

# BlueBay Funds Management Company S.A.

## UCITS Remuneration Policy (“this Policy”)

**Approved by the Company on 9 January 2017**  
**Effective 1 January 2017**

### Introduction

BlueBay Funds Management Company S.A. (the "**Company**") is a Luxembourg management company governed by Chapter 15 of the law of 17 December 2010 relating to undertakings for collective investment, as amended from time to time (the "2010 Law").

This Policy has been adopted by the Company and is supplementary to the Remuneration Policy adopted for the BlueBay Group (the "**BlueBay Remuneration Policy**"). The terms of the BlueBay Remuneration Policy apply to the Company and its staff, and this Policy contains additional provisions which apply to the Company under the Law of 10 May 2016 (transposing Directive 2014/91/EU ("**UCITS V**" and amending the 2010 Law)).

The BlueBay 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 UCITS managed by the Company and the investors in such UCITS.

### Scope

This Policy applies to those categories of staff, including senior management (directors and conducting persons), 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 UCITS sub-funds managed by the Company ("**UCITS Remuneration Code Staff**").

The UCITS managed by the Company is BlueBay Funds, a Luxembourg undertaking for collective investment in transferable securities having the form of a SICAV, pursuant to the Part I of the 2010 Law (the "**SICAV**").

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 Luxembourg local laws or regulations shall override.

### Review

The Company, in conjunction with the BlueBay Remuneration Committee (the "**Remuneration Committee**") will review this Policy (and the list of UCITS Remuneration Code Staff) periodically as necessary and no less frequently than annually. In particular, the general principles of the Policy shall be reviewed at least annually by the Company's Board of Directors, with input from HR, 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. UCITS REMUNERATION CODE STAFF AND STAFF IN CONTROL FUNCTIONS

### **UCITS Remuneration Code Staff**

The Company has identified its UCITS Remuneration Code Staff as:

1. The directors of the Company;
2. The conducting persons of the Company; and
3. Staff in control functions.

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

UCITS 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 sub-funds of the SICAV.

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

A record of the UCITS Remuneration Code Staff is kept by the Company and is reviewed at least annually, with input from HR, Compliance, Risk, other control functions and independent third parties as required.

### **BlueBay Group Delegates**

The Company shall ensure that members of the BlueBay group that act as delegates of the Company with respect to relevant services shall have appropriate remuneration policies in place that comply with all applicable requirements.

### **Staff in control functions**

Control function compensation is not linked to the performance of the investment teams that they may support. The investment teams have no involvement in the decision making process that determines the compensation for the control functions, and control functions do not report into investment teams or Global Business Development.

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

## **COMPONENTS OF REMUNERATION**

### **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.

Setting annual discretionary bonus pools and determining bonuses

The Remuneration Committee reviews annually the methods for calculating bonus pools. All bonuses awarded are discretionary.

### **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.

### **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 (for example, involving a buy-out award), and

- limited to the first year of service.

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

## **PAYMENT OF VARIABLE REMUNERATION**

The provisions of this Policy apply in respect of remuneration paid by the Company in relation to the business of the Company. The provisions of this Policy are subject to the application of proportionality in relation to certain individual members of UCITS Remuneration Code Staff.

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

Annual discretionary bonuses for UCITS 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 UCITS 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.

All awards will be subject to forfeiture provisions and any other necessary requirements of applicable law and/or regulations.

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

UCITS Remuneration Code Staff will be required to receive 50% of their (post-tax) non-deferred variable remuneration in "own instruments". Such instruments must 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 UCITS Remuneration Code Staff member by a nominee.

"Own instruments" may, at the discretion of the Remuneration Committee, include shares in one or more of the SICAV's sub-funds in respect of which the individual has influence (or equivalent share/unit-linked instruments).

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

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

UCITS Remuneration Code Staff will 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 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 UCITS Remuneration Code Staff member by a nominee, on a post-tax basis (where necessary).

### **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, investment team and the individual concerned. Examples of where such a reduction 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.

## **ARRANGEMENTS ON CESSATION**

### **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 UCITS Remuneration Code Staff and any material severance payments are subject to the approval of the Remuneration Committee.

### **Pensions**

The Company does not provide any enhanced pension benefits to employees.

## **ENSURING COMPLIANCE**

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. UCITS 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 UCITS Remuneration Code Staff to ensure that UCITS Remuneration Code Staff are not using personal hedging strategies in breach of their undertakings.

## **RELATED TERMS AND POLICIES**

### **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 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.

### **Conflicts of interest**

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

## **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.

The remuneration of the board of directors of the Company is set and defined by the shareholder of the Company, such decision being documented in the minutes of the annual general shareholder meeting.

Board members who are employed by, or partners of, BlueBay Asset Management LLP will usually not be remunerated for the fulfilment of their duties for the Company.

For independent directors who are not employees or partners of BlueBay Asset Management LLP or any other member of the BlueBay group, their remuneration shall not be linked to the short-term financial results of the Company but shall instead be based solely on other factors such as the time dedicated to their functions, attendance at board meetings and their respective responsibilities as independent directors of the Company.

Such remuneration, consisting of an annual flat fee, is defined in the respective director's mandate agreement. Board members are entitled to be reimbursed for their travel expenses.

Certain members of the management body and certain employees holding control functions are employees or partners of BlueBay Asset Management LLP and do not receive any additional remuneration from the Company in respect of their roles. As such, those employees and partners are subject to the provisions of the BlueBay Remuneration Policy in respect of their remuneration, rather than this Policy.

Where a UCITS 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. The provisions of the BlueBay Remuneration Policy will continue to apply to such variable remuneration. In this context, the Remuneration Committee currently proposes that variable remuneration will be considered "small" if the total amount of variable remuneration is less than €100,000.

Where a UCITS Remuneration Code Staff member is an employee or partner of BlueBay Asset Management LLP, including where such UCITS Remuneration Code Staff acts under a delegation from the Company, such UCITS Remuneration Code Staff member shall be subject to the provisions of the BlueBay Remuneration Policy in respect of his remuneration rather than this Policy. The Remuneration Committee and the Board of the Company consider that the terms of the BlueBay Remuneration Policy are such that the 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 and BIPRU Remuneration Code, BlueBay Asset Management LLP should be considered to be subject to equally effective regulation on remuneration.

### **External disclosure**

The Company shall cooperate with the SICAV in order to ensure the compliance with the disclosure requirements laid down in the 2010 Law.

Without prejudice to confidentiality and data protection provisions, relevant information on this Policy and any updates in case of policy changes may further be disclosed in a clear and understandable way by the Company, notably to the CSSF and the external auditors upon request.

### **Internal disclosure**

The Company ensure that the remuneration policy is accessible to all employees. The Head of the Company will further inform any new employee, of this remuneration policy and of any change in relation thereto.

The Company also ensure as a minimum that any details relating to this Policy which are disclosed externally are also disclosed internally.

The Company's employees should know in advance the criteria that will be used to determine their remuneration. The appraisal process adopted shall be properly documented and transparent toward the employees.

Confidential qualitative information will never be subject to internal disclosure.

The current version of this Policy forms an integral part of the procedures manual of the Company.