

# Conflicts of Interest Policy

## BlueBay Funds Management Company S.A

### Summary

This Conflicts of Interest Policy is designed to identify potential and existing conflicts of interest entailing a risk of damage of the funds managed by BlueBay Funds Management Company (“BlueBay Lux”) or to RBC.

### Introduction

BlueBay Funds Management Company is required under the laws, rules and regulations of the Grand-Duchy of Luxembourg to: establish, maintain and operate effective administrative and organisational arrangements with a view to identify, record and prevent or manage conflicts of interests.

The purpose of these administrative and organisational arrangements is to prevent BlueBay Funds Management Company from adversely affecting the interests of its clients, namely, for the purpose of this Policy, those of the Funds and those of investors in the Funds.

BlueBay Funds Management Company and its Employees must always act in the best common interests of the Company, of the Funds and of their investors, with a view to ensuring that no investor is being unduly favoured or disadvantaged.

### Identification of Conflicts of Interest

The following is a non-exhaustive list of examples of circumstances and situations where conflicts of interest may arise:

- Employees may invest in the Funds, and thus become investors in the Funds;
- BlueBay Lux or Employees may receive gifts and be offered entertainment opportunities which may influence their behaviour in a way which conflicts with the interests of the Funds/its investors;
- BlueBay Lux may outsource parts of its business activities to RBC or its affiliates which may give rise to the impression of limited cost control at the level of the Company;
- the Delegates may undertake business activities to other investment funds or other clients which conflict with the interests of the Company, of the Funds and of their investors;
- the Delegates may receive inducements in connection with their business activities which may conflict with the interests of BlueBay Lux, of the Funds and of their investors;
- Employees may receive a remuneration which influences their behaviour or decision in a way which conflicts with the interests of BlueBay Lux, of the Funds and of their investors;
- Employees may have board directorships or other assignments and stakeholdings in companies which are competitors of the Company or in companies which otherwise have interests that are contrary to the interests of BlueBay Lux;
- Employees may have board memberships or other assignments in companies into which the delegated portfolio manager made investments on behalf of the Funds;
- Employees may obtain information which is confidential and not publicly available;
- Employees may have personal relationships which potentially impact their objectivity in respect of their employment with BlueBay Lux;
- some investors in the Funds may wish to redeem their investments while other investors may wish to maintain their investments at the same time;
- the integration of sustainability risks<sup>1</sup> in the processes, systems and internal controls of the Funds may lead to conflicts of interests arising from remuneration or personal transactions of Employees, to greenwashing, mis-selling or misrepresentation of investment strategies, and to conflicts of interest between the different Funds

<sup>1</sup> Sustainability risks may be defined as “environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment” in accordance with article 2(22) of Regulation (EU) 2019/2088

managed by BlueBay Lux.

- For the purposes of identifying conflicts of interest that may arise for BlueBay Lux, in the course of providing services and activities and which existence may damage the interests of funds managed by BlueBay Lux and their investors, the following criteria must be considered, whether BlueBay Lux or the Employees:
- are likely to make a financial gain, or avoid a financial loss, at the expense of the Funds or their investors;
- have an interest in the outcome of a service or an activity provided to the Funds or their investors or another client or of a transaction carried out on behalf of the Funds or another client, which is distinct from the Funds interest in that outcome;
- have financial or other incentives to favour the interests of another client or group of clients over the interests of the Funds;
- are carrying on the same activities for the Funds or clients which are not Funds;
- receive or will receive from a person other than the fund or its investors an inducement in relation to collective portfolio management activities provided to the fund, in the form of money, goods or services, other than the standard commission or fee for that service.

When identifying the type of conflicts of interests, BlueBay Lux must also take into account the risk deriving from:

- the relationship with the depositary bank;
- the delegation of the fund management to a third party;
- the use of prime broker services.

BlueBay Lux will also take into account its interests deriving from belonging to the RBC, as the latter is a global financial services with a number of affiliated entities.

