



RBC BlueBay
Asset Management

BlueBay Funds Asset Management Company S.A.

BlueBay Funds Website disclosure
SFDR Article 9 Sub-Fund

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BlueBay Funds – SFDR Article 9 Strategies

This disclosure applies to the following Sub-Fund

Product name:

BlueBay Impact-Aligned Bond Fund

Legal entity identifier:

549300UW5Y0T1LMJEQ28

Summary

The sustainable investment objective of the Sub-Fund is to invest in fixed income securities in scope which contribute to sustainability themes offering solutions to major environmental and social challenges. The Sub-Fund's investments must be made with the objective of generating positive and measurable social or environmental impact alongside financial returns. Environmental challenges include, but are not limited to, climate change and natural resource depletion. Social challenges include, but are not limited to, a growing and ageing population, as well as continuing inequalities in income, health and education. The Sub-Fund invests in sustainable investments by implementing sustainability theme assessment (by determining qualification to at least one of the seven sustainability themes through one of two possible routes: either as a result of an issuer's core economic activities, or what a security is directly supporting/funding), 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 screening (by excluding an issuer from investment due to their involvement in controversial activities and/or poor ESG conduct) and ESG engagement (where appropriate to ensure an issuer continues to meet the required environmental and social characteristics being promoted).

No significant harm to the sustainable investment objective

In order to protect against the investments causing significant harm to the sustainable investment objective of the Sub-Fund, the Investment Manager takes the following approach:

- The mandatory PAI indicators are monitored, leveraging off internally derived thresholds which have been defined to identify those issuers which may potentially be causing significant harm;

- Additionally, the proprietary framework applied by the Investment Manager for assessing issuers' economic activities, whereby the sustainability profile of an issuer's entire economic activity is considered, and not just the qualifying ones, in order to exclude those with material exposure to economic activities that significantly harm the sustainable investment objective of the Sub-Fund. This is achieved by applying exclusionary screens (some of which link to fully or partially minimising a specific PAI indicator) in regards to economic activities which have material negative impacts on Sustainability Factors

The entity level conduct of the issuer is also considered, in order to exclude those where their operational practices may significantly harm the sustainable investment objective of the Sub-Fund. This is achieved by implementing exclusionary screens and ESG Integration as detailed below.

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Indicators for adverse impacts on sustainability factors are taken into account as part of the do no significant harm ("**DNSH**") assessment of sustainable investments carried out by the Investment Manager. This occurs as follows:

- The mandatory PAI indicators are monitored during the ESG evaluation of issuers stage (ESG integration process), where such data is provided to inform on the evaluation. Issuers exceeding internally derived thresholds will be identified for enhanced due diligence to determine whether indeed they are doing significant harm and/or subject to engagement to reduce the adverse impact. Where the outcome of such activities by the Investment Manager does not confirm the investment is operating within the thresholds, it does not pass the DNSH assessment, and so are not counted as sustainable investment;
- Certain PAI indicators are also considered by the Sub-Fund through the ESG exclusion/negative screening policy of the Sub-Fund (where the exposure is fully or partially minimised depending on the topics). For corporate issuers, exclusions include, but are not limited to, the following topics (the scope of which is set at different thresholds): exclusions on controversial weapons, violations of the UN Global Compact or the OECD Guidelines for Multinational Enterprises, thermal coal, oil & gas. For sovereign issuers, exclusions include, but are not limited to, social violations and the Paris Agreement.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

For investments in corporate issuers, the Sub-Fund considers entity level conduct as it relates to international conventions and norms, standards and statements. Such information is primarily sourced from a third-party data ESG information provider, with explicit screening information for issuers which violate the UN Global Compact and the OECD Guidelines for Multinational Enterprises (where those considered to violate being excluded) and ESG controversies (where those with the worst performance being excluded). Such screening information includes details of the topics the poor performance relates to, as well as mapping to relevant aspects of international norms such as, but not limited to, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises as well as the UN Global Compact. The Investment Manager excludes investments on the basis of the overall status on these two indicators, irrespective of the topic they relate to. Such data is refreshed and implemented on a regular basis by the Investment Manager.

