CLIMATE TRANSPARENCY REPORT 2020

BlueBay Asset Management LLP

PRI Principles for Responsible Investment

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-A311EA50-EF24-43B4-B02E-213F8E3392CF/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as "private". Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the PRI website and on the Data Portal.

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	-	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	-	Public				
SG 13.1	✓	Public				
SG 13.2	-	Public				
SG 13.4 CC	-					
SG 13.5 CC	-					
SG 13.6 CC	-					
SG 13.7 CC	-					
SG 13.8 CC	-					
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	-	Public				
SG 15.3	-	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation

Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

PRI Principles for Responsible Investment

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	BlueBay Asset Management LLP
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US$ > 50 billion AUM
Main Asset Class	Multi-Asset
Signed PRI Initiative	2013
Region	Europe
Country	United Kingdom
Disclosure of Voluntary Indicators	100% from 38 Voluntary indicators

BlueBay Asset Management LLP

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.

◉ Yes

	Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

Given our approach to incorporating ESG as part of an enhanced investment risk management framework, we consider transition and physical climate-related risks and opportunities where they are deemed to be investment relevant and material (and refer to this explicitly in our ESG investment risk policy). What is considered material will vary: for sovereigns, material factors will depend on the status of economic, social and political development, availability and dependence on natural resources, and potential regional issues. For corporates this is a function of the business activities, geographical footprint and size of the issuer. For instance, climate change is considered more of a material risk factor for companies in the extractives sector but may be less of an issue for a support service company. Where the risk is considered material, it is discussed with investment teams. We obtain ESG data from a range of external and internal sources, including from ESG vendors who flag climate risks where significant.

Investment products

For our ESG orientated pooled funds (which differ from our conventional funds) where the focus goes beyond investment material of ESG factors, we recognise investors want to minimise exposure to climate-related risks, and as such have an explicit screen on corporate issuers with a material exposure to thermal coal operations (mining/power), set at 30% revenues/operations. Beyond this they would also generally take a considered and proactive approach to exposure to fossil fuels per se and in terms of how this is being addressed.

Investment strategies/process

As a minimum for all managed assets, BlueBay employs an enhanced investment risk management framework where the primary focus is an ESG integration investment strategy (i.e. where material ESG risk factors are considered as part of the broader investment process).

In line with BlueBay's active management philosophy, ESG integration involves considering:

- Top-down macro-level ESG analysis
- Bottom-up micro level ESG issuer analysis

Specifically BlueBay's ESG integration strategy considers ESG factors at different levels:

- Issuer: in terms of credit analysis. During August 2018 we formalised our issuer ESG evaluation framework. Within the 'E' pillar for sovereigns, we have an explicit section on climate risk exposure, and quality of mitigation and adaption. For corporates, whilst the 'E' section does not systematically assess for climate, in practice where this is considered sector material, reference is made to this in the commentary in terms of risk exposure and management quality.
- Sectors: as part of the issuer analysis, the material ESG risks for industries/sectors, and the degree to which there are common ESG risks We share ESG sector risks with the sector analyst forums

- Portfolio/desk: in terms of porfolio characteristics. On climate, does the portfolio have embedded carbon risk via sectors/regional exposure? We can potentially conduct portfolio analysis to inform investment risks. In relation to climate change, transition risks can be determined by conducting carbon footprinting
- Group: in terms of ESG risk oversight across BlueBay's portfolio strategies. We review/identify ESG investment risks across the firm. The types of climate related analysis would follow similar concepts to those conducted at the portfolio level

○ No

SG 01.7 CC	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

◉ Yes

	Describe the associated timescales linked to these risks and opportunities.

Our activities to date regarding climate risks have been primarily focussed at the issuer and sectoral/regional level in terms of seeking to understand the climate risk profile (from a physical and potential transition perspective), and then how these are being managed. Largely this has been qualitative case by case basis for issuers depending on our view of the materialitry of climate change as a risk for the issuer/sector. As part of our issuer ESG evaluation template, for both coporates and sovereigns, we capture the trajectory of such risks and their current/potential liklihood and impact. We are continuing to develop our approach to assessing the likelihood and impact of climate risks including assigning timescales.

○ No

SG 01.8 CC	Indicate whether the organisation publicly supports the TCFD?

