RBC BlueBay
Asset Management

BlueBay Funds Management Company S.A.

BlueBay Funds Website disclosure
SFDR Article 8 Portfolio

July 2025

BlueBay Funds – SFDR Article 8 Strategies – BlueBay Global High Yield Debt Strategy – Portfolio – Segregated Account 42

This disclosure applies to the following Portfolio

Product name: **Legal entity identifier:**

Portfolio - segregated account 42[1]

Summary

The environmental and social characteristics promoted by the Portfolio consists in favouring fixed income securities in scope whose business activities and/or business conduct take an appropriate and responsible approach on such matters. On the environmental front, where relevant, this includes, but is not limited to, characteristics such as 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 Portfolio implements environmental, social and governance (ESG) integration (via the assessment of issuers based on a proprietary ESG risk rating methodology and setting a minimum threshold for investment eligibility of an issuer), ESG tilting (via Environmental (E), Social (S) and Governance (G) scores being equal to or higher than the benchmark), ESG negative screening (via the Client ESG Exclusion List and Cannabis List), ESG positive screening (via Green Bonds), and carbon footprint reduction. ESG engagement may also occur (where appropriate to ensure an issuer continues to meet the required environmental and social characteristics being promoted).

Samenvatting

De milieu- en sociale kenmerken die door de Portefeuille worden bevorderd, bestaan uit het bevoordelen van vastrentende effecten waarvan de bedrijfsactiviteiten en/of bedrijfsvoering een gepaste en verantwoorde aanpak van deze kwesties inhouden. De milieu kenmerken die door de Portefeuille worden bevorderd, omvatten waar relevant, maar zijn niet beperkt tot, een gepast en verantwoord beheer van klimaatverandering en afval. De sociale kenmerken die door de Portefeuille worden bevorderd, omvatten

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

waar relevant, maar zijn niet beperkt tot, een gepast en verantwoord beheer van arbeidsrelaties, gezondheids- en veiligheidspraktijken.

De Portefeuille implementeert ESG-integratie (milieu, maatschappij en bestuur) (op basis van een eigen ESG risico-beoordelingsmethodologie en het vaststellen van een minimumdrempel waaraan uitgevers moet voldoen om in aanmerking te komen), ESG tilting (doordat milieu (E), maatschappij (S) en bestuur (G) gelijk of hoger zijn dan de benchmark), negatieve ESG-screening (via de ESG-uitsluitingslijst van de cliënt en de cannabislijst), positieve ESG-screening (via groene obligaties) en vermindering van de CO2-voetafdruk. ESG-engagement kan ook plaatsvinden (waar nodig om te waarborgen dat een uitgever blijft voldoen aan de vereiste milieu- en maatschappijkenmerken die worden gepromoot).

No sustainable investment objective

The Portfolio promotes environmental and social characteristics and investments but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

The environmental and social characteristics promoted by the Portfolio consist in favouring fixed income securities in scope whose business activities and/or conduct take an appropriate and responsible approach on such matters. On the environmental front, where relevant, this includes, but is not limited to, characteristics such as 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.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Portfolio.

Investment strategy

The environmental and social characteristics promoted by the Portfolio consist in favouring fixed income securities in scope whose business activities and/or conduct take an appropriate and responsible approach on such matters, with the aim of reducing harmful impact on the environment and/or society. This is achieved through ESG integration (binding), ESG tilting (not binding), ESG negative screening (binding), ESG positive screening (not binding), Carbon footprint reduction (not binding) and ESG engagement (non-binding) approaches.

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

ESG integration

Issuers are assessed using a proprietary ESG evaluation framework, where one of the ESG metrics assigned is a Fundamental ESG (Risk) Rating (which relates to an assessment of the extent to which the issuer is effectively managing the key ESG risks it faces). The Fundamental ESG (Risk) Rating comprises of five possible ratings categories, ranging from 'very high' to 'very low'. A minimum Fundamental ESG (Risk) Rating for an issuer is set in order for it to be considered an eligible investment: specifically, where an issuer is assigned 'very high', it is excluded from investment.