Sustainable investment objective of the financial product

The sustainable investment objective of the Sub-Fund is to invest in fixed income securities in scope which contribute to sustainability themes offering solutions to major environmental and social challenges. The seven sustainability themes as defined by the Investment Manager include, but are not limited to, (i) achieving an inclusive society; (ii) building knowledge & skills; (iii) ensuring good health, safety & well-being; (iv) enabling a circular economy; (v) ensuring clean & plentiful water; (vi) promoting clean & safe energy, and (vii) promoting sustainable mobility & infrastructure.

Sustainability themes may change over time depending on where the Investment Manager identifies developments in sustainability trends affecting people and the planet. The Investment Manager aims to invest across sustainability themes to provide a diversified exposure.

Investment strategy

The Sub-Fund predominantly invests in a portfolio of investment grade rated fixed income securities selected on the basis that securities qualify as sustainable investments. The Sub-Fund takes a binary (e.g. true/false or pass/fail) approach as to whether an issuer or security can be a sustainable investment, not limiting this to the level of specific economic activities which are considered sustainable investments. The framework applied is dependent on the qualification route:

- 1) For corporate issuers whose core economic activities offer investment opportunities and directly contribute to addressing global environmental and social challenges, alignment of the corporate issuer's economic activity with material exposure to any relevant sustainability theme(s) is assessed by determining the level of revenues or profit derived from, or the market share of the issuer in any of the qualifying economic activities. Whilst qualifying issuers should meet the minimum binding thresholds set for as many of the metrics as possible, this is not a prerequisite and only one metric needs to be met. Additional metrics may apply for certain sectors such as financials where a metric based on balance sheet or loan book is more appropriate. Furthermore, the Investment Manager has the discretion to select, where appropriate, qualifying issuers which exceed the minimum binding thresholds and reach the targeted levels set for any metric as per the following table.

Metric	Minimum binding requirement	Targeted level
Revenues	20%	≥ 50%
Profits		
Market share (globally/regionally/nationally)	Within top 10	Within top 3

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- 2) For securities which support or fund an activity aligned with the Investment Manager's sustainability themes where such securities may be issued by corporate issuers or Sovereign, Supranational and Agency issuers, and may be either regular or ESG labelled issuances. Material alignment to the sustainability theme(s) is assessed for use-of-proceeds issuances by determining the proportion of funds being allocated to the qualifying activities/projects. Each qualifying investment is to meet the minimum binding requirement and the Investment Manager has the discretion to select, where appropriate, qualifying issuers which exceed such level and reach the target level set in the following table.

Metric	Minimum binding requirement	Targeted level
Eligible Projects being funded meet at least one of the sustainability themes	20%*	≥ 50%*

**either as a proportion of the total number of eligible project categories which could be funded (e.g. at primary issuance) or as a proportion of the total amount which has already been funded (e.g. post issuance, or in case of refinancing)*

For other investments, such as performance-based (sustainability-linked) or commitment-based (debt-for-nature-swaps) issuances, instead of the metric listed above, the scope of the defined KPIs / commitments associated with the investment are evaluated depending on their alignment to the sustainability themes of the Sub-Fund.

In addition, and as part of the DNSH assessment of sustainable investments, the Sub-Fund shall implement (i) ESG Exclusions / Screening; (ii) ESG Norms-based Screening; and (iii) ESG Integration which excludes issuers depending on the outcome of the ESG evaluation.

As part of the binding ESG requirements, any in scope fixed income security held by the Sub-Fund must contribute to one of the sustainability themes defined by the Investment Manager. Alignment of securities with a sustainability theme is assessed by the Investment Manager based on the analysis of the issuer's economic activity or the security and the activity being funded (as described in the previous section).

Further binding ESG requirements result from:

(i) ESG Exclusions / Screening; and

(ii) Norms-Based Screening which are as follows:

