



BlueBay Asset Management

Principal Adverse Impacts Statement

Summary

BlueBay Asset Management ('BlueBay') considers principal adverse impacts of its investment decisions on sustainability factors. In accordance with Article 4 of the EU Sustainable Finance Disclosure Regulation¹ ('SFDR'), this document ('Statement') summarises how BlueBay Funds Management Company SA and BlueBay Asset Management LLP approach the consideration of principal adverse impacts ('PAIs') of their investment decisions on sustainability factors in relation to products subject to SFDR.

'Sustainability factors'² mean environmental, social or governance ('ESG') matters such as employee matters, respect for human rights, anti-corruption and anti-bribery matters. 'Sustainability Risks'³ mean an ESG event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment. All references to 'ESG risks' and 'ESG factors' within this Statement are equivalent to 'Sustainability Risks' and 'Sustainability Factors' as defined in SFDR. PAIs, as defined by SFDR, are negative, material or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions and advice performed by a legal entity.

BlueBay monitors and evaluates a range of PAI indicators, but as the reporting of many of these metrics by investee entities is currently largely voluntary, the availability of data on some indicators is limited. As such the integration of PAI indicators is conducted on a best-efforts basis, reflecting the availability of such information. However, as data availability improves, it is expected that PAI indicators will cover a greater portion of BlueBay's investable universe and therefore allow for better insight in the adverse impacts caused by investee entities. Furthermore, BlueBay may add additional PAI indicators to its monitoring process as the data quality improves.

Additional processes to consider PAI indicators in investment decisions may take place at the specific strategy or product level, where the outcome may be incorporated differently. For instance, in some cases, leading to investment exclusions or conditional inclusions predicated on certain conditions being met.

For more information, please refer to our [ESG Investment Policy](#).

Review

This Statement will be reviewed annually, or more frequently, where a material change occurs and, if appropriate, updated to reflect changes in circumstances and practice. The Statement is owned by the ESG investment function, with oversight and approval provided by the BlueBay ESG Investment Working Group.

¹ REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector.

² Article 2(24) EU SFDR.

³ Article 2(22) EU SFDR.

Last policy update: June 2022

Description of Principal Adverse Impacts

The majority of economic activities have the potential to impact various sustainability factors, either negatively and/or positively.

The PAI indicators⁴ BlueBay aims to consider, to the extent to which such data is available and considered material, include the following:

- **Mandatory indicators:** Fourteen (14) applicable to investments in corporate issuers, and two (2) applicable to investments in sovereigns and supranationals, and
- **Voluntary indicators:** two (2) applicable to investments in corporate issuers (one (1) environmental and one (1) social), and two (2) applicable to investments in sovereigns and supranationals (one (1) environmental and one (1) social)

Scope	Mandatory / Voluntary	Theme	Indicator
Companies	Mandatory	Climate and other environment related indicators	1. GHG emissions (Scope 1, 2 & 3, total emissions)
			2. Carbon footprint
			3. GHG intensity of investee companies
			4. Exposure to companies active in the fossil fuel sector
			5. Share of non-renewable energy consumption & production
			6. Energy consumption intensity per high impact climate sector
			7. Activities negatively affecting biodiversity-sensitive areas
			8. Emissions to water
			9. Hazardous waste and radioactive waste ratio
		Social and employee, respect for human rights, anticorruption & anti-bribery matters	10. Violations of UN Global Compact principles and OECD Guidelines for Multinationals
			11. Lack of processes and compliance mechanisms to monitor compliance with the UN Global Compact principles and OCED guidelines for Multinational Enterprises
			12. Unadjusted gender gap
			13. Board gender diversity

⁴ As detailed in the [EU SFDR Level 2 Regulatory Technical Standards \(RTS\)](#), April 2022 by the European Supervisory Authorities (The ESAs).

Scope	Mandatory / Voluntary	Theme	Indicator
			14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)
	Voluntary	Climate and other environment related indicators	4. Investments in companies without carbon emission reduction initiatives
		Social and employee, respect for human rights, anticorruption & anti-bribery matters	15. Lack of anti-corruption and anti-bribery policies
Sovereigns and supranationals	Mandatory	Environmental	15. GHG intensity
		Social	16. Investee countries subject to social violations
	Voluntary	Environmental	17. Share of bonds not certified as green under a future EU act setting up an EU Green Bond Standard
		Social	21. Average corruption score

Description of Policies to Identify and Prioritise Principal Adverse Impacts

BlueBay monitors and evaluates a range of PAI indicators, although the availability of data on some indicators is limited. As such the integration of PAI indicators is conducted on a best-efforts basis. However, as data availability improves, we may add additional PAI indicators to our monitoring process.

We source PAI indicator data from a range of third party ESG information providers and continue to work with them to enhance investee entity coverage of such indicators. BlueBay also engages directly with issuers and other relevant stakeholders to drive improved disclosure on PAI. All investment teams have access to a range of ESG data and information and work closely with our ESG investment team.

