

***BlueBay Funds Management Company Remuneration Policy***

***Approved by the Board of Directors 28 January 2019***

***Effective 1 January 2019***

***Introduction***

BlueBay Funds Management Company S.A. (the "**Company**") is a Luxembourg management company under Chapter 15 of the law of 17 December 2010 relating to undertakings for collective investment, as amended from time to time (the "**2010 Law**") and the law of 12 July 2013 on Alternative Investment Managers (the "**2013 Law**").

This Policy has been adopted by the Company and is supplementary to the Remuneration Policy adopted for the BlueBay Group (the "BlueBay Group Remuneration Policy"). The terms of the BlueBay Group Remuneration Policy shall also apply to the Company and its staff. The directors of the Company are responsible for the adoption of the remuneration policy, for reviewing its general principles at least annually, for overseeing its implementation and for ensuring compliance with relevant Luxembourg legislation and regulation including the UCITS/AIFMD remuneration requirements. The Board of Directors of the Company (the "Board") has established a remuneration policy applicable to its employees (the "Employees") and directors in accordance with applicable laws and regulations pertaining to remuneration, in particular the 2013 Law on alternative investment fund managers, the 2010 Law relating to undertakings for collective investment and any applicable ESMA guidelines on the subject (the "Remuneration Rules"). The Board has designed this policy with the objective to ensure an approach consistent with promoting sound and effective risk management and not to encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the funds under management.

The BlueBay Group Remuneration Policy, together with this Policy, is designed to support the Company's business strategy, objectives and values, including prudent risk management, by attracting, retaining and motivating key talent to achieve these outcomes. This Policy takes into account the Company's interests, and also those of the Company's funds and the investors in such funds.

The Company has determined that, in accordance with the provisions of AIFMD and UCITS V, certain of the remuneration requirements shall be applied in a manner that is proportionate to the Company's size, internal organisation and the nature, scope and complexity of our activities.

**1. SCOPE**

This Policy applies to those categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls into the remuneration bracket of senior management and risk takers, whose professional activities have a material impact on the risk profile of the Company or the risk profile of the funds managed by the Company ("Fund Remuneration Code Staff").

The Policy covers all aspects of remuneration paid by the Company including salaries, bonuses, incentive plans, hiring and severance packages and pension arrangements.

Where any aspect of this Policy would contravene local laws or regulations, then the local laws or regulations shall override.

## **2. REVIEW**

The Board is responsible for approving and maintaining the Policy and overseeing its implementation. The Policy will not be controlled by any executive members of the Board and any decision in that respect that might give rise to a potential conflict of interest will require the relevant Director to excuse themselves from participating in the vote. The Board will approve any subsequent material exemptions or changes to the Policy and carefully consider and monitor their effects. The Board will review this Policy (and the list of Fund Remuneration Code Staff) periodically as necessary and no less frequently than annually. As part of this process the Board will seek input from the local Compliance, Risk, other control functions and independent third parties as required.

In addition, this Policy will be reviewed should the Company become subject to additional regulation in respect of remuneration structures.

The compliance of the remuneration policy, its application and proper disclosure will be subject to a specific and regular review by the compliance function as well as the internal audit function.

In relation to the implementation of the remuneration policy, the Board has decided to rely on the group remuneration committee (the "**Remuneration Committee**").

## **3. FUND REMUNERATION CODE STAFF AND STAFF IN CONTROL FUNCTIONS**

### ***3.1 Fund Remuneration Code Staff***

The Company has identified its Fund Remuneration Code Staff as:

1. The directors of the Company
2. The conducting persons of the Company.
3. Staff in control functions, notably the head of compliance, risk and internal audit if they are not conducting persons.

Individuals within categories 1 and 2 above are referred to as the "management body" of the Company.

Fund Remuneration Code Staff have been identified on the basis that they make decisions that may have a material impact on the Company's risk profile or the risk profile of the funds.

Each member of Fund Remuneration Code Staff has been informed that they have been so designated.

In addition, staff of any delegate of the Company (by whoever employed) who have a material impact on the risk profile of the funds managed by the Company are separately identified as "Delegate Fund Remuneration Code Staff".

A record of Fund Remuneration Code Staff is maintained and regularly reviewed by the Board and at least annually. In addition, each delegate shall confirm, at least on an annual basis the categories of staff and number of employees identified as Delegate Fund Remuneration Code Staff.

### ***3.2 Staff in control functions***

Control function compensation is not linked to the performance of the activities and teams they control / oversee.

The remuneration of the senior members of the risk management and compliance functions is directly overseen by the Remuneration Committee.

## **4. COMPONENTS OF REMUNERATION**

### ***4.1 Fixed remuneration***

In setting and reviewing fixed remuneration, the Company takes account of the need to ensure that fixed and variable components of total remuneration are appropriately balanced, with the fixed element being set at a sufficient level to ensure that the policy on the variable component can be operated in a fully flexible manner, including the possibility of there being zero variable remuneration in any particular year.

