

Impact Report 2021 – Corum Butler Smart ESG

We, at Corum Butler, are committed to supporting and encouraging positive changes in companies we invest in. This year, we had several ESG events planned, some took place physically, others have been held virtually or cancelled.

Some Investment Banks organized virtual conferences where we had the chance to meet different management and challenge them. ESG conferences seem to become an annual meeting, as the annual Macro-Outlook event.

More generally, we had the opportunity to exchange with the management during Roadshows. In addition to presenting the use of proceeds of debt and company's recent achievements, the management gave more prominence to their ESG impact compared to what we have been used to. It also became common for companies to issue Sustainability-linked bond. The company commits on different KPIs (Carbon emissions reduction, Waste avoidance, Waste recycled) regarding a horizon, compare to a base year; if the company misses its target, a coupon step-up applies, which financially harm the company.

In 2021 we participated in 13 amongst 152 new notes on the primary market across all funds with such features and Corum Butler Smart ESG took participation in 4 deals. We also invested in 4 companies issuing Green Bond in the market. We have already seen this kind of note in 2020 with a part of the proceed dedicated to green eligible project.

In September 21, Goldman Sachs presented us a new LBO deal (PAI Partners acquired Pasubio from CVC Capital Partners) with a senior secured floating note. The company is a leading supplier of premium leather for the automotive industry and produces high-quality finished leather for seats. When we did our ESG/controversy assessment, we discovered a report (from Earthsight) alleging that the company is 'the main purchaser of leather products linked to deforestation in Paraguay'. We thus asked the syndication from GS to clarify this controversy and questioned the private equity fund and the company for some explanation. They finally came back to the investors by justifying that they have done extensive diligence on the issue and brought us a letter from the Paraguayan government confirming that Pasubio was in compliance with all local laws and there was no link to illegal deforestation. Less than 5% of Pasubio's leather came from Paraguay and the government has stated that Earthsight's data was outdated, not verified and maintained incorrect and false claims. We finally decided to pass on the deal on Corum Butler Smart ESG fund (even though the credit analysis showed a cheap pricing).

We construct our best-in universe approach thanks to Sustainalytics ESG research. We also communicate with them when a credit is not yet covered although the company is considering ESG issues in their recent communication and take some initiatives to tackle environmental challenges. In the meantime, we ask the company why they are not rated by Sustainalytics, which is a reference in the ESG analysis.

In 2022, we will try to do more push toward corporate issuers to encourage them for more transparency on their ESG goals.

Appendix: Conference/Webcast participation

16/11/2021 – Goldman Sachs, Marquee – Carbon Portfolio Analytics on Marquee

23/09/2021 – Goldman Sachs – ESG Webcast: Navigation the EU ESG Regulation wave (CSRD, SFDR, EU Taxonomy, MiFID II)

22/06/2021 – Citi – H2 Macro Outlook (topical investment themes, asset allocation and trade ideas, including in the ESG and cryptocurrency space)

18/05/2021 – Citi - Sustainability, ESG and Alpha - Transitioning to Net Zero

07/05/2021 - Goldman Sachs - Renewables - An Update on Global Decarbonisation Goals

23-25/03/2021 – JPMorgan – J.P. Morgan Global ESG Conference (Virtual)

11/03/2021 – Goldman Sachs – ESG Webcast: ESG Webcast Series: Investing in the Sustainable Development Goals: A Common Language to Measure ESG Impact

01-02/03/2021 – Deutsche Bank – Global ESG Conference (virtual)