## Specific Measures to handle Conflicts of Interest

### 1. Remuneration

BlueBay Lux has a Remuneration Policy in place that ensures that its Employees are remunerated not only based on quantitative criteria, such as the achievement of yearly performance targets, but also on qualitative criteria, such as for instance compliance with the applicable laws, rules and regulations, the fair treatment of investors in the Funds, and the quality of services provided to such investors.

### 2. Personal account dealings

All Employees of BlueBay Lux are required to adhere to the provisions BlueBay Funds Management Company's Personal Account Dealings Policy.

These provisions are in place to ensure that any such dealings do not involve conflicts of interests or misuse of confidential and non-publicly available information by Employees, and that the Funds and/or their investors are not disadvantaged as a result of any dealing activity by Employees. Accordingly, all Employees of BlueBay Lux must either pre-clear or report their personal account dealings with/to the Compliance Officer.

### 3. Outside business interest

No Employee of BlueBay may Lux engage in additional outside business activities without prior written consent from the Conducting Officers. Similarly, Employees of BlueBay Funds Management Company must not accept board directorships or other assignments without obtaining the prior written consent from both the Compliance Officer and the Conducting Officers.

Finally, Employees of BlueBay Lux must not have stakeholdings in companies without obtaining the prior written consent from the Conducting Officers.

In some circumstances, consent may be withheld, or conditions may be imposed.

### 4. Inducements

As any UCITS management company and AIFM, BlueBay Funds Management Company is dedicated to providing honest, fair and professional services to its clients, i.e. the Funds and their investors.

For this reason BlueBay Lux operates on the basis that no inducements can be received from third parties in relation to the services provided, unless such inducements qualify as acceptable minor non-monetary benefits, i.e. benefits which are capable of enhancing the quality of the services provided to the Funds and/or their investors and are of such a nature and scale that they could not be deemed to impair compliance with the Company's duty to act in the best interests of the Funds and/or their investors.

The details regarding permissible benefits, and the approval process are described in the Company's Inducement Policy.

## 5. Gifts and entertainment

BlueBay Lux recognizes that the giving and receiving of business-related gifts and entertainment (such as lunches and dinners, invitations to cultural or sporting events) may constitute an important part of building business relationships with business partners, such as its delegates.

However, Employees must exercise caution to ensure only bona fide gifts and entertainment are given or received. They must for this purpose consider the following:

- The monetary value of the gift/entertainment must comply with the requirements set in the Gifts and Entertainment Policy;
- How often the gift/entertainment is given/received, as gift/entertainment given/received on a regular basis may lead to the perception that they are not bona fide;
- Is the gift/entertainment given/received with the intent of inducing a person to carry out his/her role improperly;
- Whether the gift/entertainment could be perceived as being unreasonable, excessive, and disproportionate or imposing a right on the giver or an obligation on the recipient.

As a rule, gifts and entertainment, either given or received, are subject to the restrictions here below:

- Employees must not give or receive cash payments, or cash equivalents such as gift cards;
- Employees must not accept gifts/entertainment as an inducement or reward for any action, or lack of action, or in connection with business activities undertaken by or on behalf of BlueBay Lux;
- Employees must not give or receive gifts/entertainment during a tender process from/to any of the tendering participants;
- Employees must not give or receive gifts/entertainment if it could lead to a reasonable perception that they or the giver/recipient may be induced to carry out their respective roles improperly;
- Employees must not accept nor give bribes, in any form, from and to any person;
- Employees must not make political donations in the name of BlueBay Lux.

In case of doubt, Employees shall consult the Compliance department. The details regarding the permissible gifts and entertainment are specified in the BlueBay Lux's Gifts and Entertainment Policy.

## 6. Order execution, aggregation and allocation

All portfolio transactions regarding the Funds of BlueBay Lux are subject to the requirements of the Best Execution Policy, in order to ensure that, when executing decisions/placing orders on behalf of the Funds, the latter take all sufficient steps to ensure that the best possible result is achieved for the Funds on a consistent basis.

