

BlueBay Transparency Statement on the UK Modern Slavery Act 2015

BlueBay Asset Management LLP
BlueBay Asset Management (Services) Ltd
BlueBay Asset Management Corporation Ltd

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Global Asset
Management

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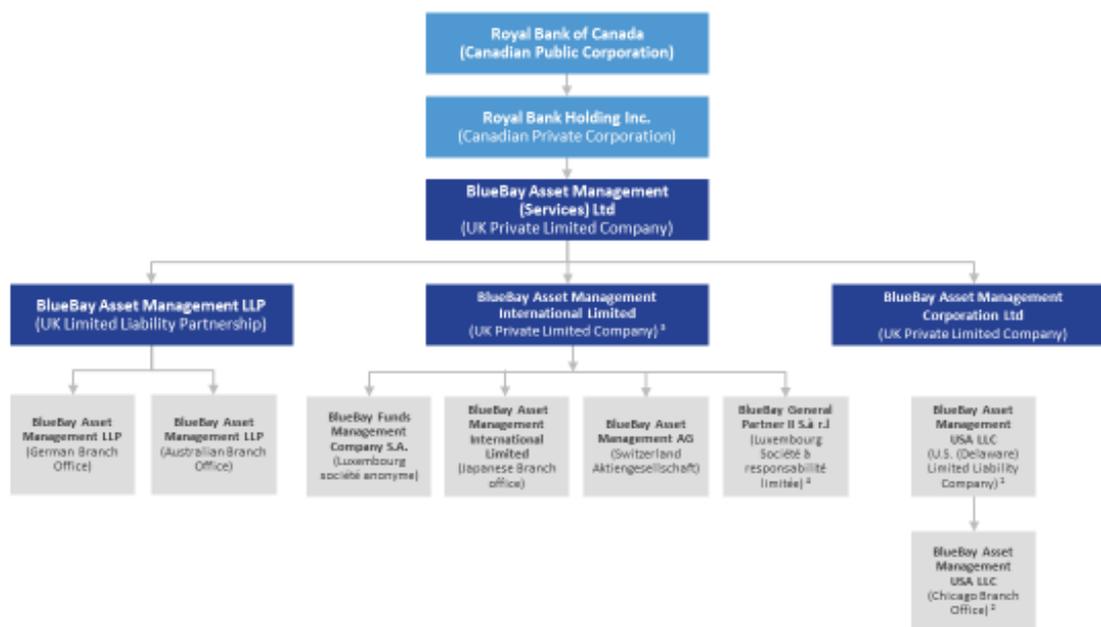
This Statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes the Slavery and Human Trafficking Statement and Interim Statement (“Statement”) for the financial year ending 31 October 2018 for BlueBay Asset Management (Services) Ltd (“BlueBay Services”) for BlueBay Asset Management LLP (“BlueBay LLP”), and BlueBay Asset Management Corporation Ltd (BlueBay Corp”) (together, “BlueBay Entities”).

This Statement outlines BlueBay Entities’ policy, approach and status in relation to the Modern Slavery Act 2015.

Business and Organisational Structure

BlueBay is one of Europe’s largest specialist active managers of fixed income, entrusted by clients with over US\$61.5 billion in assets under management as of 28 February 2019 in corporate and sovereign debt, rates and FX. Its clients are institutions, consultants and financial intermediaries. With an established track record of innovation and performance, BlueBay provides a broad range of relative return, total return and alternative investment portfolios in both public and private debt markets. It employs approximately 419 employees and partners located in six offices globally - UK, US, Japan, Luxembourg, Switzerland, Australia and Germany as of 31 October 2018.

BlueBay Group Entity Structure



Notes: 1 Prior to November 2016, BlueBay Asset Management USA LLC (“BBAM USA”) was owned by BlueBay Asset Management International Limited. Following Royal Bank of Canada’s implementation of Section 163 of U.S Dodd Frank Act, BBAM USA was transferred to RBC USA HoldCo Corporation. 2 A Branch Office designation in compliance with the National Futures Association. 3 BlueBay Hong Kong Limited was formally dissolved on 11 December 2018, following a Members’ Voluntary Liquidation. 4 Acts as the General Partner for various Luxembourg based Special Purpose Vehicle Limited Partnerships with relation to BlueBay Private Debt Funds.

