration, please contact <mailto:investorrelations@mvccredit.com> or visit our website [here](#).

Contact Details

MV Credit Partners LLP
45 Old Bond Street, London W1S 4QT
Tel: +44 (0) 20 3961 8820
Email: investorrelations@MVCREDIT.COM

Disclaimer

This Document ("Document") is being provided by MV Credit Partners LLP ("MVCP") and MV Credit S.à r.l. ("AIFM") together referred to as MV Credit ("MV Credit"). MVCP is a firm authorised and regulated by the UK Financial Conduct Authority (the "FCA") with firm registration number: 67717. MVCP is also an Exempt Reporting Advisor (ERA) with the SEC. For additional information please see: <https://adviserinfo.sec.gov/firm/summary/28825>

The AIFM is a Luxembourg private limited liability company, authorized and regulated by the Commission de Surveillance du Secteur Financier ("CSSF") with a registered number A00002885. The AIFM has delegated portfolio management to MVCP for the MV Credit funds it controls. This Document is being

issued on a strictly confidential basis to selected financial institutions and other parties considering entering into business relationships with MV Credit and may not be reproduced, distributed or published by any recipient for any purpose without the prior written consent of MV Credit.

- This Document is not intended to create any right of a legally binding or enforceable nature between MV Credit and the recipient in respect of the provision of services or products. This Document is being made available on a strictly non-reliance, no representations, no warranty and hold harmless basis only and will not be updated. The contents of this Document does not constitute professional advice, including but not limited to; legal, tax or investment advice and any recipient should consult with their own professional advisor before making any decisions relating to this Document.
- No liability whatsoever (for negligence or otherwise) is accepted by MV Credit nor any of the MV Credit affiliates for any loss howsoever arising, directly or indirectly, from any use of this Document or otherwise arising in connection therewith.
- By receiving this Document, you agree that you will, and will cause your respective directors, officers, employees, advisers, agents and representatives (together "Recipient Affiliates") to, (i) use such information only to evaluate the various funds and other products managed by MV Credit (the "Funds") and for no other purpose whatsoever, and (ii) keep confidential all information contained herein, and not disclose any information contained herein or derived here from to any person without the prior written consent of MV Credit (provided that you may disclose this Document on a strictly confidential basis to the Recipient Affiliates for the purposes of obtaining advice relating to the Funds). You further agree to promptly return this Document, together with any copies thereof (except as may be required for regulatory purposes), to MV Credit upon request.
- No regulatory body has reviewed or approved or passed opinion upon this Document or the merits of any investment discussed herein.
- This Document does not constitute a part of any fund document; nor is it a sales advertising document or a solicitation of offer.
- **The past performance of the Funds is not indicative of, nor a guarantee of the Funds' future results.**
- **This Document contains information about the performance of investments previously made by funds advised/managed by MV Credit. It does not purport to be a comprehensive or accurate view of future performance, targets or projections and whilst forward looking language may be used, this is only for illustrative purposes and not to be relied upon. Prospective investors must be aware that all investments in debt funds are speculative and involve substantial risk of loss. Please ask your professional advisor for advice regarding the specific risks.**
- Any statement as to risks herein is not an exhaustive list.
- This material has not been audited but is communicated in accordance with Article 14 (Investment Professionals), Article 21 (Certified high net worth individuals) and Article 22 (High net worth companies) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001, or pursuant to the permitted exemptions made available by the FCA in section 4.12 of its Conduct of Business Sourcebook and is not intended for retail clients (as defined in the FCA Rules) who should not, and cannot, rely on information here.
- This Document is issued to professional investors only such as financial institutions and other parties considering entering into business relationships with MV Credit and is not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local laws or regulations. As such, the distribution of this Document in other jurisdictions may be restricted by law, and persons into whose possession this Document comes should inform themselves about, and observe, any such restrictions.

Natixis Investment Managers' Additional Notes

This material has been provided for information purposes only to investment service providers or other Professional Clients, Qualified or Institutional Investors and, when required by local regulation, only at their written request. This material must not be used with Retail Investors.