Additional processes to consider PAI indicators in investment decisions may take place at the specific strategy or product (pooled fund/mandate) level, where the outcome may be incorporated differently in terms of the resulting action(s). For instance, in some cases, leading to investment exclusions or conditional inclusions predicated on certain conditions being met, or no action.

The following table summarises the range of approaches taken to address PAI:

Approach	Description	Example	More Information
Exclusions	Activity-based The basis of these being that some economic activities are considered to generate negative societal or environmental outcomes, either based on ethical/religious views or	Firm level: applicable to our pooled funds – applied to exposure to corporate producers of controversial weapons <i>[SFDR L2 RTS, Feb '21: Table 1, Indicator 14]</i>	BlueBay's firm Controversial Weapons Investment Policy

Approach	Description	Example	More Information
	norms-based concerns. As such certain exclusion criteria are applied. e.g., sector or business activity, product, or revenue stream for example for gambling, alcohol; or exclusions based on highly negative impacts (e.g., fossil fuel companies due to concerns about climate change)	<p>Product level (pooled fund or mandate): applicable to our ESG Orientated strategies⁵ which may apply additional – and varying types of - economic activities to exclude (e.g., a wider scope applied to producers of controversial weapons, exclusion of tobacco producers or companies involved in thermal coal)</p> <p><i>[SFDR L2 RTS, Feb '21: Table 1, e.g. Indicator 14]</i></p>	BlueBay's SFDR disclosure website for some examples
	<p>Conduct-based Entity level restrictions may be applied as such conduct is considered to not meet a minimum level of acceptable practice. Often these are associated with norms-based exclusions (such as UN related ones) or based on poor ESG assessment relative to peers (e.g., excluding the worst performing issuers).</p>	<p>Firm level: applicable to our pooled funds to we ensure compliance with economic and financial sanctions imposed by the relevant jurisdictions</p> <p>Product level (pooled fund or mandate): applicable to our ESG Orientated strategies which may apply additional – and varying types of – conduct-based practices to exclude (e.g., exclusion based on status against UN conventions and treaties, or on compliance with the UN Global Compact)</p> <p><i>[SFDR L2 RTS, Feb '21: Table 1, e.g. Indicator 10]</i></p>	
Targets	Some strategies may seek to achieve a specific performance level, whether this is a relative (as compared with their benchmark) or on an absolute basis	<p>Product level (pooled fund or mandate): applicable to our ESG Orientated strategies, where the target is in relation to a climate related performance e.g., carbon footprint</p> <p><i>[SFDR L2 RTS Feb '21: Table 1, e.g. Indicator 2]</i></p>	
Engagement	Dialogue with key stakeholders (e.g. issuers, regulators, policy makers etc.) to improve understanding of, or encourage effective management and disclosure of material ESG issues. The interactions would occur either directly or in collaboration with like-minded investors.	<p>Firm level: applicable to all managed products where efforts may be focused on understanding the extent to which ESG risks/PAI related indicators are a material issue and being effectively managed if they are. Efforts may focus on improving issuer ESG/PAI disclosure and reporting, governance practices, human capital management, or carbon emissions. Non-issuer engagement efforts include supporting other organisations in their request of environmental information from issuers, or collaborating with other investors to engage with governments</p>	<p>BlueBay ESG Investment Policy</p> <p>BlueBay Annual Stewardship Report (UK Stewardship Code)</p> <p>BlueBay's SFDR disclosure website for some examples</p>

⁵ BlueBay 'ESG Oriented' Strategies in scope of SFDR are classified as Article 8 or Article 9. Please visit the BlueBay [website](#) for further information.

Approach	Description	Example	More Information
		<p>such as those in emerging markets with high deforestation risks given the role of forests in helping to mitigate climate change.</p> <p><i>[SFDR L2 RTS Feb '21: Table 1, e.g. Indicator 1, 10, 15; Table 2 e.g. indicator 4, 15; Table 3 e.g. indicator 15, 21]</i></p>	
		<p>Product level (pooled fund or mandate): applicable to our ESG Orientated strategies, where the focus is not limited to ESG risks, but can comprise ESG factors per se, and seek to ensure more responsible practices irrespective of their investment materiality. e.g., addressing child labour in supply chains or promoting access to medicines in developing countries.</p> <p><i>[SFDR L2 RTS Feb '21: Table 1, e.g. Indicator 1, 10, 15; Table 2 e.g. indicator 4, 15; Table 3 e.g. indicator 15, 21]</i></p>	
Proxy Voting	Using our voting rights to encourage issuers and their boards of directors to consider and adopt recognised best practices in governance and disclosure. Voting activities is limited in fixed income investing (as investors are not owners) and largely relate to transitional items, but where opportunities arise, we seek to encourage best practice.	Product level (pooled fund or mandate): applicable to those strategies where this occurrence materialises, and where we are instructed to exercise the voting according to our own views.	BlueBay's ESG Proxy Voting policy

Engagement Policies

Complementing BlueBay's ESG integration approach is ESG engagement, which describes the interaction between investors and issuers and other key stakeholders such as regulatory bodies. BlueBay believes that providers of debt do have a role in engaging with issuers and other relevant stakeholders on matters with the potential to impact investment returns, which may include ESG related ones.