BlueBay is a wholly-owned subsidiary of Royal Bank of Canada (“RBC”) with full investment autonomy and substantial operational independence. RBC is one of the largest banks in the world based on market capitalisation and one of North America’s leading diversified financial services companies. RBC carries out its activities in five business segments; Personal and Commercial Banking; Wealth Management; Insurance; Investor and Treasury Services; and Capital Markets. BlueBay forms part of RBC Global Asset Management, a Group included in RBC’s Wealth Management business segment.

Policy on Slavery and Human Trafficking

BlueBay Entities are committed to respecting human rights in all its operations and external business interactions. It is the policy of the BlueBay Entities not to tolerate slavery and human trafficking practices within their business and supply chains. The BlueBay Entities will take appropriate and reasonable measures to minimise the risk of this taking place in line with the nature of services provided to these entities.

This Statement, including the policy, approach and status will be reviewed annually and updated where necessary to reflect changes in circumstances and actual practice. The Statement will be approved by the Members of BlueBay LLP and the Board of Directors of BlueBay Services and BlueBay Corp and be made publicly available on the BlueBay Entities' corporate website.

Risk Assessment and BlueBay's Due Diligence Approach

The BlueBay Entities seek to implement an appropriate risk-based approach to minimise the risk of slave labour. This includes consideration of supply chains and, for BlueBay LLP, investment portfolios. Whilst it is acknowledged that risk factors are present in all global supply chains and across all sectors, it is believed that the BlueBay Entities' overall risk exposure to slavery, human trafficking and forced labour is low in relative terms given the nature of the business undertaken (asset management services) and the skillset required in (mainly skilled labour). This is as compared with other sectors or characteristics of supply chains which are considered 'high-risk'. Where there is a potential risk, we consider this is potentially more likely to be indirect via our supply chains, rather than directly. However, the BlueBay Entities will endeavour to include appropriate risk assessment, due diligence and management requirements designed to minimise the risk of slave labour within their employment, supply chain and investment management practices, as relevant to either firm.

The below details the scope of potential risk areas that the BlueBay entities will seek to manage, outlining what is existing and what is planned over the course of the next year:

Directly: This could potentially be the risk of employing a trafficked or exploited person within the business or through a subcontractor or recruitment agency. BlueBay staff are already protected by relevant laws and regulations, which are fully reflected in the firm's policies and procedures. Contractors and consultants utilised by BlueBay Corp carry out highly skilled activities and are therefore deemed low risk. BlueBay Services and BlueBay LLP have no staff or contractors in the UK, only a Board of Directors and Company Secretary; and Board Members, Partnership Secretary and Partners respectively. In terms of staff training, we have provided awareness to all staff through annual anti-financial crime e-learning.

Indirectly: This could be through the supply chain (through illegal subcontracting or through use of products and materials which have been produced by people under conditions of forced labour), and/or via BlueBay LLP's investment activities.

- **Supply chain:** The BlueBay Entities have third party suppliers and vendors used across the business who fall into different categories, such as:
 - *Outsourcers* - wherein a key business activity is outsourced to another organisation.
 - *Vendor software providers* - these are off-the-shelf software which are hosted in BlueBay LPP's data centres including hardware vendors that a business uses to facilitate its business processes.
 - *Cloud / Hosted IT services* - encompasses a range of IT services provided in various formats over the internet and this includes, for example, private, public or hybrid cloud, as well as Infrastructure as a Service (IaaS), and Software as a Service (SaaS).

- *Data Providers* - these are organisations that provide data which are fed to BBAM systems or provides terminals with access to market data.
- *Platforms* - this includes electronic trading / clearing / settlement platforms, portals of prime brokers / custodians and other technology platform as a Service (PaaS).
- *Others* - includes consulting, legal, real estate / building management, maintenance companies, training (education) and communications services.

We detailed in our 2018 statement that to improve our due diligence process, BlueBay would perform a risk based review of its service providers to identify “high risk” providers. Such assessment will be based on risk criteria that include the type of services provided to BlueBay Entities. Once identified, such providers will be sent BlueBay Entities’ current Statement. The risk assessment was conducted during 2018, the framework and results are details in the text box.