ESG tilting

Whilst not a binding condiciton, the Portfolio level weighted average score for a) E b) S and c) G individually, should be equal to or higher than the benchmark, as measured using MSCI ESG data.

ESG negative screening

The exclusions applied to corporate and sovereign issuers in the Portfolio is provided by the Client though the ESG Exclusion List and Cannabis List.

ESG positive screening

Whilst not binding, the Investment Manager may seek to purchase Green Bonds where this is deemed to be in the best interest of the Portfolio per the view of the Investment Manager. The Portfolio does not have a minimum target allocation to maintain for Green Bonds.

Carbon footprint reduction

Whilst not binding, the Portfolio seeks to achieve at least a 20% reduction in the Portfolio's Carbon Footprint by 31st December 2025 and a 40% reduction by 31st December 2030 measured from a baseline of 31st December 2022. The Carbon Footprint is measured as Scope 1 + Scope 2 carbon emissions over Enterprise Value Including Cash (EVIC), using MSCI ESG data.

ESG engagement

Whilst not a binding condition, engagement with issuers and key other stakeholders may be conducted on material ESG issues to protect for the environmental and social characteristic being promoted by the

Portfolio. The Investment Manager may actively engage with companies and issuers in order to seek to improve their ESG practices and the Portfolio may retain securities from such companies and issuers if the Investment Manager deems this engagement is in the best interests of the Portfolio and Client, where feasible and appropriate to do so.

Policy to assess good governance practices of the investee companies

The assessment of good governance practices with respect to sound management structures, employee relations, remuneration or staff and tax compliance is covered in the Investment Manager's ESG assessment, which includes a section on good governance.

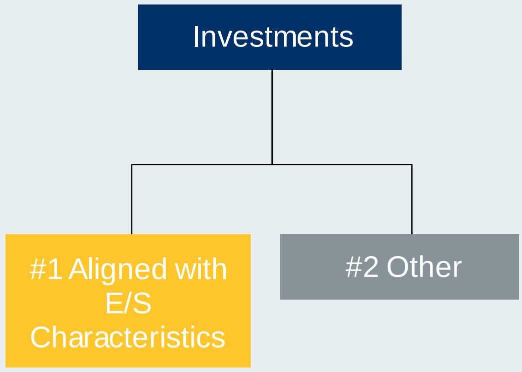
For corporate issuers, governance considerations include, but are not limited to, factors such as: ownership/sound management structures, board independence and accountability, management quality, accounting practices, as well as broader issues of culture and ethical conduct. Where an issuer is deemed to have a 'very high' Fundamental ESG (Risk) Rating on the governance pillar of the proprietary issuer ESG evaluation framework, the issuer is automatically assigned a 'very high' Fundamental ESG (Risk) Rating overall at the entity level, and consequently is not eligible for investment.

For sovereign, supranational and agency ("SSAs") issuers like sovereigns, governance matters include, but are not limited to, institutional frameworks and rule of law, corruption risks, and existence of democratic governance processes.

Proportion of investments

The Portfolio is expected to invest 100% of its net assets in fixed income securities in scope which are aligned with the E/S characteristics promoted by the Portfolio (#1).

In line with the Portfolio's investment policy, at least ninety percent (90.00%) of the Portfolio's net assets will be invested in fixed income securities in scope which are aligned with the E/S characteristics promoted by the Portfolio (#1), subject to any security which is in the process of selling because it no longer meets the ESG considerations applied by the Portfolio. Such a proportion is solely a minimum and the exact percentage of the investments of the Portfolio that attained the promoted environmental or social characteristics will be available in the annual report.



#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.

At a maximum, the remaining ten percent (10.00%) may be held in cash and in short-term bank certificates and Money Market Instruments which will not incorporate E/S characteristics and will fall under #2.

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

The Portfolio may hold a maximum of ten percent (10.00%) of its net assets in instruments which do not contribute directly to the E/S characteristics promoted by the Portfolio such as cash, short-term bank certificates and Money Market Instruments.

Such instruments may be used for the purposes of capital preservation and do not follow any minimum environmental or social safeguards.

