RBC BlueBay
Asset Management

BlueBay Funds Asset Management Company S.A.

Website disclosure
SFDR Article 8 Portfolio

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SFDR Article 8 Strategies – RBC Emerging Markets Equity Portfolio – Segregated Account 9 (“the Portfolio”)

This disclosure applies to the following strategy: Segregated Account 9[1]

Summary

The Portfolio follows the RBC Global Asset Management Emerging Markets Equity Strategy and promotes environmental and social characteristics but does not have sustainable investments as its objective. The Portfolio promotes environmental and social characteristics by investing in companies that are assessed using a proprietary ESG rating methodology, where companies are given a rating between 0 and 100, while excluding companies on the client’s ESG exclusion list. Companies given a rating above 70 are assessed as having high quality ESG practices. ESG ratings assigned to each company are reviewed regularly and updated as new material information becomes available. An assessment of good governance contributes to the investment strategy.

Where relevant, environmental characteristics promoted by the strategies, include, but are not limited to appropriate and responsible management of climate change and waste. The social characteristic promoted by the strategies, where relevant, include, but are not limited to, appropriate and responsible management of employee relations and health and safety practices.

The Portfolio commits to only owning assets that are deemed to be aligned to the environmental or social characteristics of the strategy, excluding cash and cash equivalents. Therefore, a minimum of 97% of the NAV of the Portfolio will be in assets that promote the environmental or social characteristics (and have ratings 70 or above). If a company is assessed to no longer have a rating of 70 or above, it will be disposed of in a timely manner and consistent with the best interests of the client.

The investment team may use multiple ESG data sources to perform its assessment of an asset. Sources include, but are not limited to, direct disclosures from the company, third-party data vendors, and independent research. The data utilised covers environmental, social, and governance data, as well as ESG-related controversies. As part of the investment process, the investment team uses this data and its own due diligence on a company to assess the environmental and social characteristics of a company.

The investment team engages with many issuers, and other stakeholders on material ESG issues. The majority of engagements are with issuers, where the investment team seeks information on how an issuer is addressing its material ESG risks and opportunities and conveys its views on those risks and opportunities. The investment team meets with many issuers in which it invests on an ongoing basis and develops an in-depth dialogue with issuers over time. The team will generally keep the particulars about its engagements confidential to foster a constructive relationship with investee companies.

[1] Please note product names are anonymised for client confidentiality purposes.

Samenvatting

De Emerging Markets Equity portefeuille volgt de ESG methodiek van RBC Global Asset Management en bevordert milieu- en sociale kenmerken. Dit wordt gedaan door te beleggen in bedrijven die hiervoor aandacht hebben en daarmee een voordeel opleveren voor belanghebbenden en de maatschappij. Bedrijven worden beoordeeld aan de hand van een eigen ESG-ratingmethode, waarbij bedrijven een rating krijgen tussen 0 en 100, met uitsluiting van bedrijven op de ESG-uitsluitingslijst van de klant. Bedrijven met een rating boven de 70 worden beoordeeld als bedrijven met een netto voordeel. ESG-ratings die aan elk bedrijf worden toegekend, worden regelmatig beoordeeld en bijgewerkt als er nieuwe materiële informatie beschikbaar komt. Een beoordeling van goed bestuur draagt bij aan de beleggingsstrategie.

De portefeuille verplicht zich om alleen activa te bezitten die geacht worden in lijn te zijn met de eerder genoemde milieu- of sociale kenmerken. Dit geldt niet voor de kaspositie. Minimaal 97% van de NAV van de strategieën zal in activa zitten die de milieu- of sociale kenmerken bevorderen. Als wordt beoordeeld dat een bedrijf niet langer de nodige aandacht heeft voor ESG en niet langer een voordeel oplevert, dan zal de positie tijdig in het belang van de klant worden verkocht.

Het beleggingsteam heeft toegang tot meerdere ESG-gegevens om een belegging te beoordelen. Deze bronnen omvatten, maar zijn niet beperkt tot, directe bekendmakingen van het bedrijf, gegevensleveranciers van derden en onafhankelijk onderzoek. De gebruikte gegevens omvatten milieu-, sociale en governancegegevens, evenals ESG-gerelateerde controverses. Als onderdeel van het beleggingsproces gebruikt het beleggingsteam deze gegevens en zijn eigen due diligence om te beoordelen hoe en of het een ESG voordeel oplevert.

