RBC BlueBay Asset Management

EU ESG Ratings Regulation Disclosure

BlueBay Fixed Income Platform Securitised Credit Issuer ESG Evaluation Framework

Prepared by:

Responsible Investment Team

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A. Methodology Overview

1. Overview and objective of methodology

The BlueBay Fixed Income Platform ('BlueBay') securitized credit ESG evaluation framework is a proprietary, risk-oriented framework applied as part of the credit assessment process to held in-scope securitised credit instruments[1], specifically Asset-Backed Securities (ABS)[2] and Collateralised Loan Obligations (CLO)[3].

The purpose of the securitised credit ESG evaluation framework is to incorporate material ESG factors into investment decision-making for ABS and CLO, with an aim to identify potential risks and opportunities and improve risk-adjusted, long-term returns.

2. ABS evaluation framework

The ABS ESG evaluation framework is a multi-tiered approach that considers ESG risks relating for the following three components:

- **Originator:** The entity that originates or aggregates the underlying loans or assets.
- **Servicer:** The entity responsible for collecting payments and managing the assets. Often the originator and servicer are the same entity.
- **Instrument:** The underlying collateral pool and structural features of the instrument.

The ABS ESG evaluation framework produces a single proprietary ESG metric, the ABS Fundamental ESG (Risk) Rating, which indicates the ESG risk exposure and investment materiality of those ESG risks to the ABS, across the transaction structure. Categories range from 'very high' ESG (Risk) Rating to 'very low' ESG (Risk) Rating. The ABS Fundamental ESG (Risk) Rating is assigned by the relevant credit analyst/portfolio manager, with input from the Responsible Investment (RI) team as and when relevant and appropriate.

3. CLO ESG Framework

The CLO ESG evaluation framework is a two-stage approach that considers ESG risk relating to two components, each with a distinct ESG evaluation:

- **CLO Manager:** The entity managing and issuing the CLO.
- **CLO Deal:** The specific CLO transaction issued by the CLO Manager.

The CLO ESG evaluation framework produces two proprietary ESG metrics, one for the CLO Manager, and one for the CLO Deal, referred to as the CLO Manager Fundamental ESG (Risk) Rating, and the CLO Deal Fundamental ESG (Risk) Rating. In both cases, this metric indicates the ESG risk exposure and investment materiality of those ESG risks to the CLO Manager and CLO Deal. Categories range from 'very high' ESG (Risk) Rating to 'very low' ESG (Risk) Rating. In both cases, the respective Fundamental ESG (Risk) Rating is assigned by the relevant credit analyst/portfolio manager, with input from the RI team as and when relevant and appropriate.

ESG evaluations for ABS, CLO Managers and CLO Deals incorporate backward-looking indicators and forward-looking indicators, where available. Backward-looking indicators include historical information reported by CLO Managers, and, in the case of ABS, originators and servicers, and third-party providers, where available. For ABS, forward-looking indicators are not typically relevant, given the nature of the asset class, but may be considered at the originator and servicer level, where appropriate. In the case of CLOs, forward-looking indicators include considering the future trajectory of the CLO Managers approach to ESG risk mitigation.

4. Single financial materiality

A single financial materiality approach is applied to the ABS ESG evaluation framework and CLO ESG evaluation framework, considering environmental, social, and governance matters where they present financial, regulatory, operational, or reputational risk to the issuer.

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[1] Certain investment strategies, asset classes, exposure and security types do not integrate ESG factors, including but not limited to money market, buy-and maintain, passive, and certain third-party sub-advised strategies or certain currency or derivative instruments. Different strategies that integrate ESG factors will be at varying stages of implementation.

[2] Instruments that are secured by a pool of assets such as loans, leases, credit card debt receivables, referred to as ABS. The ABS ESG evaluation framework also applies to residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS).

[3] Actively managed investment vehicles secured by a diversified pool of leveraged loans. The CLO ESG evaluation framework applies to CLO Managers (who manage the CLO) and CLO Deals (the instrument issued by the CLO Manager).

5. Industry classification

The ABS ESG evaluation framework and CLO ESG evaluation framework do not rely on predetermined industry classification systems. Each ESG evaluation framework is tailored to the specific characteristics of the asset class, and consider ESG risks at varying levels of each transaction, including the nature of the underlying collateral, and the relevant entities, such as originators, servicers and CLO Managers, where applicable and relevant. As a result, the proprietary ESG metrics resulting from the ABS ESG evaluation framework and CLO ESG evaluation framework are absolute in nature.