ESG product-based exclusion screens	<p>Corporates:</p> <ul style="list-style-type: none"> Adult entertainment (>10% revenues - production/distribution/retail)
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	<ul style="list-style-type: none"> • Alcohol (>10% revenues - production/distribution/retail) • Controversial weapons (any production, sales/trade, testing, research and development, system integration, maintenance, maintenance/service/management, use, storage and transport of cluster munitions and anti-personnel landmines, chemical & biological weapons. Any producers of depleted uranium and nuclear weapons, undetectable fragmentation weapons, incendiary weapons and blinding laser weapons) • Conventional weapons (>10% revenues - production of systems and components) • Fossil fuels related: Arctic drilling (0% revenues) / oil & gas extraction & production (>5% revenues) / oil sands exploration & production (0% revenues) / >10% revenues – exploration, extraction, distribution or refining of oil fuels / >50% revenues – exploration, extraction, manufacturing or distribution of gaseous fuels / thermal coal - mining/power generation* (>10,000 MW installed capacity / >5% revenues/operations / electricity generation with a GHG intensity of >100g CO₂e/kWh, >1% revenues – exploration, mining, extraction, distribution or refining of hard coal & lignite) • Gambling (>10% revenues - operations/support) • Nuclear energy* (>5% revenues – mining/production/supply) • Tobacco (0% production & cultivation, >5% revenues - distribution/retail)
ESG norms-based exclusion screens	<p>Corporates</p> <ul style="list-style-type: none"> • UN Global Compact principles non-compliance • OECD Guidelines for Multinational Enterprises: non-compliance • ESG controversy exposure (red flag) <p>Sovereigns</p> <ul style="list-style-type: none"> • Controversial jurisdictions (Financial Action Task Force (high risk), UN Security Council Sanctions (subject to)) • Freedom House Index ('not free') • UN conventions and treaties: corruption convention (not party to) / torture and punishment convention (not party to/no action/not ratified) / Paris Agreement (no action/not ratified)

**Exceptions permitted in specific instances for power utility companies in the case of transmission/distribution/capacity thresholds.*

There may be overlaps across exclusions listed in the table above. For the avoidance of doubt, in case of overlap between two exclusions, the stricter threshold should apply.

(iii) ESG Integration which can additionally restrict issuers depending on the outcome of the ESG evaluation where issuer is deemed to have a 'very high' Fundamental ESG (Risk) Rating according to the Investment Manager's ESG evaluation process. Furthermore, issuers which are deemed by the Investment Manager as having 'high' Fundamental ESG (Risk) Rating are excluded on a case-by-case

basis depending on a range of factors under consideration, including but not limited to, the evidence of improvement in mitigating key Sustainability Factors or Sustainability Risks.

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 of 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: sound management structures, employee relations, remuneration of staff and tax compliance, 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 Sub-Fund is expected to invest 100% of its net assets in fixed income securities in scope which meet the sustainable investment objective of the Sub-Fund (#1).

In line with the Sub-Fund's investment policy, at least 80 % of the Sub-Fund's net assets will be invested in fixed income securities in scope which meet the sustainable investment objective promoted by the Sub-Fund (#1), subject to any security which is in the process of selling because it no longer meets the ESG considerations applied by the Sub-Fund. Such a proportion is solely a minimum and the exact percentage of the investments of the Sub-Fund that attained the sustainable investment objective will be available in the annual report.

At a maximum, the remaining 20% may be held in cash and in short-term bank certificates and Money Market Instruments which meet the sustainable investment objective and will fall under #2.

NOTE: In-scope fixed income 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.

Monitoring of sustainable investment objective

To attain the sustainable investment objective of the Sub-Fund, sustainability indicators used to assess, measure and monitor fixed income securities in scope include, but are not limited to:

- The share of fixed income securities held by the Sub-Fund which are offering solutions to major environmental and social challenges by meeting the sustainability themes.
- The allocation of the Sub-Fund's investments across sustainability themes.
- The share of fixed income securities held by the Sub-Fund which are covered by the issuer ESG evaluation (whether this is a preliminary or the standard ESG evaluation).
- The share of fixed income securities held by the Sub-Fund which are compliant and not in active breach of any minimum Fundamental ESG (Risk) Rating threshold set to be considered an eligible investment.
- The share of fixed income securities which are compliant and not in active breach of any ESG screening applicable to the Sub-Fund.

In-scope fixed income 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 Sub-Fund operates a range of mechanisms to ensure ongoing attainment of sustainable investment objective for fixed income securities. These include, but are not limited to:

- Ongoing and formal review of the qualification to the sustainability themes, with revisions made to the status as and when deemed appropriate.
- 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 and ESG professionals 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 ensure the sustainable investment objective of the Sub-Fund are met.