Het beleggingsteam voert ook rechtstreeks gesprekken met bedrijven en andere belanghebbenden over materiële ESG-kwesties. De beleggingsteams zoeken naar informatie over hoe een bedrijf omgaat met zijn materiële ESG-risico's en kansen, en zijn visie geeft op die risico's en kansen. Het beleggingsteam ontmoet doorlopend met management teams van de bedrijven waarin het belegt en ontwikkelt na verloop van tijd een diepgaande dialoog. Het team zal over het algemeen de details van zijn engagement gesprekken vertrouwelijk houden om een constructieve relatie met de bedrijven waarin wordt geïnvesteerd te bevorderen.

No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

The Portfolio will invest in companies identified as having high quality ESG practices based on a proprietary ESG rating methodology, as assessed by the investment team. The Portfolio also incorporates specific client-directed ESG-related criteria.

Where relevant, environmental characteristics promoted by the Portfolio, include, but are not limited to, appropriate and responsible management of climate change and waste. The social characteristics promoted by the Portfolio, where relevant, include, but are not limited to, appropriate and responsible management of employee relations and health and safety practices.

The BSG index on MSCI EM IMI (USD) gross of dividends reinvested (Bloomberg identifier: 51709-43950, MSCI identifier: 757399) (the “index”) is used to compare certain environmental and/or social characteristics promoted by the Portfolio, based on the Client’s exclusion list.

Investment strategy

The Portfolio seeks to invest in long-term, high conviction portfolios of companies operating in Emerging Markets with strong ESG credentials. The team’s approach to ESG comprises of three key pillars: Stock Selection; Active Ownership; and Research.

The investment team use a proprietary investment checklist as the final stage of its bottom-up research process. Within the checklist, the investment team review the questions geared towards ESG and sustainability factors to produce a stock-specific “ESG Rating”. Examples of the checklist questions include:

- Do the company’s activities have a negative impact on the climate?
- Is the franchise socially useful?
- Does the company work in the best interests of all shareholders?

This assessment results in an overall company rating as well as a dedicated ESG rating from 0-100 (100 being the highest).

Investee companies are assessed closely by the investment team on an ongoing basis, through regular company meetings and engagement with company management and key stakeholders. The ESG Rating will be reviewed and reported on a regular basis in order to capture any changes in the ESG assessment of a company. If a company is given an ESG Rating less than 70 after a review, it will be divested in a timely manner that is consistent with the best interests of clients.

The investment team engages with many issuers and other stakeholders in material ESG issues. Focus areas of engagement can include ESG disclosure, executive remuneration, workforce diversity and climate change.

Binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted

The Portfolio will only invest in companies with an ESG Rating of 70 or above.

If a company is given an ESG Rating less than 70 after a review, it will be divested in a timely manner that is consistent with the best interests of the client.

The Portfolio also excludes issuers identified in its exclusion list, provided by the Client. This prohibition relates to both direct and indirect investments in any investee company identified on the exclusion list. Indirect investments include: (i) investments in any direct or indirect parent company of a company mentioned on the Exclusion List, being companies which own more that 50% of the issues share capital of any such company; (ii) investments in collective investment schemes whose assets under management directly or indirectly consist for 5% or more of companies mentioned on the Exclusion List; and (iii) index related transactions, provided that the relevant index consists for 5% or more of companies mentioned on the Exclusion List (e.g. index-funds, index trackers, the replication of indices by 'baskets', and similar products). The exclusion list is maintained by the Client and may be periodically amended / replaced as required.

In addition, the investment team commits to:

a) implementing ESG in policy and management systems and use long-term value creation as a leading principle;

b) identifying and prioritising the actual and potential adverse impact of activities undertaken in the asset classes, while involving relevant stakeholders in this effort;

c) using and, where necessary and possible, increasing leverage to ensure that the adverse impact of activities undertaken in the asset classes is prevented or mitigated;

d) using and, where necessary and possible, increasing leverage by imposing time-limited demands in which it encourages listed investee companies that cause or contribute to an adverse impact to prevent and/or mitigate that adverse impact and/or to provide access to remediation;

e) In case of contribution, setting up processes to provide access to remediation;

f) when (temporarily) reducing an investment position in or divesting from companies that have been prioritised owing to the severity of the adverse impact, also considering the potential adverse impacts on disadvantaged groups;

g) rendering accountability by monitoring results and by reporting to the Client with due observance of the reporting requirements.