How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

The Portfolio may use derivatives, but this is not to promote the environmental or social characteristics. The ESG evaluation applies to financial derivative instruments where a single issuer is the underlying asset (i.e., credit default swaps) and neither long or short positions are permitted on any excluded issuers as a result of sustainability factors in order to promote the environmental or social characteristics.

A Portfolio may have exposure to excluded issuers via financial derivative instruments including, but not limited to, those where a financial index is the underlying, which may be used for investment, hedging purposes and efficient portfolio management and not to promote the environmental or social characteristics. Moreover, any exclusion applicable to sovereign issuers (where relevant to the strategy) does not restrict the Portfolio from having exposure to instruments which are indirectly related to such issuers such as currency or interest rate derivative instruments, as these do not promote the environmental or social characteristics. Exposure to financial derivative instruments is not monitored based on the Portfolio's net assets and therefore not reflected as part of the asset allocation above. Instead, monitoring will be in line with the global exposure limits of the Portfolio.

Monitoring of environmental or social characteristics

To attain the environmental and social characteristics being promoted by the Portfolio, the sustainability indicators used to assess, measure and monitor fixed income securities in scope include, but are not limited to:

- The share of in scope fixed income securities held by the Portfolio which are covered by the Investment Manager's ESG evaluation.
- The share of in scope fixed income securities which are compliant and not in active breach of the ESG Integration screening which excludes issuers with a 'very high' Fundamental ESG (Risk) Rating (either at an overall ESG level, or on the 'governance' pillar specifically) as per the Investment Manager's proprietary ESG evaluation.
- The Portfolio level weighted average score for a) Environmental b) Social and c) Governance

individually, which should be equal to or higher than the benchmark.

- The 20% reduction in the Portfolio's Carbon Footprint by 31st December 2025 and a 40% reduction by 31st December 2030 measured from a baseline of 31st December 2022.
- The share of in scope fixed income securities which are compliant and not in active breach of the Client's ESG Exclusion List and Cannabis List.

In-scope securities include 1) securities with direct exposure to the issuer, such as corporate and/or sovereign bonds (as applicable) as well as Securitised Credit Securities, and 2) financial derivative instruments with indirect exposure where the issuer is the underlying, such as credit default swap, which contribute to the attainment of the environmental or social characteristics being promoted.

The Portfolio operates a range of mechanisms to ensure ongoing attainment of the environmental and social characteristics. These include, but are not limited to:

- A formal review of the issuer ESG evaluations every two years, although this can be initiated sooner where there is sufficient cause to question the ongoing validity of the assigned Fundamental ESG (Risk) Rating, which could lead to a downgrade below the minimum level required for eligibility.
- There are processes in place for implementing, maintaining and monitoring issuers restricted from investment (resulting from the ESG integration, engagement and screening approaches). This is managed internally by compliance and investment policy functions.
- Ongoing engagements with issuers (and other stakeholders as appropriate) which provide updated ESG insights and views of issuers and ESG issues.
- There are internal mechanisms which enable ongoing monitoring by investment professionals and fixed income members of the Responsible Investment (RI) team of individual investments and portfolios against a range of ESG metrics (e.g., portfolio ESG score), information on the status of issuer ESG evaluations completed, as well as enable alerts to be set up to prompt action (e.g., when the formal 2-year ESG review is due).

Methodologies

There are different methodologies applied to fixed income securities in scope to ensure that the environmental and social characteristics of the Portfolio are met.

ESG integration

In-scope issuers are assessed using a proprietary ESG evaluation framework, where the ESG assessment results in two complementary ESG metrics: a Fundamental ESG (Risk) Rating (which relates to an assessment of the extent to which the issuer is effectively managing the key ESG risks it faces), and an Investment ESG Score (which refers to the extent to which the ESG factors/risks the issuer is exposed to are considered to have any investment relevance and materiality). However, the key metric which can lead to additional restrictions on investment is the Fundamental ESG (Risk) Rating, which comprises of five possible ratings categories: very high, high, medium, low, and very low.

To arrive at the Fundamental ESG (Risk) Rating for an issuer, the issuers ESG profile is assessed through different lenses including, but not limited to:

- How the issuer is perceived from third-party vendor.
- How the issuer performs across a range of core ESG factors/risks of concern, irrespective of its specific industry/economic peer group and profile.

