

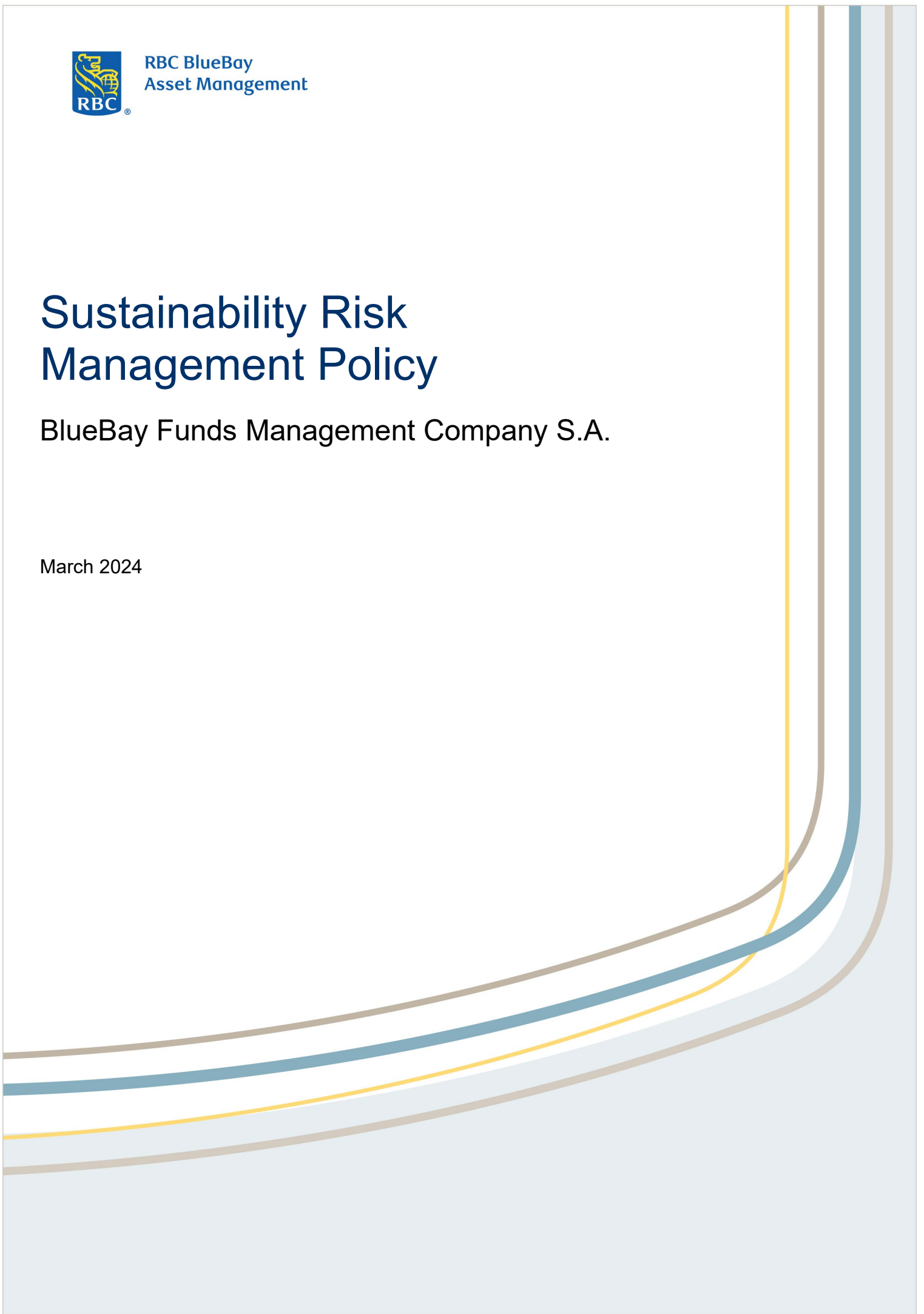


RBC BlueBay
Asset Management

Sustainability Risk Management Policy

BlueBay Funds Management Company S.A.