◉ Yes

○ No

SG 01.9 CC	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

○ Yes

◉ No

	Describe how and over what time frame the organisation will implement an organisation-wide strategy that manages climate-related risks and opportunities.

Whilst BlueBay has been integrating climate risks into its portfolios, we recognize it is the start of a journey as climate change is an issue that impacts many different sectors and countries, in various ways and over different timeframes, and is one of the most important environmental issues affecting investments. We recognise we need to develop a more structured approach to this and have made some progress already including portfolio analysis on carbon, but would highlight that we are reviewing the potential for a firm-wide policy document and strategy on climate related risks and opportunities, with the view to look to have this finalised during 2020.

SG 1.10 CC	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

☑ Public PRI Climate Transparency Report

☐ Annual financial filings

☐ Regular client reporting

☐ Member communications

☐ Other

☐ We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees

☐ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☑ No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Other Chief-level staff or heads of departments

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Portfolio managers

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Investment analysts

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Dedicated responsible investment staff

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	External managers or service providers

☐ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☑ No responsibility for climate-related issues

SG 07.7 CC	For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

Given BlueBay's approach to incorporating ESG as part of an enhanced investment risk management framework, we would consider environmental issues such as climate where this is deemed to be investment relevant and material. As such, manangement-level roles that assess and manage climate-related issues follow the same oversight structure and process as that of our ESG investment risk management framework and ESG integration approach more broadly.

In terms of external managers/service providers, we utilise external managers/service providers in terms of providing third party ESG data (including climate-related metrics) which is an input into ESG analysis and investment decision making process. We view this data and insights as a valuable input but importantly it is an input rather than being relied upon solely as we believe it critical to develop our own views (both in terms of credit and ESG).

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1

SG 13.1	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

☐ Yes, in order to assess future ESG factors

☐ Yes, in order to assess future climate-related risks and opportunities

☑ No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.3	Additional information. [OPTIONAL]

In our day-to-day ESG investment risk activities, and given our focus on material ESG risks, there is an implicit element of incorporating how future ESG trends may impact our investments. However, we will be reviewing over the course of 2020, appropriate tools for formally conducting climate scenario analysis and stress testing to determine the resilience of our business to ESG or climate specific risks to different levels of temperature rise. We are currently reviewing methodologies to better understand physical and transition carbon risks (for fixed income corporate portfolios), including conducting scenario anlysis and stress testing.

NOTE:

In July 2017, our parent company RBC became a participant in a global project to pilot the TCFD recommendations, coordinated by the United Nations Environment Programme - Finance Initiative (UNEP FI). 20 global financial institutions in total will work collaboratively with the support of external experts on developing guidelines towards a first set of climate-related investor disclosures in alignment with the recommendations of the FSB's TCFD. The TCFD Investor Pilot Project Report is expected to be published in early 2019. We will look to leverage their insights to apply to our own business, where appropriate and relevant to do so.

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1

SG 14.1	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

☑ Changing demographics

☑ Climate change

☑ Resource scarcity

☑ Technological developments

☑ Other, specify(1)

	other description (1)

Governance/corruption trends, cyber security

☐ Other, specify(2)

☐ None of the above

SG 14.2	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

☐ Established a climate change sensitive or climate change integrated asset allocation strategy

☐ Targeted low carbon or climate resilient investments

☐ Phase out your investments in your fossil fuel holdings

☐ Reduced portfolio exposure to emissions intensive or fossil fuel holdings

☑ Used emissions data or analysis to inform investment decision making

☑ Sought climate change integration by companies

☑ Sought climate supportive policy from governments

☑ Other, specify

	other description

Identified and prioritised monitoring of issuers/sectors where climate change represents a material credit risk (e.g. energy, electricity utilities, etc)

☐ None of the above

SG 14.3	Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

☐ Scenario analysis

☐ Disclosures on emissions risks to clients/trustees/management/beneficiaries

☐ Climate-related targets

☐ Encouraging internal and/or external portfolio managers to monitor emissions risks

☐ Emissions-risk monitoring and reporting are formalised into contracts when appointing managers

☑ Weighted average carbon intensity

☑ Carbon footprint (scope 1 and 2)

☑ Portfolio carbon footprint

☑ Total carbon emissions

☑ Carbon intensity

☑ Exposure to carbon-related assets

☐ Other emissions metrics

☑ Other, specify

	other description

Climate change risk is an input into issuer/sector credit analysis. Data sourced from companies directly/based on external organisation analysis (CDP, CTI, TPI etc.)

