



# PRIVATE RI REPORT

## 2020

BlueBay Asset Management LLP

## About this report

This report is an export of the individual Signatory organisation responses to the PRI Reporting Framework during the 2020 reporting period. It shows your responses to all completed indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders. The PRI will **not publish** this report on its website. Instead, you will be able to access the public RI Transparency report of your organisation and that of other signatories on the [PRI website](#).

The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at a glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator.
🔍	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

# Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO TG		🔒	n/a							
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Fixed income AUM breakdown	✓	Public							✓
OO 08	Segregated mandates or pooled funds	🔒	n/a							✓
OO 09	Breakdown of AUM by market	✓	Public							✓
OO 10	Active ownership practices for listed assets	✓	Public							✓
OO 11	ESG incorporation practices for all assets	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓
OO LE 01	Breakdown of listed equity investments by passive and active strategies	🔒	n/a							✓
OO LE 02	Reporting on strategies that are <10% of actively managed listed equities	🔒	n/a							✓
OO FI 01	Breakdown of fixed income investments by passive and active strategies	✓	Public							✓
OO FI 02	Reporting on strategies that are <10% of actively managed fixed income	🔒	n/a							✓
OO FI 03	Fixed income breakdown by market and credit quality	✓	Public							✓
OO SAM 01	Breakdown of externally managed investments by passive and active strategies	🔒	n/a							✓
OO PE 01	Breakdown of private equity investments by strategy	🔒	n/a							✓
OO PE 02	Typical level of ownership in private equity investments	🔒	n/a							✓
OO PR 01	Breakdown of property investments	🔒	n/a							✓
OO PR 02	Breakdown of property assets by management	🔒	n/a							✓
OO PR 03	Largest property types	🔒	n/a							✓
OO INF 01	Breakdown of infrastructure investments	🔒	n/a							✓
OO INF 02	Breakdown of infrastructure assets by management	🔒	n/a							✓
OO INF	Largest infrastructure sectors	🔒	n/a							✓

03										
OO HF 01	Breakdown of hedge funds investments by strategies	✓	Public							✓
OO End	Module confirmation page	✓	-							

CCStrategy and Governance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SG 01	RI policy and coverage	✓	Public							✓
SG 01 CC	Climate risk	✓	Public							✓
SG 02	Publicly available RI policy or guidance documents	✓	Public						✓	
SG 03	Conflicts of interest	✓	Public							✓
SG 04	Identifying incidents occurring within portfolios	✓	Public							✓
SG 05	RI goals and objectives	✓	Public							✓
SG 06	Main goals/objectives this year	✓	Public							✓
SG 07	RI roles and responsibilities	✓	Public							✓
SG 07 CC	Climate-issues roles and responsibilities	✓	Public							✓
SG 08	RI in performance management, reward and/or personal development	✓	Public							✓
SG 09	Collaborative organisations / initiatives	✓	Public				✓	✓		
SG 09.2	Assets managed by PRI signatories	🔒	n/a	✓						
SG 10	Promoting RI independently	✓	Public				✓			
SG 11	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
SG 12	Role of investment consultants/fiduciary managers	✓	Public				✓			
SG 13	ESG issues in strategic asset allocation	✓	Public	✓						
SG 13 CC		🔒	n/a							✓
SG 14	Long term investment risks and opportunity	✓	Public	✓						
SG 14 CC		✓	Public							✓
SG 15	Allocation of assets to environmental and social themed areas	✓	Public	✓						
SG 16	ESG issues for internally managed assets not reported in framework	✓	Public							✓
SG 17	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
SG 18	Innovative features of approach to RI	✓	Public							✓
SG 19	Communication	✓	Public		✓				✓	
SG End	Module confirmation page	✓	-							

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Incorporation strategies applied	✓	Public	✓						
FI 02	ESG issues and issuer research	✓	Public	✓						
FI 03	Processes to ensure analysis is robust	✓	Public	✓						
FI 04	Types of screening applied	✓	Public	✓						
FI 05	Examples of ESG factors in screening process	✓	Public	✓						
FI 06	Screening - ensuring criteria are met	✓	Public	✓						
FI 07	Thematic investing - overview	🔒	n/a	✓						
FI 08	Thematic investing - themed bond processes	🔒	n/a	✓						
FI 09	Thematic investing - assessing impact	🔒	n/a	✓						
FI 10	Integration overview	✓	Public	✓						
FI 11	Integration - ESG information in investment processes	✓	Public	✓						
FI 12	Integration - E,S and G issues reviewed	✓	Public	✓						
FI 13	ESG incorporation in passive funds	🔒	n/a	✓						
FI 14	Engagement overview and coverage	✓	Public		✓					
FI 15	Engagement method	✓	Public	✓	✓					
FI 16	Engagement policy disclosure	✓	Public	✓	✓					
FI 17	Financial/ESG performance	✓	Public							✓
FI 18	Examples - ESG incorporation or engagement	✓	Public	✓	✓					
FI End	Module confirmation page	✓	-							

Confidence building measures				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
CM1 01	Assurance, verification, or review	✓	Public							✓
CM1 02	Assurance of last year's PRI data	✓	Public							✓
CM1 03	Other confidence building measures	✓	Public							✓
CM1 04	Assurance of this year's PRI data	✓	Public							✓
CM1 05	External assurance	🔒	n/a							✓
CM1 06	Assurance or internal audit	🔒	n/a							✓
CM1 07	Internal verification	✓	Public							✓
CM1 01 End	Module confirmation page	✓	-							

# BlueBay Asset Management LLP

## Reported Information

### Private version

### Organisational Overview

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Basic information

OO 01	Mandatory	Public	Gateway/Peering	General
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### OO 01.1 Select the services and funds you offer

Select the services and funds you offer	% of asset under management (AUM) in ranges
Fund management	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
Fund of funds, manager of managers, sub-advised products	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Other	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Total 100%	

Further options (may be selected in addition to the above)

- ☐ Hedge funds
- ☐ Fund of hedge funds

### OO 01.2 Additional information. [Optional]

Founded in 2001, BlueBay Asset Management LLP (BlueBay) is a specialist fixed income manager offering solutions to institutions, consultants and financial intermediaries. We invest across the fixed income spectrum, from active long-only 'benchmark aware' portfolios to hedge funds. We are active in the following investment strategies: investment grade debt, emerging market debt, high yield/distressed debt & loans, convertible bonds and multi-credit. Until end October 2019 we also managed private debt until its separation into a separate entity. During 2019 we have also been adding to our structured credit offering and are looking to strengthen distressed debt on the EM side.

Based in London, UK with offices in the US, Japan, Switzerland, Luxembourg, Germany, Milan and Australia, we employ approx. 379 employees and partners and manage approx. USD 60.9 billion (as of 31 December 2019) for institutional investors, distribution networks and high net worth individuals.

BlueBay is a wholly-owned subsidiary of Royal Bank of Canada (RBC) and part of the RBC asset management division, RBC Global Asset Management group of companies.

NOTE: OO 01.2



We have one fund which we would consider a macro - multi-strategy - but as could only select 1 option of the categories we chose another. For relative value options - we have both corporates and sovereigns but were not able to select more than 1 option.

OO 02	Mandatory	Public	Peering	General
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OO 02.1	Select the location of your organisation's headquarters.
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United Kingdom

OO 02.2	Indicate the number of countries in which you have offices (including your headquarters).
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- ☐ 1  
☐ 2-5  
☒ 6-10  
☐ >10

OO 02.3	Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).
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	FTE
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379

OO 02.4	Additional information. [Optional]
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NOTE OO 02.3: The headcount as of 31 December 2019 was approx. 379 employees and partners.

OO 03	Mandatory	Public	Descriptive	General
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OO 03.1	Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.
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- ☐ Yes  
☒ No

OO 03.3	Additional information. [Optional]
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NOTE: Our parent company, RBC, owns another asset management company, RBC Global Asset Management, which in August 2015, joined as a member of the PRI.

OO 04	Mandatory	Public	Gateway/Peering	General
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OO 04.1	Indicate the year end date for your reporting year.
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31/12/2019

**OO 04.2**

Indicate your total AUM at the end of your reporting year.

Include the AUM of subsidiaries, but exclude advisory/execution only assets, and exclude the assets of your PRI signatory subsidiaries that you have chosen not to report on in OO 03.2

	trillions	billions	millions	thousands	hundreds
Total AUM		60	900	000	000
Currency	USD				
Assets in USD		60	900	000	000

☐ Not applicable as we are in the fund-raising process

**OO 04.4**

Indicate the assets which are subject to an execution and/or advisory approach. Provide this figure based on the end of your reporting year

☒ Not applicable as we do not have any assets under execution and/or advisory approach

**Based on your reporting above, your total AUM is over 50 US\$ billion, and therefore your 2019/20 fee will be £ 13,943. Note that your total AUM is calculated by summing all figures provided in OO 04.2, 04.3, and 04.4.**

**OO 04.5**

Additional information. [Optional]

NOTE OO 04.2: AUM excludes uncalled capital commitments.

**OO 06****Mandatory****Public****Descriptive****General****OO 06.1**

Select how you would like to disclose your asset class mix.

☒ as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	0	0
Fixed income	90.8	0
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	0	0

Hedge funds	9.2	0
Fund of hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	0	0
Money market instruments	0	0
Other (1), specify	0	0
Other (2), specify	0	0

☐ as broad ranges

<b>OO 06.2</b>	Publish asset class mix as per attached image [Optional].
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<b>OO 06.3</b>	Indicate whether your organisation has any off-balance sheet assets [Optional].
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☐ Yes

☒ No

<b>OO 06.5</b>	Indicate whether your organisation uses fiduciary managers.
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☐ Yes, we use a fiduciary manager and our response to OO 5.1 is reflective of their management of our assets.

☒ No, we do not use fiduciary managers.

<b>OO 07</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Gateway</b>	<b>General</b>
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<b>OO 07.1</b>	Provide to the nearest 5% the percentage breakdown of your Fixed Income AUM at the end of your reporting year, using the following categories.
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Internally managed	SSA
	30
	Corporate (financial)
	20
	Corporate (non-financial)
	50
	Securitised
	0
	Total
	100%

OO 09	Mandatory	Public	Peering	General
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OO 09.1	Indicate the breakdown of your organisation's AUM by market.
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Developed Markets
79
Emerging Markets
18
Frontier Markets
3
Other Markets
0
Total 100%
100%

**OO 09.2**

Additional information. [Optional]

The majority of our assets are invested in developed markets in terms of where the securities are domiciled. Data as of 31 December 2019.

**Asset class implementation gateway indicators**
**OO 10**
**Mandatory**
**Public**
**Gateway**
**General**
**OO 10.1**

Select the active ownership activities your organisation implemented in the reporting year.

**Fixed income SSA – engagement**

- ☒ We engage with SSA bond issuers on ESG factors via our staff, collaborations or service providers.
- ☐ We do not engage directly and do not require external managers to engage with SSA bond issuers on ESG factors. Please explain why you do not.

**Fixed income Corporate (financial) – engagement**

- ☒ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☐ We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

**Fixed income Corporate (non-financial) – engagement**

- ☒ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☐ We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

**OO 11**
**Mandatory**
**Public**
**Gateway**
**General**
**OO 11.1**

Select the internally managed asset classes in which you addressed ESG incorporation into your investment decisions and/or your active ownership practices (during the reporting year).

**Fixed income - SSA**

- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

**Fixed income - corporate (financial)**

- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

	Fixed income - corporate (non-financial)
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- ☒ We address ESG incorporation.  
☐ We do not do ESG incorporation.

	Hedge funds
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- ☒ We address ESG incorporation.  
☐ We do not do ESG incorporation.

OO 12	Mandatory	Public	Gateway	General
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<b>OO 12.1</b>	Below are all applicable modules or sections you may report on. Those which are mandatory to report (asset classes representing 10% or more of your AUM) are already ticked and read-only. Those which are voluntary to report on can be opted into by ticking the box.
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	Core modules
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- ☒ Organisational Overview  
☒ Strategy and Governance

	RI implementation directly or via service providers
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	Direct - Fixed Income
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- ☒ Fixed income - SSA  
☒ Fixed income - Corporate (financial)  
☒ Fixed income - Corporate (non-financial)

	Direct - Other asset classes with dedicated modules
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- ☐ Hedge Funds and/or Fund of Hedge Funds

	Closing module
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- ☒ Closing module

Peering questions				
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OO FI 01	Mandatory to Report Voluntary to Disclose	Public	Gateway	General
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<b>OO FI 01.1</b>	Provide a breakdown of your internally managed fixed income securities by active and passive strategies
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SSA	<div> <div>Passive</div> <div>0</div> </div> <div> <div>Active - quantitative (quant)</div> <div>0</div> </div> <div> <div>Active - fundamental and active - other</div> <div>100</div> </div> <div> <div>Total</div> <div>100%</div> </div>
Corporate (financial)	<div> <div>Passive</div> <div>0</div> </div> <div> <div>Active - quantitative (quant)</div> <div>0</div> </div> <div> <div>Active - fundamental and active - other</div> <div>100</div> </div> <div> <div>Total</div> <div>100%</div> </div>
Corporate (non-financial)	<div> <div>Passive</div> <div>0</div> </div> <div> <div>Active - quantitative (quant)</div> <div>0</div> </div> <div> <div>Active - fundamental and active - other</div> <div>100</div> </div> <div> <div>Total</div> <div>100%</div> </div>

OO FI 01.2	Additional information. [Optional]
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Data as of 31 December 2019. BlueBay is an active fixed income fund manager.

OO FI 03	Mandatory	Public	Descriptive	General
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Update: this indicator has changed from "Mandatory to report, voluntary to disclose" to "Mandatory". **Your response to this indicator will be published in the Public Transparency Report.** This change is to enable improved analysis and peering.

OO FI 03.1	Indicate the approximate (+/- 5%) breakdown of your SSA investments, by developed markets and emerging markets.
---------------	---

SSA	
	Developed markets
70	
	Emerging markets
30	
	Total
100%	

OO FI 03.2	Indicate the approximate (+/- 5%) breakdown of your corporate and securitised investments by investment grade or high-yield securities.
---------------	---

Type	Investment grade (+/- 5%)	High-yield (+/- 5%)	Total internally managed
Corporate (financial)	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	100%
Corporate (non-financial)	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	100%



<b>OO FI 03.3</b>	Additional information. [Optional]
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Data as of 31 December 2019. We have an Emerging Market Sovereigns investment team, as well as Investment Grade/Developed Markets Sovereigns investment team.

	If you are invested in private debt and reporting on ratings is not relevant for you, please indicate below
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☐ OO FI 03.2 is not applicable as our internally managed fixed income assets are invested only in private debt.

<b>OO HF 01</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
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<b>OO HF 01.1</b>	Please describe your hedge fund strategies and classification
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	Options presented for hedge funds
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Main strategy	Strategy as % of hedge fund AUM	Sub-strategy
Equity Hedge	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%	
Event Driven	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%	
Global Macro	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%	<input type="checkbox"/> Active Trading <input type="checkbox"/> Commodity: Agriculture <input type="checkbox"/> Commodity: Energy <input type="checkbox"/> Commodity: Metals <input type="checkbox"/> Commodity: Multi <input checked="" type="checkbox"/> Currency: Discretionary <input type="checkbox"/> Currency: Systematic <input checked="" type="checkbox"/> Discretionary Thematic <input type="checkbox"/> Systematic Diversified <input checked="" type="checkbox"/> Multi-Strategy
Relative Value	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input checked="" type="checkbox"/> Fixed Income - Asset Backed <input type="checkbox"/> Fixed Income - Convertible Arbitrage <input checked="" type="checkbox"/> Fixed Income - Corporate <input checked="" type="checkbox"/> Fixed Income - Sovereign <input type="checkbox"/> Volatility <input type="checkbox"/> Yield Alternatives: Energy Infrastructure <input type="checkbox"/> Yield Alternatives: Real Estate <input checked="" type="checkbox"/> Multi-Strategy
Risk Parity	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%	
Blockchain	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%	

Total 100% (of internal Hedge  
Fund AUM)

# BlueBay Asset Management LLP

## Reported Information

### Private version

### Strategy and Governance

## PRI disclaimer

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## Investment policy

SG 01

Mandatory

Public

Core Assessed

General

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**SG 01.1**

Indicate if you have an investment policy that covers your responsible investment approach.

☒ Yes

**SG 01.2**

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input type="checkbox"/> Formalised guidelines on environmental factors <input type="checkbox"/> Formalised guidelines on social factors <input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors <input type="checkbox"/> Fiduciary (or equivalent) duties <input type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Other, specify (1) Statement on UK Stewardship Code <input checked="" type="checkbox"/> Other, specify(2) Statement on UK MSA	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

**SG 01.3**

Indicate if the investment policy covers any of the following

- ☒ Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- ☐ Your investment objectives that take ESG factors/real economy influence into account
- ☐ Time horizon of your investment
- ☒ Governance structure of organisational ESG responsibilities
- ☒ ESG incorporation approaches
- ☒ Active ownership approaches
- ☒ Reporting
- ☐ Climate change
- ☒ Understanding and incorporating client / beneficiary sustainability preferences
- ☐ Other RI considerations, specify (1)
- ☐ Other RI considerations, specify (2)

**SG 01.4**

Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

BlueBay does not have a formalised policy setting our investment beliefs. However, in terms of our investment philosophy, we are committed to delivering attractive risk-adjusted returns for our clients over the long-term. Our investment approach to generate this is governed by a style incorporating the following investment principles:

- Focus on absolute returns across our funds;
- Strong emphasis on capital preservation;
- Dynamic, research driven approach;
- Disciplined, risk-controlled environment
- Active management (both top-down and bottom-up).

Whilst BlueBay does not have a document setting out formally our investment beliefs, we believe taking ESG factors into account alongside financial ones can promote more effective management and achievement of long-term value creation. We believe that ESG factors can potentially have a material impact on an issuers/borrowers long-term financial performance. Poorly managed ESG risks can lead to inefficiencies, operational disruption, litigation and reputational damage, which may ultimately impact an issuer's ability to meet their financial responsibilities. Given the limited upside and potentially significant downside of fixed income investments, the main focus of ESG analysis is on understanding downside risks. Supplementing traditional financial analysis by reviewing ESG related management practices/performance is, therefore, not only prudent but also in line with BlueBay's fiduciary duty to optimise investor returns.