March 2024



Contents

1. Overview	3
1. Key terms and concepts	3
1.2 Summary	3
2. Scope	3
3. Introduction	3
4. Principles	4
5. Definitions	4
6. ESG Integration	5
6.1 ESG data	6
6.2 ESG materiality analysis	6
7 ESG Sustainability Risk Monitoring	6
7.1 Sustainability risks	7
7.2 Exclusions	7
8 Active Stewardship	7
8.1 Proxy voting	7
8.2 ESG Engagement	8
8.3 Collaboration and advocacy	8
9 Reporting	8
10 Governance	9
10.1 Due Diligence	9
10.2 Ongoing Oversight and Monitoring	9
11. Remuneration	9
Appendix 1: Overview ESG Components	11

Amendments

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Amendments made:

The Environmental, Social and Government Investment policy has been updated to clarify the scope of Funds covered in this policy reflecting AIFs and UCITS for which BlueBay Funds Management Company S.A. is responsible as well as segregated mandates managed by the Company and investment advisory mandates for which the Company provides advisory services. As part of this, Investment Advisory mandates and segregated mandates have been included in the concept “Funds” to reflect the full scope of funds to which the policy is applicable.

1. Overview

1. Key terms and concepts

Investment Manager or RBC GAM UK: Royal Bank of Canada Global Asset Management (UK) Limited having its registered office and principal place of business 100 Bishopsgate, London EC2N 4AA England. Authorised and regulated by the Financial Conduct Authority. RBC GAM UK is the delegate Investment Manager for all fixed income and equity portfolios, whether funds, segregated mandates or advisory services.

Board: means the board of directors of the Management Company S.A.

Conducting Officers: refers to the conducting officer(s) of the BlueBay Funds Management Company S.A. appointed and approved by the CSSF and the Board of Directors

Fund or Funds: means all AIFs and UCITS for which the Company is responsible as well as segregated mandates managed by the Company and investment advisory mandates for which the Company provides advisory services¹.

Policy: means the ESG Policy of the Company

the Company or BFMC: refers to the BlueBay Funds Management Company S.A. a société anonyme incorporated under Luxembourg law on 1 August 2002 for an unlimited period of time with registered office at 4, Boulevard Royal, L-2449 Luxembourg and registered with the Registre du Commerce et des Sociétés under number B88445 and its branches.

1.2 Summary

The information summarised in this document meets the requirement in the EU Sustainable Finance Disclosure Regulation (“**SFDR**”) for disclosing the Company’s approach to integration ESG, and therefore sustainability² risks into Investment fund manager decision-making, and a high level qualitative description in terms of the assessment of the likely impact of sustainability risks on investment returns.

1.3 Legal references

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 with other respective legal provisions and updates.

2. Scope

This Policy applies to BlueBay Funds Management Company S.A.

This Policy is based on the requirements established in Article 3 of the 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 (the “**SFDR**”), specifically relating to the integration of sustainability risks.

3. Introduction

As a Management Company/ Alternative Investment Fund Manager (“**AIFM**”) furthermore licenced to provide investment advisory services and “management of portfolios of investments, including those owned by pension funds, in accordance with mandates given by investors on a discretionary, “client-by-client basis”, the Company is committed to integrating sustainability risks into the portfolios of the funds it manages and risk management process.

This Policy is applicable to all AIFs and UCITS for which the Company is responsible as well as segregated mandates managed by the Company and investment advisory mandates for which the Company provides advisory services.

¹ The investment advisory services provide clients with investment recommendations that incorporate the ESG and sustainability risk management considerations outlined in this policy. However, the decision and execution of investments is held by the clients to whom this investment advice is provided.

² The reference to sustainability factors or risks is to signpost to the SFDR which uses the ‘sustainability’ term to refer to ESG related considerations. Sustainability factors means environmental, social or governance matters such as employee matters, respect for human rights, anti-corruption and anti-bribery matters. Sustainability risks means an ESG event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. BlueBay uses the terms ‘ESG’ within this document, but this should be taken to be equivalent to ‘sustainability’ as contained in the SFDR.

4. Principles

The Company and its delegate Investment Manager, RBC GAM UK approach to ESG and sustainability risk management is underpinned by the following principles and beliefs:

- Being an active, engaged, and responsible owner empowers us to enhance the long-term, risk-adjusted performance of our portfolios and is part of our fiduciary duty.
- Issuers that manage their material ESG risks and opportunities effectively are more likely to outperform on a risk-adjusted basis, over the long term.
- Engagement through dialogue is often effective at facilitating change.
- Initiatives that increase transparency and foster fair and efficient markets benefit all investors and clients globally.
- Collaboration with like-minded investors may give us greater influence on issues that are material to our investments.