Policy to assess good governance practices of the investee companies

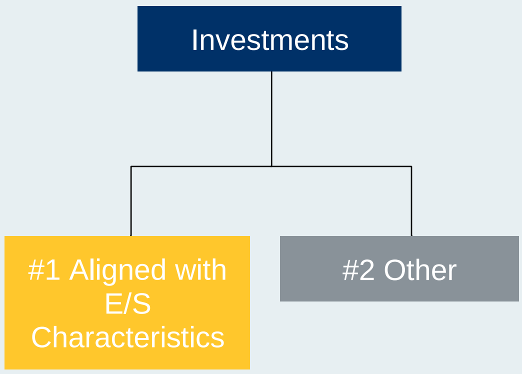
The investment team assesses the governance of investee companies through detailed research as well as company engagement, which forms a component of its investment checklist and contributes to its ESG rating. Factors considered include the appropriateness of executive remuneration; company track records in areas such as integrity and business ethics; company focus and practices related to the board, management, and workforce diversity; treatment of minority shareholders; and board independence, among other factors. Understanding how management thinks about important ESG issues and what actions they are implementing is a critical component of the investment team's view on a company's governance practices and ESG standards more broadly.

Good governance practices include sound management structures, employee relations, remuneration or staff and tax compliance.

Proportion of investments

The strategies will generally invest 100% of their NAV (excluding cash, cash equivalents, hedging instruments or other securities not designed to provide equity exposure) in companies aligned with the E/S characteristics promoted by the strategies (#1). A minimum of 97% of an entire strategy will be invested in companies aligned with the environmental and social characteristics promoted by the strategies (#1), subject to re-ratings which will be divested in a manner consistent with the best interests of clients and, in any event, within three months.

The remaining (3%) - which will be cash or cash equivalents – will not incorporate environmental or social characteristics and will fall under #2.



#1 Aligned with E/S Characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Investments included under "#2 Other", what is their purpose and any minimum environmental or social safeguards

The Portfolio may hold certain instruments which do not contribute directly to the investment strategies such as cash or cash equivalents.

There are no environmental or social safeguards applicable to such instruments, which do not provide direct exposure to investee companies.

Monitoring of environmental or social characteristics

To attain the environmental and social characteristics being promoted by the Portfolio, the share of securities which are compliant and not in active breach of any ESG screening applicable to the Portfolio is monitored. Furthermore, the proprietary ESG ratings for each holding company are reviewed annually and may also be reviewed and updated should new material information become available. The investment team monitors environmental and social controversies and news flows on an ongoing basis. Independent research and monitoring is used to inform any changes to the ESG rating. The environmental and social characteristics of the constituent companies are discussed regularly in team meetings.

The investment team engages with many issuers on environmental and/or social issues which are chosen and prioritised using a risk-based approach.

Methodologies

The investment team uses a proprietary ESG rating methodology to assess each company. The investment team assigns a rating to each assessed company from 0 to 100. Companies assigned a rating above 70 are deemed to have high quality ESG practices, as determined by the investment team.

The investment team use a proprietary investment checklist as the final stage of its bottom-up research process. Within the checklist, the investment team review the questions geared towards ESG and sustainability factors to produce a stock-specific "ESG Rating". Examples of the checklist questions include:

- Do the company's activities have a negative impact on the climate?
- Is the franchise socially useful?
- Does the company work in the best interests of all shareholders?

This assessment results in an overall company rating as well as a dedicated ESG rating from 0-100 (100 being the highest).

Investee companies are assessed closely by the investment team on an ongoing basis, through regular company meetings and engagement with company management and key stakeholders. The ESG Rating will be reviewed and reported on a regular basis in order to capture any changes in the ESG assessment of a company. If a company is given an ESG Rating less than 70 after a review, it will be divested in a timely manner that is consistent with the best interests of clients.