**SG 01.5**

Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

Our ESG Investment Risk policy sets out:

- What we consider as being ESG related factors
- Our ESG investment philosophy
- Our ESG investment risk related policies
- Our ESG investment risk management approach and the strategies we employ (within which we outline the scope of the different ESG investment strategies such as negative screening, proxy voting etc., as well as make a distinction between our conventional strategies as compared with explicitly labelled ESG strategies

- Our position on collaboration and promoting best practices
- Our ESG investment risk governance framework
- Our approach to transparency and accountability

☐ No

I confirm I have read and understood the Accountability tab for SG 01

I confirm I have read and understood the Accountability tab for SG 01

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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<b>SG 01.6 CC</b>	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.
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☒ Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

Given our approach to incorporating ESG as part of an enhanced investment risk management framework, we consider transition and physical climate-related risks and opportunities where they are deemed to be investment relevant and material (and refer to this explicitly in our ESG investment risk policy). What is considered material will vary: for sovereigns, material factors will depend on the status of economic, social and political development, availability and dependence on natural resources, and potential regional issues. For corporates this is a function of the business activities, geographical footprint and size of the issuer. For instance, climate change is considered more of a material risk factor for companies in the extractives sector but may be less of an issue for a support service company. Where the risk is considered material, it is discussed with investment teams. We obtain ESG data from a range of external and internal sources, including from ESG vendors who flag climate risks where significant.

#### Investment products

For our ESG orientated pooled funds (which differ from our conventional funds) where the focus goes beyond investment material of ESG factors, we recognise investors want to minimise exposure to climate-related risks, and as such have an explicit screen on corporate issuers with a material exposure to thermal coal operations (mining/power), set at 30% revenues/operations. Beyond this they would also generally take a considered and proactive approach to exposure to fossil fuels per se and in terms of how this is being addressed.

#### Investment strategies/process

As a minimum for all managed assets, BlueBay employs an enhanced investment risk management framework where the primary focus is an ESG integration investment strategy (i.e. where material ESG risk factors are considered as part of the broader investment process).

In line with BlueBay's active management philosophy, ESG integration involves considering:

- Top-down macro-level ESG analysis
- Bottom-up micro level ESG issuer analysis

Specifically BlueBay's ESG integration strategy considers ESG factors at different levels:

- Issuer: in terms of credit analysis. During August 2018 we formalised our issuer ESG evaluation framework. Within the 'E' pillar for sovereigns, we have an explicit section on climate risk exposure, and quality of mitigation and adaption. For corporates, whilst the 'E' section does not systematically assess for climate, in practice where this is considered sector

material, reference is made to this in the commentary in terms of risk exposure and management quality.

- Sectors: as part of the issuer analysis, the material ESG risks for industries/sectors, and the degree to which there are common ESG risks We share ESG sector risks with the sector analyst forums
- Portfolio/desk: in terms of portfolio characteristics. On climate, does the portfolio have embedded carbon risk via sectors/regional exposure? We can potentially conduct portfolio analysis to inform investment risks. In relation to climate change, transition risks can be determined by conducting carbon footprinting
- Group: in terms of ESG risk oversight across BlueBay's portfolio strategies. We review/identify ESG investment risks across the firm. The types of climate related analysis would follow similar concepts to those conducted at the portfolio level

☐ No

**SG 01.7  
CC**

Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

☒ Yes

Describe the associated timescales linked to these risks and opportunities.

Our activities to date regarding climate risks have been primarily focussed at the issuer and sectoral/regional level in terms of seeking to understand the climate risk profile (from a physical and potential transition perspective), and then how these are being managed. Largely this has been qualitative case by case basis for issuers depending on our view of the materiality of climate change as a risk for the issuer/sector. As part of our issuer ESG evaluation template, for both corporates and sovereigns, we capture the trajectory of such risks and their current/potential likelihood and impact. We are continuing to develop our approach to assessing the likelihood and impact of climate risks including assigning timescales.

☐ No

**SG 01.8  
CC**

Indicate whether the organisation publicly supports the TCFD?

☒ Yes

☐ No

**SG 01.9  
CC**

Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

☐ Yes

☒ No



Describe how and over what time frame the organisation will implement an organisation-wide strategy that manages climate-related risks and opportunities.

Whilst BlueBay has been integrating climate risks into its portfolios, we recognize it is the start of a journey as climate change is an issue that impacts many different sectors and countries, in various ways and over different timeframes, and is one of the most important environmental issues affecting investments. We recognise we need to develop a more structured approach to this and have made some progress already including portfolio analysis on carbon, but would highlight that we are reviewing the potential for a firm-wide policy document and strategy on climate related risks and opportunities, with the view to look to have this finalised during 2020.

**SG 1.10  
CC**

Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

- ☒ Public PRI Climate Transparency Report
- ☐ Annual financial filings
- ☐ Regular client reporting
- ☐ Member communications
- ☐ Other
- ☐ We currently do not publish TCFD disclosures

**SG 02**

**Mandatory**

**Public**

**Core Assessed**

**PRI 6**

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**SG 02.1**

Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.

- ☒ Policy setting out your overall approach

URL/Attachment

- ☒ URL

URL

{hyperlink:https://www.bluebay.com/globalassets/documents/esg-investment-risk-policy.pdf}

- ☒ Attachment (will be made public)

Attachment

[File 1:BlueBay\\_ESG Investment Risk Policy\\_Aug 2017.pdf](#)

- ☒ Formalised guidelines on corporate governance factors

URL/Attachment

- ☒ URL

	URL
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{hyperlink:https://www.bluebay.com/globalassets/documents/proxy-voting-policy.pdf}

☒ Attachment (will be made public)

	Attachment
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[File 1:BlueBay CG CR proxy voting Policy December 2014.pdf](#)

☒ Screening / exclusions policy

	URL/Attachment
--	----------------

☒ URL

	URL
--	-----

{hyperlink:https://www.bluebay.com/globalassets/documents/controversial-weapons-investment-policy.pdf}

☒ Attachment (will be made public)

	Attachment
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[File 1:BlueBay Controversial Weapons Investment Policy February 2018 FINAL.pdf](#)

☒ Other, specify (1)

	Other, specify (1) description
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Statement on UK Stewardship Code

	URL/Attachment
--	----------------

☒ URL

	URL
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{hyperlink:https://www.bluebay.com/globalassets/documents/statement-uk-stewardship-code.pdf}

☒ Attachment (will be made public)

	Attachment
--	------------

[File 1:BlueBay Statement on UK Stewardship Code December 2014.pdf](#)

☒ Other, specify (2)

	Other, specify (2) description
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Statement on UK MSA

URL/Attachment
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☒ URL

URL
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{hyperlink:https://www.bluebay.com/globalassets/esg/bluebay-transparency-modern-slavery-statement.pdf}

☒ Attachment (will be made public)

Attachment
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[File 1:bluebay\\_docs-1659786-v1-modern\\_slavery\\_act\\_statement\\_2019.pdf](#)

☐ We do not publicly disclose our investment policy documents

## SG 02.2

Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

☒ Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment
----------------

☒ URL

URL
-----

{hyperlink:https://www.bluebay.com/globalassets/documents/esg-investment-risk-policy.pdf}

☒ Attachment

File Attachment
-----------------

{hyperlink:Investment Risk Policy\_Aug 2017.pdf [340KB]}

☒ Governance structure of organisational ESG responsibilities

URL/Attachment
----------------

☒ URL

URL
-----

{hyperlink:https://www.bluebay.com/globalassets/documents/esg-investment-risk-policy.pdf}

☒ Attachment

File Attachment
-----------------

{hyperlink:Investment Risk Policy\_Aug 2017.pdf [340KB]}

☒ ESG incorporation approaches

	URL/Attachment
--	----------------

☒ URL

	URL
--	-----

{hyperlink:https://www.bluebay.com/globalassets/documents/esg-investment-risk-policy.pdf}

☒ Attachment

	File Attachment
--	-----------------

{hyperlink:Investment Risk Policy\_Aug 2017.pdf [340KB]}

☒ Active ownership approaches

	URL/Attachment
--	----------------

☒ URL

	URL
--	-----

{hyperlink:https://www.bluebay.com/globalassets/documents/esg-investment-risk-policy.pdf}

☒ Attachment

	File Attachment
--	-----------------

{hyperlink:Investment Risk Policy\_Aug 2017.pdf [340KB]}

☒ Reporting

	URL/Attachment
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☒ URL

	URL
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{hyperlink:https://www.bluebay.com/globalassets/documents/esg-investment-risk-policy.pdf}

☒ Attachment

	File Attachment
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{hyperlink:Investment Risk Policy\_Aug 2017.pdf [340KB]}

☒ Understanding and incorporating client / beneficiary sustainability preferences

	URL/Attachment
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☒ URL

	URL
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{[hyperlink:https://www.bluebay.com/globalassets/documents/esg-investment-risk-policy.pdf](https://www.bluebay.com/globalassets/documents/esg-investment-risk-policy.pdf)}

☒ Attachment

	File Attachment
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{[hyperlink: Investment Risk Policy\\_Aug 2017.pdf \[340KB\]](#)}

☐ We do not publicly disclose any investment policy components

SG 02.3	Additional information [Optional].
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In terms of formalised guidelines on E and S matters, these are not contained in our ESG investment risk policy, but in the resulting issuer ESG evaluation framework in place as part of our ESG integration approach. For instance, within the 'E' pillar for sovereigns, we have an explicit sections on climate, water and general environmental management. For corporates, whilst the 'E' section does not formally signpost to specific environmental issues, the assessment covers any negative environmental impacts associated with the issuer/borrower's economic activity, the nature of their management practices, as well as performance track record including legal/regulatory compliance. Underlying this, there is a requirement for analysis to focus on sector material environmental issues. A similar logic follows for 'S' factors in the formal issuer EGS evaluation for sovereigns and corporates.

While we do have sector level ESG guidelines in place and share these externally on an ad-hoc basis with stakeholders such as clients, we are yet to publish these externally.

We have a dedicated microsite on the BlueBay corporate website which focuses on our ESG investment risk management approach (<https://www.bluebay.com/en/investment-expertise/esg/approach/>)

Furthermore on the corporate website, we provide information on BlueBay's corporate responsibility efforts i.e. ESG issues as they relate to BlueBay as a company, rather than its investment activities (<http://www.bluebay.com/en/corporate-responsibility/overview/>)

NOTE SG 02.1:

- *Proxy Voting:* We adopted a proxy voting policy on corporate governance and corporate responsibility in December 2014. We set out that whilst we have this, given BlueBay's specialist focus on fixed income assets, our involvement in proxy voting activities is limited and not material, and confined mainly to response to corporate action. But where we do (in some instances in our High Yield, Convertibles strategies), we ensure we exercise our duties responsibly. As such, we have not set guidelines on voting position on specific issues e.g. remuneration, board structure etc. Rather we have general principles in place, which focus on promoting action to ensure the long-term viability of the business, and constructive stakeholder relations. Our decisions are informed by taking into consideration local, regional and global standards of practice.
- *Engagement:* This is included in our ESG Investment Risk policy.
- *ESG Sector Briefings:* We have started to develop sector specific ESG briefing documents which outline key ESG credit issues and questions to consider and discuss with companies' management. These have yet to be publicly disclosed on our website, although we may share these on a case by case basis such as with clients.

SG 03	Mandatory	Public	Core Assessed	General
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SG 03.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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☒ Yes

**SG 03.2**

Describe your policy on managing potential conflicts of interest in the investment process.

BlueBay has arrangements to identify, prevent/manage conflicts, report/disclose conflicts and conflict record keeping, including:

- Governance arrangements including BlueBay's Conflicts of interest Committee;
- Embedding FCA Treating Customers Fairly principles throughout BlueBay's culture, policies and procedures (as detailed in the Treating Customers Fairly Policy);
- Clearly defined and documented reporting lines/responsibilities;
- Segregation of duties to avoid conflicts wherever possible;
- Alignment of firm, Partner and employee interests with client interests through linking remuneration to client portfolio performance;
- Portfolio risk management arrangements to monitor risk taking levels;
- Reporting to senior management action taken to manage actual conflicts arising and minimise the risk of recurrence;
- Contractual obligation on all Partners and employees to comply with Compliance and HR policies designed to mitigate and report conflicts arising;
- Training on regulations, and the policies implemented to promote compliance with those regulations; and
- Recording of potential and actual conflicts and regular review of the effectiveness of BlueBay's management of conflicts.

RBC Capital Markets, an affiliate of BlueBay, has been included on BlueBay's Approved Counterparty List since before the acquisition.

BlueBay's arrangements are reviewed at least annually and whenever a material change occurs that may affect BlueBay's ability to manage its conflicts.

☐ No

SG 04	Voluntary	Public	Descriptive	General
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**SG 04.1**

Indicate if your organisation has a process for identifying and managing incidents that occur within investee entities.

☒ Yes

☐ No

**SG 04.2**

Describe your process on managing incidents

Identification of material ESG related incidents that occur within portfolio companies can come from a number of possible sources. One route is via our ESG investment risk function directly, or by our investment teams and then brought to the attention of our ESG team or through the ESG Investment Working Group (ESG IWG), introduced formally in 2019. Our cross-desk sector analyst forums is another key channel for identification of ESG related incidents which the ESG team may not have been aware of. Our ESG function proactively monitors investment exposure on a regular basis, tracking new and ongoing investments against ESG performance data sourced from our third party specialist ESG providers, as well as in response to news flow and/or issuer contact which may yield new information.

We also consider the extent to which BlueBay has exposure to the issuer across desks and the nature of the positioning (e.g. long, short etc.). Our focus is on issuers with weak absolute performance on key ESG metrics and/or a deteriorating ESG performance over time. Whilst the majority of efforts to date have focused on post investment ESG risk monitoring, we have, since the launch of our issuer ESG evaluation process in August 2018, been looking at ESG related incidents pre-investment, as part of our credit analysts' fundamental research process. The issuer ESG evaluation process provides an avenue for identification of areas where issuers may have heightened exposure to potential ESG related incidents,

either through industry/operational exposure or weak management/mitigation of risks and resultant poor performance. The template has been designed to focus the assessment on material risks at the issuer and sector level. The assessment is maintained to take into account how an issuer responds to the risks identified over time and if there have been any improvements/deterioration in performance. The weekly participation of ESG team in the Investment Risk team meeting involves the generation of top ESG risk identification as they relate to our investment exposure.

In terms of responding to material ESG incidents where this has been identified, this is a collaborative effort between our ESG function and the investment teams, primarily with the credit analyst covering the sector/region. In some instances, we may require issuer engagement to better understand the situation, the management response and any actions resulting from this. In other cases, engagement may require BlueBay to suggest changes to existing issuer practices to mitigate further risks. During 2019, some examples where BlueBay was engaged in either identifying and/or responding to ESG related incidents included: Danske Bank (anti-money laundering) Vale (tailings dam management and safety), National Australia Bank (data privacy and cyber security). In such instances, we sought to assess the facts, engage with other parties as necessary to inform on our knowledge, and evaluate the potential investment risks.

Objectives and strategies				
SG 05	Mandatory	Public	Gateway/Core Assessed	General
<b>SG 05.1</b>	Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.			
	<input checked="" type="radio"/> Quarterly or more frequently <input type="radio"/> Biannually <input type="radio"/> Annually <input type="radio"/> Less frequently than annually <input type="radio"/> Ad-hoc basis <input type="radio"/> It is not set/reviewed			
<b>SG 05.2</b>	Additional information. [Optional]			
	Objectives on ESG investment risk activities are formally set annually, and formally reviewed bi-annually at the firm level. Outside of this, our Head of ESG Investment Risk and the Head of Risk & Performance - Attribution meet more frequently (weekly) to discuss progress and priorities. In addition, the ESG IWG (introduced in 2019) sets its work programme for the year at the start of the calendar year, with monthly meetings throughout the year where progress against the work programme is reviewed; the ESG IWG work programme is then formally reviewed at the end of the year to understand overall progress and identify priorities for the following year. As such it is possible to review priorities for the year as necessary through various mechanisms.			
SG 06	Voluntary	Public	Descriptive	General
<b>SG 06.1</b>	List the main responsible investment objectives that your organisation set for the reporting year.			

Responsible investment processes
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- ☒ Provide training on ESG incorporation

Key performance indicator
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Aid interpreting ESG vendor data; sharing insights across sector analyst forums; issuer ESG evaluation process; ad-hoc communications and project work.

Progress achieved
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These include:

- The level of ESG awareness of ESG issues as they relate to the sectors the analysts cover is improving with analysts discussing ESG issues during team meetings and engagement meetings with issuers
- Analysts proactively seeking ESG team input when considering investments and then revisiting ESG analysis following investment
- Analysts and PMs sharing ESG insights with the ESG team
- Training on ESG vendor data and reports, on completion of the issuer ESG evaluation framework for use pre-investment by credit analysts (corporates and sovereigns) as part of their fundamental research process which was rolled out across all public debt strategies during August 2018

- ☒ Provide training on ESG engagement

Key performance indicator
---------------------------

Participation in ESG engagement activities (issuer, thematic with other stakeholders)

Progress achieved
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These include:

- Analysts have proactively organised and involved the ESG team in issuer ESG engagement meetings including Danske, Link Real Estate, Standard Chartered, Eskom, Bolloré
- Analysts have proactively raised ESG related matters in issuer engagement meetings focused on investment and not attended by the ESG investment risk team such as with Gerdau, Freedom Mortgage
- Analysts have attended external events organised by third parties and engaged with issuers and other stakeholders on ESG related matters such as the Morgan Stanley ESG Insights Conference
- Participation in collaborative engagement initiatives such as PRI Vale investor led engagement and Church of England Mining and Tailings Safety Summit

- ☒ Improved communication of ESG activities within the organisation

Key performance indicator
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Teach ins with different business functions; adhoc briefings on ESG related developments; ESG IWG



Progress achieved
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These include:

- Ongoing briefings provided to new employees where ESG knowledge and overview to our approach at BlueBay
- Production of and readership of the bi-annual ESG investment newsletter for the Global HY ESG Bond Fund, including case studies with input from credit analysts/deeper thematic pieces involving both the credit analysts and the ESG team (e.g. subprime)
- Ongoing monitoring and comms regarding completion of the issuer ESG evaluations and coverage across the firm with weekly updates provided to the teams
- Establishment of the ESG Investment Working Group with representatives from each of the desks to provide a comms channel regarding ESG insights and developments
- Produced our third annual ESG investment report with input from credit analysts and portfolio managers
- External comms activities such as features in the Financial Times on climate change and on the BlueBay external website (e.g. ESG and the EM Landscape)

☒ Improved engagement to encourage change with regards to management of ESG issues

Key performance indicator
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Examples of ESG team working with investment teams

Progress achieved
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Various examples where ESG provided credit relevant insights and/or worked with credit analysts to identify corrective action/emerging ESG risk e.g. E+S lending risks in European banks, cybersecurity risk management, issuer specific ESG risk insights, engagement with issuers alongside investment teams as well as sharing of insights gained from collaborative work on the various PRI ESG in FI working groups.