5. Definitions

ESG integration - is the practice of systematically incorporating material ESG factors into investment decision making to identify potential risks and opportunities and improve long-term risk-adjusted returns.

Sustainability risk - is defined in the SFDR as an environmental, social, or governance event or condition that if it occurs, could cause an actual or a potential material negative impact on the value of the investment. The Company's ESG integration processes monitor sustainability risks and funds that are categorized as Articles 8 or 9 measure and track performance against specific sustainability characteristics. Unless otherwise stated in fund documentation or included in a fund's investment objective, considering sustainability risks does not mean that a fund has a sustainable investment objective.

ESG-Aware Pooled Funds – ESG incorporation is part of an enhanced investment risk management framework. Under SFDR, the funds would be categorised as 'other' and meet the conditions set out in Article 6 of SFDR as sustainability risks are integrated into the investment decision process. Its investments do not take into account the EU criteria for environmentally sustainable economic activities.

ESG-Orientated Pooled Funds – ESG focussed strategies. Under SFDR, the funds would be categorised as either meeting the conditions set out by article 8 as it promotes environmental or social characteristics through mandatory/binding requirements as a key feature; or meeting the conditions set out by Article 9 as it has sustainability risks as its investment objective. In either instance, such funds would also meet the conditions set out by Article 6 of SFDR as sustainability risks are integrated into the investment decision making process.

Separately Managed Accounts (SMAs) – Portfolios where investment requirements are set directly by the client rather than the Company. Under SFDR, SMAs may be either categorized as Article 8 or 9 or 'other' depending on their nature. All would be compliant with Article 6.

Investment Advisory Mandates - Portfolios where the decision and execution of investments is held by the clients to whom investment advice is provided. The Company provides personal investment recommendations to the client that incorporate the ESG and sustainability risk management considerations outlined in this policy.

Environmental factors - include, but are not limited to: climate change, air and water pollution, biodiversity, natural resource management and use, water quality and availability, waste management, ecosystem integrity.

Social factors - include, but are not limited to: labour practices, data privacy and security, diversity and inclusion, employee engagement, human rights, community relations, health and safety.

Governance factors - include but are not limited to: board structure and independence, executive compensation, shareholder rights, lobbying and political contributions, bribery and corruption, tax strategy and accounting standards.

Stewardship – the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

6. ESG Integration

The Company believes that issuers that manage their material sustainability risks effectively are more likely to outperform on a risk-adjusted basis, over the long term. The integration of material ESG factors into the investment process has been identified as a strategic priority for the Company and is described in the RBC GAM UK “Our Approach to Responsible Investment”.³ The scope of the ESG integration approach on a firm-level basis should consider ESG factors at different levels. For example:

- **Issuers:** a formal issuer ESG evaluation framework for both corporate and sovereign issuers. The issuer evaluation framework should result in the generation of ESG metrics.

The ESG Investment approach should determine which ESG factors may present the most investment material ESG risks is a function of 1) inherent risk exposure dynamics, and 2) the nature and quality of the issuer’s management and response (e.g., in terms of the policies, systems, practices and actual performance), which can act to mitigate or improve resilience of the issue to the risks, or exacerbate it. For instance, in terms of the risk exposure characteristics Environmental, Social and Governance.

- **Sector:** materiality of ESG factors depending on sectors and geographies among others.
- **Portfolio/sub-asset class level:** ESG risk characteristics at a portfolio level and across portfolios within a specific strategy.

Firm: ESG analysis involving evaluating potential concentration of ESG risks across the organisation.

The Company ensures that the delegate Investment Manager’s Investment teams integrate material ESG factors in their investment decision-making processes (Figure 1.0). RBC GAM UK Investment teams receive input from the Corporate Governance and Responsible Investment team on their ESG integration processes.