In general, as a minimum, BlueBay may engage with issuers on ESG related factors, including those related to the PAI indicators, if these are deemed to represent material investment risks. We view such activities as being part of our broader stewardship responsibilities, which are about protecting and enhancing our clients' assets for the long term. However, as debt investors, we are not owners and as such have more limited legal mechanisms to influence issuers. Furthermore, engagement with a non-corporate issuer such as a sovereign is potentially more challenging than compared to a corporate entity.

An engagement activity – on ESG or conventional debt related matters - naturally occurs as part of the investment due diligence process. Investors typically engage with issuers to gain insights into the issuer’s business practices. In more limited instances, engagement may occur with a specific aim to influence the issuer’s business strategy, disclosures, or management practices, usually in order to mitigate specific investment risks. Engagement is dynamic and aims may alternate between insight and influence or be about both at any one time. Engagement may occur as a one-off event or form an ongoing series of interactions. Whilst strategies investing in corporate issuers often focus engagement with issuers, regulators and civil society organisations, sovereign debt investors may engage with a broader, and sometimes unique, set of stakeholders (such as politicians, financial institutions, specialist political advisers/consultants).

BlueBay may proactively initiate dialogue with issuers on ESG matters or we may engage in response to an external event or development. We may conduct such activities directly with issuers or work in collaboration with like-minded investors and other key stakeholders, including as part of our membership or participation in ESG investment related initiatives or organizational memberships. Whilst engagement may be directed at specific issuers on ESG matters, BlueBay is also involved in sectoral or thematic ESG engagement, which may take on a public policy dimension (e.g., engaging on policies or initiatives, which promote ESG disclosure generally or climate change specifically) or we may engage in efforts that advance ESG investment practice at the industry level. ESG related engagements on PAI related indicators can include, but are not limited to:

- Seeking to understand the extent to which the entity’s activities result in PAIs, and the materiality of these,
- Encouraging better disclosure of PAIs and the steps being taken to address them, and
- Encouraging more effective management of PAIs to minimize them.

Once engagement efforts have commenced, these need to be monitored and reviewed. The outcome of ESG engagement efforts (e.g., the degree to which we are reassured by the issuer’s response and/or successful in instigating better disclosure, risk management or other engagement goal) are integrated into our investment thinking and decisions. This may ultimately influence whether we have exposure to an issuer, the nature of our positioning and/or whether further action is required which could include escalating the engagement efforts such as exercising any proxy voting rights we may have (see our [ESG Proxy Voting Policy](#) for more details).

References to International Standards

BlueBay’s consideration of PAI indicators builds on various relevant international conventions and norms, standards and statements, including, but not limited to those listed below. Information on the performance of issuers against these are sourced from third party sources and integrated into the ESG integration evaluation. The resulting actions vary depending on the specific product, in some cases it may result in the issuer being a candidate for engagement, in others it can lead to exclusions depending on certain thresholds being reached.

- UN Global Compact*
- UN Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- Universal Declaration on Human Rights
- International Labour Organization’s Declaration on Fundamental Principles and Rights to Work
- U.K. Modern Slavery Act 2015 and the Australian Modern Slavery Act 2018
- UN conventions and treaties on corruption, torture and punishment, and Paris Agreement*
- Anti-Personnel Landmines Convention*
- Convention on Cluster Munitions*

- Biological Weapons Convention, the Biological and Toxin Weapons Convention*
- Chemicals Weapons Convention*

**Denotes conventions and norms which may result in exclusion in the case of certain products, where certain threshold criteria are met.*

With regards to climate risk specifically, BlueBay is cognizant of applicable international conventions and treaties as well as standards, with the Paris Agreement under the UN Framework Convention on Climate Change being one which is explicitly considered at a product level in some cases.

BlueBay also supports the global goal of achieving net-zero emissions by 2050 or sooner. We expect all issuers, where climate represents a financially material risk, to report on how their practices and performance are aligned to the Paris Agreement.

A summary of investor rights can be obtained in English on www.bluebay.com/investorrights. It is important to note that the Fund Management Company may terminate arrangements for marketing under new Cross-border Distribution Directive denotification process. Recipients are strongly advised to make an independent review with their own advisors and reach their own conclusions regarding the investment merits and risks, legal, credit, tax and accounting aspects of all transactions. Please refer to the prospectus of the UCITS/ AIF and to the KIID, if applicable, before making any final investment decisions.

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