



CLIMATE TRANSPARENCY REPORT

2018

BlueBay Asset Management LLP

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2018 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2018 Reporting Framework response. The full Public Transparency Report is available here (https://guestreporting.unpri.org/surveys/PRI-reporting-framework-2018/-281993CE-D495-42A9-BC7E-422ECAF68F5C/00000000-0000-0000-0000-000000000000/doc/2/-%7C%7C*complete*%7C*public*/Merged/). It shows the responses to all the completed climate 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 if you have designated your 2018 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategic	Risk Management	Metrics & Targets
SG 01.1	-	Public	N/A	N/A	N/A	N/A
SG 01.3	✓	Public				
SG 01.3a CC	✓	Public				
SG 01.3b CC	✓	Public				
SG 02.2	✓	Public	N/A	N/A	N/A	N/A
SG 07.1 CC	-	Public				
SG 07.1a CC	✓	Public				
SG 07.1b CC	✓	Public				
SG 13.1	✓	Public				
SG 13.1a CC	-	Public				
SG 14.1 CC	✓	Public				
SG 14.2	-	Public				
SG 14.2a CC	-	Public				
SG 14.3	-	Public				
SG 14.4	-	Public				
SG 14.4a CC	-	Public				
SG 14.4b CC	-	Public				
SG 14.5	-	Public	N/A	N/A	N/A	N/A
SG 14.6	✓	Public	N/A	N/A	N/A	N/A
SG 14.7 CC	✓	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 14.10 CC	✓	Public	N/A	N/A	N/A	N/A
SG 15.1	✓	Public	N/A	N/A	N/A	N/A
SG 15.2	-	Public	N/A	N/A	N/A	N/A
SG 15.3	-	Public	N/A	N/A	N/A	N/A

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS

Name	BlueBay Asset Management LLP
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US\$ > 50 billion AUM
Main Asset Class	Multi-Asset
Signed PRI Initiative	2013
Region	Europe
Country	United Kingdom
Disclosure of Voluntary Indicators	100% from 38 Voluntary indicators

BlueBay Asset Management LLP

Reported Information

Private version

Strategy and Governance

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.

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"/> 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)	<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
<div style="background-color: #0070C0; color: white; padding: 2px;">other (2) description</div> Statement on UK MSA	

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 and related issues

**SG 01.3a
CC**

Describe how your products or investment strategy might be affected by the transition to a lower-carbon economy.

NOTE: we refer to climate change explicitly as an example of an environmental risk. We have been working on developing a climate change policy for external communication for 2018 which will provide more detail.

Investment products e.g.

- This can be a positive impact in terms of attracting investors concerned about climate change who want to exclude or reduce their exposure to fossil fuels. For instance, some of our HY funds have an explicit exclusionary screen on corporate issuers with a material exposure to thermal coal or coal related operations (coal targeted as it is considered to have the most carbon intensive footprint). These funds would also generally take a considered and proactive approach to exposure to fossil fuels per se and in terms of how this issue is being addressed. Such funds may also benefit in investment terms more quicker should investment risks increase for coal and other fossil fuels for regulatory or technological reasons. They may also benefit those investors generally looking for a fund where the ESG considerations are more actively considered, irrespective of the investment impact.

Investment strategies/process e.g.

- Given we have an ESG integration overlay for all our funds, where we proactively seek to monitor and identify material ESG climate risks across sectors, regions and companies, a transition to a lower carbon economy may help us better position ourselves against physical, transitional and liability related risks, although we recognise the focus on investment impact may mean we may not take action quickly enough as the market may be delayed in pricing in the risk.

**SG 01.3b
CC**

Describe how climate-related risks and opportunities are factored into your investment strategies or products.

- © We factor climate-related risks and strategies into our investment strategies or products.

Investment products

Some of our HY funds have an explicit screen on corporate issuers with a material exposure to thermal coal or coal related operations They would also generally take a considered and proactive approach to exposure to fossil fuels per se and in terms of how this issue is being addressed.