Sustainability themes assessment

To qualify for investment, issuers/securities must meet at least one of the stated sustainability themes. The sustainability themes as defined by the Investment Manager include, but are not limited to, (i) achieving an inclusive society; (ii) building knowledge & skills; (iii) ensuring good health, safety & well-being; (iv) enabling a circular economy; (v) ensuring clean & plentiful water; (vi) promoting clean & safe energy, and (vii) promoting sustainable mobility & infrastructure.

Qualification is through one of two possible routes: either as a result of an issuer's core economic activities, or what a security is directly supporting/funding):

- ***Issuers whose core economic activities*** offer investment opportunities and directly contribute to addressing global environmental and social challenges as reflected in the sustainability themes. As the focus is on economic activities, qualifying issuers are corporates. Alignment of the corporate issuer's economic activity with material exposure to relevant sustainability themes is assessed by determining, amongst other indicators, the level of revenues or profit derived from and or level of investment from the issuer in the qualifying economic activity. For such investments as the focus is on the issuer/entity level, securities selected for investment may be either regular or ESG labelled issuances.
- ***Securities which support or fund an activity*** aligned with the Investment Manager's sustainability themes. As the focus is on the issue level, investments may be in securities issued by corporate

issuers or Sovereign, Supranational and Agency (“SSAs”) issuers, and may be either regular (more unusual) or ESG labelled (more likely) issuances. Alignment of the securities funding must be in terms of material exposure to relevant sustainability themes is assessed by determining, amongst other indicators, the types of projects being funded or the proportion that is new financing.

In both instances, alignment of material exposure to relevant sustainability themes is assessed using a range of indicative ‘positive’ materiality indicators. An issuer/security does not have to meet all ‘positive’ materiality indicators to be considered eligible. There is also a consideration of the non-qualifying activities, whereby the sustainability profile of an issuer’s entire economic activity/the other activities being funded by the issuer, in order to exclude those with materiality exposure to activities that significantly harm the Sustainable Investment objective of the Sub-Fund. Some of the areas of economic activities which we consider to significantly harm the Sustainable Investment objective of the Fund are formally excluded from investment.

Multiple ESG data sources are utilised as part of the sustainability themes assessment of an issuer/security, and in ongoing monitoring activities. Such data forms an input, rather than dictating, whether the issuer/security qualifies for the sustainability themes. The monitoring of ESG data and developments on an ongoing basis may potentially highlight new information and may also prompt a review of the ongoing qualification. In some instances, this could lead to a change in status, making it no longer eligible for investment.

ESG integration

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 seven 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 includes 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 Responsible Investment (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 clients.

ESG screening

The Sub-Fund implements a combination of negative screening and/or norms-based screening where, in certain instances, issuers are not eligible for investment as a result of their involvement in selected controversial activities (which are deemed to be harmful to society and/or the environment) and/or due to their ESG conduct being considered inadequate or irresponsible.

The ESG screening process for the Sub-Fund primarily relies on the data and information sourced from a third-party ESG vendor on the specific ESG economic activities or controversial ESG business practices of concern. Their research and analysis generate a list of restricted investments based on the defined ESG screening criteria applied.

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 analysts 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 sustainable investment objective promoted by the Sub-Fund by informing on which fixed income securities in scope are eligible and which are excluded from investment.

Sustainability themes assessment & ESG integration

Multiple ESG data sources are utilised as part of the assessment of an issuer (in terms of whether an issuer/security qualifies for the sustainability themes, or 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 screening

Data from third-party ESG vendors, as well as from other sources (including but not limited to, those such as regulatory agencies), define the specific issuers excluded based on the ESG exclusion criteria. Such information is refreshed on a routine basis to ensure it remains up to date. Where an issuer is held, and its eligibility status changes such that it no longer eligible for investment, it will be disposed of in a timely manner that is consistent with the best interests of clients. Updated investment restrictions lists implemented and monitored by compliance and investment policy functions.

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

The scope of the ESG data can range from an issuer's overall ESG rating and scores, to its status on specific issues such as ESG controversies, or on their exposure to climate change and positive impact solutions. There is ongoing refresh and reviews of the data from providers on a regular basis to ensure access to the most recent ESG data.

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 majority of data from the providers is derived from publicly available information generated by the issuer or other stakeholders, but in some cases the data has been generated by the vendor's in-house experts. In more limited instances, some of the data may be estimated e.g., carbon related estimates.