☐ None of the above

SG 14.5	Additional information [Optional]

During 2019 we started to explore internally portfolio carbon foot-printing. We see this as a potentially useful tool to develop baseline information on portfolio carbon exposure dynamics, which could be tracked over time, and the resulting data being used as a basis to inform on our investment decisions. We have conducted the carbon footprint analysis of some of our portfolios on an ad-hoc basis, and on client demand. However, we are yet to conduct a carbon footprint analysis of all our portfolios, although this is something we are continuing to explore in 2020, as well as running climate stress test scenarios. We would stress that clients should recognise that conducting such analysis is particularly challenging in a fixed income context (e.g. methodological issues, issuer carbon data availability).

As part of ESG integration, our focus is on identifying investment relevant/material ESG risks and accounting for this as part of an enhanced investment risk management tool. As such the focus is primarily on capital preservation. Within this context, we do consider climate change to be an example of an 'E' risk factor that impacts many different sectors and countries, in various ways and over different timeframes, and is one of the most important environmental issues affecting investments. Therefore, it is taken into account at the issuer, sector/regional and portfolio level.

Within the issuer ESG evaluation process (formally launched in August 2018) we include a dedicated section on environmental related risks. For corporates, our focus is broader and focuses on management/measures in place to minimise the environmental footprint, and regulatory compliance related to environmental misconduct, in order to direct the assessment on the risks considered to be most material - reference to climate is left to the analyst's discretion whether this is referred (although we have sector ESG materiality information they can use as a guide) given the materiality of climate change for corporates will vary as typically it is a function of the business activities, geographical footprint and size of the issuer (for instance, climate change is considered more of a material risk factor for companies in the extractives sector but may be less of an issue for a support service company). In the case of sovereigns, material factors will depend on the status of economic, social and political development, availability and dependence on natural resources, and potential regional issues, as such our analysis includes a specific focus on vulnerability to climate change and carbon transition, and policy responses.

At the firm-wide level, we have on an ad-hoc basis looked at risk exposure including carbon-related/climate risk. For instance, we have reviewed firm-wide coal exposure as a result of the potential stranded asset risk. We focused on mining, energy and utilities direct exposure, but also included indirect financing exposure of banks.

Whilst we are committed to ensuring ESG issues such as climate change are included in our investment analysis and decision making as part of our ESG investment risk management framework (where these are material or where mandated by specific strategies), the dynamic and interconnected nature of climate risk, in addition to current limitations in some necessary data sets and useful tools (such as in the area of scenario analysis), means understanding and managing climate related risks remains a challenge for us, particularly given our fixed income focus. As such we focus a lot of our engagement efforts on climate disclosure, and reference the TCFD as a framework which could help standardise the nature of reporting we are looking for. We are also currently undertaking further market research (speaking with peers and third-parties), reviewing and exploring different providers to compare different methodologies to find what would be the most suited and accurate corporate fixed income portfolios with regards tools to help us better understand physical and transition carbon risks, and as part of that enable use to conduct scenario analysis and stress testing.

SG 14 CC	Voluntary	Public		General

SG 14.6 CC	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Weighted average carbon intensity	☐ All assets ☐ Majority of assets ☑ Minority of assets	Determine portfolio level risk exposure to climate risks (primarily transition)	tCO2e / USD 1 mn sales	As provided by MSCI ESG Research
Carbon footprint (scope 1 and 2)	☐ All assets ☑ Majority of assets ☐ Minority of assets	Determine issuer risk exposure to climate risks (primarily transition)	tCO2e / USD 1 mn sales	As provided by MSCI ESG Research
Portfolio carbon footprint	☐ All assets ☐ Majority of assets ☑ Minority of assets	Determine portfolio level risk exposure to climate risks (primarily transition)	tCO2e / USD 1 mn sales	As provided by MSCI ESG Research
Total carbon emissions	☐ All assets ☑ Majority of assets ☐ Minority of assets	Determine issuer risk exposure to climate risks (primarily transition)	tCO2e	As provided by issuer themselves or other such as CDP - climate
Carbon intensity	☐ All assets ☑ Majority of assets ☐ Minority of assets	Determine issuer risk exposure to climate risks (primarily transition	Scope 1 and 2 intensity: t/USD mn sales	As provided by issuer themselves or others MSCI ESG Research, CDP
Exposure to carbon-related assets	☐ All assets ☑ Majority of assets ☐ Minority of assets	Determine issuer / portfolio level risk exposure to climate risks (primarily transition, but can also capture physical)	Corporates: business profile, revenues/profits exposure linked to carbon assets, geographical location of Sovereigns: physical risk exposure, GHG intensity, ratification of climate related agreements etc.	Qualitative and quantitative, bringing together inhouse as well external insights (e.g. issuer themselves, MSCI ESG Research, Verisk Maplecroft, CDP climate, Carbon Tracker Initiative etc.)

