

BlueBay Asset Management LLP ('BlueBay')

Statement on the UK Stewardship Code 2020

INTRODUCTION

The Financial Reporting Council (FRC) has published a new UK Stewardship Code 2020 (Code) setting out good stewardship practice for asset managers, asset owners and service providers when engaging with investee companies.

The new Code replaces the version that has been in existence since 2012 and applies to reporting years beginning on or after 1st January 2020. Intended to set high expectations for practice, increase transparency and promote a market for effective stewardship, the main changes from the 2012 Code relates to a redefinition of stewardship, which is more holistic and includes accounting for environmental, social and governance (ESG) factors, the formal expansion of asset classes beyond UK listed equities, focus on purpose and governance as well as more detailed reporting expectations on activities and outcomes. With regards to asset managers, there are 12 principles covering purpose and governance, investment approach as well as engagement and exercising rights.

While the Code and reporting on its application are voluntary, there is a requirement from the Financial Conduct Authority (FCA) (Under Rule 2.2.3R of the FCA's Conduct of Business Sourcebook), for asset managers like BlueBay Asset Management LLP ("BlueBay") to disclose whether or not they comply with the Code.

Investors are encouraged to engage and embed practices relating to stewardship throughout 2020 with the first reporting expected to start 31st March 2021 (covering the 2020 calendar year stewardship activities). The first list of voluntary signatories and FRC analysis of reporting is currently scheduled to occur during the summer of 2021.

Given the above timeline, the FCA and FRC have guided that investors like BlueBay may issue a holding Statement (which this constitutes), although we are still required to update on the nature of our commitment to the 2020 Code in the interim period.

BLUEBAY'S POSITION ON THE CODE

BlueBay is a supporter of the principles of good stewardship and is committed to working towards compliance with the new Code. Since 2013, we have been more strategic in building out and strengthening our efforts to incorporate ESG factors into our investment practices, as we believe doing so can deliver better risk-adjusted returns in the long-term for our clients. We have practices in place to address this at the firm level as well as the fund level, which are detailed on our corporate website (www.BlueBay.com/ESG). This is a dynamic process with continuous improvement and application of best practice being made.

Whilst our current ESG investment management approach and practices are broadly in line with the spirit of the principles as set out in the Code, we recognise we will need to formalise some of our practices. Over the course of 2020 and beyond, we will be working towards this. The Statement we will publish in 2021 will provide more details of our efforts in this regard.

It should be noted that some of stewardship mechanisms detailed in the Code such as proxy voting, are more applicable for equity investors than debt managers like BlueBay, given our ability to engage is more limited by not being an equity owner. However, we believe this is a tool we can, and should, utilise and an area we can be effective on. Beyond engagement with issuers and borrowers, BlueBay believes in engagement with a broader

set of stakeholders and in the value of collaborative efforts to promote and encourage more effective stewardship.

CONTACT DETAILS

For more information about ESG investment management at BlueBay, please contact: ESG@BlueBay.com

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