The issuer ESG evaluation process is co-owned with the credit analyst and the ESG analyst having to agree on the Fundamental ESG Rating assigned to an issuer meaning both work together in determining our ESG view of an issuer.

Input into collaborative initiatives from both ESG analysts and credit analysts (e.g. PRI Sovereign Working Group, BlueBay and Verisk Maplecroft research project)

☒ Improved ESG incorporation into investment decision making processes

Key performance indicator
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Sharing insights with sector analyst forums, case study work on issues/sector or issuers, formal issuer ESG evaluation process, establishment of the ESG IWG

Progress achieved
-------------------

These include:

- Active ESG team participation in sharing of comms and ESG insights in sector analyst forums

- Roll out of the issuer ESG evaluation process across public debt teams since August 2018 - formal and systematic review and quantification of ESG risks for held investments, and indication of extent to which investment material
- Formally implemented the ESG Investment Working Group (ESG IWG) with includes representatives from each investment desk and has various terms of reference, including embedding ESG into the investment process and evidencing this. The ESG IWG meets monthly and monitors progress against the determined work programme

☒ Other, specify (1)

Update our ESG Investment Risk related policies

	Key performance indicator
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Publication of updated policies

	Progress achieved
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- Publication of the revised Controversial Weapons policy in February 2018, the UK Modern Slavery Act 2015 policy in March 2018. Further reviews of the investment policies will be undertaken as considered necessary.

☒ Other, specify (2)

	other description (2)
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Review and enhance internal ESG data / I.T. infrastructure to better support internal monitoring and internal/external reporting of ESG investment activities/portfolios ESG summaries.

	Key performance indicator
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Improve existing portfolio ESG reporting tool, create new ESG portal to map ESG vendor issuer data with internal investment exposures

	Progress achieved
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- Fully operational ESG portal to combine issuer ESG data from third party ESG vendors with internal investment holdings and benchmarks including the calculation of relevant proxy ESG data as necessary, as well as ESG evaluation metrics from our internal issuer ESG evaluation
- ESG evaluation metrics (Fundamental ESG Ratings and Investment ESG Scores) are in the Alpha Decision Tool (ADT) alongside the investment data and Portfolio Insights (Pi), including external third party ESG data
- Progress made towards enhancement of existing ESG client reporting tool to further our external reporting capabilities for clients
- Progress made towards enhancement of the issuer ESG evaluation template to be on a web-based proprietary platform (ART), with delivery targetted for this year
- Progress made towards development of a centralised ESG engagement log, with delivery targeted for 2020

☒ Other, specify (3)

other description (3)

Review of ESG vendors to ensure we are sourcing the most appropriate tools to support our ESG investment efforts.

Key performance indicator

Trial of other ESG vendors, promote usage by credit analysts

Progress achieved

- We extended our trial subscriptions with new ESG vendors (Sustainalytics and RepRisk) and sought views from the credit analysts in which they prefer and why, including credibility of the ESG outputs of the third party providers
- Analyst's familiarity with the ESG vendor platform and data has improved materially - accessing independently and referencing these in their issuer ESG evaluation templates and seeking access to reports outside of just the issuer ESG ratings (e.g. industry reports)
- Some of the new ESG vendor insights are adding value to our in-house ESG analysis such as being an input into our issuer ESG evaluation process rolled out in August 2018 (e.g. third party ESG data is automatically pulled into the template to provide signals on the ESG analysis of the issuer)
- Monitoring how we differ in terms of our ESG view of an issuer vs third-party data providers by capturing how our internal ESG evaluation metrics compare/differ to that of the ESG third parties
- Ongoing comms with our ESG providers providing feedback on proposed changes to their platform and querying any data anomalies/issues we find

☐ None of the above

Financial performance of investments

☒ Increase portfolio performance by consideration of ESG factors

Key performance indicator

PMs consider Fundamental ESG Rating and Investment ESG Scores assigned to issuers resulting from the issuer ESG evaluation process in their decisions

Progress achieved

- Explicit assignment of ESG ratings/scores has prompted discussion and debate about whether these sufficiently reflect the risk, or are being reflected in the view of investment relevance
- Both of these ESG data points are feeding into our Alpha Decision Tool, which is a proprietary tool developed by BlueBay which enables investment teams to capture and monitor trade ideas, and Portfolio Insight (Pi), another proprietary tool providing our investment team data on our investment holdings and their benchmarks (the latter also

includes external third party ESG data). The tool explicitly documents investment rationale, conviction level, profit target, stop loss and ESG data.

- Ongoing monitoring of ESG coverage of our holdings communicated to our investment desks
- Inclusion of ESG coverage metrics within slide decks/pitch books used externally
- PMs able to credibly answer ESG related questions in meetings with clients

☒ Other, specify (1)

other description (1)

Adding value to the investment process.

Key performance indicator

No explicit reference to impact on portfolio performance, although implicit goal is to add value by avoiding downside risks, improving analyst understanding and awareness.

Progress achieved

NOTE: this is an implicit objective of incorporating ESG within our investment process, in terms of risk mitigation.

It is difficult to directly link ESG risks with investment performance / not always possible to identify a material change. This is particularly challenging when investing in state owned enterprises or in emerging markets, where ESG risks may sometimes represent externalities or wider market level dynamics in play, which overshadow the specific ESG risk.

Where there may have been a benefit on an individual issuer basis, this may not have translated to the portfolio performance as a whole given there were other investment positions and dynamics in play.

In most cases, the added value seen through improved analyst sensitivity, awareness and appreciation e.g. on cyber security, in terms of regulatory / technological risk for power utilities and energy sectors resulting from climate change

☒ Other, specify (2)

other description (2)

ESG product development

Key performance indicator

Further enhance and develop ESG product offering

Progress achieved

- Worked with PMs on the development of ESG products in line with investor demand and BlueBay's ESG investment management framework, which we will continue to develop in 2020

- ☐ Other, specify (3)
- ☐ None of the above

#### ESG characteristics of investments

- ☐ Over or underweight companies based on ESG characteristics
- ☒ Improve ESG ratings of portfolio

#### Key performance indicator

For the Global High Yield ESG Bond fund - ensuring a positive level of ESG performance of the fund beyond the formal ESG exclusionary criteria

#### Progress achieved

Beyond the formal restrictions for the fund, we worked to input into the analysis and activities of the HY team in order to ensure held investments were suitable from the perspective of the ESG investment objectives.

In some instances, the analysts proactively decided on the non-suitability of an issuer, in others the ESG team made recommendations which were agreed with and implemented

Ongoing dialogue between the investment team and the ESG team regarding suitability of issuers and sharing of ESG best practice/industry news and developments both pre and post investment

- ☐ Setting carbon reduction targets for portfolio
- ☐ Other, specify (1)
- ☐ Other, specify (2)
- ☐ Other, specify (3)
- ☐ None of the above

#### Other activities

- ☒ Joining and/or participation in RI initiatives

#### Key performance indicator

Active participation in PRI ESG in FI collaborative initiatives and collaborative platform, response to ESG investment related public consultations

#### Progress achieved

- Active involvement in the ACCR, the ESG bondholder engagement working group, the sovereign working group, and the ESG in private debt working group
- Involvement in collaborative engagement efforts e.g. cybersecurity, Vale engagement
- Involvement in the Church of England Investor Mining and Tailings Safety Initiative
- Responses to ESG investment related public consultations e.g. European Commission/HLEG

- ☒ Encouraging others to join a RI initiative

Key performance indicator

Share experience of being a PRI member and what value it has brought for BlueBay; signing up to the Statement on Credit risks and ratings.

Progress achieved

- Some investors in active discussion with the PRI regarding membership
- Encourage new signatories to the ACCR Statement

- ☒ Documentation of best practice case studies

Key performance indicator

Participation in interviews for PRI led reports on ESG in FI, academic research input.

Progress achieved

These include:

- Participated in academic research into ESG investment
- Interviewee in content for PRI reports on ESG in private debt, group discussion on ESG in sovereign investing and provided case study included in the published report
- Joint research project with Verisk Maplecroft on the role of ESG in sovereign investing

- ☒ Using case studies to demonstrate engagement and ESG incorporation to clients

Key performance indicator

Documentation of ESG case studies

Progress achieved

- Featured investment case studies (issuer, sector, thematic etc.) in presentations to investors (prospects, clients), investment consultants etc. to illustrate our ESG investment risk management practices.
- ESG case studies used in PRI publication (e.g. sovereign working group)

- ☐ Other, specify (1)
- ☐ Other, specify (2)
- ☐ Other, specify (3)
- ☐ None of the above

<b>SG 06.2</b>	Additional information.
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Our formal annual ESG objectives tend to be quite high level, and categorised in terms of areas of ESG investment risk related policies & processes; ESG investment process development; ESG data, communications & capacity building, and ESG integration, each with their own further underlying strategic objectives, and specific tasks.

## Governance and human resources

<b>SG 07</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>General</b>
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<b>SG 07.1</b>	Indicate the internal and/or external roles used by your organisation, and indicate for each whether they have oversight and/or implementation responsibilities for responsible investment.
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	<b>Roles</b>
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- ☒ Board members or trustees
  - ☐ Oversight/accountability for responsible investment
  - ☐ Implementation of responsible investment
  - ☒ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Internal Roles (triggers other options)

	Select from the below internal roles
--	--------------------------------------

- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Operating Officer (COO), Investment Committee
  - ☒ Oversight/accountability for responsible investment
  - ☐ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other Chief-level staff or head of department, specify  
COO, Head of Risk & Performance

- ☒ Oversight/accountability for responsible investment
- ☒ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Portfolio managers
  - ☐ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Investment analysts
  - ☐ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Dedicated responsible investment staff
  - ☒ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Investor relations
- ☐ Other role, specify (1)
- ☐ Other role, specify (2)
- ☒ External managers or service providers
  - ☐ Oversight/accountability for responsible investment
  - ☐ Implementation of responsible investment
  - ☒ No oversight/accountability or implementation responsibility for responsible investment

#### SG 07.2

For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.

Our CEO is kept updated on ESG investment efforts via direct or e-communication channels on ad-hoc basis as considered necessary.

Our CIO and COO-CRO are represented on the Market Risk Committee which meets regularly to receive updates on ESG, as well as participating in ad-hoc discussions as appropriate and necessary.

Our Head of Risk & Performance - Attribution meets weekly with our Head of ESG Investment Risk.

The ESG IWG, which meets monthly, is chaired by the Director Investment Operations (CIO Office) and attended by the CIO, with Developed Markets investment desk representatives (Co-head of Developed Markets, Head of US Credit), Emerging Markets investment desk representatives (Head of EM Business Strategy & Operations, Senior Portfolio Manager), ESG representatives (Head of ESG Investment, ESG Analyst)

In terms of external managers/service providers, we utilise external managers/service providers in terms of providing third party ESG data which is an input into ESG analysis and investment decision making process. We view this data and insights as a valuable input but importantly it is an input rather than being relied upon solely as we believe it critical to develop our own views (both in terms of credit and ESG).

#### SG 07.3

Indicate the number of dedicated responsible investment staff your organisation has.

Number

4



<b>SG 07.4</b>	Additional information. [Optional]
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As of 31 December 2019, we employed four full time dedicated ESG staff members: a Head of ESG Investment Risk, an ESG Analyst, a Junior ESG Analyst and an ESG Intern. We also employed an ESG Analyst as a contractor (NB: this role is not included in the 4 dedicated responsible investment staff numbers above).

	I confirm I have read and understood the Accountability tab for SG 07
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I confirm I have read and understood the Accountability tab for SG 07

<b>SG 07 CC</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
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<b>SG 07.5 CC</b>	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.
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	Board members or trustees
--	---------------------------

- ☐ Oversight/accountability for climate-related issues
- ☐ Assessment and management of climate-related issues
- ☒ No responsibility for climate-related issues

	Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee
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- ☒ Oversight/accountability for climate-related issues
- ☐ Assessment and management of climate-related issues
- ☐ No responsibility for climate-related issues

	Other Chief-level staff or heads of departments
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- ☒ Oversight/accountability for climate-related issues
- ☒ Assessment and management of climate-related issues
- ☐ No responsibility for climate-related issues

	Portfolio managers
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- ☐ Oversight/accountability for climate-related issues
- ☒ Assessment and management of climate-related issues
- ☐ No responsibility for climate-related issues

	Investment analysts
--	---------------------

- ☐ Oversight/accountability for climate-related issues
- ☒ Assessment and management of climate-related issues
- ☐ No responsibility for climate-related issues

	Dedicated responsible investment staff
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- ☒ Oversight/accountability for climate-related issues
- ☒ Assessment and management of climate-related issues
- ☐ No responsibility for climate-related issues

	External managers or service providers
--	--

- ☐ Oversight/accountability for climate-related issues
- ☐ Assessment and management of climate-related issues
- ☒ No responsibility for climate-related issues

<b>SG 07.7 CC</b>	For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.
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Given BlueBay's approach to incorporating ESG as part of an enhanced investment risk management framework, we would consider environmental issues such as climate where this is deemed to be investment relevant and material. As such, management-level roles that assess and manage climate-related issues follow the same oversight structure and process as that of our ESG investment risk management framework and ESG integration approach more broadly.

In terms of external managers/service providers, we utilise external managers/service providers in terms of providing third party ESG data (including climate-related metrics) which is an input into ESG analysis and investment decision making process. We view this data and insights as a valuable input but importantly it is an input rather than being relied upon solely as we believe it critical to develop our own views (both in terms of credit and ESG).

SG 08	Voluntary	Public	Additional Assessed	General
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<b>SG 08.1</b>	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.
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	Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Operating Officer (COO), Investment Committee
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<b>SG 08.1a</b>	RI in objectives, appraisal and/or reward
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- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ None of the above

<b>SG 08.1b</b>	RI in personal development and/or training plan
-----------------	---

- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

	Other C-level staff or head of department
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COO, Head of Risk & Performance

**SG 08.1a** RI in objectives, appraisal and/or reward

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ None of the above

**SG 08.1b** RI in personal development and/or training plan

- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

## Portfolio managers

**SG 08.1a** RI in objectives, appraisal and/or reward

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☐ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ None of the above

**SG 08.1b** RI in personal development and/or training plan

- ☐ Responsible investment included in personal development and/or training plan
- ☒ None of the above

## Investment analysts

**SG 08.1a** RI in objectives, appraisal and/or reward

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☐ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ None of the above

**SG 08.1b** RI in personal development and/or training plan

- ☐ Responsible investment included in personal development and/or training plan
- ☒ None of the above

## Dedicated responsible investment staff

**SG 08.1a**

RI in objectives, appraisal and/or reward

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ None of the above

**SG 08.1b**

RI in personal development and/or training plan

- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

**SG 08.3**

Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.

In the case of the ESG Investment Risk team, the setting of ESG related goals/objectives and linking of ESG achievement with remuneration is most explicit and formalised. The Head of Investment Risk & Performance also has explicit ESG related objectives. Outside of this, these are set at a more informal basis at the CEO/CIO level. We are in the process of formalising explicit consideration of ESG within the appraisal process and objectives across the investment teams. This will include explicit and formal incorporation of ESG objectives in performance agreements for credit analysts, portfolio managers, institutional portfolio managers and assistant/junior portfolio managers. The proposed ESG objectives were drafted during the end of 2019 with feedback from the ESG IWG, we are hoping to finalise their incorporation during 2020.

**Promoting responsible investment****SG 09**

Mandatory

Public

Core Assessed

PRI 4,5

**SG 09.1**

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

**Select all that apply**

- ☒ Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Active participation in three FI and ESG working groups (ESG bondholder engagement, Advisory Committee on Credit Risks, ESG Sovereign Working Group - chairing of one of them (ACCR), Private Debt ESG Project); wider input into PRI governance and operations (e.g. director voting); participation in the collaborative investor forum (e.g. cybersecurity, issuer specific initiatives such as JBS, Vale, PRI investor expectations statement on airlines and aerospace companies on climate change).

- ☐ Asian Corporate Governance Association
- ☐ Australian Council of Superannuation Investors
- ☐ AVCA: Sustainability Committee
- ☐ France Invest – La Commission ESG
- ☐ BVCA – Responsible Investment Advisory Board
- ☒ CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We are signatories on the company letter sent to promote participation. We also participate in the follow up engagement for non-responders. We do this for all the focus areas and companies listed. We utilise and share the insights from reports internally with our investment teams.

- ☒ CDP Forests

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We are signatories on the company letter sent to promote participation. We also participate in the follow up engagement for non-responders. We do this for all the focus areas and companies listed. We utilise and share the insights from reports internally with our investment teams.

- ☒ CDP Water

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We are signatories on the company letter sent to promote participation. We also participate in the follow up engagement for non-responders. We do this for all the focus areas and companies listed.

We utilise and share the insights from reports internally with our investment teams.

