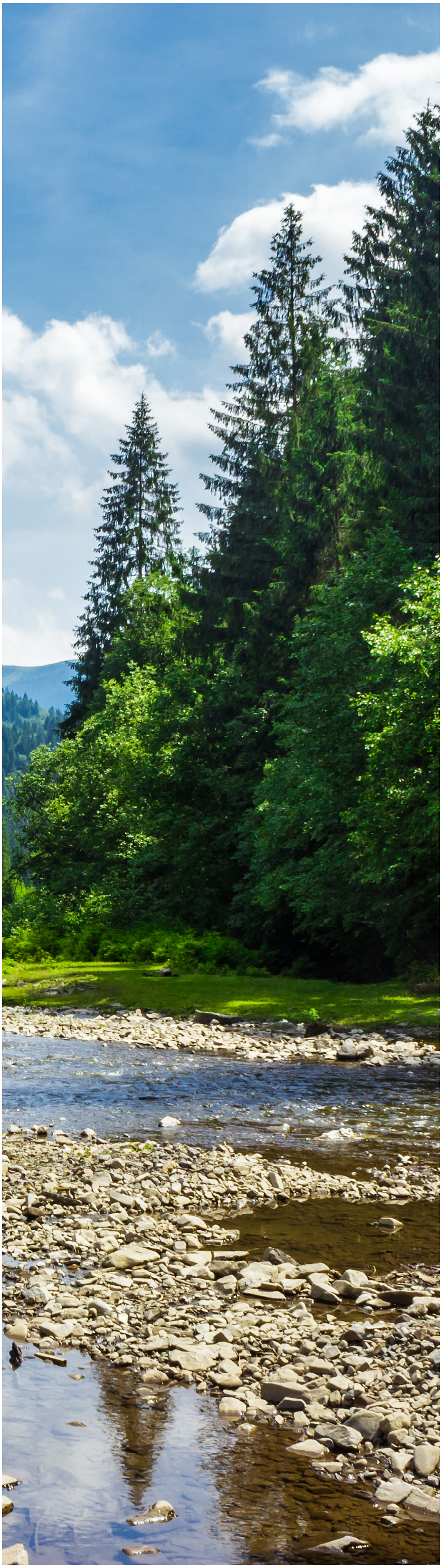
U.K. Stewardship Code Report

SUBMISSION FOR CALENDAR YEAR

2023

AS OF APRIL 2024

Baring Asset Management Limited is an approved signatory under the U.K. Stewardship Code following our successful submission in 2023. This report constitutes our submission to the U.K. Stewardship Code for 2024 and we expect a signatory status update in Q3 this year.



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Foreword

We're pleased to present our U.K. Stewardship Code report for 2023. At Barings, our clients' interests and preferences are at the center of our approach in providing superior risk-adjusted returns.

This reporting framework provides us with the opportunity to articulate the activities we've undertaken in the last calendar year, reflecting our governance and investment practices as well as exercising our rights and responsibilities as a fiduciary of client capital.

While the U.K. entity, Barings Asset Management Limited (BAML), formally submits to the Code, we've included examples from the range of our investment teams to support our disclosure against the Code's principles.

MARTIN HORNE
Managing Director,
Head of Public Fixed Income

Barings Overview

Barings is a $406+ billion global investment manager sourcing differentiated opportunities and building portfolios across public and private fixed income, real estate and specialist equity markets. Barings, a subsidiary of MassMutual Life Insurance Company ('MassMutual'), aims to serve its clients, communities and employees. We have 1,800+ staff across 18 countries, including 730+ investment professionals with on-the-ground local knowledge and broad investment experience. Our global presence enriches our understanding of market conditions and specific investment opportunities.

$406+ B	1,200+	1,800+
Assets Under Management	*External Clients*	*Professionals Globally*

All figures are as of March 31, 2024 unless otherwise indicated. Assets shown are denominated in USD. Percentages may not equal 100 due to rounding.

Purpose & Governance

Effective stewardship remains a core tenet of Barings' investment philosophy and was central to our investment approach in 2023, a time of diverging preferences in the use of stewardship tools. Over the last twelve months, we have undertaken several actions to ensure that Barings' beliefs, strategy and culture continue to enable effective stewardship, furthering our commitment to our clients and meeting their needs. These actions included taking steps to better understand the granularity of our clients' preferences, updating our technology, and strengthening our internal framework to identify and manage systemic risks such as climate change.

PRINCIPLE 1

Our Purpose, Beliefs, Strategy & Culture Related to Stewardship

CONTEXT

OUR PURPOSE

We remain steadfast in our commitment to delivering the best investment experience for our clients through exceptional service and performance. As stewards of their capital, we recognize our privileged role and the value they expect in return.

