



Circular economy investing

There is an increasing focus among the investment community on promoting more sustainable ways of consumption. This stems from a need to not degrade our natural environment, as global sustainability challenges like climate change, biodiversity loss and pollution become ever more pressing.

The evidence is growing that such challenges are becoming systemic and are therefore starting to impact financial markets, economies and society as we know it.

What is a circular economy?

In contrast to a 'take-make-waste' linear model, a circular economy is regenerative by design and aims to gradually decouple economic growth from the consumption of finite resources, which can degrade the natural environment.

The concept of a circular economy embodies the principles of how we need to reframe our thinking to break away from the destructive practices that currently dominate daily life. It is a systematic approach to economic development, designed to benefit businesses, society and the environment.

PUBLISHED
Summer 2021

READ TIME
5 minutes

AUTHOR



My-Linh Ngo
Head of ESG Investment

CIRCULAR ECONOMY



LINEAR ECONOMY



Investors want to highlight that by taking a more proactive, strategic and holistic approach, businesses can gain competitive advantage – and if they refuse to change, they risk getting left behind.

Circular economy in the investment community

Taking such an approach means looking at the products being produced, as well as the operational processes which result in their production. The investment community has been active in addressing both these aspects. For instance, in the last few years, there has been a focus on waste management, with single-use plastics in consumer goods and packaging getting a lot of attention.

Increasingly, efforts have expanded to consider the management of 'natural capital', in terms of how we are managing resources such as forests or the fish in our oceans. Improving process efficiency – 'doing more with less' – has also been a prominent theme, manifesting through efforts such as energy efficiency.

The aim of investors' efforts is two-fold. First, they're encouraging companies (whether through their

investment selections or engagement activities) to consider alternative business models. Second, investors want to highlight that by taking a more proactive, strategic and holistic approach, businesses can gain competitive advantage – and if they refuse to change, they risk getting left behind.

This is particularly true in light of growing regulation, with regulators introducing targets on the treatment of waste and recycling, or with the taxation of certain products to disincentivise harmful practices, whilst introducing incentives to encourage those we want to promote.

Consumers and society at large represent another catalyst, as evidenced by public outrage at the damaging effects of plastics on our wildlife, and being fuelled by the rise of the millennial voice.



Circular economy at BlueBay



Enabling a circular economy

We recently launched our Impact-Aligned Bond strategy, which is a sustainability-focused, thematic public debt strategy investing in companies providing solutions to global challenges. Enabling a circular economy is one of our seven investment themes.

The theme centres around investing in solutions that improve the quality of the environment by designing out waste and pollution, keeping products and materials in use and promoting stewardship of natural systems.

Beneath this are sub-themes that encompass a range of topics including:

- **energy & resource efficiency**
- **environmentally preferable products**
- **pollution control**
- **sustainable agriculture & food**
- **sustainable forestry/land/marine management**
- **waste management/recycling.**

The strategy currently invests in companies that focus on using materials in their products that are recyclable or contain recycled content, promoting energy or resource efficiency in industrial processes, as well as those which promote more sustainable waste management.

Consumers and society at large represent another catalyst, as evidenced by public outrage at the damaging effects of plastics on our wildlife, and being fuelled by the rise of the millennial voice.

This document may be produced and issued by the following entities: in the European Economic Area (EEA), by BlueBay Funds Management Company S.A. (the ManCo), which is regulated by the Commission de Surveillance du Secteur Financier (CSSF). In Germany and Italy, the ManCo is operating under a branch passport pursuant to the Undertakings for Collective Investment in Transferable Securities Directive (2009/65/EC) and the Alternative Investment Fund Managers Directive (2011/61/EU). In the United Kingdom (UK) by BlueBay Asset Management LLP (BBAM LLP), which is authorised and regulated by the UK Financial Conduct Authority (FCA), registered with the US Securities and Exchange Commission (SEC) and is a member of the National Futures Association (NFA) as authorised by the US Commodity Futures Trading Commission (CFTC). In United States, by BlueBay Asset Management USA LLC which is registered with the SEC and the NFA. In Switzerland, by BlueBay Asset Management AG where the Representative and Paying Agent is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich, Switzerland. The place of performance is at the registered office of the Representative. The courts of the registered office of the Swiss representative shall have jurisdiction pertaining to claims in connection with the distribution of shares in Switzerland. The Prospectus, the Key Investor Information Documents (KIIDs), where applicable, the Articles of Incorporation and any other applicable documents required, such as the Annual or Semi-Annual Reports, may be obtained free of charge from the Representative in Switzerland. In Japan, by BlueBay Asset Management International Limited which is registered with the Kanto Local Finance Bureau of Ministry of Finance, Japan. In Australia, BlueBay is exempt from the requirement to hold an Australian financial services license under the Corporations Act in respect of financial services as it is regulated by the FCA under the laws of the UK which differ from Australian laws. In Canada, BBAM LLP is not registered under securities laws and is relying on the international dealer exemption under applicable provincial securities legislation, which permits BBAM LLP to carry out certain specified dealer activities for those Canadian residents that qualify as "a Canadian permitted client", as such term is defined under applicable securities legislation. The BlueBay group entities noted above are collectively referred to as "BlueBay" within this document. The registrations and memberships noted should not be interpreted as an endorsement or approval of BlueBay by the respective licensing or registering authorities. Unless otherwise stated, all data has been sourced by BlueBay. To the best of BlueBay's knowledge and belief this document is true and accurate at the date hereof. BlueBay makes no express or implied warranties or representations with respect to the information contained in this document and hereby expressly disclaim all warranties of accuracy, completeness or fitness for a particular purpose. Opinions and estimates constitute our judgment and are subject to change without notice. BlueBay does not provide investment or other advice and nothing in this document constitutes any advice, nor should be interpreted as such. This document does not constitute an offer to sell or the solicitation of an offer to purchase any security or investment product in any jurisdiction and is for information purposes only. This document is intended only for "professional clients" and "eligible counterparties" (as defined by the Markets in Financial Instruments Directive ("MiFID")) or in the US by "accredited investors" (as defined in the Securities Act of 1933) or "qualified purchasers" (as defined in the Investment Company Act of 1940) as applicable and should not be relied upon by any other category of customer. No part of this document may be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose in any manner without the prior written permission of BlueBay. Copyright 2021 © BlueBay, is a wholly-owned subsidiary of RBC and BBAM LLP may be considered to be related and/or connected to RBC and its other affiliates. © Registered trademark of RBC. RBC GAM is a trademark of RBC. BlueBay Funds Management Company S.A., registered office 4, Boulevard Royal L-2449 Luxembourg, company registered in Luxembourg number B88445. BlueBay Asset Management LLP, registered office 77 Grosvenor Street, London W1K 3JR, partnership registered in England and Wales number OC370085. The term partner refers to a member of the LLP or a BlueBay employee with equivalent standing. Details of members of the BlueBay Group and further important terms which this message is subject to can be obtained at www.bluebay.com. All rights reserved.