- ☐ CFA Institute Centre for Financial Market Integrity
- ☐ Climate Action 100+
- ☐ Code for Responsible Investment in SA (CRISA)
- ☐ Council of Institutional Investors (CII)
- ☐ Eumedion
- ☐ Extractive Industries Transparency Initiative (EITI)
- ☐ ESG Research Australia
- ☐ Invest Europe Responsible Investment Roundtable
- ☐ Global Investors Governance Network (GIGN)
- ☐ Global Impact Investing Network (GIIN)
- ☐ Global Real Estate Sustainability Benchmark (GRESB)
- ☐ Green Bond Principles
- ☐ HKVCA: ESG Committee
- ☐ Institutional Investors Group on Climate Change (IIGCC)
- ☐ Interfaith Center on Corporate Responsibility (ICCR)
- ☐ International Corporate Governance Network (ICGN)
- ☐ Investor Group on Climate Change, Australia/New Zealand (IGCC)
- ☐ International Integrated Reporting Council (IIRC)
- ☐ Investor Network on Climate Risk (INCR)/CERES
- ☐ Local Authority Pension Fund Forum
- ☐ Principles for Financial Action in the 21st Century
- ☐ Principles for Sustainable Insurance
- ☐ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- ☐ Responsible Finance Principles in Inclusive Finance
- ☐ Shareholder Association for Research and Education (Share)
- ☐ United Nations Environmental Program Finance Initiative (UNEP FI)
- ☐ United Nations Global Compact
- ☒ Other collaborative organisation/initiative, specify  
AIMA Responsible Investment Working Group

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic  
☒ Moderate  
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

BlueBay's membership of the Alternative Investment Management Association, enables us to input into AIMA ESG investment related initiatives via their Responsible Investment working group. This has involved providing input into AIMA responses to public ESG consultations with regulators, into AIMA ESG research and briefings, as well as panel participation in AIMA convened ESG events.

☒ Other collaborative organisation/initiative, specify

The Investment Association (IA)

Your organisation's role in the initiative during the reporting year (see definitions)

- ☒ Basic  
☐ Moderate  
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Being a member of the IA means we input into their ESG investment related activities as they maintain an ESG investment forum/network. In this capacity, we have provided input into IA responses to public ESG investment consultations with regulators and other bodies as well as attended educational events.

☒ Other collaborative organisation/initiative, specify

European Leveraged Finance Association (ELFA)

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic  
☒ Moderate  
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

As a member of the European Leveraged Finance Association, BlueBay joined the ESG Committee, and as well as participating in the investor ESG survey, we provided resources for the analysis of the survey results, and the development of the resulting summary briefing document which was published during Q1 2020. We will continue to contribute to the subsequent initiative to promote issuer ESG disclosure.

The summary briefing document is available at:

<https://elfainvestors.com/resources/Documents/ELFA%20Insights%20Volume%204%20ELFA%e2%80%99s%20ESG%20Investor%20Survey%20Results%20and%20ESG%20Disclosure%20Roundtable.pdf>

☐ Other collaborative organisation/initiative, specify

SG 10	Mandatory	Public	Core Assessed	PRI 4
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SG 10.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
---------	--

☒ Yes

SG 10.2	Indicate the actions your organisation has taken to promote responsible investment independently of collaborative initiatives. Provide a description of your role in contributing to the objectives of the selected action and the typical frequency of your participation/contribution.
---------	--

☒ Provided or supported education or training programmes (this includes peer to peer RI support) Your education or training may be for clients, investment managers, actuaries, broker/dealers, investment consultants, legal advisers etc.)

	Description
--	-------------

Held educational sessions with investors and consultants and media on ESG investment, and ESG in fixed income. Such sessions are typically more ad-hoc but usually occur at least on a quarterly basis.

	Frequency of contribution
--	---------------------------

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

☐ Provided financial support for academic or industry research on responsible investment

☒ Provided input and/or collaborated with academia on RI related work

	Description
--	-------------

Support for academic/industry research on ESG/RI by participating in interviews (e.g. BlueBay and Verisk Maplecroft ESG and sovereigns research collaboration).



Frequency of contribution
---------------------------

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry

Description
-------------

When interacting with investors, consultants, policy makers and issuers. This is at least on a quarterly basis.

Frequency of contribution
---------------------------

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

☒ Spoke publicly at events and conferences to promote responsible investment

Description
-------------

Moderated or speaker participation in a number of external conferences and events on ESG investing/ESG in fixed income/ESG engagement in debt. This is at least on a quarterly basis.

Frequency of contribution
---------------------------

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

☒ Wrote and published in-house research papers on responsible investment

Description
-------------

BlueBay ESG educational / promotional articles on ESG in fixed income / bi-annual ESG newsletters with ESG case study pieces

Frequency of contribution
---------------------------

- ☒ Quarterly or more frequently
  - ☐ Biannually
  - ☐ Annually
  - ☐ Less frequently than annually
  - ☐ Ad hoc
  - ☐ Other
- ☒ Encouraged the adoption of the PRI

Description
-------------

When interacting with investors, consultants, policy makers and issuers.

Frequency of contribution
---------------------------

- ☒ Quarterly or more frequently
  - ☐ Biannually
  - ☐ Annually
  - ☐ Less frequently than annually
  - ☐ Ad hoc
  - ☐ Other
- ☒ Responded to RI related consultations by non-governmental organisations (OECD, FSB etc.)

Description
-------------

e.g. provided feedback to public consultation by European Commission/HLEG/Church of England Investor Mining and Tailings Safety Summit

Frequency of contribution
---------------------------

- ☒ Quarterly or more frequently
  - ☐ Biannually
  - ☐ Annually
  - ☐ Less frequently than annually
  - ☐ Ad hoc
  - ☐ Other
- ☐ Wrote and published articles on responsible investment in the media
- ☒ A member of PRI advisory committees/ working groups, specify

Description
-------------

Chair of the Advisory Committee on Credit Risks; member of the Sovereign Working Group and Private Debt & ESG Project, wider input into PRI governance and operations (e.g. director voting); participation in the collaborative investor forum (e.g. cybersecurity, issuer specific initiatives such as JBS, Vale, PRI investor expectations statement on airlines and aerospace companies on climate change).

Frequency of contribution
---------------------------

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other
- ☐ On the Board of, or officially advising, other RI organisations (e.g. local SIFs)
- ☒ Other, specify

specify description
---------------------

Interviewee for media articles on ESG

Description
-------------

Interviewee for media articles on ESG

Frequency of contribution
---------------------------

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other
- ☐ No

<b>SG 10.3</b>	Describe any additional actions and initiatives that your organisation has taken part in during the reporting year to promote responsible investment [Optional]
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We have been more public during 2019 in our external communications with clients and other stakeholders via the media in our thinking and learning on ESG in fixed income.

SG 11	Voluntary	Public	Additional Assessed	PRI 4,5,6
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<b>SG 11.1</b>	Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or regulators in support of responsible investment in the reporting year.
----------------	---

☒ Yes

If yes
--------

- ☒ Yes, individually
- ☒ Yes, in collaboration with others

**SG 11.2**

Select the methods you have used.

- ☒ Endorsed written submissions to governments, regulators or public policy-makers developed by others
- ☒ Drafted your own written submissions to governments, regulators or public-policy markers
- ☒ Participated in face-to-face meetings with government members or officials to discuss policy
- ☐ Other, specify

**SG 11.3**

Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.

- ☒ Yes, publicly available

provide URL

{hyperlink:<https://www.bluebay.com/en/investment-expertise/esg/resources/>}

- ☐ No

- ☐ No

**SG 11.4**

Provide a brief description of the main topics your organisation has engaged with public policy-makers or regulators on.

During 2019, we provided input into public consultations held by ESMA on proposed ESG investment related regulation. During February, we shared our views on integrating sustainability factors into MiFID II and in terms of sustainability factors in UCITS directive and AIFMD, then in March, we feed into proposed guidelines on disclosure requirements applicable to credit ratings.

Beyond the European dimension, in March we also inputted into the IOSCO consultation on sustainable finance in emerging markets and the role of securities regulators.

In all instances, we published our response publicly on our website (available here: <https://www.bluebay.com/en/investment-expertise/esg/resources/>) :

- IOSCO consultation on sustainable finance in emerging markets and role of securities regulators (Mar 2019)
- ESMA consultation on guidelines on disclosure requirements applicable to credit ratings (Mar 2019)
- ESMA consultation on sustainability factors in UCITS directive and AIFMD (Feb 2019)
- ESMA consultation on integrating sustainability factors in MiFID II (Feb 2019)

**Outsourcing to fiduciary managers and investment consultants****SG 12****Mandatory****Public****Core Assessed****PRI 4**

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**SG 12.1**

Indicate whether your organisation uses investment consultants.

- ☐ Yes, we use investment consultants
- ☒ No, we do not use investment consultants.

<b>SG 12.7</b>	Additional information [Optional].
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NOTE: we do not use, but rather interact with investment consultants, who may be engaging with us on behalf of the institutional investors they are advising, or they may be a client of ours.

## ESG issues in asset allocation

<b>SG 13</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>SG 13.1</b>	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).
----------------	--

- ☐ Yes, in order to assess future ESG factors
- ☐ Yes, in order to assess future climate-related risks and opportunities
- ☒ No, our organisation does not currently carry out scenario analysis and/or modelling

<b>SG 13.3</b>	Additional information. [OPTIONAL]
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In our day-to-day ESG investment risk activities, and given our focus on material ESG risks, there is an implicit element of incorporating how future ESG trends may impact our investments. However, we will be reviewing over the course of 2020, appropriate tools for formally conducting climate scenario analysis and stress testing to determine the resilience of our business to ESG or climate specific risks to different levels of temperature rise. We are currently reviewing methodologies to better understand physical and transition carbon risks (for fixed income corporate portfolios), including conducting scenario analysis and stress testing.

NOTE:

In July 2017, our parent company RBC became a participant in a global project to pilot the TCFD recommendations, coordinated by the United Nations Environment Programme - Finance Initiative (UNEP FI). 20 global financial institutions in total will work collaboratively with the support of external experts on developing guidelines towards a first set of climate-related investor disclosures in alignment with the recommendations of the FSB's TCFD. The TCFD Investor Pilot Project Report is expected to be published in early 2019. We will look to leverage their insights to apply to our own business, where appropriate and relevant to do so.

<b>SG 14</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>SG 14.1</b>	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.
----------------	--

- ☒ Changing demographics
- ☒ Climate change
- ☒ Resource scarcity
- ☒ Technological developments
- ☒ Other, specify(1)

	other description (1)
--	-----------------------

Governance/corruption trends, cyber security

- ☐ Other, specify(2)
- ☐ None of the above

<b>SG 14.2</b>	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity
----------------	--

- ☐ Established a climate change sensitive or climate change integrated asset allocation strategy
- ☐ Targeted low carbon or climate resilient investments
- ☐ Phase out your investments in your fossil fuel holdings
- ☐ Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- ☒ Used emissions data or analysis to inform investment decision making
- ☒ Sought climate change integration by companies
- ☒ Sought climate supportive policy from governments
- ☒ Other, specify

	other description
--	-------------------

Identified and prioritised monitoring of issuers/sectors where climate change represents a material credit risk (e.g. energy, electricity utilities, etc)

- ☐ None of the above

<b>SG 14.3</b>	Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.
----------------	--

- ☐ Scenario analysis
- ☐ Disclosures on emissions risks to clients/trustees/management/beneficiaries
- ☐ Climate-related targets
- ☐ Encouraging internal and/or external portfolio managers to monitor emissions risks
- ☐ Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- ☒ Weighted average carbon intensity
- ☒ Carbon footprint (scope 1 and 2)
- ☒ Portfolio carbon footprint
- ☒ Total carbon emissions
- ☒ Carbon intensity
- ☒ Exposure to carbon-related assets
- ☐ Other emissions metrics
- ☒ Other, specify

	other description
--	-------------------

Climate change risk is an input into issuer/sector credit analysis. Data sourced from companies directly/based on external organisation analysis (CDP, CTI, TPI etc.)

- ☐ None of the above

**SG 14.5**
**Additional information [Optional]**

During 2019 we started to explore internally portfolio carbon foot-printing. We see this as a potentially useful tool to develop baseline information on portfolio carbon exposure dynamics, which could be tracked over time, and the resulting data being used as a basis to inform on our investment decisions. We have conducted the carbon footprint analysis of some of our portfolios on an ad-hoc basis, and on client demand. However, we are yet to conduct a carbon footprint analysis of all our portfolios, although this is something we are continuing to explore in 2020, as well as running climate stress test scenarios. We would stress that clients should recognise that conducting such analysis is particularly challenging in a fixed income context (e.g. methodological issues, issuer carbon data availability).

As part of ESG integration, our focus is on identifying investment relevant/material ESG risks and accounting for this as part of an enhanced investment risk management tool. As such the focus is primarily on capital preservation. Within this context, we do consider climate change to be an example of an 'E' risk factor that impacts many different sectors and countries, in various ways and over different timeframes, and is one of the most important environmental issues affecting investments. Therefore, it is taken into account at the issuer, sector/regional and portfolio level.

Within the issuer ESG evaluation process (formally launched in August 2018) we include a dedicated section on environmental related risks. For corporates, our focus is broader and focuses on management/measures in place to minimise the environmental footprint, and regulatory compliance related to environmental misconduct, in order to direct the assessment on the risks considered to be most material - reference to climate is left to the analyst's discretion whether this is referred (although we have sector ESG materiality information they can use as a guide) given the materiality of climate change for corporates will vary as typically it is a function of the business activities, geographical footprint and size of the issuer (for instance, climate change is considered more of a material risk factor for companies in the extractives sector but may be less of an issue for a support service company). In the case of sovereigns, material factors will depend on the status of economic, social and political development, availability and dependence on natural resources, and potential regional issues, as such our analysis includes a specific focus on vulnerability to climate change and carbon transition, and policy responses.

At the firm-wide level, we have on an ad-hoc basis looked at risk exposure including carbon-related/climate risk. For instance, we have reviewed firm-wide coal exposure as a result of the potential stranded asset risk. We focused on mining, energy and utilities direct exposure, but also included indirect financing exposure of banks.

Whilst we are committed to ensuring ESG issues such as climate change are included in our investment analysis and decision making as part of our ESG investment risk management framework (where these are material or where mandated by specific strategies), the dynamic and interconnected nature of climate risk, in addition to current limitations in some necessary data sets and useful tools (such as in the area of scenario analysis), means understanding and managing climate related risks remains a challenge for us, particularly given our fixed income focus. As such we focus a lot of our engagement efforts on climate disclosure, and reference the TCFD as a framework which could help standardise the nature of reporting we are looking for. We are also currently undertaking further market research (speaking with peers and third-parties), reviewing and exploring different providers to compare different methodologies to find what would be the most suited and accurate corporate fixed income portfolios with regards tools to help us better understand physical and transition carbon risks, and as part of that enable use to conduct scenario analysis and stress testing.

**SG 14 CC**
**Voluntary**
**Public**
**General**
**SG 14.6  
CC**

Provide further details on the key metric(s) used to assess climate-related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
<b>Weighted average carbon intensity</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Determine portfolio level risk exposure to climate risks (primarily transition)	tCO <sub>2</sub> e / USD 1 mn sales	As provided by MSCI ESG Research
<b>Carbon footprint (scope 1 and 2)</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Determine issuer risk exposure to climate risks (primarily transition)	tCO <sub>2</sub> e / USD 1 mn sales	As provided by MSCI ESG Research
<b>Portfolio carbon footprint</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Determine portfolio level risk exposure to climate risks (primarily transition)	tCO <sub>2</sub> e / USD 1 mn sales	As provided by MSCI ESG Research
<b>Total carbon emissions</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Determine issuer risk exposure to climate risks (primarily transition)	tCO <sub>2</sub> e	As provided by issuer themselves or other such as CDP - climate
<b>Carbon intensity</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Determine issuer risk exposure to climate risks (primarily transition)	Scope 1 and 2 intensity: t/USD mn sales	As provided by issuer themselves or others MSCI ESG Research, CDP
<b>Exposure to carbon-related assets</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Determine issuer / portfolio level risk exposure to climate risks (primarily transition, but can also capture physical)	Corporates: business profile, revenues/profits exposure linked to carbon assets, geographical location of  Sovereigns: physical risk exposure, GHG intensity, ratification of climate related agreements etc.	Qualitative and quantitative, bringing together inhouse as well external insights (e.g. issuer themselves, MSCI ESG Research, Verisk Maplecroft, CDP climate, Carbon Tracker Initiative etc.)

**SG 14.8  
CC**

Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

© Processes for climate-related risks are integrated into overall risk management



	Please describe
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### Group risk management

BlueBay relies on 3 layers of 'controls', 'oversight' and 'assurance' - often referred to as the 'three lines of defence' model, for risk management.

A Group Risk Register is maintained by our Head of Technology and Operational Risk. The Register is shared with the LLP Board on an annual basis for formal approval. In practice, the Board would be made aware of, and would discuss, any material risk issues as and when appropriate to do so. The Register documents risks under the following broad categories (each have further sub-categories): business, investment risk, group financial, and operational risks. There is a monthly dashboard where performance is tracked.

Being owned by RBC, BlueBay reports up material risks, including environmental ones as part of RBC's enterprise risk management and reputational risk management frameworks, which are reviewed and approved annually by the Risk Committee of the Board of RBC. RBC's Group Risk Management (GRM) has oversight over the management of E&S risks, with a dedicated team responsible for identifying, assessing, managing and, where possible, mitigating those issues that may pose risks to RBC.

### Investment related risk management

This is managed by the Investment Risk management function, which reports into the COO-CRO. There is a Market Risk Committee (MRC) which provides oversight of market risk which is chaired by the Head of Investment Risk & Performance - Attribution. ESG investment risk is a sub-function within Investment Risk.

The ESG investment risk team has most direct responsibility for determining our investment strategy and approach to managing climate related investment risks. Through ongoing interactions with key stakeholders with personal knowledge and understanding of climate change and their potential impact on issuers we may invest in, the team provides our investment teams and the MRC with insight on the materiality of the risks (primarily) as they impact specific issuers, sectors or geographies, providing both a top down as well as bottom up perspective. Whilst the ESG investment risk function will advise and guide our work in this area in light of developments, the final decision will often reflect the feedback and agreement of the MRC and investment teams.