Furthermore, the Portfolio also applies negative screening with exclusions covering companies involved in the production, trading and maintenance of controversial weapons (cluster munitions, landmines, chemicals & biological weapons, deplete uranium, white phosphorus and nuclear weapons); tobacco production and/or services; as well as those considered non-compliant with the UN Global Compact Principles. Exclusions also apply for companies and sovereigns covered by EU sanctions.

The ESG screening process for the Portfolio primarily relies on the exclusion list provided by the client.

Data sources and processing

Data sources used

The investment team has 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, in addition to accessing ESG data directly from company disclosures. Which sources, factors, and methods used varies according to the ESG materiality and relevance of each factor to the company. These include, but are not limited to, the following ESG data and inputs:

- Third Party ESG ratings: Includes top level ratings, and both ratings 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, accounting.
- Environmental: carbon emissions, low-carbon transition risk exposure and management, temperature alignment, pollution and waste, resource use, land use management, biodiversity, e-waste, water consumption and use, green building, and energy demand.
- Social: product safety, employee health and safety, human capital management, labour management, privacy, supply chain, social opportunities.
- Governance: board independence, audit and accounting, executive compensation, shareholder rights, anti-competitive practices, bribery and corruption.

Furthermore, the Portfolio also relies on an exclusion list provided by the client.

Measures taken to ensure data quality

There are a number of steps undertaken to ensure that the provider and quality of data/research will meet expectations:

1. Before purchasing data or research from a provider, market analysis is conducted to compare the potential product with its competitors.
2. Where applicable, the RBC GAM Quantitative Investments team back tests data being considered for core investment and stewardship functions, and both the RBC Quantitative Investments team and Investment Risk group may assist in reviewing prospective subscriptions for data quality and consistency, where appropriate. Where inaccuracies and shortcomings in methodology are found, and it is unlikely the provider will be able to address them and meet expectations, the provider is removed from consideration.

3. During a trial period, investment teams may test potential research and data provider subscriptions within the context of the portfolios they manage. Investment teams then provide feedback on any research or data issues, including systemic issues that would prevent the provider from being applicable or useful to the investment process or minor issues that can be resolved through engagement with the provider.
4. Once the provider is on-boarded, open dialogue and engagement is maintained between users of the data and the providers themselves to ensure that the quality and accuracy of data and research continues to meet expectations. For example, direct training opportunities may be sought for users of the data to understand the product and new ways to integrate it. Investment teams may also discuss research findings directly with research providers' sector analysts or research managers to ensure a thorough and complete understanding between both parties.
5. In certain cases, where inaccuracies on issuers have been identified, RBC GAM may facilitate engagements between the issuers and research providers to discuss and resolve inconsistencies in data/research. Historically, these inaccuracies have resulted from issuers failing to disclose policies or practices on which the research provider is evaluating them, or providers' review cycles lagging issuers' publications/data releases.

In cases where existing research or data providers fail to meet expectations despite engagement efforts or where superior research or products are identified, RBC GAM may terminate the subscription. Subscriptions and contracts are reviewed by the internal legal department prior to signing and upon contract renewal to stipulate the conditions where termination may be appropriate.

How data is processed

The investment team focuses on the ESG factors that it considers have the potential to impact the value of the investment and tailors the ESG integration tools and processes used for the investment strategies. This includes using, but is not limited to the following:

- Issuer-level reports that identify and discuss material ESG issues, based on third-party ESG research, company reports, and internal analyst/manager views.
- Internal ESG checklists and questionnaires for issuers held in a strategy.
- ESG engagement questions and engagement tracking.
- ESG data from third-party vendors considered in the fundamental investment framework.
- ESG controversies monitored on an ongoing basis.
- Climate data and climate scenario analysis.
- The Principle Adverse Impact indicators considered by the Portfolio.

The investment team integrates material ESG factors into the investment process by selecting the ESG tools and processes that work best for the investment decision-making process. Sustainability risks are deemed material if they have the potential to impact the risk-adjusted returns of the investments.

The investment team places particular focus on the ESG factors that have the potential to impact the value 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.