We specialize in markets and asset classes where we see opportunities to generate alpha for our clients through fundamental research, active management, and access to our network of long-standing relationships. Our investment approach is rooted in our shared values and team-based culture, which drive our commitment to integrity, accountability, and client service.

We partner with our clients to understand their objectives and incorporate them into our investment strategies. Our global platform allows us to create long-term investment solutions that align with our clients' objectives.

Our teammates are our greatest asset. They are empowered to share ideas, challenge perspectives, and take decisive action, creating an environment that fosters innovation and adaptation in service to our clients.

We strive to improve every day—to innovate, adapt, and evolve in the ways we serve our clients.

SAFEGUARDING LONG-TERM VALUE THROUGH ESG & STEWARDSHIP

Although 2023 presented challenges in navigating emerging and diverging expectations on sustainability-related themes, our focus throughout didn't waver. We remained committed to seeking and delivering superior risk-adjusted returns for clients through a process that included analyzing material ESG factors and engaging in associated activity where deemed appropriate by our investment analysts.

Throughout 2023, ESG topics have remained key considerations in our fundamental, bottom-up analysis because we believe that ESG issues, among several other factors, can be material to investment performance. Through ESG analysis, we engage with issuers to encourage better ESG standards and disclosures that we believe can unlock value for our clients and may contribute to positive environmental and societal outcomes.

Our intentional and considered approach to ESG integration and stewardship is grounded in obtaining relevant data and a commitment to partnering with clients and investees to protect long-term value. Obtaining enhanced data to better serve our clients' needs has been fundamental this year: supporting our rationale for a stewardship-focused client survey and approaching the finalization of a multi-year project to transform our technology platforms.

Our approach is founded on the belief that minimizing ESG risks and identifying ESG opportunities help us achieve risk-adjusted returns for our clients in line with their time horizons (Principle 6). This includes leveraging our position with the entities in which we invest by engaging, voting, and steering improvements where appropriate toward more sustainable practices.

STEWARDSHIP IN PRACTICE

Our fundamental approach to stewardship remains unchanged. We continue to act through a range of mechanisms, including:

- Our investment process, in which ESG information is integrated into analysis.
- Our ability to influence the activities of our investments, as well as interact with broader stakeholders to support a durable financial system.
- Our partnering with clients on their goals, timelines, and preferences to ensure that our investment strategies align with their values.

OUR APPROACH TO ENGAGEMENT

We engage with the entities in which we invest with the aim of enhancing the performance of our investment for the benefit of our clients. While our preference is to engage, when possible, rather than exclude to support various sectors transition to a more sustainable future, we commit to excluding investments in companies that violate international conventions on cluster munitions, anti-personnel mines and biological and chemical weapons. We understand that local norms and contexts play a crucial role in driving positive change, and we do not attempt to impose an inflexible approach that ignores those considerations. Our approach is based on transparent communication coupled with the expertise and discretion of our experienced investment and sustainability professionals; we partner with our clients to develop solutions that align with their preferences.

As we invest in multiple asset classes, the nature of our engagement activities can differ. Our investment teams are empowered to determine their engagement activity, with guidance and support provided by the Sustainability & ESG team. We believe that this arrangement gives us a solid foundation to continue and strengthen our approach in managing risks and opportunities for the benefit of our clients' interests.

ACTIVITY

In our pursuit of being effective stewards of capital, key initiatives we undertook in 2023 included:

DEEPENING OUR UNDERSTANDING OF CLIENT NEEDS

Our clients' unique stewardship preferences directly inform the solutions we provide them. In a time of emerging and diverging perspectives on the use of stewardship tools, we sought to capture data-driven evidence on preferences to help inform our stewardship strategy and messaging going forward. We did this using a targeted stewardship survey as well as one-to-one dialogue between our clients and our Sustainability & ESG team. Through this exercise we sought to understand several areas including:

- Clients' priority ESG issues
- Their views concerning ESG outcomes and net-zero preferences
- Reporting preferences

Further information about our approach and insights from our targeted outreach are captured in Principle 6. We also show findings throughout this report where applicable to several Principles.

REVOLUTIONIZING OUR TECHNOLOGY PLATFORMS & MONITORING PROCEDURES

We reached the final stages of a multi-year project to implement market-leading portfolio management technology, supported by a best-practice operating model design. Implementing this technology will allow us to improve the consistency, connectivity, and accessibility of our data in public and private markets, including ESG scoring and engagement data, to further support our ability to meet our clients' needs.

We formalized Barings' ESG integration policies across all asset classes, in collaboration with our investment teams and Sustainability Working Groups (Principle 5). These documents serve as a reference point for our investment approach across all our asset classes, ensuring a unified approach within investment teams.

