



BlueBay Asset Management LLP

Controversial Weapons Investment Policy

Introduction

This policy outlines BlueBay Asset Management LLP's ("BlueBay") approach to controversial weapons investments, specifically with regards anti-personnel landmines, cluster munitions, depleted uranium as well as chemical and biological weapons producers. It is effective as of March 2018.

This Policy is reviewed on a regular basis by the Market Risk Committee and updated where necessary to reflect changes in circumstances and actual practice.

Controversial weapons

Controversial weapons can be described as those that are either illegal – as their production and use is prohibited by international legal instruments (where these have been ratified by a particular State) – or considered controversial because of their indiscriminate effects and the disproportionate harm they may cause.

Approach to Investments in Controversial Weapons

BlueBay pooled funds

The following policy applies as standard to all investments made within BlueBay pooled funds where BlueBay controls the investment policy for the funds.

For such funds, BlueBay will not knowingly invest in corporate issuers involved in the manufacture of:

- Anti-personnel landmines,
- Chemical and biological weapons,
- Cluster munitions, and
- Depleted uranium.

The policy does not apply to derivatives or indirect involvement e.g., financial institutions which may themselves invest in/offers services to these companies, nor does it exclude investment in companies who through their pension schemes, are invested in these companies.

BlueBay employs the services of an independent third-party research provider to identify and generate an investment exclusion/restricted list which is implemented internally by its Investment Compliance function. The list is updated on a regular basis. BlueBay is not permitted by its service provider to publicly disclose details of this restricted list. There is a process in place internally in the event that a portfolio invests in an issuer which subsequently becomes excluded from investment under the policy.

Segregated mandates

BlueBay will not, as a matter of course, restrict segregated mandates from investments related which come under BlueBay's Controversial Weapons Investment policy, as for such portfolios, it is the client themselves who control the investment policy.

However, BlueBay can make its Controversial Weapons Investment policy available for use by such clients upon request. In practice, whilst some of BlueBay's clients apply a controversial weapons investment exclusion policy, it may be that the scope of their policy differs to BlueBay's and/or the constituents of the list vary as they have sourced the data independently of BlueBay. Other clients do not apply any criteria of this nature. As such BlueBay would emphasize that from time to time it may appear on company bondholder registers as part of the client's nominee's reference in relation to those clients who decide not to exclude such companies. BlueBay does not publicly disclose its client's restricted list.

Contact details

For more information about BlueBay's approach to controversial weapons investment, please contact: ESG@BlueBay.com

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Background notes

Anti-Personnel Landmines Convention

Landmines are victim-activated explosive weapons intended to kill or injure multiple persons. They have a long explosive lifetime and often last decades after a conflict has ended, and can significantly affect civilian populations and post-war development.

The 1997 Anti-Personnel Landmines Convention¹ was concluded in Oslo on 18th September 1997 (the "Convention"). The Convention entered into force on 1st March 1999, six months after it was ratified by 40 States. Today, the treaty is still open for ratification by signatories and for accession by those that did not sign before March 1999. The Convention has been ratified by several nations in which BlueBay clients are domiciled. The Convention aims at eliminating Anti-Personnel landmines around the world. It does not address the issue of financial support for companies that manufacture such weapons.

Convention on Cluster Munitions

Cluster munitions that are launched, dropped, or fired from the ground, the air, or the sea and release sub-munitions from a larger single 'parent' container, either before, during or after landing. Often these sub-munitions remain unexploded and have the same effect as land mines on civilian populations.

The Convention on Cluster Munitions was agreed in Dublin, 30th May 2008 (the "Convention"). The Convention entered into force on 1st August 2010, six months after it was ratified by 30 states. Today, the treaty is still open for ratification by signatories and for accession by those that did not sign before August 2000. It has been ratified by several nations in which BlueBay clients are domiciled.

The Convention clearly restricts the manufacture, use, and stockpiling of cluster munitions and the components of these weapons, the implications for financial support of companies that manufacture cluster

¹ Formally known as the '1997 Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction', or as the Ottawa Convention; or the Mine Ban Treaty.

munitions is less clear. The signatory states and the institutions based in them have therefore taken various approaches when it comes to the question of prohibiting or allowing investments in cluster munitions producers: some prohibit all investments, some prohibit only direct investments, and lastly, some have not yet banned investments.

Chemical and biological weapons

The international community banned the use of chemical and biological weapons after World War I (the 1925 Geneva Protocol – banning asphyxiating, poisonous or other gases and bacteriological methods of warfare) and reinforced the ban in 1972 (the Biological Weapons Convention or the Biological and Toxin Weapons Convention (BTWC), prohibited the development, production, stockpiling, acquisition, retention and transfer of such weapons, including their delivery systems, and required their destruction) and 1993 (where the Chemical Weapons Convention (CWC) extended the prohibition on use in the 1925 Protocol to the development, production, stockpiling, retention and transfer of chemical weapons, including their delivery systems. It also covered their destruction).

Depleted uranium weapons and ammunition

Depleted uranium (DU) is a by-product of the uranium-enrichment process used to make nuclear weapons and nuclear reactor fuel. DU and DU alloys can be used in weapons, ammunition, and/or armour made with depleted uranium (DU) and DU alloys. Considered a conventional weapon, the use of DU is controversial because of concerns about potential long-term health effects. There is currently no international convention banning the use of depleted uranium weapons, however there is increasing attention being shown to DU weapons and pressure continues to grow for an international ban.

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