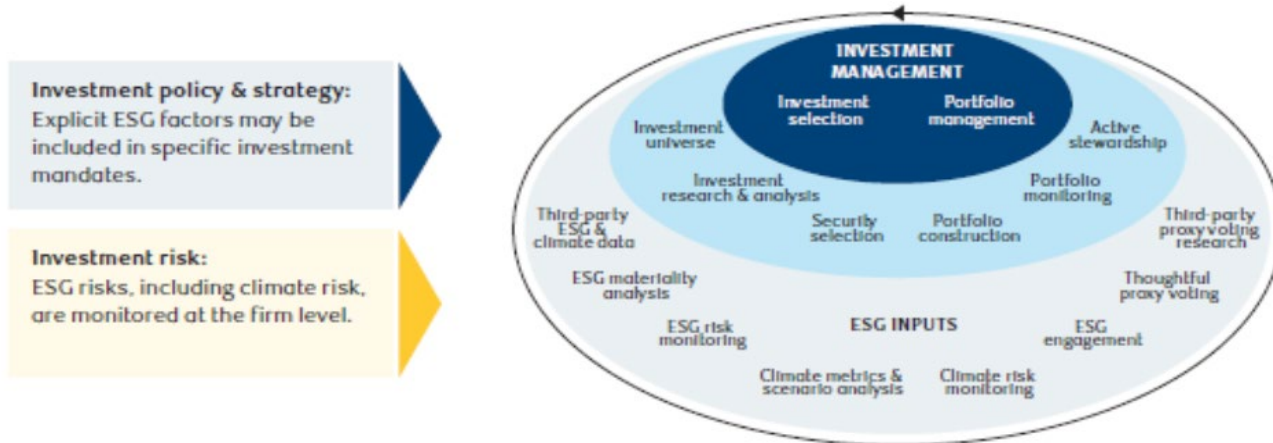
On a strategy-level basis, ESG-aware pooled funds will take ESG factors into consideration to enhance investment analysis and inform on the investment decision-making process at varying levels. Specifically, the outcome of the issuer ESG evaluation framework enables credit and ESG analysts to express their ESG view on an issuer, and for this to be used by portfolio managers to inform on portfolio construction decisions. Any ESG risk identified in relation to an issuer does not necessarily preclude investing in such issuer if any ESG risk identified is not material from an investment perspective, or if any such ESG risk can be mitigated in some form, or if the investment risk-reward analysis adequately reflects and compensates for this.

ESG-Orientated pooled funds use a more nuanced approach in that depending on the outcome of the issuer ESG evaluation, some issuers may be prohibited from investment independent of whether they represent an ESG risk. This relates to the issuers assigned the worst ESG metrics. Such funds may also potentially seek to adopt non-investment ESG specific goals in relation to their portfolio carbon profile, or their alignment to the UN Sustainable Development Goals.

Figure 1.0 – ESG integration in the RBC GAM investment and investment advisory process

This diagram illustrates how material ESG factors and responsible investment activities contribute to our overall decision-making in our investment processes and investment advice, complementing our investment teams’ investment and investment advisory approaches.

³ <https://www.rbcbluebay.com/globalassets/documents/rbc/approach-to-climate-change.pdf>



In the case of non-ESG focussed strategies, any ESG risk identified in relation to an issuer does not necessarily preclude investing in such issuer if any ESG risk identified is not material from an investment perspective, or if the delegated Investment Manager believes any such ESG risk can be mitigated in some form, or if the investment risk-reward analysis adequately reflects and compensates for this. However, in the case of ESG focussed strategies, the results of this analysis may result in an issuer being excluded independent of whether they represent an ESG risk or not, and whether investors are being compensated for the risks in terms of valuation.

6.1 ESG data

All RBC GAM UK investment teams have access to a range of ESG data from third-party data providers, including MSCI ESG Research LLC, Sustainalytics, Institutional Shareholder Services Inc. and Glass, Lewis & Co. This includes, but is not limited to, the following ESG data and inputs:

- ESG ratings: Includes top level scores and both scores and weights for component environmental, social, and governance factors.
- ESG controversies and severity levels related to factors including, but not limited to labour rights, corruption, customer practices, privacy, land use management, climate change, supply chains, water and waste management, executive compensation, governance practices, human rights, community, business ethics, and accounting.
- Environmental⁴ : carbon emissions, low-carbon transition risk exposure and management, climate value at risk, temperature alignment, pollution and waste, resource use, land use management, biodiversity, e-waste, water consumption and use, green building, and energy demand.
- Social³: product safety, employee health and safety, human capital management, labour management, privacy, supply chain, and social opportunities.
- Governance³: board independence, audit and accounting, executive compensation, shareholder rights, anti-competitive practices, and bribery and corruption.

6.2 ESG materiality analysis

All RBC GAM UK investment teams integrate material ESG factors by selecting the ESG tools and processes that work best for their investment decision-making processes. Sustainability risks are deemed material if they have the potential to impact the risk-adjusted returns of the investment, with the extent of these impacts depending on the issuer, the industries and geographies in which it operates, and the nature of the investment vehicle for which it is purchased.