Investment strategies/process

BlueBay primarily employs an ESG integration investment strategy. ESG integration describes an approach 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 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.

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?
- *Sector*: as part of the issuer analysis e.g. what are the material ESG risks for certain industries/sectors, and to what degree are there common ESG risks across sectors?
- *Portfolio/team*: in terms of portfolio characteristics e.g. what is the ESG investment risk exposures at a fund level? 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 the investment desks?

We utilise climate related data from a range of resources and stakeholders.

We would also conduct engagement on an issuer / sector basis to help improve our understanding and/or help mitigate risks

We do not factor climate-related risks and strategies into our investment strategies or products.

Other RI considerations, specify (1)

Other RI considerations, specify (2)

SG 01.4

Describe your organisation's investment principles and overall investment strategy, 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, and
- Active management (both top down and bottom up inputs).

Our ESG Investment Risk policy sets out our view on ESG related factors and investing. BlueBay believes ESG factors can potentially have a material impact on an issuer's long-term financial performance. Given the limited upside and potentially significantly downside of fixed income investments, the focus of its ESG analysis is on understanding downside risks. 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. Supplementing traditional financial analysis by reviewing ESG related management practices and 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

SG 02	Mandatory	Public	Core Assessed	PRI 6
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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.
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Policy setting out your overall approach

	URL/Attachment
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URL

	URL
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<http://www.bluebay.com/globalassets/documents/esg-investment-risk-policy.pdf>

Attachment (will be made public)

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

Formalised guidelines on corporate governance factors

	URL/Attachment
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URL

	URL
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<http://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

<http://www.bluebay.com/globalassets/documents/controversial-weapons-investment-policy.pdf>

Attachment (will be made public)

Attachment

[File 1:BlueBay Controversial Weapons Investment Policy December 2014.pdf](#)

Other, specify (1)

Other, specify (1) description

Statement on UK Stewardship Code

URL/Attachment

URL

URL

<http://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

Statement on UK MSA

URL/Attachment

URL

URL

<http://www.bluebay.com/en/environmental-social-and-governance/bluebay-transparency-statement-on-the-uk-modern-slavery-act-2015/>

Attachment (will be made public)

Attachment

[File 1:BlueBay Modern Slavery Act Transparency Statement_Sept 2016.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.

- Climate-related issues
- Climate change and related issues
- We do not publicly disclose any investment policy components

SG 02.3 Indicate if your organisation's investment principles, and overall investment strategy is publicly available

Yes

URL

<http://www.bluebay.com/en/>

No

SG 02.4 Additional information [Optional].

While we do have Sector Specific RI Guidelines in place and share these externally on an ad-hoc basis with stakeholders such as clients, we have yet to publish them on our website (although this is something we are considering for the future).

We have a dedicated microsite on the BlueBay corporate website which focuses on our ESG investment risk management approach (<http://www.bluebay.com/en/environmental-social-and-governance/approach-performance/#AaPlink>)

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. 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 do share what has been produced to date upon request.

Governance and human resources

SG 07 CC	Voluntary	Public	Descriptive	General
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SG 07.1 CC	Indicate the roles in your organisation, and indicate for each whether they have oversight and/or implementation responsibilities for climate-related issues.
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	Roles present in your organisation
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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), Investment Committee
 - Oversight/accountability for climate-related issues
 - Assessment and management of climate-related issues
 - No responsibility for climate-related issues
- Other Chief-level staff or head of department, specify
Head of Risk & Performance - Attribution

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues
- Portfolio managers
 - Oversight/accountability for climate-related issues
 - Assessment and management of climate-related issues
 - No responsibility for climate-related issues
- ESG portfolio manager
 - Oversight/accountability for climate-related issues
 - Assessment and management of climate-related issues
 - No responsibility for climate-related issuesresponsible investment
- 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
 - Oversight/accountability for climate-related issues
 - Assessment and management of climate-related issues
 - No responsibility for climate-related issues
- External managers or service providers
- Investor relations
- Other role, specify (1)
- Other role, specify (2)

**SG 07.1a
CC**

For the board level roles or for which you have climate-related issues oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.