BlueBay’s third party/vendor risk assessment framework & results

There were three broad sets of criteria considered:

1. *Business Criticality* - includes an assessment of the materiality of BlueBay’s annual spend with the organisation, availability of alternatives/substitutes and the level of difficulty of sourcing these alternatives/substitutes;
2. *Applicability to the Act* - looks at whether the supplier/vendor will be subject to the Modern Slavery Act; and
3. *Slavery, Human Trafficking and Forced labour* - evaluates the nature and characteristics of the organisation’s business activities against 'high risk' sectors and business characteristics

Each of the third party categories was subjected to the above three criteria so as to define an overall ‘Risk Score’ for each category (with a score between 24 and 30 - High; a score between 17 and 23 – Medium and a score between 10 and 16 – Low).

Where a category has scored between 24 and 30 and is ranked as High, a more detailed review of the third party within that category will be performed to better understand how the organisation addresses the issue of slavery, human trafficking and forced labour within their business context. However, a category ranking of Medium and Low will not be subject to a more detailed assessment. BlueBay will only assess third parties which the company have a direct relationship and not the suppliers (fourth parties) where the third party has a relationship.

The results of the 2018 assessment of the third party categories, showed that no further detailed assessment is required on any of the categories. Some of the findings being:

- * BlueBay mainly has exposure to service based vendors which utilise skilled labour
- * The majority of vendors were categorised as 'low' risk, with some being 'medium' risk
- * Medium risk third party categories are: Outsourcers, Platforms and Others

We will discuss these findings internally with management to explore next steps for 2019.

- In terms of the staff we employ to carry out our facilities management services at our London office (such as cleaners), we already voluntarily pay the London Living Wage. Going forwards, we will create new contract clauses to set expectations regarding Modern Slavery for facilities management service suppliers.

- BlueBay Entities will also create new contract clauses to set expectations (and include requirement of compliance) regarding Modern Slavery to be included in any new (non-facilities management related) supplier agreements.
- To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains, we will provide training to key staff involved in service provider management of “key risk” providers.
- **Investments:** This risk exposure would potentially be through the investment portfolios managed by BlueBay LLP, as they may include debt exposure to issuers in sectors and markets (given the firm manages debt strategies spanning all sectors and all regions globally), where this can be a high-risk issue.
 - Since 2013, BlueBay LLP has had an Environmental, Social & Governance (ESG) investment risk policy in place, which seeks to consider ESG investment risks as part of the investment process, and manage this accordingly. The primary ESG investment strategy applied is ESG integration, which focuses on evaluating investment material risks, which can be a function of many factors, such as the nature of the products or services a company is involved in, its geographical presence, as well as its management of key ESG risks.
 - Our ESG investment risk management framework is overseen by an in-house ESG investment risk team, who work actively with investment team professionals to share insights as well as build ongoing awareness, knowledge and understanding of material ESG risks associated with investments.
 - During August 2018, BlueBay rolled out a formal issuer ESG evaluation process among its public debt teams. This initiative will enable systematic consideration and documentation of material ESG risks to ensure these are factored into the investment analysis decisions. In some instances, with regards some investments, human rights issues such as slavery and human trafficking may be considered investment material, and/or considered to present a reputational risk issue. Our new process will alert the ESG function and investment teams to this where it is the case so that it can be addressed.

We have yet to set formal performance indicators to track our progress on modern slavery risks across our businesses, but this is something we will continue to review in 2019.

The BlueBay Entities’ View on their Slavery Risk Performance

Employment risk: To the best of its knowledge, BlueBay Corp is not in breach of employment legislation for any of the jurisdictions in which it operates.

Supply chain risk: The BlueBay Entities do not believe that any of their suppliers engage in slave labour practices.

Investment risk: Given the absolute number of debt issuers BlueBay LLP manages exposure to, whilst BlueBay LLP has developed an ESG investment risk management framework in place, BlueBay LLP cannot rule out that at any point in time, one or more of the investment portfolios which it manages may have exposure to companies engaged in slave labour practices. The new issuer ESG evaluation focuses on the consideration of investment material ESG risks, and it may be that in some instances, the slavery risks would not fall into this classification.

This Statement was approved by the Board Members/Board of Directors of all the BlueBay Entities.

James Brace
Designated Member
BlueBay Asset Management LLP

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Date: **31 March 2019**