Also, BlueBay Lux may combine an order for a client, such as one of the Funds, with orders of other clients, such as another Fund. Where this occurs, it is purely to assist in the execution of the order. However, the impact of this aggregation may occasionally work to the disadvantage of some clients.

In addition, if an application is made for a new bond issue, or for an initial public offering of equities, which is subsequently scaled back, such issue or offering will be allocated to the clients, thus including the Funds, on a pro-rata basis, subject to exceptions where this is not practical (e.g. if a very small amount of the application is successful and subject to minimum allocation requirements).

For those portfolio management teams, which are engaged in side-by-side management, the allocation of investment opportunities raises potential conflicts of interests because a portfolio manager could have an incentive to allocate the best investment opportunities to some client accounts, for example those accounts which pay a performance-based fee (thus including, potentially, one of the Funds) at the expense of other client accounts which pay a fixed management fee (thus including, potentially, another Fund).

In this respect, the Remuneration Policy ensures that no undue pressure is placed on, nor an incentive provided to, a portfolio manager to favour one client account over another.

RBC may have direct and indirect interests in the financial instruments in which delegated portfolio manager invests on behalf of the Funds, as these may be used to effect portfolio transactions.

The said RBC may act in a variety of roles, including those of proprietary traders, brokers, underwriters, agents or lenders in connection with Fund portfolio transactions; accordingly, they will receive remuneration or other benefits in connection with these roles.

The processes to manage these conflicts include inter alia the following:

- full compliance with the Best Execution Policy, which requires that portfolio transactions initiated by BlueBay Lux and conducted with RBC be executed on an arm's length basis and at the best possible result;
- the implementation of information barriers between BlueBay Lux and RBC designed to ensure that information is not improperly shared among these companies and their directors, officers and employees;
- the prohibition to invest on behalf of the Funds in securities (e.g. bonds and shares) issued by the RBC.

## 7. Portfolio transactions between Funds

From time to time, portfolio transactions incl. deployment of EPM techniques may be made between two different Funds.

This potential conflict of interests is handled as follows:

- investor flows, i.e. investors' subscription and redemption orders which imply buying or selling financial instruments to retain model portfolio allocation;
- regional allocation changes within a Fund;
- removal from the model portfolio of holdings with a low percentage weight in order to limit the number of holdings;
- constraints resulting from the Funds' investment objectives and restrictions, which may occasionally force RBC GAM UK to sell Fund holdings.

In order to ensure an objective pricing for any portfolio transaction between two Funds, the following principles will apply:

- The preferred alternative is to use the last available price of the relevant financial instrument on the day of the portfolio transaction, provided that the last available price is within the bid-offer spread.
- If there has not been any trading in the relevant financial instrument on the day of the portfolio transaction, a mid-price should be used, based on the closing bid-offer spread, unless such mid-price is not deemed reliable.
- If neither of the above alternatives is feasible, a documented third-party bid-ask price indication should be used, preferably from more than one counterparty, in which case the best bid and best offer should be considered for the mid-price calculation.
- The Delegate may, if it considers this necessary, ask an independent valuation agent to perform an assessment as basis for the portfolio transaction price.

Compliance with the above principles is assessed during the on-going due diligence/oversight in place.

Delegated portfolio manager, may execute portfolio transactions internally between two or more Funds, provided however there are legitimate reasons for the Funds ending up on different sides of portfolio transactions.

## 8. Intra-group outsourcings

BlueBay Lux may outsource parts of its business activities to RBC BlueBay which may give rise to the impression that cost control is of limited interest as the fees paid to such third parties within the RBC BlueBay will remain within the RBC BlueBay. To this extend, the Company performs on a periodic basis an independent review of the pricing structure by:

- Identifying and quantifying the cost per entity
- Reviewing ongoing charges (incl. TER).

and on this basis ensures intra-group outsourcings are not producing undue costs compared to similar funds. To this end, the following aspects may be taken into consideration:

- Similar investment strategies based on independent sources [based on target asset classes, geographical and/or sectorial exposures]
- Comparable size
- Comparable target market
- Other relevant criteria

## Management of Conflicts of Interest

BlueBay Lux must manage conflicts of interest effectively, which includes preventing conflict of interest where possible. Effective management conflicts management involves:

- Establishing appropriate measures and procedures to deal with identified conflicts;
- Maintaining those measures and procedures in order to prevent conflicts from adversely affecting the interest of its clients.