NOTE: SG 07.1 CC

We have indicated there is some level of oversight of climate change, at the operational level given the formal ESG investment risk management / operational risk frameworks we have adopted, which could in some instances include climate change.

At present the BlueBay Asset Management LLP Board does not formally have explicit oversight of ESG / climate change matters (as they impact our investment and non-investment related activities and operations). However our Chief Operating Officer (COO) - Chief Risk Officer (CRO) is a Board member who has direct operational oversight of such matters, as detailed below. Some other Board members including the CEO and CIO also have participation in other Committees where such issues may be discussed. As such, there is board level awareness.

**SG 07.1b
CC**

For the management-level roles which assess and manage climate-related issues, provide further information on the structure and process involved.

NOTE:

We have indicated there is some level of oversight of climate change, at the operational level given the formal ESG investment risk management / operational risk frameworks we have adopted, which could in some instances include climate change.

Outside of the Board level, any potential ESG related discussions would directly come under the remit of the Management Committee, as this is responsible for the execution of the business strategy and therefore bears

responsibility for ensuring effective management and oversight of the BlueBay business. It coordinates the development of business strategy and reviews overall financial performance against budget. The members of the Management Committee collectively have direct responsibility for all functions within the firm and receive regular management information reports from the various departments, through regular meetings with the department heads. The Management Committee comprises of the Chief Executive Officer (CEO), Chief Investment Officer (CIO), COO-CRO, General Counsel and the Global Head of Business Development. The Management Committee meets monthly.

The Management Committee has established further Investment, Global Business Development and Control level committees and forums with delegated responsibilities and reporting lines to the Management Committee. Those committees with control functions where ESG related matters would potentially fall within include the Market Risk Committee (MRC) for ESG investment related matters (meets weekly), and the Operating Committee (meets bi-weekly) for non-investment operational risk related matters.

In terms of investment activities specifically, our ESG Investment Risk team, part of the Investment Risk function, has most direct oversight of climate related investment risks and opportunities. The Head of ESG Investment Risk reports directly to the Head of Investment Risk and Performance - Attribution, who in turn reports to the COO-CRO, who as previously described, is a member of the BlueBay Board and Management Committee. As a function of being part of the Investment Risk function, there is oversight of ESG (and so potentially climate change) investment risk by the MRC. Membership of the MRC includes the CIO and COO-CRO, both of whom are board members. Our Head of ESG Investment Risk also works closely with our Global Business Development function, which manages our investor relationships and includes our investment product development functions.

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 13.1	Indicate if your organisation executes scenario analysis and/or modelling in which the risk profile of future ESG trends at portfolio level is calculated.
<input type="checkbox"/> We execute scenario analysis which includes factors representing the investment impacts of future environmental trends <input type="checkbox"/> We execute scenario analysis which includes factors representing the investment impacts of future social trends <input type="checkbox"/> We execute scenario analysis which includes factors representing the investment impacts of future governance trends <input type="checkbox"/> We consider scenario analysis that includes factors representing the investment impacts of future climate-related risks and opportunities <input type="checkbox"/> We execute other scenario analysis, specify <input checked="" type="checkbox"/> We do not execute such scenario analysis and/or modelling	
SG 13.3	Additional information. [OPTIONAL]

BlueBay has yet to conduct any formal scenario planning to determine the resilience of our business to ESG or climate specific risks to different levels of temperature rise. Although in our day to day ESG investment risk activities, and given our focus on material ESG risks, we would say there is an implicit element of taking into account how future ESG trends may impact our investments.

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. RBC and 15 global financial institutions will work collaboratively with the support of external experts on several matters,

including developing scenarios to identify and assess the impact on their business of the transition and physical risks of climate change. We will look to leverage their insights to apply to our own business, where appropriate and relevant to do so.