7 ESG Sustainability Risk Monitoring

In accordance with Article 10 of the SFDR, this section sets out details on the environmental and social characteristics promoted by RBC GAM's Article 8 funds.

⁴ May include third-party data providers' proprietary assessment on an ESG factor or direct data from an issuer's operations, either directly reported by the issuer or estimated by the third-party data provider.

7.1 Sustainability risks

In addition, to assessing the ESG factors as defined above, the following ESG metrics are monitored on a regular basis for Article 8 investment funds. Particular investment products or strategies may also monitor additional ESG metrics, depending on asset class, region, materiality and data availability.

- Greenhouse gas emissions
- Carbon footprint
- Exposure to companies active in the fossil fuel sector
- Investments in companies without carbon emissions reduction initiatives
- Exposure to controversial weapons
- Lack of anti-corruption and anti-bribery policies
- Board gender diversity
- Violations of UN Global Compact and OECD Guidelines for Multinational Enterprises

7.2 Exclusions

The Company ensures the appropriate use of exclusions to prohibit certain investments applied at the Firm-level in relation to pooled funds. These may be applied on a variety of issues, which may be driven by a need to align with client expectations, and can be broadly categorised into two groups:

- Product-based which applies ethical/values-based/religious exclusions (e.g. sector or business activity, product or revenue stream for example for gambling, alcohol), or exclusions based on poor sustainability (e.g. fossil fuel companies due to concerns about climate change); or
- Conduct-based such as norms-based exclusions (e.g. resulting in restrictions of specific issuers due to non-compliance with international standards of conduct such as the UN Global Compact) or based on poor ESG assessment (e.g. excluding the worst performing issuers relative to peers).

For ESG-orientated Pooled Funds, there are more extensive restrictions in place, with the scope going beyond that applied at the firm level. A combination of product-based and conduct-based screens are applied.

In addition, we recognize the broad-based international consensus that has emerged regarding the investment in companies whose business activities would contravene the prohibitions contained in Controversial Weapons (the Anti-Personnel Landmines Convention, the Convention on Cluster Munitions, the Biological and Toxin Weapons Convention, and the Chemical Weapons Convention), as well as the legislation in jurisdictions that have implemented these conventions.

In recognition of that consensus and the significant risks associated with those investments, the Company a product-based exclusions policy on controversial weapons, which restricts investments in corporate issuers involved in the production of certain types of such weapons. These exclusions only apply when we control the investment policy for a portfolio. For mandates where we do not control the investment policy, our clients may request different exclusions or no exclusions. We have engaged an independent third-party research provider to provide us with a list of companies that should be excluded on the basis of this policy, which is updated monthly.

Where there are full economic sanctions that prohibit any financial dealings with a foreign state, including investment in entities operating under the authority of the foreign state, we will not invest in securities that fall within the sanctions.

8 Active Stewardship

As stewards of our clients' assets, we are committed to ensuring that the issuers in which we invest act in alignment with the long-term interests of our clients. This means conveying to issuers and regulatory bodies our views on topics such as board structure, executive compensation, gender diversity, and climate change, where material. We do this by employing the following three methods:

8.1 Proxy voting

Proxy voting is generally a legal mechanism available to equity investors for communicating and influencing management at their Annual General Meetings (AGMs). Voting responsibly at the general meetings of public equity holdings is an important way to act in the best interest of our clients. The Company will ensure the Delegate

Investment Manager makes appropriate use of voting rights on matters of corporate governance (CG) and corporate responsibility (CR) when the opportunity arises.

8.2 ESG Engagement

The Company ensures the delegate Investment Manager investment teams meet with the issuers in which they invest on an ongoing basis. We encourage an in-depth dialogue over time and may keep the particulars about our engagements confidential to foster a constructive relationship with our investee companies. Where the delegate Investment Manager engagement efforts have been unsuccessful and the issue being discussed is material, it may comment publicly or take more formal steps, such as filing a shareholder resolution for equity investments, if we believe that it is in the best interest of our clients to do so. Our engagements may influence our decision to buy, hold or sell securities and these investment decisions are made on a case-by-case basis.

The specific ESG factors we engage on differ based on sector, asset class, and geography. We seek to understand each issuer individually and through the lens of local norms and the laws and regulations of the market in which it operates.

On a strategy-level basis, for ESG-aware pooled funds the focus of ESG engagement efforts is on investment material ESG risk factors. For ESG-orientated pooled funds, ESG engagement efforts are not limited to a focus on ESG risks but can also encompass ESG factors more generally.