  For corporate issuers, these include areas such as:

  - The business footprint including, but not limited to, the presence of the issuer in countries with high corruption, the extent to which the business model is sensitive to bribery & corruption risks, and the inherent sustainability footprint of the business on the planet and society.
  - Governance matters where considerations include, but are not limited to, factors such as: ownership/sound management structures, board independence and accountability, management quality, accounting practices, as well as broader issues of culture and ethical conduct.
  - Social matters including, but not limited to, the existence of formal internal and external stakeholder engagement practices, employee relations and the regulatory compliance track record.
  - The environment and the existence of environmental management practices, climate/carbon management efforts and regulatory compliance track record for instance.

For SSAs issuers like sovereigns, these include areas such as:

- Governance matters include, but are not limited to, institutional frameworks and rule of law, corruption risks, and the existence of democratic governance processes.
- Social issues including but are not limited to, working conditions and labour rights, income inequalities, as well as education and healthcare provisioning.
- Environment factors such as, but are not limited to, vulnerability and management of climate change risks, natural resource management, and food security risks.

- How the issuer compares relative to its industry / economic peer group (where applicable) on the most material ESG factors/risks, and whether its practices are improving or not.

Multiple ESG data sources are utilised as part of the assessment of an issuer, and in ongoing monitoring activities. Such data forms an input, rather than dictating what the Fundamental ESG (Risk) Rating that is assigned to each issuer should be. The monitoring of ESG data and developments on an ongoing basis may potentially highlight new ESG risks and controversies and may also prompt a review of the ongoing validity of the assigned Fundamental ESG (Risk) Rating. In some instances, this could lead to a downgrade below the minimum permitted threshold, making it no longer eligible for investment.

The credit analysts conduct the initial issuer ESG evaluation and assigns the ESG metrics, this is based on a qualitative judgement, balancing consideration of the various ESG factors/risks included in the analysis. These are then reviewed and finalised by the fixed income members of the RI team, prioritised depending on the assigned Fundamental ESG (Risk) Rating. The process operates by consensus.

A new issuer cannot be invested in without prior ESG assessment to ensure it is suitable. Given potential timing challenges in completing the standard ESG evaluation and primary issuance placements in the market, a preliminary ESG analysis can be undertaken as a minimum in certain instances. A more concise version of the standard issuer ESG evaluation, the preliminary ESG analysis is based primarily on third-party ESG metrics. It is possible that upon replacing the preliminary ESG analysis with a standard ESG evaluation, the additional ESG data and insights results in an issuer being assigned a Fundamental ESG (Risk) Rating which is below the minimum permitted threshold, making it no longer eligible for investment.

There is a formal review of an issuer ESG evaluation every two years, although it can be initiated sooner where there is sufficient cause to question the ongoing validity of the assigned Fundamental ESG (Risk) Rating, which could lead to a downgrade of the assigned Fundamental ESG (Risk) Rating below the minimum permitted threshold, making it no longer eligible for investment.

In all instances where there is a downgrade of an issuer in terms of its Fundamental ESG (Risk) Rating such that it is below the minimum permitted threshold and the issuer is held, it will be disposed of in a timely manner that is consistent with the best interests of the Client.

ESG tilting

The Portfolio level weighted average score for a) E b) S and c) G individually, should be equal to or higher than the benchmark, as measured using MSCI ESG data.

ESG negative screening

The ESG screening process for the Portfolio primarily relies on the data and information on restricted issuers based on the ESG Exclusion List and Cannabis List provided to the Investment Manager by the Client.

ESG positive screening

The Portfolio may seek to purchase Green Bonds where this is deemed to be in the best interest of the Portfolio per the view of the Investment Manager. The Portfolio does not have a minimum target allocation to maintain for Green Bonds. Green Bonds is defined as green, social, or sustainability bonds aligned with the green bond principles or the EU Green Bond Standard, per Nasdaq.