### ***4.2 Setting annual discretionary bonus pools and determining bonuses***

The Remuneration Committee reviews annually the methods for calculating bonus pools, which is based on a combination of the assessment of the performance of the individual and of the Company or the funds concerned and of the overall results of the Company as well as the overall group performance. Individual performance is managed on an ongoing basis through informal discussions between individuals and their line managers, with two formal reviews each year. In the year-end annual review managers assess performance against the objectives set in a multi-year framework appropriate, where relevant, to the life-cycle of the fund(s) in which the individual is involved (directly or indirectly). The review also considers behaviour within key competencies, set objectives for the coming year linked to the group's strategic objectives, and agreed development activities. In that context, financial as well as non-financial criteria are taken into account. All bonuses awarded are discretionary.

### ***4.3 Buy-out awards***

Buy-out awards will only be offered exceptionally and will reflect the amount and terms (including the form, and any deferral or retention periods) of the variable remuneration awarded or offered by the individual's previous employer.

### ***4.4 Guaranteed bonuses***

Guaranteed bonuses will generally not be awarded, paid or provided unless they are:

- exceptional;
- awarded in the context of hiring a new employee, and
- limited to the first year of service.

The rationale for all guaranteed variable awards will be fully documented.

## **5. PAYMENT OF VARIABLE REMUNERATION**

The provisions of this Policy apply in respect of any variable and discretionary remuneration paid by the Company in relation to the business of the Company, including the management of funds. The provisions of this Policy are subject to the application of proportionality in relation to certain individual members of Fund Remuneration Code Staff as defined under section 9 below.

### ***5.1 Deferral of annual discretionary bonuses***

Annual discretionary bonuses for Fund Remuneration Code Staff will be subject to a deferral of between 40% and 60% with vesting at the end of a three-year period. Any Fund Remuneration Code Staff member whose variable remuneration is at a level of £500,000 or above will be subject to deferral of 60% of such variable remuneration, with vesting at the end of a three-year period. Where only a portion of a Fund Remuneration Code Staff member's remuneration relates to activities governed by the AIFMD or UCITS V, this deferral requirement will only apply to

such portion of remuneration. Additional deferral requirements may, however, apply under the BlueBay Group Remuneration Policy.

All awards will be subject to forfeiture provisions.

### **5.2 Payment of non-deferred variable remuneration**

Fund Remuneration Code Staff will (subject to the legal structure of any relevant fund and its constitutional documents) be required to receive 50% of their (post-tax) non-deferred variable remuneration in "own instruments". Such instruments must (subject to the legal structure of any relevant fund and its constitutional documents) be retained by the individual, before redemption, for a period of at least six months from award, but will not be subject to any forfeiture provisions. The Company has arranged for such instruments to be held on behalf of the Fund Remuneration Code Staff member by a nominee where necessary.

"Own instruments" includes shares/units in one or more of the Company's funds in respect of which the individual has influence (or equivalent share/unit-linked instruments) or an index representing the funds in respect of which the individual has influence or another suitable instrument as determined by the Remuneration Committee.

Any amount of non-deferred variable remuneration not receivable in instruments shall be paid in cash subject to certain conditions.

### **5.3 Payment of deferred variable remuneration**

Fund Remuneration Code Staff will (subject to the legal structure of any relevant fund and its constitutional documents) be required to receive 50% of their deferred variable remuneration in own instruments. Upon vesting (i.e. when the deferral is no longer subject to forfeiture provisions), such instruments must (subject to the legal structure of any relevant fund and its constitutional documents) be retained by the individual, before redemption, for a period of at least six months. The Company has arranged for such instruments to be held (or continue to be held) on behalf of the Fund Remuneration Code Staff member by a nominee, on a post-tax basis (where necessary).

### **5.4 Performance adjustment of deferred variable remuneration**

Deferred variable remuneration will only vest if it is sustainable according to the Company's financial situation, and is justified according to the Company's performance, the performance of the relevant fund, and the individual concerned. Examples of where such a reduction (*i.e. forfeiture/malus*) in deferred variable remuneration may occur include (i) where there is reasonable evidence of misbehaviour or material error of the individual; (ii) where the Company or a relevant fund or business unit suffers a material downturn in financial performance; or (iii) where the Company or a relevant fund or business unit suffers a material failure of risk management. Deferred bonus arrangements set out specific contractual provisions to deal with forfeiture/malus in these circumstances.

## **6. ARRANGEMENTS ON CESSATION**

### **6.1 Severance**

Severance pay is at the Company's absolute discretion.

Any payments related to early termination of contract will reflect performance achieved over time and will be designed in a way which does not reward failure. Severance packages for Fund Remuneration Code Staff and any material severance payments are subject to the approval of Remuneration Committee.