To obtain a summary of investor rights in the official language of your jurisdiction, please consult the legal documentation section of the website (im.natixis.com/intl/intl-fund-documents)

In the E.U.: Provided by Natixis Investment Managers International or one of its branch offices listed below. Natixis Investment Managers International is a portfolio management company authorized by the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009, and a public limited company (société anonyme) registered in the Paris Trade and Companies Register under no. 329 450 738. Registered office: 43 avenue Pierre Mendès France, 75013 Paris. Germany: Natixis Investment Managers International, Zweigniederlassung Deutschland (Registration number: HRB 129507): Senckenberganlage 21, 60325 Frankfurt am Main. Italy: Natixis Investment Managers International Succursale Italiana, Registered office: Via San Clemente 1, 20122 Milan, Italy. Netherlands: Natixis Investment Managers International, Nederlands (Registration number 000050438298). Registered office: Stadsplateau 7, 3521AZ Utrecht, the Netherlands. Spain: Natixis Investment Managers International S.A., Sucursal en España, Serrano n°90, 6th Floor, 28006 Madrid, Spain. Sweden: Natixis Investment Managers International, Nordics Filial (Registration number 516412-8372- Swedish Companies Registration Office). Registered office: Covendrum Stockholm City AB, Kungsgatan 9, 111 43 Stockholm, Box 2376, 103 18 Stockholm, Sweden. Or,

Provided by Natixis Investment Managers S.A. or one of its branch offices listed below. Natixis Investment Managers S.A. is a Luxembourg management company that is authorized by the Commission de Surveillance du Secteur Financier and is incorporated under Luxembourg laws and registered under n. B 115843. Registered office of Natixis Investment Managers S.A.: 2, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg. Belgium: Natixis Investment Managers S.A., Belgian Branch, Gare Maritime, Rue Picard 7, Bte 100, 1000 Bruxelles, Belgium.

In Switzerland: Provided for information purposes only by Natixis Investment Managers, Switzerland Sàrl, Rue du Vieux Collège 10, 1204 Geneva, Switzerland or its representative office in Zurich, Schweizergasse 6, 8001 Zürich.

In the British Isles: Provided by Natixis Investment Managers UK Limited which is authorised and regulated by the UK Financial Conduct Authority (FCA firm reference no. 190258) - registered office: Natixis Investment Managers UK Limited, Level 4, Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA. When permitted, the distribution of this material is intended to be made to persons as described as follows: in the United Kingdom: this material is intended to be communicated to and/or directed at investment professionals and professional investors only; in Ireland: this material is intended to be communicated to and/or directed at professional investors only; in Guernsey: this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Guernsey Financial Services Commission; in Jersey: this material is intended to be communicated to and/or directed at professional investors only; in the Isle of Man: this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Isle of Man Financial Services Authority or insurers authorised under section 8 of the Insurance Act 2008.

In the DIFC: Provided in and from the DIFC financial district by Natixis Investment Managers Middle East (DIFC Branch) which is regulated by the DFSA. Related financial products or services are only available to persons who have sufficient financial experience and understanding to participate in financial markets within the DIFC, and qualify as Professional Clients or Market Counterparties as defined by the DFSA. No other Person should act upon this material. Registered office: Unit L10-02, Level 10, ICD Brookfield Place, DIFC, PO Box 506752, Dubai, United Arab Emirates

In Japan: Provided by Natixis Investment Managers Japan Co., Ltd. Registration No.: Director-General of the Kanto Local Financial Bureau (kinsho) No.425. Content of Business: The Company conducts investment management business, investment advisory and agency business and Type II Financial Instruments Business as a Financial Instruments Business Operator.

In Taiwan: Provided by Natixis Investment Managers Securities Investment Consulting (Taipei) Co., Ltd., a Securities Investment Consulting Enterprise regulated by the Financial Supervisory Commission of the R.O.C. Registered address: 34F., No. 68, Sec. 5, Zhongxiao East Road, Xinyi Dist., Taipei City 11065, Taiwan (R.O.C.), license number 2020 FSC SICE No. 025, Tel. +886 2 8789 2788.

In Singapore: Provided by Natixis Investment Managers Singapore Limited (NIM Singapore) having office at 5 Shenton Way, #22-05/06, UIC Building, Singapore 068808 (Company Registration No. 199801044D) to distributors and qualified investors for information purpose only. NIM Singapore is regulated by the Monetary Authority of Singapore under a Capital Markets Services Licence to conduct fund management activities and is an exempt financial adviser. Mirova Division (Business Name Registration No.: 53431077W) and Ostrum Division (Business Name Registration No.: 53463468X) are part of NIM Singapore and are not separate legal entities. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

In Hong Kong: Provided by Natixis Investment Managers Hong Kong Limited to professional investors for information purpose only.