We developed a Sustainability & ESG risk appetite framework to better enable monitoring of ESG scoring, engagement recording, operational carbon footprint, and participation in industry reporting frameworks (Principle 5).

ENHANCING THE CLIENT EXPERIENCE

Improving the client experience and deepening their trust in us are central to ensuring that we continue to meet client needs as effectively as possible. As part of this effort, we launched an internal digital platform to provide Barings teammates with a broad array of information and insights on our clients all in one place. The platform helps Barings teammates to better understand client requirements and preferences, and therefore better anticipate their needs. It also informs how we can engage with clients more thoroughly and how we can better partner with them to ensure a superior client experience.

We utilized this platform to identify clients willing to participate in our stewardship survey (Principle 6), as well as to facilitate dialogue within our Sustainability working groups (Principle 2) to discuss and address client feedback.

STRENGTHENING OUR APPROACH FOR MANAGING SYSTEMIC RISKS SUCH AS CLIMATE CHANGE

We launched an internal taskforce and updated our committee charters to support the identification and management of climate-related risks (Principles 2 & 4). We believe that strengthening our ability to consider climate-related risks from a top-down perspective when considering other systemic risks helps with the aim of preserving and enhancing the value of our clients' assets.

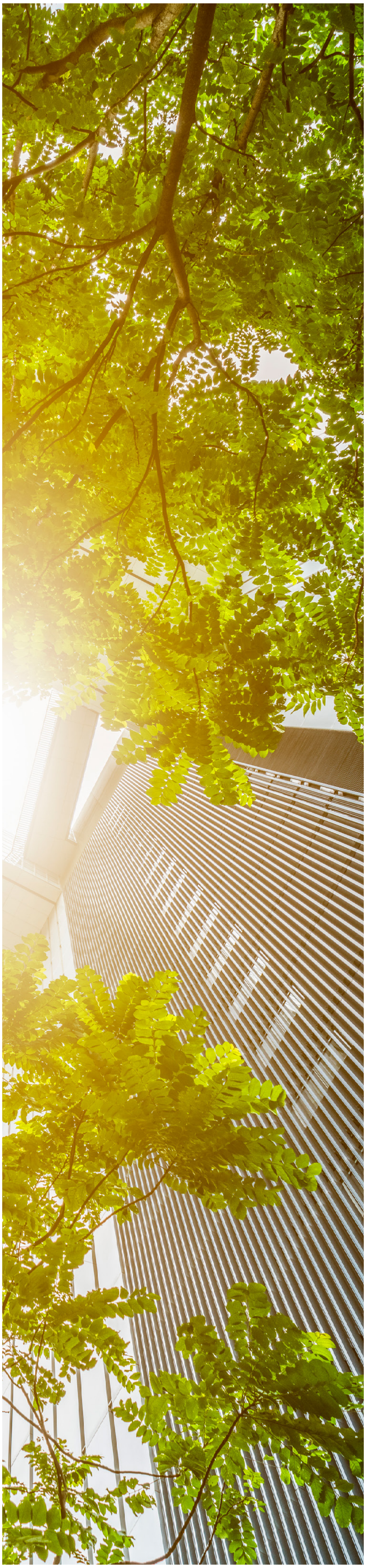
LAYING THE GROUNDWORK FOR DRIVING DISCLOSURE IN PRIVATE MARKETS

To support our ESG integration and stewardship efforts at the firm level, we prioritized efforts in helping to address the ESG data gap, particularly in private markets. Leveraging our partnerships with borrowers and sponsors, we collaborated with industry players and service providers, with further information captured in Principles 6, 8, 9 and 12.

REFLECTING ON OUR PROGRESS

While our views regarding ESG integration and stewardship have remained consistent over time, we believe the activities we focused on in 2023 will help us navigate our clients' preferences over the long-term as well as strengthen the effectiveness of our stewardship practices and our ability to communicate our efforts.

In pursuit of seeking superior risk-adjusted returns for our clients over the long term, we will continue to act on climate risks, opportunities, and other priority issues identified by our clients. Since our inaugural report aligned with Task Force on Climate-Related Financial Disclosures (TCFD) was published in 2023, we have continued to evolve our approach to managing climate risk by considering high-level scenario analysis across key asset classes; seeking transparent disclosure of climate data, especially in private markets; and highlighting relevant stewardship activity linked to climate change. Our efforts are overseen by our recently formalized Climate Risk Taskforce.