Proportion of data estimated

Where possible, data used will always be the most recently published by an investee company. This is received either directly from the investee company or via a third-party data vendor. Where no data has been published, an estimation of that data point may be used. These estimations may be produced through an industry standard model or from a third-party vendor’s internal methodologies. Where this is not available no data will be used.

Limitation to methodologies and data

Limitations to methodologies and data

The assessment of a company’s environmental or social characteristics is limited by the investment team’s reliance on publicly available information. This also applies to data availability.

The investment team may use third-party research to evaluate the ESG characteristics, risks and opportunities regarding an issuer. Such research information and data may be incomplete, inaccurate or unavailable, resulting in incorrect assessments of the ESG practices of an issuer. Legislative and regulatory changes, market developments and/or changes in data availability and reliability could also materially affect the quality and comparability of such research information and data.

How limitations do not affect the environmental or social characteristics promoted.

The investment team performs due diligence on holding companies. If following the due diligence and assessment of the ESG characteristics of the company the investment team determines the quality of the company’s ESG practices has meaningfully changed, it will be reflected in the ESG rating given to the company.

The investment team uses multiple ESG data and research sources, where possible, including company disclosures. This mitigates the limitations of inaccurate, incomplete, or unavailable research from third-party providers.

However, there may be some non-public information that the investment team could not be aware of at the time of the assessment, which could harm the promoted environmental or social characteristics.

Due diligence

As part of the investment process the investment team performs an analysis of the underlying issuers before investing. Analysis continues throughout the ownership of a company, including through regular reviews on a company’s proprietary ESG rating.

The team utilises site visits, assesses publicly available information, data, research, and information learned from engagements to monitor performance of the company on its environmental and social characteristics.

From time to time, the investment team may commission independent research into a company in order to fully assess its environmental and social characteristics.

The compliance of the strategies with their investment mandate is monitored through internal systems by the RBC GAM's Investment Policy team.

Engagement policies

The investment team engages with many issuers and other stakeholders on material ESG issues. The majority of engagements are with issuers, where the investment team seeks information on how an issuer is addressing its material ESG risks and opportunities and conveys its views on those risks and opportunities. The investment team meets with many issuers in which it invests on an ongoing basis and develops an in-depth dialogue with issuers over time. The team will generally keep the particulars about its engagements confidential to foster a constructive relationship with investee companies.

Typically, the purpose of engagements includes:

1. Information gathering on ESG risks and opportunities and the steps the issuer is taking to address them. This may result in continued monitoring of an existing or emerging ESG risk or opportunity, or an update to the analysis and assessment of an issuer.
2. Seeking better public disclosure of material ESG risks and opportunities and the steps the issuer is taking to address them.
3. Encouraging more effective management of material ESG factors when the team believes they may impact the value of an investment.
4. Where an issuer is lagging its peers on a material ESG issue, or insufficiently managing a material ESG issue, requesting a commitment for change, monitoring any changes, and encouraging continued improvements that are expected to positively impact the long-term value of an investment

A majority of engagements are for information gathering but there are cases where a specific outcome is desired. In these instances, where engagement efforts have been unsuccessful and the issue being discussed is material, RBC GAM may comment publicly, either alone or in collaboration with other investors, or take more formal steps, such as filing a shareholder resolution for equity investments, if there is the belief that it is consistent with the best interest of clients to do so.

Ultimately, at any stage of engagement with an issuer, the investment team may choose to divest from the investment entirely. This may occur when the investment team does not believe that the ESG issue is being appropriately managed, despite ongoing engagement and stewardship efforts, and deems that the issue materially affects the investment case overall. The outcomes of an engagement generally are not the sole factor in an investment decision but can help inform the investment case. It is at the discretion of the investment team to decide whether to continue with an investment or to divest.

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

NOTE: the client remains in charge of proxy voting activity for the Portfolio.

Designated reference benchmark

The Portfolio does not use a reference benchmark for the purposes of attaining the environmental and/or social characteristics that it promotes. The BSG index on MSCI EM IMI (USD) gross of dividends reinvested (Bloomberg identifier: 51709-43950, MSCI identifier: 757399) (the “index”) is used to compare certain environmental and/or social characteristics promoted by the Portfolio, based on the Client’s exclusion list.