In Australia: Provided by Natixis Investment Managers Australia Pty Limited (ABN 60 088 786 289) (AFSL No. 246830) and is intended for the general information of financial advisers and wholesale clients only.

In New Zealand: This document is intended for the general information of New Zealand wholesale investors only and does not constitute financial advice. This is not a regulated offer for the purposes of the Financial Markets Conduct Act 2013 (FMCA) and is only available to New Zealand investors who have certified that they meet the requirements in the FMCA for wholesale investors. Natixis Investment Managers Australia Pty Limited is not a registered financial service provider in New Zealand.

In Colombia: Provided by Natixis Investment Managers International Oficina de Representación (Colombia) to professional clients for informational purposes only as permitted under Decree 2555 of 2010. Any products, services or investments referred to herein are rendered exclusively outside of Colombia. This material does not constitute a public offering in Colombia and is addressed to less than 100 specifically identified investors.

In Latin America: Provided by Natixis Investment Managers International.

In Uruguay: Provided by Natixis Investment Managers Uruguay S.A., a duly registered investment advisor, authorised and supervised by the Central Bank of Uruguay. Office: San Lucar 1491, Montevideo, Uruguay, CP 11500. The sale or offer of any units of a fund qualifies as a private placement pursuant to section 2 of Uruguayan law 18,627.

In Mexico: Provided by Natixis IM Mexico, S. de R.L. de C.V., which is not a regulated financial entity, securities intermediary, or an investment manager in terms of the Mexican Securities Market Law (Ley del Mercado de Valores) and is not registered with the Comisión Nacional Bancaria y de Valores (CNBV) or any other Mexican authority. Any products, services or investments referred to herein that require authorization or license are rendered exclusively outside of Mexico. While shares of certain ETFs may be listed in the Sistema Internacional de Cotizaciones (SIC), such listing does not represent a public offering of securities in Mexico, and therefore the accuracy of this information has not been confirmed by the CNBV. Natixis Investment Managers is an entity organized under the laws of France and is not authorized by or registered with the CNBV or any other Mexican authority. Any reference contained herein to "Investment Managers" is made to Natixis Investment Managers and/or any of its investment management subsidiaries, which are also not authorized by or registered with the CNBV or any other Mexican authority.

In Brazil: Provided to a specific identified investment professional for information purposes only by Natixis Investment Managers International. This communication cannot be distributed other than to the identified addressee. Further, this communication should not be construed as a public offer of any securities or any related financial instruments. Natixis Investment Managers International is a portfolio management company authorized by the Autorité

des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009, and a public limited company (société anonyme) registered in the Paris Trade and Companies Register under no. 329 450 738. Registered office: 43 avenue Pierre Mendès France, 75013 Paris.

The above referenced entities are business development units of Natixis Investment Managers, the holding company of a diverse line-up of specialised investment management and distribution entities worldwide. The investment management subsidiaries of Natixis Investment Managers conduct any regulated activities only in and from the jurisdictions in which they are licensed or authorized. Their services and the products they manage are not available to all investors in all jurisdictions. It is the responsibility of each investment service provider to ensure that the offering or sale of fund shares or third party investment services to its clients complies with the relevant national law.

The provision of this material and/or reference to specific securities, sectors, or markets within this material does not constitute investment advice, or a recommendation or an offer to buy or to sell any security, or an offer of any regulated financial activity. Investors should consider the investment objectives, risks and expenses of any investment carefully before investing. The analyses, opinions, and certain of the investment themes and processes referenced herein represent the views of the portfolio manager(s) as of the date indicated. These, as well as the portfolio holdings and characteristics shown, are subject to change. There can be no assurance that developments will transpire as may be forecasted in this material. The analyses and opinions expressed by external third parties are independent and does not necessarily reflect those of Natixis Investment Managers. Past performance information presented is not indicative of future performance.

Although Natixis Investment Managers believes the information provided in this material to be reliable, including that from third party sources, it does not guarantee the accuracy, adequacy, or completeness of such information. This material may not be distributed, published, or reproduced, in whole or in part.

All amounts shown are expressed in USD unless otherwise indicated.

Natixis Investment Managers may decide to terminate its marketing arrangements for this product in accordance with the relevant legislation.