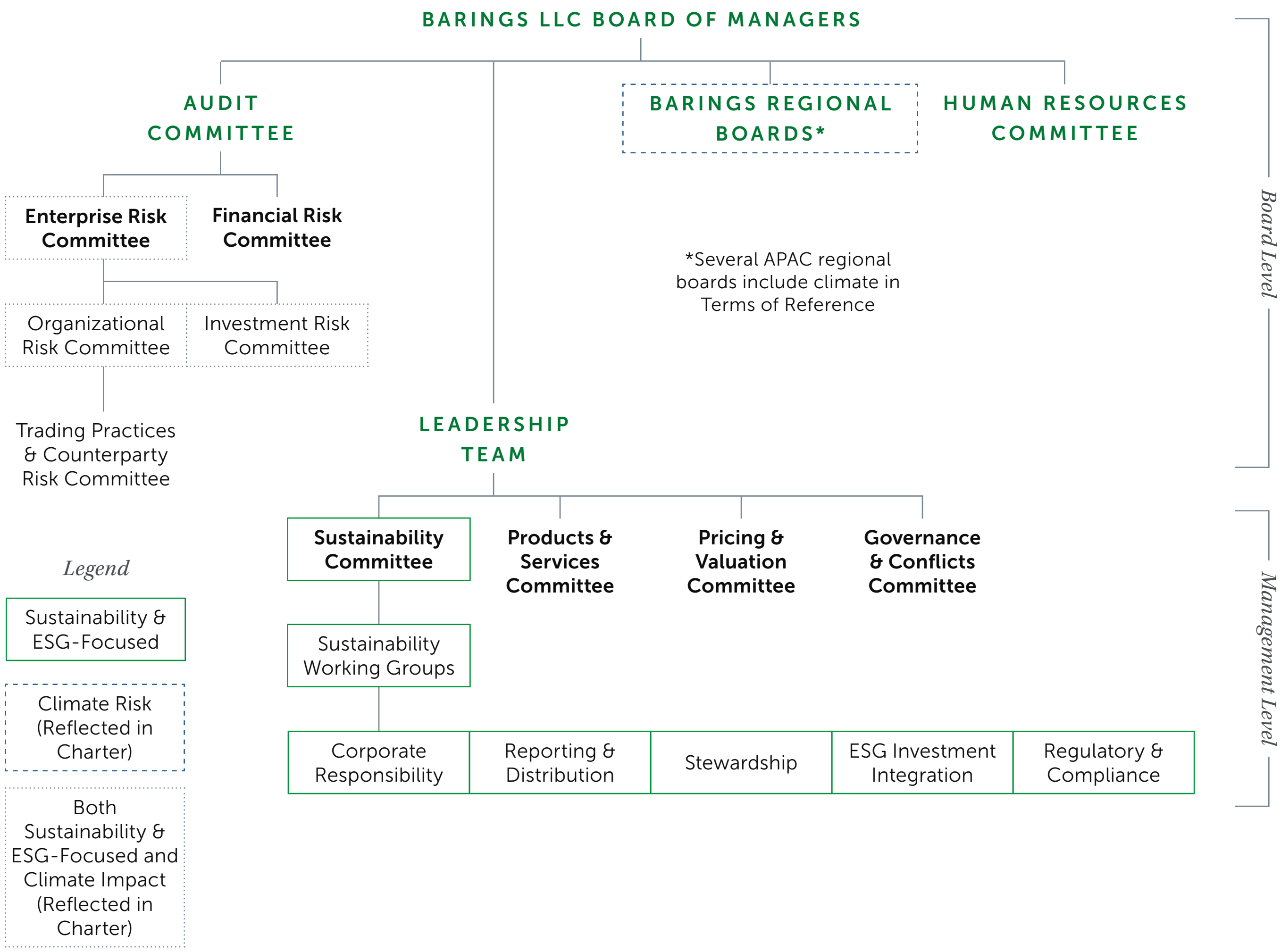
PRINCIPLE 2

Our Governance, Resourcing & Incentives Related to Stewardship

CONTEXT

The information below depicts and explains the governance structure and resourcing mechanisms supporting our stewardship practices.

BARINGS ESG & CLIMATE-RELATED ORGANIZATIONAL STRUCTURE



LEADERSHIP TEAM

The Leadership Team is responsible for driving measurable and sustainable results and providing oversight of our stewardship practices. The Leadership Team meets on an as-needed basis, but no less than quarterly. Members are regularly updated on our ESG-related activities and progress toward our stewardship goals. This ensures that stewardship is a key consideration in senior-level decision-making, driving alignment and accountability throughout the organization.