We would consider climate change risk, like any other ESG risk within the ESG investment integration framework we use, which aligns with a focus on investment material factors.

Risks are evaluated in terms of operational, financial, regulatory, technological, and/or reputational.

A range of different data and resources are utilised, both internal and external to inform on this analysis.

Considering climate change risks, which can occur over a longer term time horizon, can be challenging as investment holding periods may be shorter. Whilst investment teams can / do take into account a company's likely performance over a 3-5 year time horizon, in practice, they may balance that with considerations of investment holding periods which are usually shorter. This can mean some longer term climate related risks are not necessarily considered investment material in the context of the investment holding period.

- ☐ Processes for climate-related risks are not integrated into overall risk management

<b>SG 14.9 CC</b>	Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.
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- ☒ Yes

	Please describe
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Currently where we do meet with issuers, we raise issues of climate change where we consider this to be credit relevant/material. In the majority of instances, the aim of engagement is to gain further insights into the issuer's exposure and mitigation efforts on carbon, although in some instances we may encourage action to improve management in order to mitigate future risks. We may also engage with other stakeholders on such matters.

We believe it is important that issuers disclose climate change risks where this is material to their business sustainability, and that they do this in a consistent and public manner to facilitate investor understanding and benchmarking efforts. We highlight the TCFD framework as a global framework for which there is broad consensus this is a good basis for reporting on such matters. For instance we have done so in our engagements during 2019 with issuers in sectors such as financials and power utilities.

- ☐ No, we do not undertake active ownership activities.
- ☐ No, we do not undertake active ownership activities to encourage TCFD adoption.

<b>SG 15</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>SG 15.1</b>	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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- ☐ Yes
- ☒ No

#### Asset class implementation not reported in other modules

<b>SG 16</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
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<b>SG 16.1</b>	Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.
----------------	--

Asset Class	Describe what processes are in place and the outputs or outcomes achieved				
Hedge funds - DDQ	<table> <tr> <td></td><td>Select whether you have responded to the PRI Hedge Fund DDQ</td></tr> <tr> <td colspan="2"> <input checked="" type="radio"/> Yes  <input type="radio"/> No </td></tr> </table>		Select whether you have responded to the PRI Hedge Fund DDQ	<input checked="" type="radio"/> Yes <input type="radio"/> No	
	Select whether you have responded to the PRI Hedge Fund DDQ				
<input checked="" type="radio"/> Yes <input type="radio"/> No					
Hedge funds	Similar ESG approach as for long-only managed funds.				

#### Innovation

<b>SG 18</b>	<b>Voluntary</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
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# SG 18.1

Indicate whether any specific features of your approach to responsible investment are particularly innovative.

☒ Yes

# SG 18.2

Describe any specific features of your approach to responsible investment that you believe are particularly innovative.

BlueBay primarily applies an ESG integration strategy which involves the identification and assessment of material ESG risk factors. This means not automatically excluding issuers from investment on ESG grounds; it ensures that BlueBay's investment teams are aware of, and taking informed decisions about key ESG risks. This applies to all managed assets. In August 2018, BlueBay implemented an issuer ESG evaluation process which formally and systematically reviews (both corporate and sovereign) issuers on ESG risk factors, considers the quality of ESG risk migration as well as outlines the extent to which we consider this to be relevant to valuations. The ESG evaluation is conducted by our investment analysts working closely with our in-house ESG investment risk team, and is intended to inform on portfolio investment decisions. The process has prioritized ensuring all existing investments have undergone the ESG evaluation, and then for such analysis to be conducted as standard for new investments.

Although the issuer ESG evaluation content varies for the corporates and sovereigns, both result in same two important ESG metrics:

- *A Fundamental ESG Rating* which indicates a view on the quality of management of material ESG risks/opportunities faced by the issuer. This Rating is co-owned by the credit analyst and ESG team. There can only be one Fundamental ESG Rating per issuer across BlueBay.
- *An (Indicative) Investment ESG Score* which reflects an investment view on the extent to which the ESG factors are considered relevant to valuations, which is decision based and security/instrument specific. This Score is solely owned by the credit analyst. As it is specific to a decision on a particular security/instrument, there may be multiple Investment ESG Scores for a single issuer

We have purposely disaggregated the ESG risks and its management, from the investment materiality as this will enable us to better understand the extent to which ESG risks are indeed investment material, and in which circumstances. This level of transparency is especially important given this is fixed income, where the asset class operates differently to equity, and ESG factors may play out in different ways for various reasons. Such insights will inform on our wider knowledge and understanding of ESG fixed income dynamics, and ultimately inform on our investment decisions.

The two derived ESG data points enable credit and ESG analysts to express their ESG view on an issuer, and for this to be used by portfolio managers to inform on their portfolio construction decisions by taking these data points into account. For instance, where the ESG signal (Fundamental ESG Rating and Investment ESG Score) are negative, it may guide the PM to be cautious in their asset allocation for that issuer, potentially limiting exposure / getting protection or follow up with the analysts to understand the reasons. In the opposite case, if the ESG data points are positive, it guides the PM to consider a greater tilt in allocation to these in the portfolio (e.g. OW vs the benchmark, larger positions, constituents a core holding etc.).

These ESG data points are also feeding into our Alpha Decision Tool, which is a proprietary tool developed by BlueBay which enables investment teams to capture and monitor trade ideas. The tool explicitly documents investment rationale, conviction level, profit target, stop loss and ESG data. They also feed in to Portfolio Insight (Pi), another proprietary tool developed by BlueBay, that provides data on our investment holdings and benchmarks.

☐ No

# Communication

SG 19

Mandatory

Public

Core Assessed

PRI 2, 6

**SG 19.1**

Indicate whether your organisation typically discloses asset class specific information proactively. Select the frequency of the disclosure to clients/beneficiaries and the public, and provide a URL to the public information.

**Caution! The order in which asset classes are presented below has been updated in the online tool to match the Reporting Framework overview.**

If you are transferring data from an offline document, please check your response carefully.

Fixed income

Do you disclose?

- ☐ We do not disclose to either clients/beneficiaries or the public.
- ☐ We disclose to clients/beneficiaries only.
- ☒ We disclose to the public

The information disclosed to clients/beneficiaries is the same

- ☒ Yes
- ☐ No

<b>Disclosure to public and URL</b>		
<p>Disclosure to public and URL</p> <ul style="list-style-type: none"> <li><input type="radio"/> Broad approach to RI incorporation</li> <li><input checked="" type="radio"/> Detailed explanation of RI incorporation strategy used</li> </ul>		
<p>Frequency</p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Quarterly</li> <li><input type="checkbox"/> Biannually</li> <li><input type="checkbox"/> Annually</li> <li><input type="checkbox"/> Less frequently than annually</li> <li><input type="checkbox"/> Ad hoc/when requested</li> </ul>		
<p>URL</p> <p>{hyperlink:https://www.bluebay.com/esg}</p>		

Hedge Funds

Do you disclose?

- ☐ We do not disclose to either clients/beneficiaries or the public.
- ☐ We disclose to clients/beneficiaries only.
- ☒ We disclose to the public

The information disclosed to clients/beneficiaries is the same

- ☒ Yes
- ☐ No

<b>Disclosure to public and URL</b>	
<p><b>Disclosure to public and URL</b></p> <p><input type="radio"/> Broad approach to RI incorporation for all strategies</p> <p><input checked="" type="radio"/> Detailed explanation of RI incorporation for each strategy used</p>	
<p><b>Frequency</b></p> <p><input checked="" type="checkbox"/> Quarterly</p> <p><input type="checkbox"/> Biannually</p> <p><input type="checkbox"/> Annually</p> <p><input type="checkbox"/> Less frequently than annually</p> <p><input type="checkbox"/> Ad hoc/when requested</p>	
<p><b>URL</b></p> <p>{hyperlink:https://www.bluebay.com/esg}</p>	

**SG 19.2**

Additional information [Optional]

The intention of the reporting on our website is to provide a broad overview of our policies, systems and performance, where possible, and to fill this in with greater detail over time. As such, our ESG presentation material which we share with clients and other key stakeholders will tend to provide more in-depth information on specific processes, and case studies. However over time, we hope to be able to narrow the difference in disclosure of publicly vs. privately where it is appropriate to do so (in line with compliance/legal requirements). We seek to update our website as appropriate and necessary. During 2019, this was done quarterly or more frequently.

In 2019, we published our third annual ESG investment risk report, and further ESG investment review newsletters for professional investors in our Global High Yield ESG Bond Fund (Note: the latter are produced bi-annually). We also produced a paper on challenges, responses and opportunities in the EM landscape with regards to ESG. These are publically available on our website.

BlueBay produces quarterly ESG reporting for clients with segregated accounts, but we may also produce this on an ad-hoc basis upon client requests.

# BlueBay Asset Management LLP

## Reported Information

### Private version

#### Direct - Fixed Income

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

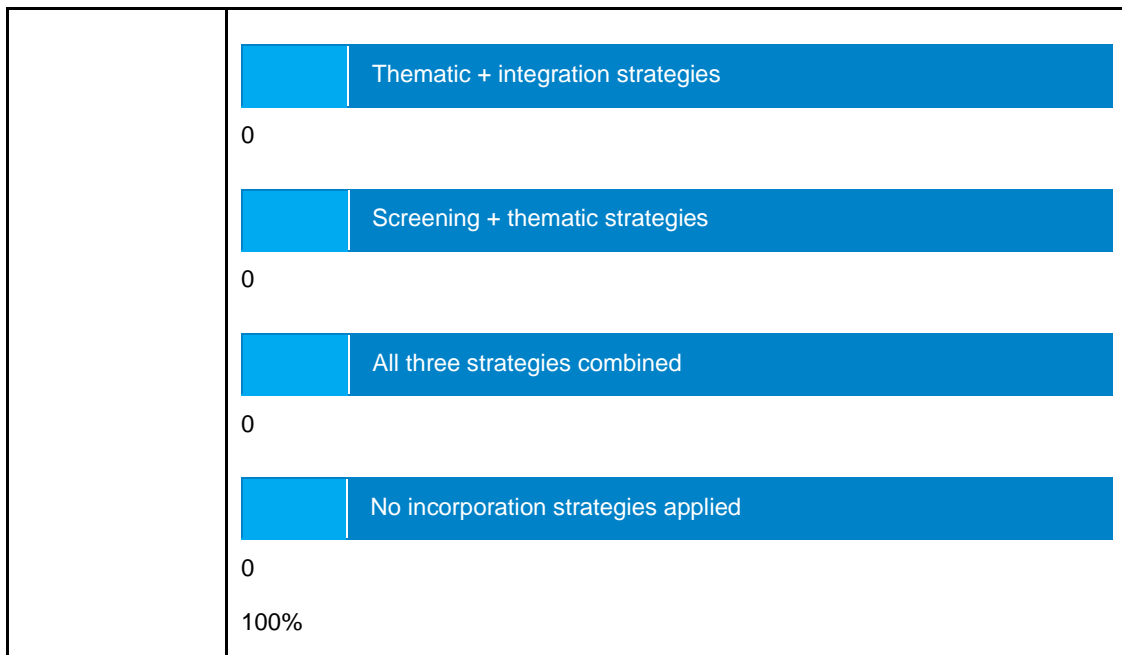
## ESG incorporation in actively managed fixed income









### Implementation processes

FI 01	Mandatory	Public	Gateway	PRI 1
FI 01.1	Indicate (1) Which ESG incorporation strategy and/or combination of strategies you apply to your actively managed fixed income investments; and (2) The proportion (+/- 5%) of your total actively managed fixed income investments each strategy applies to.			

SSA	<div> <div>Screening alone</div> <div>0</div> </div> <div> <div>Thematic alone</div> <div>0</div> </div> <div> <div>Integration alone</div> <div>0</div> </div> <div> <div>Screening + integration strategies</div> <div>100</div> </div> <div> <div>Thematic + integration strategies</div> <div>0</div> </div> <div> <div>Screening + thematic strategies</div> <div>0</div> </div> <div> <div>All three strategies combined</div> <div>0</div> </div> <div> <div>No incorporation strategies applied</div> <div>0</div> </div> <div>100%</div>
Corporate (financial)	<div> <div>Screening alone</div> <div>0</div> </div> <div> <div>Thematic alone</div> <div>0</div> </div> <div> <div>Integration alone</div> <div>0</div> </div> <div> <div>Screening + integration strategies</div> <div>100</div> </div>





Corporate (non-financial)		Screening alone
	0	
		Thematic alone
	0	
		Integration alone
	0	
		Screening + integration strategies
	100	
		Thematic + integration strategies
	0	
		Screening + thematic strategies
	0	
		All three strategies combined
	0	
		No incorporation strategies applied
	0	
	100%	

#### FI 01.2

Describe your reasons for choosing a particular ESG incorporation strategy and how combinations of strategies are used.

The predominant ESG investment strategy we apply (across all assets) is integration as we believe this is best suited to fixed income investing given the technical characteristics of the asset class, and resulting differing investment risk profiles of bonds from a single issuer as it enables more nuanced credit analysis.

We use engagement where this is appropriate to do so for insight and influence (such as to mitigate potential credit/ESG risk), but recognise that we have less leverage given we are not owners (i.e. we are debt providers and shareholders).

Proxy voting is applicable only in some instances such as for our convertibles and high yield (specifically the distressed debt) mandates. This mainly relates to proxy voting in corporate actions, rather than the traditional equity investor context.

We apply non-legal ESG exclusion screening (product-based: controversial weapons) to our pooled funds as these are the accounts where we control the investment strategy. However, our clients may provide us with bespoke screens (which may also encompass conduct based/norms based) to implement for segregated accounts.

Some of our HY pooled strategies, also employ non-legal ESG norms based screening (conduct-based).

FI 01.3	Additional information [Optional].
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As of 2017, we have deviated from how we have responded to this question in the past. Having sought clarification from the PRI during 2016, we have now interpreted 'screening' approach to include both legal and non-legal screening. In this way, legal economic sanctions screening is included (these generally relate to governance and social issues) as well as non-legal ESG screening (product based such as on arms, tobacco etc. or conduct based e.g. UN Global Compact based) - we have been consistent with this interpretation in answering questions the relevant Qs. Given all BlueBay assets must apply legal screening and we proactively apply ESG integration across all assets, our answer becomes 100% for 'screening + integration'.

But some things to note are:

- Our Controversial Weapons Investment policy only applies to corporates (non-financial) in our flagship/pooled funds
- Some of our HY strategies go beyond the Controversial Weapons investment policy screens, to include other types of screening (e.g. UN Global Compact, further negative screening). We also apply a restriction on issuers that are assessed as being 'Very high ESG risks' through our issuer ESG evaluation process. Issuers assessed as 'High ESG risks' are treated on a case-by-case basis in terms of their inclusion in the fund
- Some clients in segregated accounts may also apply their own non-legal ESG screening

FI 02	Mandatory to Report Voluntary to Disclose	Public	Core Assessed	PRI 1
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FI 02.1	Indicate which ESG factors you systematically research as part of your analysis on issuers.
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Select all that apply

	SSA	Corporate (financial)	Corporate (non-financial)	
Environmental data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Social data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Governance data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

FI 02.2	Indicate what format your ESG information comes in and where you typically source it
---------	--

☒ Raw ESG company data

**Indicate who provides this information**

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – FI analyst, PM or risk team
- ☒ Other, specify

	specify description
--	---------------------

Company itself, other stakeholders (e.g. NGOs, academia, regulators)

- ☒ ESG factor specific analysis

**Indicate who provides this information**

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – FI analyst, PM or risk team
- ☒ Other, specify

	specify description
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Company itself, other stakeholders (e.g. NGOs, academia, regulators)

- ☒ Issuer-level ESG analysis

**Indicate who provides this information**

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – FI analyst, PM or risk team
- ☒ Other, specify

	specify description
--	---------------------

Company itself, other stakeholders (e.g. NGOs, academia, regulators)

- ☒ Sector-level ESG analysis

**Indicate who provides this information**

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – FI analyst, PM or risk team
- ☒ Other, specify

	specific description
--	----------------------

Company itself, other stakeholders (e.g. NGOs, academia, regulators)

- ☒ Country-level ESG analysis

**Indicate who provides this information**

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – FI analyst, PM or risk team
- ☒ Other, specify

specify description

Country itself, stakeholders such as NGOs, academia, multi-lateral organisations (e.g. IMF, WB, etc.)

**FI 02.3**

Provide a brief description of the ESG information used, highlighting any differences in sources of information across your ESG incorporation strategies.

We source issuer ESG data from a number of specialist third party providers, as well as utilise other ESG data related products and services from external stakeholders (some of which we subscribe to and pay for, and some which are publically available) to help in the ESG integration process, with specific providers for corporates and sovereigns. These tools are used daily as part of BlueBay's ESG risk exposure assessment on an individual issuer by issuer level, as part of sector analysis, or at funds level. We access the data in written form (e.g. reports, PRs) or in person (e.g. meetings). We continually review external resources to ensure they meet our needs as ESG practices continue to advance and seek input from credit analysts as to which they find the most useful and credible, and trial data providers as a result. We also engage with our third party providers to help advance ESG data within the fixed income asset class (such as improving coverage of issuers and relevance of products to the nuances of the asset class).

**FI 02.4**

Additional information. [Optional]

NOTE: FI 02.2: We have selected 'in-house - FI analyst, PM or risk team' for 'raw ESG co data' information type as our ESG function resides within the risk team, and it provides such data.

FI 03	Mandatory	Public	Additional Assessed	PRI 1
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**FI 03.1**

Indicate how you ensure that your ESG research process is robust:

- ☒ Comprehensive ESG research is undertaken internally to determine companies' activities; and products and/or services
- ☒ Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Issuer information and/or ESG ratings are updated regularly to ensure ESG research is accurate
- ☐ Internal audits and regular reviews of ESG research are undertaken in a systematic way.
- ☒ A materiality/sustainability framework is created and regularly updated that includes all the key ESG risks and opportunities for each sector/country.
- ☒ Other, specify

	specify description
--	---------------------

Interactions with peers in the industry to gain learning about good/best practice to inform on internal efforts.