Carbon footprint reduction

The Portfolio seeks to achieve at least 20% reduction in the Portfolio's Carbon Footprint by 31st December 2025 and a 40% reduction by 31st December 2030 measured from a baseline of 31st December 2022. The Carbon Footprint is measured as Scope 1 + Scope 2 carbon emissions over Enterprise Value Including Cash (EVIC), using MSC ESG data.

ESG engagement

Whilst not a binding condition, engagement with issuers and key other stakeholders may be conducted on material ESG issues. Such activities will inform on the issuer ESG assessment and the ongoing validity of the assigned Fundamental ESG (Risk) Rating. In some instances, insights and outcomes of engagement could contribute to an upgrade or downgrade of the assigned Fundamental ESG (Risk) Rating. Such activities may be undertaken by the credit analyst and/or fixed income members of the RI team.

Data Source and Processing

Data sources used

Different data sources, from different stakeholders, input into the attainment of the environmental and social characteristic being promoted by the Portfolio by informing on which fixed income securities in scope are eligible and which are excluded from investment.

ESG integration

Multiple ESG data sources are utilised as part of the assessment of an issuer (in terms of what the Fundamental ESG (Risk) Rating that is assigned to each issuer should be), and in ongoing monitoring activities. These include a mix of external and internal (credit and ESG) insights such as: third-party vendors, company management contact / disclosures, sell-side brokers, stakeholders such as regulators, non-governmental organizations, industry groups, media channels specializing in ESG news flow, as well as the in-house sector credit analyst's knowledge of issuers, sectors and regions they have responsibility for.

External ESG data forms an input, rather than dictating whether the issuer/security qualifies for the sustainability themes, or what the Fundamental ESG (Risk) Rating that is assigned to each issuer should be. Access to some of the external ESG data and insights incur of fee, whilst others are open-source and so available at no cost. The timeliness of the ESG data update also varies between the different sources.

ESG tilting

The Portfolio level weighted average score for a) E b) S and c) G individually, only cover securities in scope for which such data is available, using MSCI ESG data.

ESG negative screening

Updated investment restrictions lists are implemented and monitored by investment policy functions as provided by the Client to the Investment Manager.

ESG positive screening

The Portfolio may seek to purchase Green Bonds where this is deemed to be in the best interest of the Portfolio per the view of the Investment Manager. The Portfolio does not have a minimum target allocation to maintain for Green Bonds. Green Bonds is defined as green, social, or sustainability bonds aligned with the green bond principles or the EU Green Bond Standard, per Nasdaq.

Carbon footprint reduction

The carbon footprint reduction calculations for the Portfolio only cover securities in scope for which carbon data is available. The Investment Manager shall calculate the carbon footprint using MSCI ESG data provided.

ESG engagement

Many of the ESG data sources utilised for ESG integration are also used to inform on engagement activities. There may also be targeted dialogue with issuers and other relevant stakeholders.

Measures taken to ensure data quality

ESG negative screening

The ESG Exclusion and Cannabis lists provided by the Client to the Investment Manager include identifier information for securities and issuers. The investment policy functions of the Investment Manager use this information to manage their internal investment systems for implementing, maintaining and monitoring issuers restricted from investment (resulting from the ESG negative screening approach).

How data is processed

ESG integration

Data from third-party ESG vendors is accessed in a variety of ways, such as via the provider's online platform or via a data feed which incorporates the data into internal investment information systems to enable ESG analysis and monitoring.

The investment and ESG teams focus on the ESG factors/risks that it considers have the potential to impact the value of the investment. 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 analysis and evaluations for issuers held in/relevant to 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.
- Specific tools and analytics such as issuer business involvement analysis, exposure to positive sustainable impacts, and climate data and climate scenario analysis.
- Metrics which will be relevant for ESG regulations such as the Principle Adverse Impact indicators (PAIs) being considered by the strategies derived from European regulation such as SFDR.

The issuer ESG evaluation process applied as part of the ESG integration approach contains specific ESG data points into the template, and the completion of the document involves documentation of views, backed by any information resources this is based on. These inform on the assigned Fundamental ESG (Risk) Rating assigned to the issuer, which in turn determines whether the issuer has met the minimum threshold set for investment eligibility.