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1
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SG 14.1	Describe the process used to identify short, medium and long-term risks and opportunities that could have a material impact on your organisation and its activities.
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Investment related activities

As debt managers, we primarily focus on the downside risk aspects of ESG factors.

The approach/process we would utilise would be similar whether assessing ESG risks or opportunities e.g. a combination of:

- Taking a top down market, as well as bottom up idiosyncratic perspective
- Considering ESG risks and opportunities on 4 levels in our ESG integration framework: issuer, sector, portfolio/desk, and firm-level
- Applying ESG integration will help identify material ESG risks/opportunities for some issuers, in terms of their exposure (as a function of their business activities, geographies or size), the proactiveness of their management/mitigation response, extent of public reporting etc. Will also consider the timeframe over which those risks/opportunities are likely to materialise
- Taking account of the materiality of the investment exposure, and whether this would constitute a core and long-term investment or if it is a more opportunistic and short term trade as this will help us relate this to the timeframe over which the risk/opportunity is likely to occur
- Our internal process of monitoring investment positions according to different parameters varies in terms of frequency (weekly, bi-weekly, monthly, quarterly etc.) means we can pick up ESG factors over different time frames of potential impact

SG 14.1 CC	Describe the processes used to determine which climate-related short, medium and long-term risks and opportunities could have a material impact on your organisation and its activities.
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As debt managers, we primarily focus on the downside risk aspect of ESG factors such as climate change.

The approach/process we would utilise would be similar to when assessing ESG risks e.g. a combination of:

Taking a top down market, as well as bottom up idiosyncratic perspective

- Considering ESG risks and opportunities on 4 levels in our ESG integration framework: issuer, sector, portfolio/desk, and firm-level
- Applying ESG integration will help identify material ESG risks/opportunities for some issuers, in terms of their exposure (as a function of their business activities, geographies or size), the proactiveness of their management/mitigation response, extent of public reporting etc. Will also consider the timeframe over which those risks/opportunities are likely to materialise
- Taking account of the materiality of the investment exposure, and whether this would constitute a core and long-term investment or if it is a more opportunistic and short term trade as this will help us relate this to the timeframe over which the risk/opportunity is likely to occur
- Our internal process of monitoring investment positions according to different parameters varies in terms of frequency (weekly, bi-weekly, monthly, quarterly etc.) means we can pick up ESG factors over different time frames of potential impact

SG 14.2

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following you act on.

- Changing demographics
- Climate change and related issues

**SG 14.2a
cc**

Please describe how you define “short”, “medium” and “long term”, and describe your material climate-related issues over these time horizons.

	Definition	Description of material climate-related issues
Short term	< 1 year	e.g. physical risks (e.g. flooding), or regulatory (e.g. changes in tariffs/incentives)
Medium term	1-3 years	e.g. physical risks (e.g. weather related), regulatory (e.g. reform to EU and China ETS, EU sustainable financial markets reform, coal power regs) or technological (e.g. renewables and autos and EVs)
Long term	> 3 yrs	e.g. physical risks (e.g. weather related, ecological), regulatory (e.g. global ETS regimes) or technological (e.g. renewables, autos & EVs)

SG 14.3

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
- 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

- None of the above

SG 14.4

Indicate which of the following tools you use to manage emissions risks and opportunities

- Scenario analysis
- Disclosure on emissions risk to clients/trustees/management/beneficiaries
- Climate-related targets
- Encourage internal and/or external portfolio managers to monitor emissions risk
- 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 analysis from external organisations (CDP, CTI etc.)

- None of the above
- Resource scarcity
- Technology developments
- Other, specify(1)

other description (1)

Governance/Corruption Trends, cyber security

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

**SG 14.4a
CC**

Please provide further details on these key metric(s) used to assess climate related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology	Metric Trend	Limitations / Weaknesses
Carbon footprint (scope 1 and 2)						

SG 14.6

Additional information [Optional]

NOTE SG

14.4: We continue to explore portfolio carbon footprinting - the outputs of these are envisaged to be to provide baseline information at this stage.