☐ None of the above

<b>FI 03.2</b>	Describe how your ESG information or analysis is shared among your investment team.
----------------	---

☒ ESG information is held within a centralised database and is accessible to all investment staff

☒ ESG information is displayed on front office research platforms

☒ ESG information is a standard item on all individual issuer summaries, research notes, 'tear sheets', or similar documents

☐ Investment staff are required to discuss ESG information on issuers as a standard item during investment committee meetings

☒ Records capture how ESG information and research was incorporated into investment decisions

☒ Other, specify

Our ESG function actively participates in the cross-desk sector analyst forums, sharing insights and views, and has ad-hoc interaction with analysts/portfolio managers.

☐ None of the above

<b>FI 03.3</b>	Additional information. [Optional]
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NOTE: 03.1

We have selected 'issuers have the opportunity to review ESG research..' as we believe our ESG research provider's process allows for this.

NOTE: 03.2

We have selected 'ESG information is held within a centralised database and is accessible to all investment staff' and 'ESG information is displayed on front office research platforms' as the two ESG metrics that result from the issuer ESG evaluation process feed into the Alpha Decision Tool (our proprietary investment decision/trading platform) alongside the financial fundamentals of each issuer/decision and also our proprietary internal system Portfolio Insight (Pi), which provides data on our holdings and respective benchmarks, as well as ESG data from our external third party providers.

We have selected 'ESG information is a standard item on all individual issuer summaries, 'tear sheets', 'dashboards' or similar documents' because as of August 2018 our issuer ESG evaluation process was formally launched across all public debt teams to be completed pre investment.

## (A) Implementation: Screening

<b>FI 04</b>	<b>Mandatory</b>	<b>Public</b>	<b>Gateway</b>	<b>PRI 1</b>
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<b>FI 04.1</b>	Indicate the type of screening you conduct.
----------------	---

Select all that apply

	SSA	Corporate (financial)	Corporate (non-financial)	
Negative/exclusionary screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Positive/best-in-class screening	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Norms-based screening	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

#### FI 04.2

Describe your approach to screening for internally managed active fixed income

##### Legal reasons

- *Economic/financial sanctions:* BlueBay must comply with applicable financial/economic sanctions in every jurisdiction where it operates. We restrict business (clients and/or investments) globally with entities and persons subject to embargo/sanctions laws. Two broad types of sanctions related investment restrictions: comprehensive restrictions (outright ban on investments in these countries), and targeted restrictions (investments permitted on case by case basis, as sanctions targeted individuals/organisations/sectors as opposed to a blanket ban). Most of these commonly relate to governance and social issues.
- *ESG related legal screening:* in some jurisdictions, there is a legal reason for funds to exclude investments in some Controversial weapons such as cluster munitions

##### Non-legal reasons

- *BlueBay determined:* proactively applied to BlueBay pooled funds where we control the investment policy for the funds (beyond those legally mandated). e.g. All apply the Controversial Weapons Investment policy, a few in the HY sub-strategy also applies the exclusions of the Norwegian Government Pension Fund global/Norges Bank, UN Global Compact. One of our new multi-asset credit fund applies ESG tilting
- *Client determined:* for segregated account clients, we can tailor screening to those required by the client. If the client wishes, they can adopt BlueBay's Controversial Weapons Investment policy for their own fund.

#### FI 04.3

Additional information. [Optional]

##### NOTE:

We have included both screening for legal reasons (e.g. sanctions) as well as non-legal screening as this is what we have interpreted this question to mean.

Some clients with segregated accounts apply ESG screening which encompass negative screening (product-based) and/or to a more limited extent norms based screening (conduct-based).

For our ESG labelled pooled funds, such as the BlueBay Global High Yield ESG Bond Fund, and as part of our ESG integration process, we also apply a restriction on issuers that are assessed as being 'Very high ESG risks' in terms of the Fundamental ESG Rating per the issuer ESG evaluation process launched in August 2018 formally across all public debt teams. Issuers assessed as 'High ESG risks' are treated on a case-by-case basis in terms of their inclusion in the ESG labelled funds. This process is implemented for any BlueBay ESG labelled pooled fund across corporates and sovereigns.

FI 05	Voluntary	Public	Additional Assessed	PRI 1
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FI 05.1	Provide examples of how ESG factors are included in your screening criteria.
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☒ Example 1

	Type of fixed income
<input type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial)	
	ESG factors
<input type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input type="checkbox"/> Governance	
	Screening
<input checked="" type="checkbox"/> Negative/ exclusionary <input type="checkbox"/> Norms-based	
	Description of how ESG factors are used as the screening criteria
<p>BlueBay's Controversial Weapons Investment Policy - applicable to all our pooled funds, this exclusion policy relates to corporate issuers involved in the production of controversial weapons in terms of cluster munitions, landmines, depleted uranium and chemical and biological weapons. In the case of our The BlueBay Global High Yield ESG Bond Fund, this also is extended to nuclear weapons.</p>	

☒ Example 2



	Type of fixed income
<input type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial)	
	ESG factors
<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input type="checkbox"/> Governance	
	Screening
<input checked="" type="checkbox"/> Negative/ exclusionary <input type="checkbox"/> Norms-based	
	Description of how ESG factors are used as the screening criteria
<p>The BlueBay Global High Yield ESG Bond Fund has an explicit exclusion based on corporate issuers involved the production of tobacco as well as those involved in coal related mining and power production (thermal coal) where this exceeds 30% of revenues/operations.</p>	

☒ Example 3

	Type of fixed income
<input type="checkbox"/> SSA <input checked="" type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial)	
	ESG factors
<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Governance	
	Screening
<input type="checkbox"/> Negative/ exclusionary <input checked="" type="checkbox"/> Norms-based	
	Description of how ESG factors are used as the screening criteria
The BlueBay Global High Yield ESG Bond Fund has an explicit exclusion based on corporate issuers which are deemed to fail the UN Global Compact principles	

☒ Example 4

	Type of fixed income
<input checked="" type="checkbox"/> SSA <input checked="" type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial)	
	ESG factors
<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Governance	
	Screening
<input checked="" type="checkbox"/> Negative/ exclusionary <input type="checkbox"/> Norms-based	
	Description of how ESG factors are used as the screening criteria
<p>In addition to the formal and exclusion negative and norms based screens applied to the BlueBay Global High Yield ESG Bond Fund (which only invested in corporates), and as part of our ESG intergration process, BlueBay proactively restricts issuers which are rated as 'Very high ESG risks' automatically and potential 'high ESG risks' (on a case by case basis), as a result of our ESG integration process which is implemented via the issuer ESG evaluation. This process is implemented for any BlueBay ESG labelled pooled fund across corporates and sovereigns.</p>	

☒ Example 5

	Type of fixed income
<input checked="" type="checkbox"/> SSA <input checked="" type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial)	
	ESG factors
<input type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Governance	
	Screening
<input checked="" type="checkbox"/> Negative/ exclusionary <input type="checkbox"/> Norms-based	
	Description of how ESG factors are used as the screening criteria
<p>Legal reasons</p> <ul style="list-style-type: none"> <li>• <b>Economic/financial sanctions:</b> BlueBay must comply with applicable financial/economic sanctions in every jurisdiction where it operates. We restrict business (clients and/or investments) globally with entities and persons subject to embargo/sanctions laws. Two broad types of sanctions related investment restrictions: comprehensive restrictions (outright ban on investments in these countries), and targeted restrictions (investments permitted on case by case basis, as sanctions targeted individuals/organisations/sectors as opposed to a blanket ban). Most of these commonly relate to governance and social issues.</li> <li>• <b>ESG related legal screening:</b> in some jurisdictions, there is a legal reason for funds to exclude investments in some Controversial weapons such as cluster munitions</li> </ul>	

FI 05.2	Additional information.
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Screening may occur for legal reasons or non-legal reasons:

**Legal reasons**

- *Economic/financial sanctions:* BlueBay must comply with applicable financial/economic sanctions in every jurisdiction where it operates. We restrict business (clients and/or investments) globally with entities and persons subject to embargo/sanctions laws. Two broad types of sanctions related investment restrictions: comprehensive restrictions (outright ban on investments in these countries), and targeted restrictions (investments permitted on case by case basis, as sanctions targeted individuals/organisations/sectors as opposed to a blanket ban). Most of these commonly relate to governance and social issues.
- *ESG related legal screening:* in some jurisdictions, there is a legal reason for funds to exclude investments in some Controversial weapons such as cluster munitions

**Non-legal reasons**

- *BlueBay determined:* proactively applied to BlueBay pooled funds where we control the investment policy for the funds (beyond those legally mandated). e.g. All apply the Controversial Weapons Investment policy, a few in the HY sub-strategy also applies the exclusions of the Norwegian Government Pension Fund global/Norges Bank, UN Global Compact. One of our multi-asset credit fund applies ESG tilting
- *Client determined:* for segregated account clients, we can tailor screening to those required by the client. If the client wishes, they can adopt BlueBay's Controversial Weapons Investment policy for their own fund

FI 06	Mandatory	Public	Core Assessed	PRI 1
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FI 06.1	Indicate which systems your organisation has to ensure that fund screening criteria are not breached in fixed income investments.
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Type of screening	Checks
<b>Negative/exclusionary screening</b>	<p><input checked="" type="checkbox"/> Analysis is performed to ensure that issuers meet screening criteria</p> <p><input checked="" type="checkbox"/> We ensure that data used for the screening criteria is updated at least once a year.</p> <p><input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria</p> <p><input type="checkbox"/> Audits of fund holdings are undertaken yearly by internal audit or compliance functions</p> <p><input checked="" type="checkbox"/> Other, specify</p> <p>other description</p> <p>Checks made upon requests by clients which may be ad-hoc or at regular intervals</p> <p><input type="checkbox"/> None of the above</p>
<b>Norms-based screening</b>	<p><input checked="" type="checkbox"/> Analysis is performed to ensure that issuers meet screening criteria</p> <p><input checked="" type="checkbox"/> We ensure that data used for the screening criteria is updated at least once a year.</p> <p><input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria</p> <p><input type="checkbox"/> Audits of fund holdings are undertaken yearly by internal audit or compliance functions</p> <p><input checked="" type="checkbox"/> Other, specify</p> <p>other description</p> <p>Checks made upon requests by clients which may be ad-hoc or at regular intervals</p> <p><input type="checkbox"/> None of the above</p>

FI 06.2	Additional information. [Optional]
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BlueBay monitors compliance with exclusion lists and other investment guidelines using our portfolio management system, Charles River Investment Management System (Charles River). Automated Charles River compliance rules are independently managed by the BlueBay Compliance function. Investment restrictions are programmed into Charles River using system-enforced 4-eyes review and validation functionality. Investment guidelines that cannot be programmed into Charles River are monitored using alternative techniques that are implemented and reviewed by the Compliance function.

The data associated with our Controversial Weapons Investment policy is sourced from a third party provider, with data updated on a regular basis (e.g. monthly). Segregated accounts provide their bespoke restrictions lists either on a regular basis or on an ad-hoc basis.

In a limited (but growing) number of instances, we perform checks to ensure issuers meet screening for clients with specific exclusions/concerns lists. This is performed at different frequencies.

NOTE FI 06.1: Norms based criteria applies to those HY pooled funds applying the Norwegian Government Pension Fund global/Norges Bank Investment Management exclusions/UN Global Compact list, and to a select few of segregated account mandates which may include this in their restricted list. We also apply a restriction on issuers that are assessed as being 'Very high ESG risks' in terms of the Fundamental ESG Rating per the issuer ESG evaluation process formally launched in August 2018. Issuers assessed as 'High ESG risks' are treated on a case-by-case basis in terms of their inclusion in the fund. This process is implemented for any BlueBay ESG labelled pooled fund across corporates and sovereigns.

## (C) Implementation: Integration

FI 10	Mandatory	Public	Descriptive	PRI 1
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FI 10.1	Describe your approach to integrating ESG into traditional financial analysis.
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In line with BlueBay's active management philosophy, ESG integration involves considering both:

- *Top-down macro-level ESG analysis:* analysing and evaluating trends and development at a global/regional/country level in terms of the political, legal and regulatory, environmental and social megatrends shaping the operating environment of governments and economic development, and which set the stage for corporate activities;
- *Bottom-up micro level ESG issuer analysis:* at the corporate level, this involves fundamental analysis and evaluation of ESG management and performance trends and developments for a given industry.

As an asset manager investing globally, BlueBay acknowledges the need to be pragmatic when assessing ESG factors, to take into account legal and cultural differences in different markets. As such the analysis will be sensitive to the issuer's individual situation in terms of the local norms, laws, regulation and expectations of the market in which it operates.

The scope of BlueBay's ESG integration strategy is to factor in ESG factors at different levels:

- *Issuer:* in terms of credit analysis e.g. what is BlueBay's ESG risk exposure on an individual issuer-by-issuer level? During 2018, we launched a formal issuer ESG evaluation process for all public debt investments, which enables us to review our ESG analysis on an ongoing basis
- *Sector:* what are the material ESG risks for certain industries/sectors, and to what degree are there commonalities? Since 2015 we have operated cross-desk sector analysis forums in which the ESG investment risk team are active participants, sharing sector ESG insights
- *Portfolio/team:* in terms of portfolio characteristics e.g. what is the fund level ESG investment risk exposure? We conduct portfolio level ESG analysis to inform on potential investment risks; and at the

- *Group*: in terms of oversight of ESG risks across BlueBay's portfolio strategies e.g. what is BlueBay's ESG investment risk exposure across all investment desks? We review and identify ESG investment risks across the firms holdings.

Given our primary ESG investment strategy being ESG integration, the role of our internal RI resource is to provide an input into the investment decision making by highlighting potential credit relevant ESG risks to investment teams. It is then for the investment team to consider the extent to which this is relevant to their investment decision in terms of potential valuation implications, as well as nature of the investment positioning. As the risk takers, the investment teams make the ultimate investment decision, which will be a balance of conventional financial and ESG factors. This means that our funds may still invest in issuers with low ESG performance scores as well as those with high ESG performance scores. Ultimately this means we do not automatically exclude issuers from investment on ESG grounds; it ensures that BlueBay's investment teams are aware of, and taking informed decisions about key ESG risks.

In August 2018, BlueBay implemented an issuer ESG evaluation process which formally and systematically reviews (both corporate and sovereign) issuers on ESG risk factors, considers the quality of ESG risk migration as well as outlines the extent to which we consider this to be relevant to valuations. The ESG evaluation is conducted by our investment analysts working closely with our in-house ESG investment risk team, and is intended to inform on portfolio investment decisions. The process has prioritized ensuring all existing investments have undergone the ESG evaluation, and then for such analysis to be conducted as standard for new investments. While we already source ESG data on issuers from external providers, we believe it is critical we are able to formulate our own independent views, particularly given the third-party analysis tends to be more relevant to equity investment than fixed income, and in some cases, there is a lack of ESG coverage of the issuers.

While the issuer ESG checklist content varies for corporates and sovereigns, both result in same two important ESG metrics:

- *A Fundamental ESG (Risk) Rating* which indicates a view on the quality of management of material ESG risks/opportunities faced by the issuer. This Rating is co-owned by the credit analyst and ESG team. There can only be one Fundamental ESG (Risk) Rating per issuer across BlueBay. .
- *An (Indicative) Investment ESG Score* which reflects an investment view on the extent to which the ESG factors are considered relevant to valuations, which is decision based and security/instrument specific. This Score is solely owned by the credit analyst. As it is specific to a decision on a particular security/instrument, there may be multiple Investment ESG Scores for a single issuer.

We have purposely disaggregated the ESG risks and its management, from the investment materiality as this will enable us to better understand the extent to which ESG risks are indeed investment material, and in which circumstances. This level of transparency is especially important given this is fixed income, where the asset class operates differently to equity, and ESG factors may play out in different ways for various reasons. Such insights will inform on our wider knowledge and understanding of ESG fixed income dynamics, and ultimately inform on our investment decisions.

The two derived ESG data points enable credit and ESG analysts to express their ESG view on an issuer, and for this to be used by portfolio managers to inform on their portfolio construction decisions by taking these data points into account. For instance, where the ESG signal (Fundamental ESG Rating and Investment ESG Score) are negative, it may guide the PM to be cautious in their asset allocation for that issuer, potentially limiting exposure / getting protection or follow up with the analysts to understand the reasons. In the opposite case, if the ESG data points are positive, it guides the PM to consider a greater tilt in allocation to these in the portfolio (e.g. OW vs the benchmark, larger positions, constituents a core holding etc.).

These ESG data points are also feeding into our Alpha Decision Tool, which is a proprietary tool developed by BlueBay which enables investment teams to capture and monitor trade ideas and explicitly documents investment rationale, conviction level, profit target, stop loss and ESG data, as well as Pi

## SSA

For sovereign bond investments, geo-political and social factors ( e.g. civil conflict, terrorism, issues of corruption etc.) are particularly credit relevant, as these factors can be dynamic and alter rates and currency parameters and so the credit attractiveness of countries.

BlueBay has developed a formal issuer ESG evaluation framework for use pre-investment by credit analysts as part of their fundamental research process for sovereign investments. Whilst the framework of the issuer ESG checklist across corporates and sovereigns is largely similar, the templates have been designed to take into account specific challenges and nuances between the two asset classes resulting in some differentiation in the evaluation approach. The structure of the sovereign evaluation template is as follows:

- Part 1 captures insights from any external ESG assessments of the sovereign by vendors, This provides a starting point upon which to build an in-house view, but does not dictate what that should be
- Part 2 is a systematic evaluation of the sovereign's on a range of set topics within each E, S and G/P (where the P refers to political) pillars. This seeks to assess the risk exposure and quality of mitigation/adaptation response
- Part 3 aims to provide a relative perspective on how well the sovereign is managing E,S,G,P factors relative to its economic peer group
- Part 4 documents the conclusions reached by analysts (credit and ESG) in terms of the Fundamental ESG Rating and the indicative Investment ESG Score
- Part 5 notes potential engagement points with sovereigns, as well as enables the documentation of any that has occurred

## Corporate (financial)

Governance aspects of financial corporates are particularly credit relevant given the need to have confidence in the quality and integrity of the business and the highly regulated nature of business operations. Public transparency of governance structures, mechanisms and approaches to managing lending/investment risks are key. Understanding of lending/investment exposures is important. We balance the retail and commercial exposure of financial corporates in determining material E and S factors and balancing these.