ESG negative screening

The lists provided by the Client to the Investment Manager include identifier information for securities and issuers. The investment policy functions of the Investment Manager use this information to manage their internal investment systems for implementing, maintaining and monitoring issuers restricted from investment (resulting from the ESG screening approach).

Proportion of data estimated

Where possible, data used will always be the most recently publicly published by an issuer. This is received either directly from the issuer or via third-party ESG vendor(s). Where no data has been published, whether an estimation of that data point may be used, varies depending on the nature of the ESG data and the specific data point. In some in cases, no estimation is used, in others, an estimation may be applied. For example, estimates may be applied to revenues exposure to sensitive/controversial economic activities, but not to whether the issuer is exposed to that activity unless there is reported information. Where estimates are used, these may be produced by a third-party proprietary internal methodology (e.g., such as is the case by the third party ESG vendor in producing estimate for carbon emissions where it has not been reported by the issuer).

Limitation to methodologies and data

There may be limitations to the methodologies and data used in the Portfolio for ESG integration, ESG negative screening, ESG positive screening, carbon footprint reduction and ESG engagement for fixed income securities in scope. These include, but are not limited to:

ESG integration

The assessment of an issuer's environmental and social characteristics is reliant on publicly available information, whether it is sourced directly by the Investment Manager or via third-party ESG vendor(s), which may could negatively impact the perceived quality of their ESG practices. The publicly available information is largely derived from the issuer's own public reporting, but also includes data from various other

stakeholders. The resulting range in the availability (e.g., there being less coverage of the fixed income issuers universe as compared to equity), quality (e.g. accuracy, timeliness, comparability etc.) and reliability of data (e.g. potential bias and subjectivity), differing ESG assessment methodologies (e.g. differing in scope and assessment criteria) of the external parties could materially affect the Investment Manager's ESG assessments. 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.

Limitations may also result due to the resource constraints of the issuers themselves as a function of their size, sector or geography. For example, smaller, private corporate issuers, those not in high ESG impact sectors, or those in emerging markets may be more likely to lack the resources or awareness to publicly report on ESG matters. The practice of annual reporting covering the previous 12-month period, may mean ESG data and information disclosed by the issuers is a backward looking and may not sufficiently capture more forward-looking trends. Issuers themselves may also be selective in the ESG data and information they choose to disclose, and in which investors they engage with and provide requested information to, so smaller investors may lack the leverage to obtain data and information.

The ESG assessment based on the proprietary issuer ESG evaluation framework is ultimately a subjective one. Whilst it utilises a range of quantitative and qualitative data from a range of sources are used as inputs, the resulting assigned issuer ESG metrics reflects the Investment Manager's views on the relative balance of different ESG performance characteristics for that issuer, and the risk this can present.

ESG tilting

No estimate or proxy data will be generated/used for the portion of securities held for which there is no E, S or G data from the third-party vendor used by the Investment Manager. All assets in the Portfolio for which E, S or G data are not available (e.g. cash, derivative financial instruments, commodities) or are not available (companies without E, S or G data coverage) are not taken into account when calculating the E, S or G scores.

ESG negative screening

The determination of whether an issuer is restricted from investment is reliant on the information provided by the Client, through its ESG Exclusion List and Cannabis List.

ESG positive screening

Green Bonds is defined as green, social, or sustainability bonds aligned with the green bond principles or the EU Green Bond Standard, per Nasdaq.

Carbon footprint reduction

Although data coverage of issuers held by the Portfolio is expected to evolve over time, a portion of issuers may not have available carbon emissions data. No estimate or proxy data will be generated/used for the portion of securities held for which there is no carbon emissions data from the third-party vendor used by the Investment Manager. All assets in the Portfolio for which carbon emissions data are not available (e.g. cash, derivative financial instruments, commodities) or are not available (companies without carbon emissions data coverage) are not taken into account when calculating the carbon footprint. The Portfolio weights of securities of issuers with carbon emissions data coverage are scaled to an investment ratio of 100% according to their weighting in the Portfolio.

ESG engagement

Whether there is engagement with an issuer and/or its relevant stakeholders, and how this is designed and conducted may impact the quality of the ESG assessment. As may the level of ESG expertise and resourcing available, which would impact on the Investment Manager's ability to effectively engage.