14.4a

On the sector and issuer level we have adopted qualitative metrics to evaluate companies where climate is considered a material risk (these are contained in our sector ESG briefing documents).

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.

SG 14.7 CC	Describe your risk management processes for identifying, assessing, and managing climate-related risks.
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Our process for climate-related risks is integrated into overall risk management

Please describe

NOTE: the information included here refers to our general risk management oversight, which may take into account material ESG related factors, which could potentially include climate change as a material environmental risk factor.

Group risk management

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

An important component of our group risk management framework is a Group Risk Register which is maintained by our Head of Technology and Operational Risk. The Register is shared with the BlueBay Asset Management 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 (linked with strategy), investment risk (linked to investment performance), group financial (FX fluctuations, counterparty failures, liquidity), and operational (people, systems, cyber/info and external events) risks. There is a monthly dashboard where performance is tracked.

As we are owned by RBC, BlueBay has to report 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

Investment related risk 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 and whose membership includes the CIO and COO-CRO. ESG investment risk is a sub-function within Investment Risk.

The ESG investment risk team would have most direct responsibility for determining our organisational 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 in within the ESG integration framework we use, which aligns with a focus on investment material factors. This 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.

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?
- *Sector:* as part of the issuer analysis e.g. what are the material ESG risks for certain industries/sectors, and to what degree are there common ESG risks across sectors?
- *Portfolio/team:* in terms of portfolio characteristics e.g. what is the ESG investment risk exposures at a fund level? 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 the investment desks?

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.

When considering climate change related investment risks specifically, which can occur over a longer term time horizon, this can be particularly challenging as investment holding periods can be shorter. For instance, whilst our investment teams can and 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, for instance:

- Short term investment holding period averaged across our investment teams is less than 3 months;
- Medium, would be between 3-6 months, and
- Long term, would be holding considerations of more than 6 months, typically up to a year.

Due to the above this can mean some longer term climate related risks are not necessarily considered investment material in the context of the investment holding period.

Our process for climate-related risks is not integrated into our overall risk management

SG 14.8 CC	Describe your processes for prioritising climate-related risks.
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Issuer related e.g.

- Extent to which this is a material risk given the business activities and geographies the company is active in which influence the extent to which it may be exposed to physical, transitional and/or liability risk
- The level/quality of mitigation response
- The extent to which there is public disclosure
- The size of the company which influence the extent to which there is reputational risk for the company
- Whether there may be a reputational risk for BlueBay for having exposure to the issuer facing particularly heightened climate related risks

Investment exposure related e.g.

- Whether& extent of investment exposure in terms of different funds/desks, whether the position is overweight, market weight, underweight vs the benchmark
- Whether this is a core or opportunistic position / what is the underlying investment rationale

SG 14.9 CC	Do you conduct engagement activity with investee companies to encourage better disclosure and practices around climate-related risks?
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Yes

Please describe

Issuer/sector level

Currently where we do meet with issuers, we raise issues of climate change where we consider this to be credit relevant. 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. Some examples from 2017 include: attending seminars with presenters from different stakeholder groups to keep updated on the stranded assets debate and potential risks for corporates and sovereigns, and participation in meetings and met with representatives from corporates and industry trade bodies from a range of industries to understand the extent to which carbon is a business risk and the strategy/management response.

Promoting issuer public disclosure

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. Some examples of BlueBay's efforts in 2017 include engaging with European banks and Russian industrials on better disclosure.

No, we do not engage

SG 14.10 CC Describe how you use data from climate-related disclosures.

As an input into our view, for instance in terms of:

- Very act of reporting is a recognition by the issuer of the importance/materiality of the risk/opportunity
- Determine the absolute level of risk exposure of the issuer
- Understand the quality of the mitigation response, and what has been the actual performance
- Benchmark issuer vs peers to understand relative risk exposure and quality of mitigation response

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.

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 15.1 Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

- Yes
- No