There are a number of steps undertaken to ensure that the provide and quality of data/research from third-party ESG vendors will meet expectations. These include, but are not limited to the following:

- Prior to any subscription, market analysis is conducted to determine the different competitors for the product/services, where the assessment considers, but is not limited to, matters of issuer coverage, product quality, client servicing levels as well as costs.
- A trial access period is usually undertaken, during which, ESG and investment professionals will test potential research and analysis may be conducted on specific portfolios to evaluate the outputs in terms of the investment coverage and output quality. In this way, potential limitations are identified, evaluated and inform on decisions as to whether the provider is suitable.
- Once successful providers are onboarded, there is ongoing dialogue and engagement between users of the output and the provider representations to ensure that the quality and accuracy of data and research continues to meet expectations, and issues are flagged and addressed effectively and efficiently. For example, direct training opportunities may be sought for users of the data to understand the product and new ways to integrate it. Engagement may be trigger where there are consultations around changing research product methodologies or new solutions developed. Investment teams may also discuss research findings directly with the providers' ESG analysts. In

certain cases, where inaccuracies have been identified or other data quality issues have been identified, these are.

- In cases where existing research or data providers fail to meet expectations despite engagement efforts or where superior research or products are identified, the subscription will be terminated.

Data and information on an issuer sourced from third party ESG vendor(s) may also be verified with the issuer directly as well as other stakeholders to ensure quality. Examples where this may occur are in relation to exposure data to areas such as, but not limited to, sustainable impact solutions, involvement in ESG controversies or sensitive/controversial economic activities. 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). Examples where this may be the case are where the third party ESG vendor(s)'s data and information is based on an estimate and now there is reported data, or where their data does not reflect the latest publicly disclosed by the issuer as their update cycle is lagging, or due to the specifics of their methodology.

How data is processed

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 sustainability themes assessment and ESG integration approach contains specific ESG data points inputted 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 decision as to whether the issuer qualifies for the sustainability themes and what should be the Fundamental ESG (Risk) Rating assigned to the issuer, both of which in turn determines whether the issuer/security has met the thresholds set for investment eligibility.

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 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 Sub-Fund for the sustainable themes assessment, ESG integration, ESG screening and ESG engagement implemented for fixed income securities in scope. These include, but are not limited to:

Sustainability themes assessment

The assessment of whether an issuer/security qualifies for the sustainability themes is reliant on publicly available information, whether it is sourced directly by the Investment Manager or via third-party ESG vendor(s). It is also dependent on evolving thinking and consensus about whether a particular economic activity is indeed considered to be providing solutions to a particularly environmental or social challenge, which could change in light of developments and new data and information becoming available which can either confirm or refute the rationale. For example, the lag in the emergence of a consensus is particularly true for new and emerging sustainability technologies. However, it may also be the case that views continue to differ for well-established technologies, where depending on the perspective taken, different conclusions are reached.

The Sub-Fund currently comprises of seven sustainability themes, based on the Investment Manager's own analysis and determination of what the major environmental and social challenges are. Whilst the themes are sufficiently broad as to be flexible to enable future challenges to be incorporated, these may change over time depending on where the Investment Manager identifies new developments in sustainability trends affecting people and the planet.

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 screening

The determination of whether an issuer is restricted from investment is reliant on the information provided by third-party ESG vendors, who in turn are reliant on the publicly available information derived from the issuer's own public reporting, but also includes data from various other stakeholders. The scope of issuer coverage, quality (e.g., accuracy, timeliness etc.) and reliability of data, differing ESG assessment methodologies of the external parties could materially affect the accuracy of the investment restrictions applied.

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 sustainable investment objective of the Sub-Fund

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 sustainability themes assessment, ESG integration, ESG engagement and ESG screening approaches applied by the Sub-Fund 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 sustainability theme and ESG metrics, and this is reviewed and finalised by fixed income members of the RI team (and in the case of the ESG integration, 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 sustainability themes and 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) Rating). 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: whilst not a material activity given the fixed income asset class, as part of the engagement effort or in light of the outcome of an engagement effort, the Investment Manager may exercise its proxy voting rights accordingly. Decisions on voting are made by the relevant investment teams, informed by input from the RI team as appropriate.

Attainment of the sustainable investment objective

The Sub-Fund does not have a reference benchmark for the purpose of attaining its sustainability investment objective.

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