8.3 Collaboration and advocacy

The Company recognizes that advocating for regulatory and legal reform can be more effective when market participants work together. Where interests are aligned, collaboration with like-minded investors can give us greater influence on issues specific to our investments and on broader, market-wide considerations. In either case, we work to encourage changes that are in the best interests of our clients.

9 Reporting

Transparency and accountability are key priorities for the Company and RBC GAM UK, and essential for meeting our regulatory requirements, responding to the needs of our clients and stakeholders, and in delivering on our fiduciary duty. We strive to provide our clients with regular reporting on our responsible investment and ESG integration activities through the following publications produced by the delegate Investment Manager:

- **Responsible investment reports:** These reports highlight the delegate Investment Manager's recent activities, engagements, progress and achievements related to our responsible investment strategy. The annual report is released at the end of the calendar year, which includes highlights throughout the year of their engagement activities with issuers. The semi-annual report released in June contains analysis and discussion of the proxy voting season, including trends observed and their voting statistics.
- **Climate-related disclosures:** The delegate Investment Manager's approach to climate change outlines how climate-related risks and opportunities are measured and managed in the context of "Our Approach to Responsible Investment". It also reinforces their support of the recommendations of the Financial Stability Board's Task Force for Climate-related Financial Disclosures (TCFD). They report on their alignment to the recommendations of the TCFD.
- **Proxy voting disclosures:** The delegate Investment Manager publishes both the Proxy Voting Guidelines and the records of their votes on ballot items for investments held in their funds, in accordance with applicable regulations.
- **Reporting on our ESG commitments:** The delegate Investment Manager publishes the Principles for Responsible Investment RI Transparency Report and responses to the UK Stewardship Code and the Japan Stewardship Code on their website.
- **Client reporting:** The delegate Investment Manager distributes quarterly reports for institutional clients that provide updates on their stewardship activities and updates on their ESG integration approaches, where material. Several investment teams provide additional client reporting, on a quarterly or annual basis. Institutional clients may request reports with additional ESG-related metrics; the frequency of these reports is based on client need and preference.

10 Governance

The Company ensures that the delegate Investment Manager has a robust ESG Governance framework and sufficient ESG infrastructure and resources in order to properly implement and integrate the ESG investment management approach.

In order to ensure that the delegate Investment Manager has developed and maintain an appropriate ESG Governance framework, the Company is committed to performing (i) due diligence and (ii) ongoing oversight and monitoring of the delegate Investment Manager' ESG activities. ESG due diligence and oversight and monitoring is primarily led by the Investment Management Oversight Function ("IMOF") with the support of the Risk Management and Compliance functions.

10.1 Due Diligence

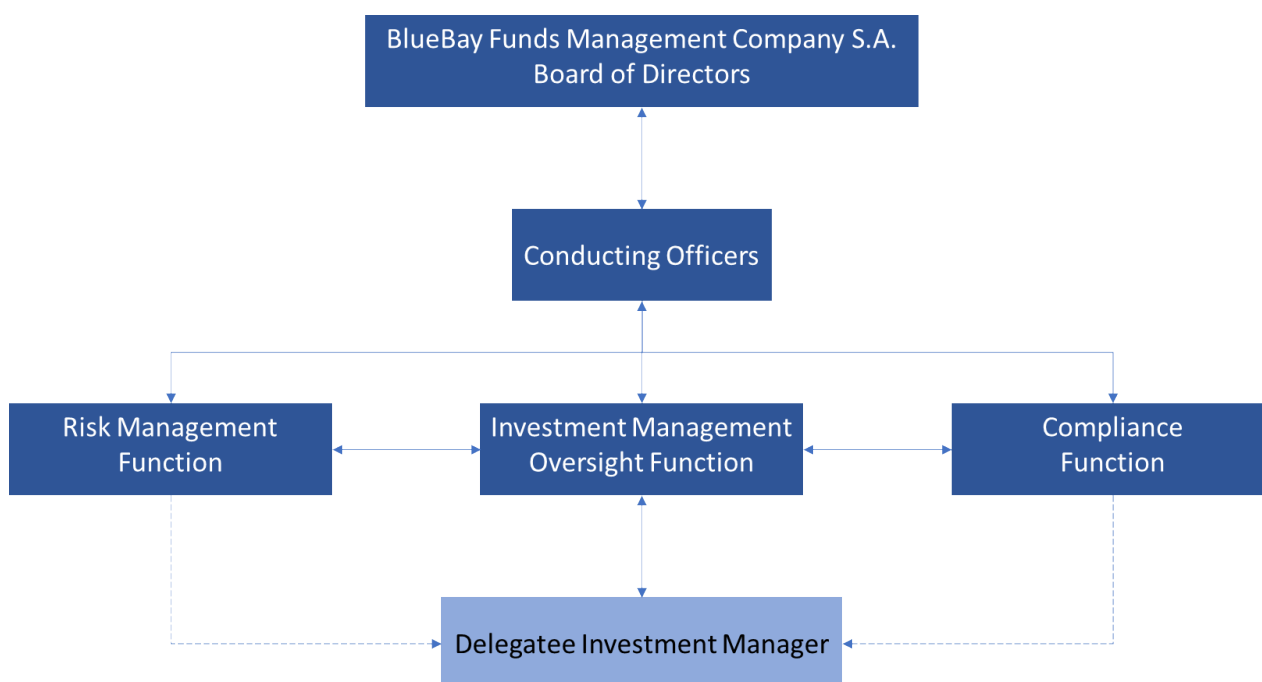
IMOF performs initial and periodic due diligence to verify and test the delegate Investment Manager ESG Governance Framework, including ESG dedicated resources and infrastructure, ESG integration into the investment process and the subsequent tracking of ESG performance and compliance. This is performed during initial and follow-up interviews and site visits supplemented with due diligence questionnaires.