SUSTAINABILITY OVERSIGHT

STAKEHOLDER GROUP

PRESIDENT

Sustainability/ESG Research & Analytics

- HEAD OF SUSTAINABILITY & ESG
- SUSTAINABILITY & ESG TEAM
- PORTFOLIO SOLUTIONS & ANALYTICS ESG TEAM

Investment Teams (listed by strategy)

- PUBLIC EQUITIES
- PUBLIC FIXED INCOME
- PRIVATE EQUITY
- PRIVATE CREDIT
- REAL ESTATE
- CAPITAL SOLUTIONS

Operational Teams

- LEGAL
- PRODUCT MANAGEMENT
- CPM/SALES
- COMPLIANCE
- MARKETING

Working Groups

SUSTAINABILITY COMMITTEE

Sustainability Working Groups:

1. Corporate Responsibility
2. Reporting & Distribution
3. ESG Investment Integration
4. Regulatory & Compliance
5. Stewardship

SUSTAINABILITY COMMITTEE

Barings' Sustainability Committee in its current iteration was formally established and chartered in April 2021. The Sustainability Committee is responsible for providing oversight of the Global Sustainability Policy as well as Barings' ESG integration and stewardship-related strategies and programs. The group meets at least quarterly to discuss key issues and ensure compliance with its sustainability-related memberships and commitments.

The Sustainability Committee is composed of senior leaders, including the heads of investment teams and heads of legal, compliance, and distribution, as well as the centralized Sustainability & ESG team. Two members of the Sustainability Committee—the heads of public and private investments, respectively—also sit on the Leadership team. To ensure that the committee's oversight is comprehensive and effective, its membership was reconstituted in December 2023 to align with Barings' updated organizational structure. The change included consolidation of investment team reporting lines through two senior leaders. We believe this mix of expertise, experience, and seniority enables us to shape and support sustainability practices across Barings globally, including stewardship. The Sustainability Committee members are:

SARAH MUNDAY

Senior Director,
Sustainability & ESG (Chair)

MARTIN HORNE

Managing Director,
Head of Public Fixed Income

YIANNIS PAPAS

Managing Director,
Portfolio Solutions & Analytics

MELISSA LAGRANT

Managing Director,
Chief Compliance Officer

BILL DOYLE

Assistant General Counsel,
Legal

DAVID MIHALICK

Managing Director,
Head of Private Assets

NEIL GODFREY

Managing Director,
Global Head of Distribution

SUSTAINABILITY WORKING GROUPS

Barings maintains five Sustainability Working Groups, with reporting responsibilities to the Sustainability Committee. The aim of the Sustainability Working Groups is to deliver on long-term sustainability-focused projects including, but not limited to, coordinating corporate environmental and social efforts, developing ESG investment integration tools and policies, pursuing external partnerships and memberships, and reporting. The working groups consist of representatives from investment and operational teams across various geographies and markets. This structure enables cross-business collaboration, encourages sharing best practices, and improves communication and consistency among teams. Example activities of the Stewardship Working Group are captured in Principles 4, 5, 6 and 9.

SUSTAINABILITY COMMITTEE

- CORPORATE RESPONSIBILITY
- ESG INVESTMENT INTEGRATION
- REPORTING & DISTRIBUTION
- REGULATORY & COMPLIANCE
- STEWARDSHIP

CLIMATE RISK TASKFORCE

Separate from our Sustainability Working Groups, the Climate Risk Taskforce was established in 2023 to facilitate climate-change related oversight. The Taskforce brings together members from the Sustainability & ESG, Risk, and PSA teams as well as members from various investment teams. The purpose of the taskforce is to identify, assess, and manage ESG and climate-related risks across Barings' operations and within portfolios managed by Barings, and appropriately represent these efforts to regulators, clients, and stakeholders. Updates from the Taskforce are communicated to the Sustainability Committee as appropriate. (See Principle 4 for more information on the Taskforce's activities.)

SUSTAINABILITY RESOURCES

SUSTAINABILITY & ESG AND PORTFOLIO SOLUTIONS & ANALYTICS (PSA) ESG TEAMS

Barings has dedicated resources to support the integration of ESG considerations into our investment process, our stewardship activities, and our operations. The Sustainability & ESG team is responsible for maintaining and overseeing our relevant policies, processes and working groups to help drive our firm-level Sustainability & ESG strategy and approach through the following pillars:

- The integration of ESG information into the investment process to understand the material factors that influence the financial sustainability of the investments we make.
- The facilitation of stewardship activities as active managers of our clients' capital.
- Embedding sustainability into our own operations, as well as investing in the communities in which we live and work through our social impact efforts.

This is supplemented by the efforts of our PSA ESG team which supports investment teams with ESG integration and engagement activity through data evaluation and support, as well as providing ESG research, analytics and reporting. There are currently 12 professionals on the combined Sustainability & ESG and PSA ESG teams.