How limitations do not affect the environmental or social characteristics promoted

In the absence of publicly available ESG data and information from/on issuers, and even in cases where information is available on an issuer sourced from third party ESG vendor(s), the Investment Manager may take steps to source or verify this for quality. Engagement may be directed at issuers, but also other relevant stakeholders such as regulators or civil society. In this way, the quality of ESG data and information can also be cross-referenced and validated. In some instances, where there is greater confidence in the accuracy and integrity of the data from the alternative source other than the third party ESG vendor(s) or in the internal interpretation of qualification, this will replace what has come from the third party ESG vendor(s).

The design of the issuer ESG assessment process involves the investment analysts conducting the initial ESG evaluation assigning the associated ESG metrics, and this is reviewed and finalised by fixed income members of the RI team, prioritised depending on the assigned Fundamental ESG (Risk) Rating. This ensures a consistency in how issuers are being assessed and metrics assigned, and that the analysis captures the most appropriate and relevant points. The ongoing monitoring, formal 2-year review cycle and the potential to conduct the review sooner if considered appropriate to do so, enables the ESG assessment to be informed by data and information as and when it becomes available/is updated. Ongoing review is conducted to ensure maintenance of appropriate ESG resources in order for ESG assessments to be robust. This includes consideration of ESG education and training, as well as internal ESG specialist staffing capacity and access to necessary ESG data and information.

Due diligence

The Investment Manager implements a range of processes to support the ESG integration, ESG screening and ESG engagement approaches applied by the Portfolio for fixed income securities in scope.

To aid the selection of third-party ESG vendors, market analysis is conducted on their offering in terms of quality of ESG analysis and coverage of issuers. The Investment Manager trials the services of interest, and if onboarded, there is continuous interactions to ensure the products subscribed to remain fit for purpose.

Where a data or methodology issue has been identified, these will be shared with the provider and actions discussed to address them.

Whilst ESG data and information on issuers, sectors, and specific ESG topics may be available from third-party ESG vendors, the Investment Manager may itself review the underlying source material as circumstances may have changed since they collated the details in terms of availability and quality. Engagement may be directed at issuers, but also other relevant stakeholders such as regulators or civil society. In this way, the quality of ESG data and information can also be cross-referenced and validated.

The investment analysts conduct the initial ESG evaluation assigning the ESG metrics, and this is reviewed and finalised by fixed income members of the RI team, prioritised depending on the assigned Fundamental ESG (Risk) Rating. This ensures a consistency in how issuers are being assessed and metrics assigned, and that the analysis captures the most appropriate and relevant points. Decisions on the ESG metrics assigned to issuers are documented in the Investment Manager's internal investment information systems, and investment professionals are responsible for maintaining these. The process for assigning of the issuer Fundamental ESG (Risk) Rating process operates by consensus. Where an agreement on an issuer cannot be reached, the case is escalated to the Chief Investment Officer (CIO) for a decision.

As well as ongoing monitoring of ESG developments to capture new/updated data and information there is a formal full deep dive review of the ESG evaluations every two years, although it can be initiated sooner

where we have sufficient cause to question the ongoing validity of the assigned ESG metrics (particularly the Fundamental ESG (Risk) Ratin
g). Engagement activities with issuers and other relevant stakeholders, which may include research trips/site visits, also support due diligence activities. From time to time, bespoke independent ESG research may be commissioned in order to fully assess its environmental and social characteristics.

There is also portfolio level ESG analysis leveraging either third-party ESG vendors (e.g., portfolio level ESG scores, carbon emissions analysts, alignment to the UN Sustainable Development Goals) or in-house ESG metrics which enable tracking of the overall portfolio environmental and social characteristics. The investment policy and risk functions have processes in place to monitor issuer and portfolio holdings against ESG restrictions (as well as other portfolio guidelines) and can prompt action as needed.