## **6.2 Pensions**

The Company provides enhanced pension benefits to employees, which are determined as a fixed percentage of the annual salary applicable similarly to all employees falling in the same category as defined by the Board. As per Luxembourg Law, there is no capacity to individualise the benefits granted to the respective employees, including Fund Remuneration Code Staff.

## **7. ENSURING COMPLIANCE**

Working closely with the Remuneration Committee, the Board and management body, the control functions shall assist in determining the overall remuneration strategy applicable to the Company, having regard to the promotion of sound and effective risk management.

The Compliance Officer of the Company analyses how the remuneration structure affects the Company's Compliance with legislation, regulations and internal policies. The Compliance function shall also review and ensure the proper and regular disclosure, of the Company's policy and in the annual report of both the Company and the funds.

The internal Audit function periodically carries out an independent audit of the design and implementation of the Policy. The work performed and results are presented in the internal audit report which is then reviewed and approved by the Board.

Employees must not use personal hedging strategies, including contracts of insurance, relating to remuneration which could undermine the risk alignment effects embedded in their remuneration arrangements. Fund Remuneration Code Staff will be required to undertake (such undertaking to be renewed on an annual basis) that they will not use such personal hedging strategies/insurance, or any other method or vehicle which could lead to avoidance of any provision of this Policy.

Breach of this undertaking and/or the use of such personal hedging strategies/insurance may constitute gross misconduct and will render the individual liable to dismissal without notice or payment in lieu.

The Company will review from time to time the personal account dealing records of Fund Remuneration Code Staff to ensure that Fund Remuneration Code Staff are not using personal hedging strategies in breach of their undertakings.

## **8. RELATED TERMS AND POLICIES**

### **8.1 Remuneration Committee**

The objectives, constitution and responsibilities of the Remuneration Committee are documented separately. The Remuneration Committee is constituted such that it is able to exercise competent and independent judgment in relation to the matters in respect of which it has responsibility. The key objectives and responsibilities include:

- oversight of this Policy, to ensure this Policy is operated in a way that promotes sound and effective risk management and does not encourage risk taking which exceeds the stated risk appetite and framework;
- ensuring that the risks associated with the operation of remuneration policies are considered;
- giving due regard to any relevant legal or regulatory requirements, and associated guidance, as well as to the risk and risk management implications of its decisions; and
- reviewing and, if thought fit, approving the remuneration proposals for employees who are impacted by any local regulations (if any) from time to time.

## **8.2 Conflicts of interest**

This Policy is designed to avoid conflicts of interests between the Company and the interests of the Company's funds and the investors in such funds. This Policy reflects the Company's obligations regarding the fair treatment of investors and is designed to promote appropriate corporate behaviours by all of our staff.

Where the Company identifies potential conflicts of interest of a specific nature, additional policies and procedures are established to manage such conflicts, compliance with which is considered within the context of the performance review process.

## **9. APPLICATION OF THIS POLICY (INCLUDING PROPORTIONALITY)**

Non-executive members of the management body do not receive variable remuneration in relation to their roles and so the provisions under "Payment of Variable Remuneration" will not apply to such individuals.

Where a Fund Remuneration Code Staff member receives variable remuneration in an amount which the Remuneration Committee considers is "small", the Remuneration Committee has determined that, based on the principle of proportionality, the provisions under "Payment of Variable Remuneration" will not apply to such individual (although some deferral may still be required under the provisions of the BlueBay Group Remuneration Policy). In this context, the Remuneration Committee currently proposes and the non-executive Board members have approved that variable remuneration will be considered "small" if the variable remuneration that the specific employee is entitled to receive for a specific assessment period is less than €100,000. No deferral or payment in own instruments will be applicable to such variable remuneration (unless otherwise required under the BlueBay Group Remuneration Policy), which shall be paid in cash.

Certain members of the management body are employees or partners of other BlueBay group entities and do not receive any additional remuneration from the Company in respect of their roles for the Company. As such, those individuals are subject to the provisions of the BlueBay Group Remuneration Policy in respect of their remuneration rather than this Policy.

Delegate Fund Remuneration Code Staff members, as employees or partners of other BlueBay group entities, are also subject to the provisions of the BlueBay Group Remuneration Policy in respect of their remuneration rather than this Policy. The Remuneration Committee and the Board consider that the terms of the BlueBay Group Remuneration Policy are such that the AIFMD and UCITS V remuneration provisions are not circumvented by virtue of any delegation and, further, as BlueBay Asset Management LLP is regulated in the United Kingdom by the Financial Conduct Authority ("FCA") and is subject to the FCA's AIFM Remuneration Code (implementing the remuneration requirements of the AIFMD), BlueBay Asset Management LLP should be considered to be subject to equally effective regulation on remuneration.



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