Role	Commentary
Senior Director, Head of Sustainability & ESG	Nine years at Barings, including seven years focused on ESG integration, stewardship and corporate responsibility.
Associate Director, Stewardship	Ten years' experience in ESG covering sustainability consulting for corporates and investors. This time also includes tenure in the Principles for Responsible Investment (PRI) group in the Stewardship and Signatory Relations team.
Senior Director, ESG Investment Integration	Nine years' experience in ESG integration and active ownership in public equities, and five years' investment experience, with 14 years in the investment management industry in total. Holds the CFA Institute Certificate in ESG Investing, CFA U.K. Certificate in Climate and Investing. He is a Fundamentals of Sustainability Accounting Credential Holder and an EFFAS Certified ESG Analyst.
Director, ESG Investment Integration	Twelve years' investment and ESG investment integration experience in the asset management industry.
Director, Head of Barings Social Impact	Eight years' social impact experience in the financial sector.
Associate Director, Sustainability	Three years' sustainability experience, including a certificate in Sustainable Management from Duke University, with more than four years' financial executive office experience.
Senior Associate, Sustainability & ESG	Five years' ESG experience in ESG real estate consulting and asset management.
Managing Director, Head of ESG Research & Analytics	More than 20 years of quantitative research and analysis experience.
Senior Director, ESG Portfolio Solutions & Analytics	More than 20 years of quantitative research and analysis experience, with three years' experience in ESG analytics, integration and research.
Senior Associate, ESG Portfolio Solutions & Analytics	Three years' experience in ESG analytics, integration and research.
Associate, ESG Portfolio Solutions & Analytics	One year of experience in ESG analytics, integration and research.
Analyst, ESG Portfolio Solutions & Analytics	One year of experience in ESG analytics, integration and research.

INVESTMENT TEAMS

Our investment professionals are ultimately responsible for integrating material ESG considerations into fundamental analysis and engagement activities. They evaluate ESG information, along with various other potential risks and opportunities that may impact their investments, portfolios, and the economy, to make informed decisions that align with relevant investment objectives. Investment teams are given the flexibility to assess the material ESG risks and opportunities of the investments they consider, allowing for informed investment decisions and engagement activity. They do this by using their industry and sector expertise to understand and identify the material ESG opportunities and risks in their investment universes, alongside their broader investment analysis. As part of this, they may meet with government officials and corporate management teams, visit operational facilities, and analyze industry competitors. Once invested, teams monitor their investments' performance and progress, including on ESG matters.

To further ESG integration and engagement activities, Barings has more than 25 ESG resources embedded across investment teams. These individuals support their broader teams to understand and identify ESG risks and opportunities. Roles include:

INVESTMENT TEAM EMBEDDED RESOURCES

Our ESG leads embedded within each investment team support the broader investment teams to understand and identify material ESG opportunities and risks.

26 investment professionals

INVESTMENT GRADE
Managing Director

HIGH YIELD
Managing Director
Managing Director

PUBLIC STRUCTURED CREDIT
Managing Director
Managing Director

PUBLIC SECURITIZED CREDIT
Managing Director

EMERGING MARKETS CORPORATE DEBT
Managing Director
Managing Director

SOVEREIGN DEBT & CURRENCIES
Managing Director
Senior Associate

PUBLIC EQUITIES
Senior Director

INFRASTRUCTURE DEBT & PRIVATE PLACEMENTS
Managing Director
Associate Director

CAPITAL SOLUTIONS
Managing Director

PRIVATE STRUCTURED CREDIT
Managing Director

DIVERSIFIED ALTERNATIVE EQUITY
Senior Director
Associate Director

PRIVATE CREDIT
Associate Director

REAL ESTATE DEBT & EQUITY
Managing Director
Managing Director
Managing Director
Senior Director
Senior Director
Senior Associate

OPERATIONAL TEAMS

Operational, or non-investment, teams at Barings play a crucial role in supporting the review, maintenance, and implementation processes for ESG and stewardship-related policies and practices. They work in tandem with investment teams to ensure the integration of ESG issues into the investment process. Members of operational teams participate in the working groups mentioned above, providing their input as needed.

Designated teammates from our Legal and Compliance teams support the review, maintenance, and implementation of processes for ESG policies and disclosures in line with ESG regulatory requirements across all jurisdictions in which Barings operates. The Barings Risk team, in collaboration with the Sustainability & ESG team, identify qualitative and quantitative measures and tolerance thresholds for defined sustainability-related risks used for ongoing monitoring and reporting through to the appropriate risk committees. Legal, Risk, Compliance and Marketing teams are also responsible for providing input and reviews of ESG and stewardship materials and processes based on their functional knowledge (Principle 5).