We perform deep-dive assessments on an ad-hoc basis e.g. during 2019 we undertook such an assessment over the subprime space. Given the inherent social risks surrounding subprime lending, there was a critical need for us to develop a framework through which we can better reflect the nuances of this sector and assess practices and help us balance the positives of financial inclusion for certain groups and the inherent risks of poor practice given the imbalance of power between the lender (i.e. those providing finance) and the borrower (i.e. those in need of finance).



## Corporate (non-financial)

Whilst Governance is a basic area of analysis (particularly in the case of distressed debt/private lending) for all corporates, the extent to which Environment or Social issues are credit relevant will depend on factors such as the business activities, geographical footprint, size of the company and so on. For instance, climate change is considered more of a material risk factor for companies in the extractives sector but may be less of an issue for a support service company. Where the risk is considered material, it is discussed with the credit analyst to understand the extent to which this could negatively impact valuations, and so potentially influence investment decisions

### FI 10.3

#### Additional information [OPTIONAL]

##### **In-house proprietary ESG evaluation**

In terms of our issuer ESG evaluation framework, BlueBay does not apply an explicit pre-determined weighting to ESG factors in its analysis of an issuer's credit analysis. However, such factors are expected to be factored into the investment team's credit analysis, and taken into account where this is considered investment relevant in the valuation analysis.

Generally speaking, different aspects/dimensions of an E, S and G issue may be more or less credit relevant for different debt instruments.

In addition to adapting our approach for different debt instruments, we also modify our expectations of issuers in terms of their sector and geographic exposure - given ESG factors may be more credit relevant in the former, and also to reflect the state of ESG standards and awareness.

We also adapt the ESG screening we apply for our pooled funds, such that our Controversial Weapons Investment policy only applies to corporates, and not sovereigns, as they cannot be considered in the same way. We do not currently adopt any ESG screening for sovereigns for our pooled funds but we are currently analysing how we might apply such screening for future product development.

##### **Third party ESG data providers**

In our experience, and in particularly relation to bond investments, governance factors tend to have most investment relevance and can be a key contributing factor in an investment decision, as such they are typically the most critical ESG risk factor. To reflect our view of the primary importance of G, we express this in terms of how we utilise the ESG data from specialist third party providers. For example, we get the (absolute) issuer scores generated on E, S and G (range from 0-10 with 0 being worst and 10 being best), and generate a BlueBay overall score from weighting the individual components, 50% G, 25% E and 25% S.

### FI 11

#### Mandatory

#### Public

#### Core Assessed

#### PRI 1

### FI 11.1

#### Indicate how ESG information is typically used as part of your investment process.

Select all that apply

	SSA	Corporate (financial)	Corporate (non- financial)	
ESG analysis is integrated into fundamental analysis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis is used to adjust the internal credit assessments of issuers.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis is used to adjust forecasted financials and future cash flow estimates.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ESG analysis impacts the ranking of an issuer relative to a chosen peer group.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
An issuer's ESG bond spreads and its relative value versus its sector peers are analysed to find out if all risks are priced in.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
The impact of ESG analysis on bonds of an issuer with different durations/maturities are analysed.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Sensitivity analysis and scenario analysis are applied to valuation models to compare the difference between base-case and ESG-integrated security valuation.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis is integrated into portfolio weighting decisions.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Companies, sectors, countries and currency and monitored for changes in ESG exposure and for breaches of risk limits.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
The ESG profile of portfolios is examined for securities with high ESG risks and assessed relative to the ESG profile of a benchmark.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other, specify in Additional Information	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

**FI 11.2**
**Additional information [OPTIONAL]**

The roll out of the issuer ESG evaluation process across our public debt investment teams in August 2018 formalizes the incorporation of ESG factors in terms of fundamental analysis, as it is required to be completed for every investment held. The evaluation includes an assessment of the issuer against its peer group in the case of both corporates and sovereigns. The generation of the two issuer ESG data points enables ESG risks and investment materiality to be taken into account in investment/portfolio decisions. These ESG data points are also feeding into our Alpha Decision Tool (ADT), which is a proprietary tool developed by BlueBay which enables investment teams to capture and monitor trade ideas, and Portfolio Insight (Pi), with the latter also holding external ESG third party data from our third party providers. The tool explicitly documents investment rationale, conviction level, profit target, stop loss and ESG data.

The two derived ESG data points enable credit and ESG analysts to express their ESG view on an issuer, and for this to be used by portfolio managers to inform on their portfolio construction decisions by taking these data points into account. For instance, where the ESG signal (Fundamental ESG Rating and Investment ESG Score) are negative, it may guide the PM to be cautious in their asset allocation for that issuer, potentially limiting exposure / getting protection or follow up with the analysts to understand the reasons. In the opposite case, if the ESG data points are positive, it guides the PM to consider a greater tilt in allocation to these in the portfolio (e.g. OW vs the benchmark, larger positions, constituents a core holding etc.).

As such, for 'Companies, sectors, countries and currency and monitored for changes in ESG exposure and for breaches of risk limits', whilst we have not selected this option, within our issuer ESG evaluation process described above, for corporate issuers we analyse ESG risks at the sector level, and for sovereigns we analyse ESG risks of the issuers GNI peer group, as such this information is analysed across all issuers and exposure to such ESG risks is evaluated.

**FI 12**
**Mandatory**
**Public**
**Additional Assessed**
**PRI 1**
**FI 12.1**
**Indicate the extent to which ESG issues are reviewed in your integration process.**

	<b>Environment</b>	<b>Social</b>	<b>Governance</b>
SSA	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Corporate (financial)	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Corporate (non-financial)	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all

## SSA

**Data & insights:**

We source sovereign issuer ESG data from third party providers such as Verisk Maplecroft and MSCI ESG Research (as well as Eurasia Group although the focus in this instance is on commentary rather than production of ESG ratings for sovereigns), which provide overall scores for each sovereign, as well as company profiles which break down performance in different areas. They also produce annual reviews and ad hoc analysis. The scores are available to the investment teams via an online platform and our investment risk IT system. We may also participate in webinars or request meetings from Verisk Maplecroft and Eurasia on issues of interest. The ESG function leads on monitoring and sharing ESG performance with the desks from the provider. Additionally, the ESG team has access to other sources of ESG insights including sell-side brokers as well as open source resources.

**Analysis & integration:**

During 2018 we formally rolled out our pre-investment ESG issuer evaluation process, including a specific template designed for sovereigns. The sovereign template has been designed to take into account specific challenges and nuances of the asset classe resulting in some differentiation in the evaluation approach when compared to corporates. However, both result in the generation of the same two consistent, proprietary ESG metrics.

The structure of the sovereign evaluation template is as follows:

- Part 1 captures insights from any external ESG assessments of the sovereign by vendors, This provides a starting point upon which to build an in-house view, but does not dictate what that should be
- Part 2 is a systematic evaluation of the sovereign's on a range of set topics within each E, S and G/P (where the P refers to political) pillars. This seeks to assess the risk exposure and quality of mitigation/adaptation response
- Part 3 aims to provide a relative perspective on how well the sovereign is managing E,S,G,P factors relative to its economic peer group
- Part 4 documents the conclusions reached by analysts (credit and ESG) in terms of the Fundamental ESG Rating and the indicative Investment ESG Score
- Part 5 notes potential engagement points with sovereigns, as well as enables the documentation of any that has occurred

**Ongoing monitoring & assessment:**

The proprietary ESG metrics which are derived from the sovereign ESG issuer evaluation are also in the ADT, our proprietary ESG investment monitoring tool, which allows to monitor the ESG metrics alongside the investment data, and Pi, alongside third party external ESG data.

The ESG team also attends weekly Investment Risk meetings, where discussions are held on key risk developments in some of the key pooled funds across the desks, including sovereign related ones. From such meetings we may prioritise further ESG analysis to conduct. The ESG team may also proactively draw attention to issues. Where and when needed, insights are shared with the relevant analysts/PMs and/or matters can be escalated to the Market Risk Committee.

## Corporate (financial)

**Data & insights**

We source corporate issuer ESG data from a range of third party providers (MSCI ESG Research, Sustainalytics, RepRisk, TruValue Labs), which provide a range of ESG ratings and scores either based on overall performance, as well as performance on specific aspects. They may also produce annual sector reviews and ad hoc analysis. The scores are available to the investment teams via an

online platform and in some cases, our investment risk IT system. We may also participate in webinars or request meetings from Verisk Maplecroft and Eurasia on issues of interest. The ESG function leads on monitoring and sharing data on ESG performance with the desks from the provider. Additionally, the ESG team has access to other sources of ESG insights including sell-side brokers as well as open source resources.

#### **Analysis & integration**

During 2018 we formally rolled out our pre-investment ESG issuer evaluation process, including a specific template designed for corporates.

The structure of the corporates ESG evaluation template is as follows:

- Part 1 captures insights from any external ESG assessments of the corporate by ESG vendors, This provides a starting point upon which to build an in-house view, but does not dictate what that should be
- Part 2 is a systematic evaluation of the corporate's on a range of set topics (business footprint, governance, management, social and environment). This seeks to assess the risk exposure and quality of mitigation/adaptation response in these areas
- Part 3 aims to provide a relative perspective on how well the corporate is managing E,S,G sector material risk factors relative to its sector regional peer group
- Part 4 documents the conclusions reached by analysts (credit and ESG) in terms of the Fundamental ESG Rating and the indicative Investment ESG Score
- Part 5 notes potential engagement points with sovereigns, as well as enables the documentation of any that has occurred

#### **Ongoing monitoring & assessment**

The proprietary ESG metrics which are derived from the corporate ESG issuer evaluation are also in the ADT, our proprietary ESG investment monitoring tool, which allows to monitor the ESG metrics alongside the investment data, and Pi, alongside third party external ESG data.

Via the cross team sector analyst forum initiative, the ESG team shares ESG insights formally on a regular (mostly monthly) basis. This network has also initiated efforts to develop sector ESG briefing documents, which set out our view of the most credit relevant ESG risk for the sector, how we believe this impacts valuation, and the key questions for consideration/engagement. To date, we have produced such a note for the Energy& Mining sector, and are in the process of finalising the remaining sector briefings.

The ESG team also attends weekly Investment Risk meetings, where discussions are held on key risk developments in some of the key pooled funds across the desks, including corporates related ones. From such meetings we may prioritise further ESG analysis to conduct. The ESG team may also proactively draw attention to issues. Where and when needed insights are shared with the relevant analysts/PMs and/or matters can be escalated to the Market Risk Committee.

### **Corporate (non-financial)**

#### **Data & insights:**

We source corporate issuer ESG data from a range of third party providers (MSCI ESG Research, Sustainalytics, RepRisk, TruValue Labs), which provide a range of ESG ratings and scores either based on overall performance, or performance on specific aspects. They may also produce annual sector reviews and ad hoc analysis. The scores are available to the investment teams via an online platform and in some cases, our investment risk IT system. We may also participate in webinars or request meetings from Verisk Maplecroft and Eurasia on issues of interest. The ESG function leads on monitoring and sharing data on ESG performance with the desks from the provider. Additionally, the ESG team has access to other sources of ESG insights including sell-side brokers as well as open source resources.

#### **Analysis & integration:**

During 2018 we formally rolled out our pre-investment ESG issuer evaluation process, including a specific template designed for corporates.

The structure of the corporates ESG evaluation template is as follows:

Part 1 captures insights from any external ESG assessments of the corporate by ESG vendors. This provides a starting point upon which to build an in-house view, but does not dictate what that should be

Part 2 is a systematic evaluation of the corporate's on a range of set topics (business footprint, governance, management, social and environment). This seeks to assess the risk exposure and quality of mitigation/adaptation response in these areas

Part 3 aims to provide a relative perspective on how well the corporate is managing E,S,G sector material risk factors relative to its sector regional peer group

Part 4 documents the conclusions reached by analysts (credit and ESG) in terms of the Fundamental ESG Rating and the indicative Investment ESG Score

Part 5 notes potential engagement points with sovereigns, as well as enables the documentation of any that has occurred

#### **Ongoing monitoring & assessment:**

The proprietary ESG metrics which are derived from the corporates ESG issuer evaluation are also in the ADT, our proprietary ESG investment monitoring tool, which allows to monitor the ESG metrics alongside the investment data, and Pi, alongside third party external ESG data.

Via the cross team sector analyst forum initiative, the ESG team shares ESG insights formally on a regular (mostly monthly) basis. This network has also initiated efforts to develop sector ESG briefing documents, which set out our view of the most credit relevant ESG risk for the sector, how we believe this impacts valuation, and the key questions for consideration/engagement. To date, we have produced such a note for the Energy& Mining sector, and are in the process of finalising the remaining sector briefings.

The ESG team also attends weekly Investment Risk meetings, where discussions are held on key risk developments in some of the key pooled funds across the desks, including corporates related ones. From such meetings we may prioritise further ESG analysis to conduct. The ESG team may also proactively draw attention to issues. Where and when needed insights are shared with the relevant analysts/PMs and/or matters can be escalated to the Market Risk Committee.

Fixed income - Engagement				
FI 14	Mandatory to Report Voluntary to Disclose	Public	Core Assessed	PRI 2
FI 14.1	Indicate the proportion of your fixed income assets on which you engage. Please exclude any engagements carried out solely in your capacity as a shareholder.			

Category	Proportion of assets
SSA	<p> <input type="radio"/> &gt;50%  <input checked="" type="radio"/> 26-50%  <input type="radio"/> 5-25%  <input type="radio"/> More than 0%, less than 5% </p> <div> <b>FI 14.2</b> Indicate your motivations for conducting engagement (SSA fixed income assets). </div> <p> <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management  <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure  <input checked="" type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue </p>
Corporate (financial)	<p> <input type="radio"/> &gt;50%  <input checked="" type="radio"/> 26-50%  <input type="radio"/> 5-25%  <input type="radio"/> More than 0%, less than 5% </p> <div> <b>FI 14.2</b> Indicate your motivations for conducting engagement (Corporate, Financial fixed income assets) </div> <p> <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management  <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure  <input checked="" type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue </p>
Corporate (non-financial)	<p> <input type="radio"/> &gt;50%  <input checked="" type="radio"/> 26-50%  <input type="radio"/> 5-25%  <input type="radio"/> More than 0%, less than 5% </p> <div> <b>FI 14.2</b> Indicate your motivations for conducting engagement (Corporate, non-financial fixed income assets) </div> <p> <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management  <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure  <input checked="" type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue </p>

<b>FI 14.3</b>	Additional information.[OPTIONAL]
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BlueBay believes that providers of debt do have a role in engaging with issuers on matters with the potential to impact investment returns. As part of the routine investment research process, our investment teams do meet issuers (particularly with primary issuances) and are therefore able to raise questions, including on ESG related matters. Given BlueBay's approach of not automatically excluding issuers from investment based on their ESG performance, actions to mitigate such risks are raised with investments teams where appropriate. Our focus is on the most investment relevant ESG risk factors, with engagement conducted to inform on our investment decisions.

However client expectations of the scale and effectiveness of such engagement should be made in recognition of the fact that as debt investors, we are not owners and as such have more limited legal mechanisms to influence issuers. Furthermore, trying to engage a non-corporate issuer such as a sovereign is potentially more challenging than influencing a company.

The aim of engagement is for:

- Insight - to generate additional insights into the issuer's ESG practices which may have investment implications and/or,
- Influence - to facilitate change by setting out a request for change/improvement in specific ESG areas e.g. climate change or human rights supply chain management

The majority of engagements conducted are for purposes of improving insight and most are focused on improving conventional credit insight as compared with a more ESG explicit focus.

FI 15	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1,2
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

FI 15.1	Indicate how you typically engage with issuers as a fixed income investor, or as both a fixed income and listed equity investor. (Please do not include engagements where you are both a bondholder and shareholder but engage as a listed equity investor only.)
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Select all that apply

Type of engagement	SSA	Corporate (financial)	Corporate (non-financial)	
Individual/Internal staff engagements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Collaborative engagements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Service provider engagements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

FI 15.2	Indicate how your organisation prioritises engagements with issuers.
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Select all that apply



	SSA	Corporate (financial)	Corporate (non-financial)	
Size of holdings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Credit quality of the issuer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Duration of holdings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Quality of transparency on ESG	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Specific markets and/or sectors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Specific ESG themes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Issuers in the lowest ranks of ESG benchmarks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Issuers in the highest ranks of ESG benchmarks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Specific issues considered priorities for the investor based on input from clients and beneficiaries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Other	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

If 'other' has been selected, please give a description

Other: whether this is likely to be a long-term/core holding, whether this is likely to be investable, reactive to an event/development, part of pre-determined ESG work programme etc.

#### FI 15.3

Indicate when your organisation conducts engagements with issuers.

Select all that apply

	SSA	Corporate (financial)	Corporate (non-financial)	
We engage pre-investment.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
We engage post-investment.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
We engage proactively in anticipation of specific ESG risks and/or opportunities.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
We engage in reaction to ESG issues that have already affected the issuer.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
We engage prior to ESG-related divestments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Other, describe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

**FI 15.4**

Indicate what your organisation conducts engagements with issuers on.

Select all that apply

	SSA	Corporate (financial)	Corporate (non-financial)	
We engage on ESG risks and opportunities affecting a specific bond issuer or its issuer.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
We engage on ESG risks and opportunities affecting the entire industry or region that the issuer belongs to.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
We engage on specific ESG themes across issuers and industries (e.g., human rights).	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other, describe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

**FI 15.5**

Indicate how your organisation ensures that information and insights collected through engagement can feed into the investment decision-making process.