6. Time horizon, validity period and review

Following completion, ESG evaluations for CLO Managers are reviewed at least every two years but may also be updated sooner where material new information or developments arise that questions the ongoing validity of the assigned Fundamental ESG (Risk) Rating. CLO Deal ESG evaluations are reviewed when the CLO resets, according to the time horizon and reset period of the CLO Deal. ABS ESG evaluations do not undergo periodic reviews, given the static nature of the security.

7. Scientific evidence

Scientific evidence is not used as a standalone input of the ESG evaluation, but certain information may be informed by scientific references and considered where relevant to the assessment of particular ESG risks where viewed to be material (e.g. climate-related).

B. Scope of the Rating

1. ESG factors and issues covered

The ABS ESG evaluation framework considers, but is not limited to, an assessment of the following ESG risks across three components:

- **Originator:** analysis is focused on governance factors given these are typically viewed to be more material, such as governance quality and regulatory compliance. Impacts due to the nature of the entity on the environment, such as waste and emissions, and social considerations, such as risks to employees, customers and communities, may also be assessed, where applicable and relevant. When a corporate ESG evaluation has been completed for the originator by the relevant credit analyst, this also informs on the originator assessment.[4]
- **Servicer:** often the servicer is the same entity as the originator, and as such follows the same assessment. Separate analysis is undertaken following a similar approach to the originator, where applicable and relevant. When a corporate ESG evaluation has been completed by the relevant credit analyst for the servicer, this also informs on the servicer assessment.[5]
- **Instrument:** analysis is focused on environmental and social considerations of the underlying collateral, given these are typically viewed to be more material. Governance factors are typically viewed to be less material to the underlying collateral, given the static nature of the security, but are reviewed where applicable and relevant.

The CLO ESG evaluation framework considers, but is not limited to, an assessment of the following ESG risks across two components:

- **CLO Manager:** analysis of governance factors that may include manager governance, ESG approach applied by the CLO Manager and resourcing dedicated to ESG.
- **CLO Deal:** an assessment of the extent to which ESG approaches are considered in the selection process of the underlying collateral pool by reviewing CLO Deal documentation.

The topics considered in both frameworks may correspond to a number of topics covered by the current European Sustainability Reporting Standards ("ESRS") published pursuant to the EU CSRD rules in Commission Delegated

[4,5] *For further information on the Corporate ESG evaluation framework. Please refer to the relevant EU ESG Ratings Regulation disclosure (Regulation (EU) 2024/3005) available here.*

Regulation (EU) 2023/2772 of 31 July 2023. For the avoidance of doubt, the frameworks does not seek to align with the standards or datapoints covered by the ESRS.

2. ESG factor weighting

No predetermined numerical weightings are applied. The significance of individual factors is determined through qualitative judgment according at each level of the respective securitized credit instrument.

3. Paris Agreement and other international agreements

The ABS ESG evaluation framework and CLO ESG evaluation framework do not systematically incorporate the targets and objectives of the Paris Agreement or other international agreements. Credit analysts may nevertheless consider the Paris Agreement or other relevant agreements or standards where these are viewed to be relevant and material.

C. Data Sourcing and Limitations

1. Data sources and quality

The ABS ESG evaluation framework and CLO ESG evaluation framework uses information from a range of internal and external sources, where available and applicable. Data sources may be public or non-public. Third-party data and external sources are used as an input into the respective ESG evaluations to help inform which ESG factors may be material, but ultimately do not define or determine the final ESG metrics assigned.

Where relevant sustainability statements prepared pursuant to Directive 2013/34/EU and/ or relevant information are made publicly available through disclosures made under Regulation (EU) 2019/2088 (SFDR), analysts may use such information as one of multiple public inputs; however, neither framework mandates reliance on these disclosures and does not require their use for any specific question.

2. Data limitations

Limitations may arise from differences in the availability, quality, accuracy, timeliness, comparability, and reliability of ESG data, as well as differences in disclosures and third-party coverage, which are particularly prevalent for securitized credit. As the availability of such data improves, it is expected that this will help inform the respective ESG evaluation frameworks in time.

3. Assumptions, estimates, and proxies

No internal estimates are calculated or used within the ABS ESG evaluation framework or the CLO ESG evaluation framework. Where third-party data is used to inform the ESG analysis, this may include estimates by the third-party provider.

4. Artificial Intelligence

The ESG evaluation frameworks do not rely on artificial intelligence. Credit analysts may use artificial intelligence tools to support research and analysis at their discretion. However, these tools do not determine final proprietary ESG metrics, which remain subject to credit analyst oversight and judgement.

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