Given the ongoing technology systems transition at Barings, there was a need for a dedicated resource to lead on ESG-related technical projects. This individual works closely with the Sustainability & ESG team and the Global Technology team to ensure a smooth transition of all ESG and stewardship related data into the new technology systems.

INCENTIVIZING STEWARDSHIP & INVESTMENT

We design our compensation programs to reward for intangible, as well as tangible, contributions to our success, including corporate integrity and reputation, customer loyalty, risk management, the quality of our professionals and how effectively they collaborate. ESG is an important component of the investment philosophy and process, thus indirectly linked to the compensation of our investment teams.

Our long-term incentives (LTI) are designed to share with participants the longer-term value created in the firm and enhance retention of positions critical to the firm's long-term success. Programs include deferred-cash-based components, which can be tracked against Barings earnings, Barings products and other specific investment vehicles. The LTI awards are typically deferred with a four-year vesting and pay-out. In addition, our long-term incentive plans are designed to tie a material portion of the incentive compensation received by our executive officers directly to the long-term performance of our company, as measured by our phantom stock price.

Our Sustainability & ESG, Portfolio Solutions and Analytics, and dedicated ESG resources in investment teams have woven ESG into the goals/objectives upon which individuals are evaluated on each year. Investment professionals across a number of our investment teams, including Public Equities and Emerging Markets Corporate Debt, have performance development goals that explicitly include those relating directly to ESG integration and engagement. Additionally, each teammate's individual performance is reviewed and measured against Barings Core Values (Value Our People, Take Accountability, Foster Collaboration and Deliver Excellence); sustainability is a key element across these four pillars. As we look to the future, we are committed to continuously evaluating ways in which we can incorporate ESG criteria into our compensation strategy and programs.

DIVERSITY, EQUITY & INCLUSION

At Barings, we are committed to building a team of talented individuals with diverse backgrounds, experiences, and perspectives. We believe that the best talent consists of a diverse group of individuals whose varied capabilities lead to challenging the status quo, solving complex problems, and innovating beyond traditional norms and approaches to work. We believe that a diverse workforce leads to better decision-making, increased innovation, and better outcomes for our clients. As such, we have worked to ensure that we recruit top talent, mitigate bias throughout our talent processes and have the necessary support in place to develop, retain and promote our people at every level within the organization.

Our stewardship-focused client survey results (see Principle 6) indicated that DEI is an important consideration for a number of our clients. With this in mind, we seek to ensure that a DEI lens is applied across all our functions and take a leaders-first approach to advancing it.

HOW DOES DEI IMPACT YOUR OWN APPROACH TO STEWARDSHIP?

37.5% | DEI plays an integral role in delivering effective stewardship

37.5% | DEI is an important factor in delivering effective stewardship

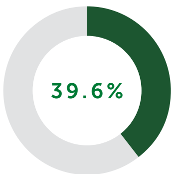
25.0% | DEI is an element of delivering effective stewardship

Our CEO and leadership team set DEI goals and regularly monitor our progress and performance against these goals at the organizational, team and individual level. Our mid-level managers also play an important role in promoting our DEI objectives by providing regular feedback and by promoting inclusive behaviors and practices within their teams.

We are proud of our successful global self-ID campaign, which has allowed us to measure representation across our applicant pool and workforce. This data helps us to identify areas where we need to improve and to track our progress over time. We are committed to using this information to drive meaningful change and foster a workplace that values DEI.

As of December 31, 2023, Barings' workforce is:

GLOBAL GENDER DIVERSITY

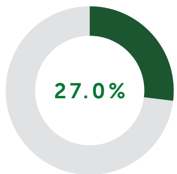


37.5% | North America

54.9% | Asia Pacific

37.9% | EMEA

GLOBAL RACIAL/ ETHNIC DIVERSITY



23.3% | North America

35.3% | EMEA

SENIOR-LEVEL DIVERSITY

15.8%

Race/Ethnicity

29.3%

Female

3.6%

LGBTQ+

1.8%

Veterans

1.4%

People with Disabilities

GENERATIONS

4.6%

Baby Boomers

34.5%

Generation X

49.8%

Generation Y/ Millennials

11.0%

Generation Z

SERVICE PROVIDERS

In addition to our in-house ESG integration and stewardship activities—which cover all our investment teams—Barings teams also work with third parties to provide the services listed in the table below. Third-party service providers play a crucial role in the creation, implementation, and success of Barings' stewardship and ESG activities. Monitoring of these services providers is discussed in Principle 8.