Engagement policies

Whilst not a binding condition, engagement with fixed income securities in scope focusing on issuers and key other stakeholders may be conducted on material ESG issues. Such activities will inform on the issuer ESG assessment and the ongoing validity of the assigned sustainability themes and Fundamental ESG (Risk) Rating. In some instances, insights and outcomes of engagement could contribute to a change in the qualification to sustainability themes and/or a downgrade of the assigned Fundamental ESG (Risk) Rating below the minimum threshold, making it no longer eligible for investment.

The majority of engagement activities focussed on gaining insights into an issuer's management of key ESG matters. In other instances, engagement may be to encourage issuers to adopt more progressive ESG practices, or to better determine its qualification to our sustainability themes.

- ***Engagement for insight (fact finding):*** this type of interaction may occur in order to better understand where an ESG practice or performance matter is something we are comfortable with, or better determine its qualification to our sustainability themes. In the case of the former, it may occur as part of a routine issuer interaction and be unprompted by an actual performance issue. We would then evaluate whether the information gained would lead to a change of view on an issuer, and this would be factored into the ESG assessment of the issuer, and/or the investment positioning. Whether it would change the ESG assessment would depend on a number of factors including how material an issue is given the economic activity, geographical footprint, and performance trend, etc. If there is no change in the Fundamental ESG (Risk) Rating assigned, this would reflect the conclusion that the information does not change the status of the issuer's ongoing ESG suitability, so there are no resulting investment action required. The escalation process would stop. Where there is a change, the change could be an upgrade or a downgrade of the issuer's ESG metric (e.g., Fundamental ESG (Risk) Rating). Then depending on what the revised Fundamental ESG (Risk) Rating is, it could potentially trigger an investment action e.g., a divestment where it is held, or formally coded to be restricted from future investment where this no longer meets the minimum threshold set for investment eligible. Even if the revised Fundamental ESG (Risk) Rating does not trigger a change in eligibility status of an issuer, there may still be a review of investment positioning, but this would be at the discretion of the Investment Manager. The escalation process may stop at this stage, but if it is felt there is scope to engagement to improve practices, the escalation would move to engaging for influence.

- ***Engagement for influence (change facilitation):*** this type of engagement may occur as a result of an incident and/or performance being at a level which is not considered in line with what the Investment Manager would consider to be acceptable/appropriate.

  Where this is considered an action the Investment Manager would want to proceed with, the Investment Manager would evaluate the best possible approach to bring about the required outcome. Considerations of what the goals/objectives would be, the potential timelines for results, and what outputs/outcomes would evidence the results needed. Considerations would also be whether bilateral engagement would be effective (a function of the extent to which the Investment Manager has existing relations with the issuer, and how good these are) as compared with working collaboratively with other stakeholders including other investors; and consideration of whether the issue being engaged on is one the issuer can reasonably be expected to influence or whether it is a systematic issue, which requires wider industry/policy change to bring about positive change.

  The Investment Manager would look to track its engagement activities and monitor progress and effectiveness and take the appropriate action.

Engagement may occur in response to an event or proactively as part of the Investment Manager's engagement activities. The focus of engagement may include, but not limited to, ESG disclosure, ethical business conduct, labour and human rights as well as environmental issues such as climate change. It can occur bilaterally or working in collaboration with external stakeholders. Such activities may be undertaken by the credit analyst and/or fixed income members of the RI team. Details of engagement activities may be kept confidential in order to foster a constructive relationship with the issuer.

Incidents/controversies and reputational risks are considered as part of the ESG assessment process. The issuer ESG evaluation process provides an avenue for identification of areas where issuers may have heightened exposure to potential ESG related incidents, either through industry/operational exposure or weak management/mitigation of risks and resultant poor performance. In terms of responding to material ESG incidents/controversies where this has been identified, this is a collaborative effort between the Investment Manager's fixed income members of the RI team and the investment teams, primarily with the investment analyst covering the issuer/sector/region. In some instances, it may require issuer engagement to better understand the situation, the management response and any actions resulting from this. In other cases, engagement may require the Investment Manager to suggest changes to existing issuer ESG practices to mitigate further risks.

NOTE: the Client is responsible for any proxy voting activity for the Portfolio.

Where an index is designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product, 'Designated reference benchmark'

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Portfolio.

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