10.2 Ongoing Oversight and Monitoring

IMOF performs regular oversight and monitoring to again verify and test the delegate ESG Governance Framework, including such activities as ESG Restricted List compliance and verification of ESG score weightings within portfolios.

IMOF periodically reports their findings to the Conducting Officers and the Company Board of Directors. Any material breaches will be escalated to the Conducting Officers, Board of Directors or Regulator, as necessary.

Figure 2.0 – BlueBay Funds Management Company S.A. governance structure



11. Remuneration

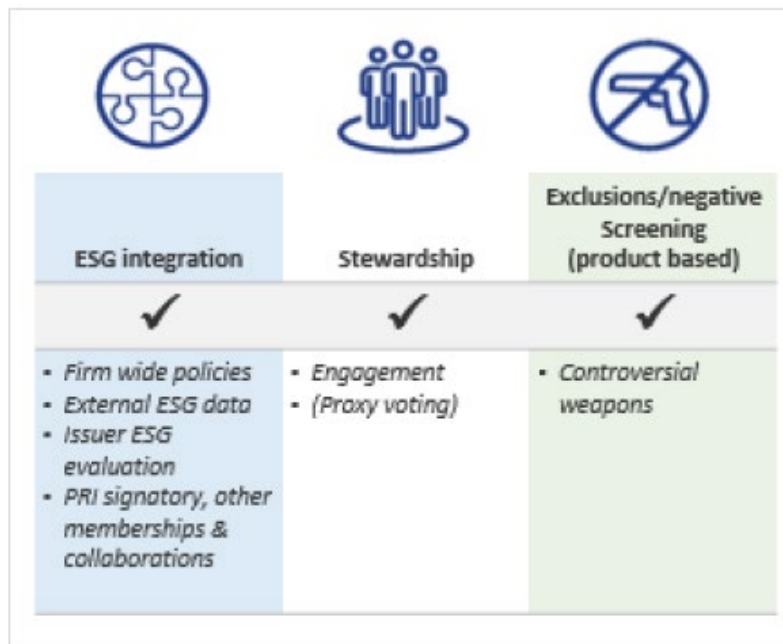
The Company's Remuneration Policy is consistent with and promotes sound and effective risk management including sustainability risks and does not encourage risk taking that is inconsistent with the risk profiles of the funds that it manages.

The Remuneration Policy is in line with the business strategy, objectives, values and interests of the Company and its clients and includes measures to avoid conflicts of interest. The Company's structure of remuneration is linked to risk-adjusted performance.

The Company aims to ensure that employees are not incentivized to take inappropriate and/or excessive risks including sustainability risks which are inconsistent with the risk profile of the funds under management. Moreover, when taken into account by the fund under management, the Company ensures that staff duly consider sustainable impacts.

Appendix 1: Overview ESG Components

Figure 1.0 – Firm Level ESG Components



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