Select all that apply

	SSA	Corporate (financial)	Corporate (non-financial)	
Ensuring regular cross-team meetings and presentations.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Sharing engagement data across platforms that is accessible to ESG and investment teams.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Encouraging ESG and investment teams to join engagement meetings and roadshows.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Delegating some engagement dialogue to portfolio managers/credit analysts.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Involving portfolio managers when defining an engagement programme and developing engagement decisions.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Establishing mechanisms to rebalance portfolio holdings based on levels of interaction and outcomes of engagements.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Considering active ownership as a mechanism to assess potential future investments.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other, describe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
We do not ensure that information and insights collected through engagement can feed into the investment decision-making process.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

#### FI 15.6

Additional information.[OPTIONAL]

#### ESG engagement overview

The engagement may be:

- *Investor led*, this can be as part of a proactive or reactive engagement programme involving a single or group of investors looking to address a specific issue/theme within a certain sector or more generally e.g. extractives industry and human rights management
- *Company led*, this is often as part of a proactive effort by the company to engage with investors on its ESG practices e.g. annual ESG investor road show, or a stakeholder consultation exercise covering its ESG strategy or a specific ESG issue (e.g. access to medicines in the pharma sector)

The engagement may take the form of face-to-face meetings with management or through conference calls and e-communications. The discussions may be solely between issuer and investor, or involve other investor and stakeholder groups.

Where ESG engagement is deemed necessary, this will be prioritised using a risk-based approach. This means taking account of the following:

- Focusing on issuers considered to have the most exposure to significant ESG controversies (e.g. for corporates, our third party provider assigns a 'red' flag status to such companies)

- The absolute/relative size of our exposure to the issuer (fund level/firm wide level)
- Our investment thesis e.g. do we have strong conviction in the issuer and is this a long-term holding or is it a short term trade idea based solely on valuations
- The ESG ratings and scores of the company overall, and/or on specific E, S and G areas where we may have a proactive engagement programme centred around a specific issue/theme

### Communication of engagement outcomes

We provide quarterly ESG reports to segregated account clients, which provide some illustration of engagement activities and their outcomes. Our investment teams/ESG specialist may also meet with clients in meetings to brief them on our effort.

Some of our engagement efforts are reported on our corporate website, although the current focus has been on detailing the activities rather than the outcomes.

Internally we also share the results of our engagement efforts. Where this is with our analysts, we may do this on ad-hoc basis either in person or by electronic communications with the most relevant individuals, or via the relevant cross-desk sector analyst forum where wider discussions make sense. We may also share examples with other individuals in the investment team or other functions on an ad-hoc basis via electronic communication and/or in person discussions via case study examples.

FI 16	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1,2
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FI 16.1	Indicate if your publicly available policy documents explicitly refer to fixed income engagement separately from engagements in relation to other asset classes.
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☒ Yes

FI 16.2	Please attach or provide a URL to your fixed income engagement policy document. [Optional]
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	URL
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{hyperlink:<https://www.bluebay.com/globalassets/documents/esg-investment-risk-policy.pdf>}

	Attach document
--	-----------------

[File 1:BlueBay ESG Investment Risk Policy Aug 2017.pdf](#)

☐ No

FI 16.3	Additional information [OPTIONAL]
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We do not have a stand-alone ESG engagement policy, as this is covered within our overall ESG investment risk policy.

## Outputs and outcomes

FI 17	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	General
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**FI 17.1**

Indicate whether your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or performance.

Select all that apply

	SSA	Corporate (financial)	Corporate (non-financial)	
We measure whether incorporating ESG impacts portfolio risk.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
We measure whether incorporating ESG impacts portfolio returns.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
We measure the ESG performance/profile of portfolios (relative to the benchmark).	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

**FI 17.2**

Describe how your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or ESG performance. [OPTIONAL]

Efforts to date have involved:

- Quantitative: overall fund ESG/E/S/G performance scores; top 5 best/worst contributor (issuer) to fund ESG score, top 5 long/short positions in low/high ESG scoring issuers, exposure to corporate issuers with the highest ESG controversy status.
- Qualitative: we monitor, the impact of the ESG analysis we do with our investment teams in terms of impact on investment views and outcomes for specific issuers or sectors. In such instances, in the majority of cases we have observed that whilst there has not been a change in the investment allocation, the credit analysts have gained increased awareness and appreciation of the potential risk of the ESG issue to the credit risk, and this has been incorporated the overall view of the issuer.

Going forward, with the issuer ESG checklist and input into ADT and Pi, we will be able to track, monitor and evaluate how incorporation of ESG has affected investment outcomes/ESG performance. In terms of performance vs the benchmark, for corporates and sovereigns we are able to do this using external third party ESG data. For sovereigns, we can also do this using our issuer ESG evaluation proprietary metrics. To date, benchmark analysis has largely been ad-hoc.

**FI 17.3**

Additional information.[OPTIONAL]

As we have yet to systematically track outcomes of ESG analysis and engagement, we tend to find this out on an ad-hoc basis from dialogue with the investment teams, such as sharing comms/insights across the sector analyst forums, and/or one-to-one dialogue.

As stated in FI 17.2, in the majority of instances we have not necessarily observed a change in the investment view/allocation decision but they have informed on our understanding and thinking

FI 18	Voluntary	Public	Descriptive	PRI 1,2
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FI 18.1	Provide examples of how your incorporation of ESG analysis and/or your engagement of issuers has affected your fixed income investment outcomes during the reporting year.
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☒ Example 1

	Type of fixed income
<input type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial)	
	ESG issue and explanation
<p><b>ANALYSIS: corporates (non-financial) - Fresenius</b></p> <p>Fresenius is a large well-regarded healthcare operator; however, we recognise that it operates in some jurisdictions/generates revenue from business lines prone to corruption and is subject to negative headline risk having been embroiled in various investigations/settlements. Having reviewed the company's policies, we assess that it should increase its measures to address business ethics issues. We would prefer that Fresenius formalised restricting facilitation payments (noting it has guidelines in place, but this lags best practice), instituted annual mandatory code of conduct training and signoffs for staff, took a more active approach to be a leader against corruption by perhaps joining an external standards body and implement external business compliance assurance audits. However, we recognise that Fresenius has instituted a Compliance Steering Committee responsible for managing business ethics and corruption issues and chief compliance officers in each of their business segments. They have a detailed code of conduct, which explicitly prohibits bribery and corruption and includes whistle-blower legal protections, extending to all subsidiaries, suppliers are required to have similar policies with programmes to verify their compliance. As such on balance, we assigned a Fundamental ESG Risk Rating of Medium and an Indicative Investment ESG Score of 0.</p>	
	RI strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement	
	Impact on investment decision or performance
<p>Our investment exposure to Fresenius is predominantly supported by the strong European credit market that outweigh the ESG concerns. The new issue is ECB corporate security purchase program (CSPP) eligible and denominated in 1k units which means that it is also eligible for purchases within the German retail market where the company is well-known. These technical aspects have supported the demand for the bonds taking credit spreads tighter over the last month. We continue to expect that Fresenius will benefit from growth mega trends of aging populations, increased life expectancy and medicine affordability. The company has addressed the shift to home dialysis with its acquisition of NxStage which supports the companies margin profile and strong free cash flow generation. In addition, whilst we recognise that facilitation payments are handled differently by regulatory bodies e.g. exempted out of the US Foreign Corrupt Practices Act enforcement actions and not punishable according to German law if the payment is made outside the EU depending on the circumstances, we continue to monitor the outcome of the Frankfurt prosecutor investigations.</p>	

☒ Example 2

	Type of fixed income
<input type="checkbox"/> SSA <input checked="" type="checkbox"/> Corporate (financial) <input type="checkbox"/> Corporate (non-financial)	
	ESG issue and explanation
<p><b>INSIGHT &amp; INFLUENCE:</b> corporates - National Australia Bank</p> <p>2 instances during 2019</p> <p>NAB is one of Australia's 4 largest banks. Per our internal analysis we assigned a Fundamental ESG Risk Rating of Medium and an Indicative Investment ESG Score of -1. Following an initial meeting on green bonds/ESG, we wanted to gain greater clarity regarding NAB's cyber security practices given the bank has experienced multiple breaches in the past, to understand improvements since the breaches and how the bank is adapting to elevated scrutiny over data security and privacy as a result of increased digitalisation.</p> <p>NAB provided an overview of the governance structures in place (to oversee cyber) and how it has refocused efforts to assess non-financial risks (including cyber) alongside credit risks, rather than these being secondary. This included launching a strategy to bolster internal cyber security capabilities and improving communications to senior levels.</p> <p>NAB discussed changes implemented including enhanced due diligence where third party providers are used, greater accountability for ensuring standards are followed and ongoing training for employees. Whilst there have been no regulatory impacts from the recent breaches, NAB acknowledged costs in terms of remediation and reputational impacts particularly in terms of retaining customer trust.</p>	
	RI strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Integration <input checked="" type="checkbox"/> Engagement	
	Impact on investment decision or performance
<p>NAB has clearly suffered from cyber security related issues in the past, and as part of the big 4 Australian banks has needed to strengthen practices to rebuild consumer trust in both the bank and the sector.</p> <p>On balance we believe NAB is taking appropriate action to address key ESG risks. However, there remains some performance issues which we will continue to monitor to track progress and improvement.</p> <p>From an investment perspective, we continue to have exposure to NAB as we believe these to be appropriate reflected in valuations. We found NAB to be very open in their dialogue providing detailed responses to our questions. However, we would encourage NAB to be more transparent in what is reported externally, particularly given the internal efforts made.</p>	

☒ Example 3



	Type of fixed income
<input checked="" type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input type="checkbox"/> Corporate (non-financial)	
	ESG issue and explanation
<p><b>INFLUENCE: Sovereigns - Ukraine</b></p> <p>Ukraine is a country in Eastern Europe where governance and corruption concerns have long been areas of particular concern but in recent years there has been good progress with a government committed to a reformist agenda which has returned it to a path of sustainable economic growth and will result in better living standards for its citizens. Our internal ESG analysis has resulted in a Fundamental ESG Risk Rating of Medium and an Indicative Investment ESG Score of -1.</p> <p>However, in recent months there has been news suggesting Ukraine may be backtracking from hard-fought reforms, particularly in the banking sector and seeing a deterioration in the rule of law and physical safety of reformers. Both developments are of concern to investors. As a result, during December BlueBay, along with two other sovereign investors with a combined USD1.3 trillion in assets under management sent a written private communication to the President of Ukraine along with individuals from the various ministries, seeking to outline our concerns regarding the importance of maintaining high governance standards and reform momentum in the country.</p>	
	RI strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Integration <input checked="" type="checkbox"/> Engagement	
	Impact on investment decision or performance
<p>As investors in Ukrainian assets for a long time and believers in the country's long-term potential, we felt it was important to stress that the country is at a critical juncture and wanted to stress that key institutional strengths and high governance standards need to be maintained. We will continue to monitor developments with regards to our exposure and reassess this as appropriate.</p>	

☒ Example 4

	Type of fixed income
<input type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial)	
	ESG issue and explanation
<p><b>INSIGHT &amp; INFLUENCE:</b> corporates (non-financial) - Eskom</p> <p>Eskom is a South African state-owned integrated power utility company supplying approximately 90% of the country's power. Most of its assets are in coal, and it has a challenged track record in ESG performance. We have long called for reforms of the company's governance practices, seeing this as critical to helping the company restructure into a more financially sustainable business model and promote greater investor confidence in its corporate governance practices, and have engaged on this in the past. We have assigned a Fundamental ESG Risk Rating of Very High and an Indicative Investment ESG Score of 0.</p> <p>At our 2019 meeting with management we reiterated our calls for changes in board members, discussing the need and urgency around appointment of the newly created Chief Restructuring Officer (CRO) position. Post the meeting, the company announced it had appointed an individual for the position, who remain as CEO of the board of South African Institute for Chartered Accountants (SAICA) and will lead a team of specialists to establish the CRO office. Also discussed during the meeting was the potential for a green funding structure for the decommissioning of its coal plants for renewables development.</p>	
	RI strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Integration <input checked="" type="checkbox"/> Engagement	
	Impact on investment decision or performance
<p>From an investment positioning perspective, we only have exposure to government guaranteed debt, which mitigates much of the potential ESG investment risk. Whilst the news regarding the newly created Chief Restructuring Officer (CRO) role was welcome, we recognise there are concerns around whether there were more qualified candidates for the task in hand and as such will be monitoring developments closely. In terms of green funding and coal decommissioning, whilst such a programme would materially help South Africa's greenhouse emissions, and Eskom's transition away from coal, it is unclear how much engagement there has been with the workforce and local communities on this proposal, as it is these stakeholders who will lose out in the accelerated transition away from coal. There has been talk of creating a 'just transition fund' to address this. Whilst we are open to this proposal there is still a lot of detail to work through, particularly on the agreement with all relevant stakeholders. We will be looking for an approach that is responsible and inclusive. We await to hear more news about this in due course and will provide input as appropriate.</p>	

☒ Example 5

	Type of fixed income
<input type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial)	
	ESG issue and explanation
<p><b>INSIGHT &amp; INFLUENCE:</b> various corporates - thematic: mining tailings and safety</p> <p>BlueBay is participating in a collaborative investor initiative set up to engage with over 725 publicly listed companies with mining-related operations on their tailings dam disclosure. The purpose is to ensure investors can better evaluate the risks which tailings dams present, as well as promote efforts to establish an independent tailings dam safety system, where the classification is based on the safety risk these represent. The initiative (which is one supported by over 100 investors with over USD13.5 trillion AUM, according to a 2019 Church of England report) was established following the latest tailing dam incident in Brazil in January at a mine owned by Vale SA; as part of our ESG analysis we have assigned a Fundamental ESG Risk Rating of Very High and an Indicative Investment ESG Score of -2. Considering the limited transparency of companies on their tailings dam management, investors are concerned about not having a full understanding of the potential investment risks, as well as wider damage to the industry's reputation. As part of the initiative companies were asked to provide disclosure as requested by investors on their tailings dam facilities</p>	
	RI strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Integration <input checked="" type="checkbox"/> Engagement	
	Impact on investment decision or performance
<p>BlueBay is committed to working together with other investors and key stakeholders on what we see as a systemic issue for the industry and one in which intervention by those outside the industry is needed to ensure change occurs. We believe good practice does exist as certain companies and jurisdictions practice these, but this needs to occur as standard practice rather than be the exception.</p> <p>Work is currently underway to engage with companies that did not respond to the survey or disclose their exposure to tailings dams, as part of the which BlueBay is committed to supporting and drive along with other investors and key stakeholders. We believe by working in collaboration we will be able to help share good practice so that it becomes standard practice rather than occur in isolation.</p> <p>As a firm we do have exposure to some mining companies where ESG considerations are one element within our analysis. Therefore, outside of this specific initiative, we have also engaged during 2019 on the issue of tailings dam management in meetings with mining companies such as BHP, Boliden, Gerdau and Vale (including the latter through the UN PRI supported collaborative engagement initiative).</p>	

FI 18.2	Additional information.
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Due to the fact that the value of analysis and engagement may take time to come through in teams of influence analysts decisions, or having a market impact, it can be challenging to link them directly to performance in the short term.

Furthermore to just consider the investment impact is too narrow as we feel it is equally important the impact we have on the views and awareness of our analysts.



# BlueBay Asset Management LLP

## Reported Information

### Private version

### Confidence building measures

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Confidence building measures

CM1 01	Mandatory	Public	Additional Assessed	General
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**CM1 01.1** Indicate whether the reported information you have provided for your PRI Transparency Report this year has undergone:

- ☐ Third party assurance over selected responses from this year's PRI Transparency Report
- ☐ Third party assurance over data points from other sources that have subsequently been used in your PRI responses this year
- ☐ Third party assurance or audit of the correct implementation of RI processes (that have been reported to the PRI this year)
- ☐ Internal audit of the correct implementation of RI processes and/or accuracy of RI data (that have been reported to the PRI this year)
- ☒ Internal verification of responses before submission to the PRI (e.g. by the CEO or the board)
  - ☒ Whole PRI Transparency Report has been internally verified
  - ☐ Selected data has been internally verified
- ☐ Other, specify
- ☐ None of the above

CM1 02	Mandatory	Public	Descriptive	General
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**CM1 02.1** We undertook third party assurance on last year's PRI Transparency Report

- ☐ Whole PRI Transparency Report was assured last year
- ☐ Selected data was assured in last year's PRI Transparency Report
- ☒ We did not assure last year's PRI Transparency report
- ☐ None of the above, we were in our preparation year and did not report last year.

CM1 03	Mandatory	Public	Descriptive	General
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**CM1 03.1** We undertake confidence building measures that are unspecific to the data contained in our PRI Transparency Report:

- ☐ We adhere to an RI certification or labelling scheme
- ☐ We carry out independent/third party assurance over a whole public report (such as a sustainability report) extracts of which are included in this year's PRI Transparency Report
- ☐ ESG audit of holdings
- ☐ Other, specify
- ☒ None of the above

CM1 04	Mandatory	Public	Descriptive	General
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<b>CM1 04.1</b>	Do you plan to conduct third party assurance of this year's PRI Transparency report?
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- ☐ Whole PRI Transparency Report will be assured
- ☐ Selected data will be assured
- ☒ We do not plan to assure this year's PRI Transparency report

<b>CM1 07</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
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<b>CM1 07.1</b>	Indicate who has reviewed/verified internally the whole - or selected data of the - PRI Transparency Report . and if this applies to selected data please specify what data was reviewed
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**Who has conducted the verification**

- ☒ CEO or other Chief-Level staff

	Sign-off or review of responses
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- ☒ Sign-off
- ☒ Review of responses
- ☐ The Board
- ☐ Investment Committee
- ☒ Compliance Function
- ☒ RI/ESG Team
- ☐ Investment Teams
- ☐ Legal Department
- ☒ Other (specify)

	specify
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Management Committee, ESG Investment Working Group, Head of Investment Risk & Performance

<b>CM1 07.2</b>	Additional information [OPTIONAL]
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We do not consider the process we have in place a verification in the technical sense, but rather a review. We circulate the full submission for a review of the responses and address any issue of accuracy in terms of description of activities/questions raised, otherwise taken that they have accepted it, although this does not mean they have verified performance data. The ESG team gathers the information to complete the submission, but the other members do not necessarily specifically review the underlying data.