SG 14.8 CC	Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

◉ Processes for climate-related risks are integrated into overall risk management

	Please describe

Group risk management

BlueBay relies on 3 layers of 'controls', 'oversight' and 'assurance' - often referred to as the 'three lines of defence' model, for risk management.

A Group Risk Register is maintained by our Head of Technology and Operational Risk. The Register is shared with the LLP Board on an annual basis for formal approval. In practice, the Board would be made aware of, and would discuss, any material risk issues as and when appropriate to do so. The Register documents risks under the following broad categories (each have further sub-categories): business, investment risk, group financial, and operational risks. There is a monthly dashboard where performance is tracked.

Being owned by RBC, BlueBay reports up material risks, including environmental ones as part of RBC's enterprise risk management and reputational risk management frameworks, which are reviewed and approved annually by the Risk Committee of the Board of RBC. RBC's Group Risk Management (GRM) has oversight over the management of E&S risks, with a dedicated team responsible for identifying, assessing, managing and, where possible, mitigating those issues that may pose risks to RBC.

Investment related risk management

This is managed by the Investment Risk management function, which reports into the COO-CRO. There is a Market Risk Committee (MRC) which provides oversight of market risk which is chaired by the Head of Investment Risk & Performance - Attribution. ESG investment risk is a sub-function within Investment Risk.

The ESG investment risk team has most direct responsibility for determining our investment strategy and approach to managing climate related investment risks . Through ongoing interactions with key stakeholders with personal knowledge and understanding of climate change and their potential impact on issuers we may invest in, the team provides our investment teams and the MRC with insight on the materiality of the risks (primarily) as they impact specific issuers, sectors or geographies, providing both a top down as well as bottom up perspective. Whilst the ESG investment risk function will advise and guide our work in this area in light of developments, the final decision will often reflect the feedback and agreement of the MRC and investment teams.

We would consider climate change risk, like any other ESG risk within the ESG investment integration framework we use, which aligns with a focus on investment material factors.

Risks are evaluated in terms of operational, financial, regulatory, technological, and/or reputational.

A range of different data and resources are utilised, both internal and external to inform on this analysis.

Considering climate change risks, which can occur over a longer term time horizon, can be challenging as investment holding periods may be shorter. Whilst investment teams can / do take into account a company's likely performance over a 3-5 year time horizon, in practice, they may balance that with considerations of investment holding periods which are usually shorter. This can mean some longer term climate related risks are not necessarily considered investment material in the context of the investment holding period.

○ Processes for climate-related risks are not integrated into overall risk management

SG 14.9 CC	Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.

◉ Yes

	Please describe

Currently where we do meet with issuers, we raise issues of climate change where we consider this to be credit relevant/material. In the majority of instances, the aim of engagement is to gain further insights into the issuer's exposure and mitigation efforts on carbon, although in some instances we may encourage action to improve management in order to mitigate future risks. We may also engage with other stakeholders on such matters.

We believe it is important that issuers disclose climate change risks where this is material to their business sustainability, and that they do this in a consistent and public manner to facilitate investor understanding and benchmarking efforts. We highlight the TCFD framework as a global framework for which there is broad consensus this is a good basis for reporting on such matters. For instance we have done so in our engagements during 2019 with issuers in sectors such as financials and power utilities.

○ No, we do not undertake active ownership activities.

○ No, we do not undertake active ownership activities to encourage TCFD adoption.

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1

SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

○ Yes

◉ No