

At MV Credit, the main goal is to deliver attractive sustainable long-term risk-adjusted returns and effective investment solutions through responsible investing. Environmental, social and governance (“ESG”) considerations are a key contributor to this goal, and are important to the firm’s operations, the financial markets, and society as a whole.

As MV Credit adopts a double materiality approach, ESG considerations form an integral part of MV Credit’s investment decision making process, alongside financial considerations. ESG is a key focus when monitoring risk of the portfolio, to limit downside risk.

ESG integration in the investment process

MV Credit takes into account sustainability risks as a part of its pre-investment due diligence procedures and ongoing monitoring processes. In order to integrate sustainability risks into its investment decision-making process, MV Credit incorporates the following:

- I. Negative screening - certain specific sectors, issuers or themes will be excluded in order to be aligned with MV Credit’s own ethical beliefs, or where MV Credit does not feel comfortable investing, along with specific investor requirements, or where regulatory restrictions apply;
- II. Positive ESG screening - investing in companies that demonstrate positive or low ESG risk factors, and that are well situated to deliver sustainable growth; and
- III. ESG integration - the inclusion of sustainability risks alongside traditional financial analysis conducted by MV Credit.

At the asset level, MV Credit examines the ESG attributes of a company / borrower before investing in it by adopting a risk materiality (case-by-case) approach whilst simultaneously utilising an ESG checklist proprietary to MV Credit, comprising a set of Environmental, Social, Governance and Stakeholders’ Key Performance Indicators (“KPI”). Whilst the checklist ensures consistency (driving a cohesive assessment framework for tracking KPI development and in turn the ESG-related risks throughout the life of the investment), the materiality approach corroborates / ensures that relevant ESG considerations not captured by the checklist are not omitted. This is supplemented by a controversy analysis, to ensure that no incident involving the company have been missed, which could have a negative impact on the parties involved, the environment or the operations of the company. This could harm its reputation and ultimately its financial profile. The analysis also performs a verification of alignment with international standards (UN Global Compact, ILO, OECD).

Advocacy, engagement & transparency is at the core of MV Credit

MV Credit believes that responsible investing requires commitment from all stakeholders and partners in the industry; from asset owners and investment managers; to the private equity (“PE”) sponsors MV Credit invests alongside with; in addition to its banking counterparties; and ultimately the companies it invests in.

In Direct Lending, engagement through bilateral discussions with MV Credit’s investment partners is an integral part of its fundamental analysis across all investments. Direct communication between investment professionals, PE partnerships and investee companies facilitates the assessment of the quality of a company’s management, strategy, and operations. MV Credit directly engages borrowers throughout the investment process, on both a pre- and post-investment basis.

At the firm level, MV Credit seeks to collaborate with various investor and industry groups to foster best investment management practices. In addition, MV Credit participates in forums, workshops, panels, and relevant media activities to help increase public awareness around ESG. The purpose of doing so is to demonstrate and promote the benefits of good ESG practices both for companies and the investment industry.

MV Credit is committed to being transparent with its investors, shareholders, and other stakeholders about their ESG initiatives, achievements, and objectives. The annual ESG report provides updates regarding MV Credit’s ESG journey firm-wide, as well as a detailed ESG performance, both at fund level, and borrowers’ level.

MV Credit is a signatory to the UN Principles for Responsible Investing (“PRI”)

MV Credit has been a PRI signatory since 2012. In signing the principles, MV Credit as an investor publicly commits to adopt and implement them where consistent with its fiduciary and moral responsibilities. MV Credit believes the PRI provides a rigorous framework for monitoring the integration of ESG into its investment processes, with the goal of meeting its clients’ investment objectives within a responsible framework.

Corporate ESG Practices at MV Credit

MV Credit is committed to integrating ESG throughout its own corporate operations and focuses on what is required from portfolio companies it invests in.

Environmental Practices

MV Credit strives to operate in an environmentally conscious manner through a variety of sustainable corporate initiatives. The firm has been calculating its carbon footprint since 2019, and has implemented a new procedure in 2023 to calculate the financed emissions of its portfolios. The firm endeavours to minimise its impact on the environment by implementing stringent office recycling, reduced printing policies and issuing all employees with metal re-usable water bottles in a bid to reduce waste plastic consumption. MV Credit supports flexible working schedules and telecommuting, both for the good of its employees and for their impact on its carbon footprint.

Social Practices

At MV Credit, team diversity is key to the investment success as diversity enhances and drives critical thinking. In 2022/23 MV Credit expanded its Diversity, Equity, and Inclusion (DE&I) working group to 10 and set out its commitment in detail in the DE&I Policy, published on MV Credit's website. The firm strives to attract, nurture, and retain staff that are both talented and diverse. To that end, MV Credit is proud to be ahead of its peers in the private debt industry in terms of female representation across both junior and senior level positions. In addition to gender diversity, MV Credit comprises over 20 different nationalities, among nearly 70 employees, and a variety of cultural backgrounds. MV Credit is also a sponsor and active participant in the Natixis's IM Pride network, as well as being a member of Out Investors, a global organisation founded with the mission of making the industry more welcoming for LGBT+ individuals, and a member of LGBT Great, the global LGBTQ+ financial services and business member community.

MV Credit also sees the importance of playing a proactive, positive role in the local community. MV Credit has partnered with Raise Your Hands (RYH), a platform of children's charities who would otherwise miss out on corporate donations. RYH both allocate corporate donations and coordinate volunteering opportunities within their portfolio. Hence, each year, employees volunteer their time to various charities, with the goal of supporting vulnerable local communities. In addition, in order to work towards its goal of making a positive impact across a wide range of causes and sectors, MV Credit makes donations to several charities.

Governance Practices

Reinforced by the culture and oversight of Natixis IM, operational excellence and proper governance are critical to the way MV Credit runs its business. Proper governance is also required by the firm's financial services regulators as part of its authorisation to conduct investment business. Group oversight and direction reside first and foremost with partners together with various internal committees (Management, Risk & Compliance, Allocation, Human Resources, Remuneration, and ESG). The exercise of proper oversight and the highest standard of conduct is further supported by Natixis IM as well as the work done by MV Credit's independent auditors. Beyond complying with legal provisions and mitigating operational risks, these processes enable the firm to provide a transparent and high-quality service to our investors.

Senior management sets the tone at the top by articulating the organisation's strategy and values, and by maintaining the firm's culture of accountability, transparency and compliance. Specifically, with respect to its ESG initiatives, MV Credit named CEO Frederic Nadal the Chairman of the ESG Committee in 2018. The ESG Officer, supported by Frederic Nadal and the ESG Committee, is responsible for leading the ESG initiatives at the firm, ensuring that it complies with regulations, supporting the sustainability efforts as part of the firm's own governance, ensuring that the investment teams have access to any additional ESG training and research as needed, and helping to provide ESG solutions for its clients.

Finally, in order to prove its commitment to the values promoted, MV Credit has aligned its carried interest – i.e. its performance fee – on ESG KPIs for new/future funds. MV Credit has also decided to drive its banking relationship in line with MV Credit's ESG initiatives, by reflecting this structure within the financing – i.e. margin dependent on ESG KPIs.

Conclusion

MV Credit is committed to developing its ESG policy integration in line with internationally established guidelines and conventions for responsible investing and to engaging with all stakeholders to promote ESG best practice. As MV Credit believes ESG is all about progress, its ESG initiatives and policy are constantly evolving. MV Credit strives to improve its processes on a continuous basis with the aim to be best in class in leading initiatives within ESG.

Last updated July 2023