BlueBay Lux has arrangement in place to prevent and manage conflicts, which includes:

- Clearly defined and documented reporting lines and responsibilities
- Segregation of duties and activities to avoid conflicts, wherever possible
- Reporting to senior management of action taken to manage actual conflicts arising and to minimize the risk of recurrence of the conflict
- Contractual obligation on all Employees to comply with the Compliance and HR policies designed to mitigate conflicts and to report conflicts arising
- Training is provided to all Employees at the RBC level, on the policies implemented to promote compliance with the laws and regulations
- Recording of potential and actual conflicts and regular review of the effectiveness of BlueBay Lux's management of conflicts.

## Record Keeping

BlueBay Lux must keep and regularly update a record of the types of activities undertaken by or on behalf of the Company in which a conflict of interest entailing a material risk of damage to the interests of one or more Funds or its investors has arisen, or in the case of an ongoing activity, may arise. This record must be specific to the Company and its activities. The record must cover at least the following:

- The description of the conflict of interest (whether potential or actual)
- The identification of the person or units concerned by the conflict of interests
- The date on which the conflict of interest occurred or was discovered
- The potential or actual impacts of the conflict of interest
- The description of the envisaged solutions and chosen measures
- Where appropriate, the arrangement for informing investors

The Company must submit a copy of the record to the CSSF, upon request.

## Escalation and Disclosure of conflicts

Conflicts of interest may not always be evident, and Covered Persons should consult with Compliance and Senior Management if they are uncertain about any situation and whether a potential conflict of interest may exist.

If an Employee becomes aware that measures to handle an actual or potential conflict of interest is not sufficient, he/she must promptly inform the Compliance Officer who will in turn inform the relevant Conducting Officer(s), who will take the necessary steps to ensure that BlueBay Lux acts in the best interests of the Funds/their investors.

On disclosure, Compliance Officer will review the circumstances of the potential conflict of interest and will determine whether an actual conflict exists and if so whether there are any reasonable steps that can be taken to manage conflict. If, for whatever reason, the Compliance Officer considers that he/she lacks authority to take such a decision regarding a particular conflict of interests, he/she must immediately notify the Conducting Officers.

Separately, the Compliance Officer and/or the Conducting Officers must immediately inform the Board of Directors of the Company in the event that any significant conflict of interests occurs.

If arrangements to manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a Client will be prevented, the Company must clearly disclose the general nature and/or sources of conflicts of interest to a client in writing, in appropriate detail, and in a durable medium, before undertaking business for the Client, in order to allow the client to make an informed decision relating to its interests. Disclosure of conflicts is a measure of last resort and over-reliance on disclosure of conflicts of Interest would be considered a deficiency in BlueBay Lux's Conflicts of Interest.

## Conflicts of Interests Register

BlueBay Lux shall keep and regularly update a record of the types of activities undertaken by or on behalf of the Company in which a conflict of interest entailing a material risk of damage to the interests of one or more funds or its investors has arisen or, in the case of an on-going activity, may arise.

A register of potential or identified conflicts of interest is kept under the responsibility of the Compliance Officer.

This Conflicts of Interest Register will include all related documentation and information in respect of any such actual or potential conflict of interests, as well as the details of the arrangements made to manage these conflicts.

## Conflicts of Interests Reporting

On a monthly basis, the Compliance Officer must report to the Conducting Officers any occurrence of conflicts of interest, in particular any update noted in the Conflicts of Interest Register.

The quarterly report presented by the Compliance Officer to the Board of Directors will include as an agenda item an update on any conflict of interests arisen during the previous quarter.

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