Provider type	Relevance to stewardship activities
Proxy voting	Supporting the Public Equities team (and Fixed Income and Private Asset teams where equity positions are held) to exercise its voting rights based on voting guidelines and recommendations.
Financial and ESG research and data	Supporting investment teams across asset classes with an ESG integration process that in turn informs prioritized engagement activities.
Credit research and rating	Supporting Fixed Income teams with our ESG integration process, in turn informing engagement activities.
ESG strategy consulting	Helping to inform Barings' sustainability strategy, including stewardship prioritizations.
ESG integration and compliance consulting	Preparing Legal, Compliance, and investment teams for potential regulatory inspections by reviewing ESG investment integration policies and compliance procedures.
Specialized ESG due diligence; monitoring and certification services	Providing in-depth due diligence for identifying ESG risks and opportunities to inform investment decisions for specific investments across several of our investment teams, including Real Estate and Private Finance. Exploring services related to supporting ESG-linked loans.
Financial analytics software	Supporting our Public Fixed Income teams with ESG screening.
Legal counsel	Providing external views on the development of industry frameworks (i.e. LMA/LSTA) for best practices in incorporating ESG ratchets into loan documentation for private credit. Providing tracking tools for ESG-related regulation.
Climate scenario analysis	Supporting our climate risk assessment capabilities across various asset classes.

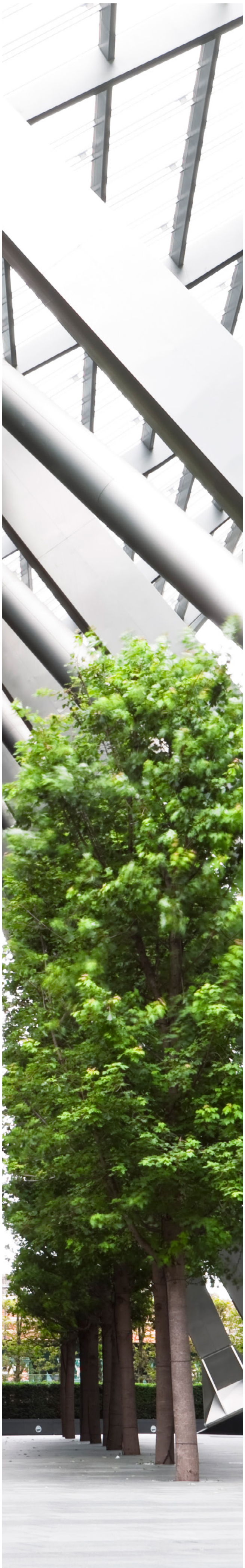
ACTIVITY

TRAINING

FIRM-WIDE SUSTAINABILITY & ESG TRAINING

We believe that it is important for all Barings teammates to have a fundamental understanding of our approach to sustainability, including ESG investment integration and stewardship. To this end, we created a firm-wide sustainability and stewardship-focused training session, which was prepared in Q4 2023 and rolled out to the entire firm in February 2024, so that our team members will be better equipped with the skills and knowledge needed to serve our clients. Topics covered in the training session include:

- The Sustainability & ESG team structure and governance
- Sustainability-focused industry partnerships
- Barings' approach to ESG integration and stewardship
- Barings' corporate sustainability strategy and initiatives



STEWARDSHIP & ENGAGEMENT TRAINING FOR INVESTMENT TEAMS

Because of an increased focus from our clients on ESG in private finance, as well as feedback from other stakeholders, we prioritized stewardship and engagement training for our Global Private Finance (GPF) teams in 2023. Topics covered in the training sessions include:

- Introduction to Stewardship at Barings
- Overview of Stewardship
- Overview of Engagement
- Stewardship and Engagement in GPF
- Recording Engagement activity in the firm's technology system
- GPF in firm-level Stewardship reporting

DEI TRAINING

In 2023, we continued to build on our successful DEI training program by rolling out another required training session for all Barings employees in 2024. The DEI training sections are related to culture and designed to further our understanding of our DEI journey. Topics covered include:

- Learning skills for inclusion to interrupt common patterns of thought and behavior
- Practicing these skills to foster more inclusive conversations and actions
- Making connections and build relationships–across our many similarities and differences—while using these skills

INTEGRATED CLIMATE LANGUAGE INTO COMMITTEE CHARTERS

Similar to the formalization of our ESG Investment Integration & Stewardship policies across investment teams, the Sustainability Committee, Trading Practices Committee, Enterprise Risk Committee, Organizational Risk Committee, and Investment Risk Committee charters were updated to specify that the committees will integrate the consideration of material environmental sustainability issues, including climate change, into analysis, monitoring processes, and decision making. These were formerly informal responsibilities of each group, respective to its remit, which we felt—due to evolving client demands and regulatory requirements—would be better served by explicitly outlining oversight responsibilities for each respective governing committee.

ALIGNED SUSTAINABILITY & ESG TEAM RESOURCES

- To better support business needs, we assigned individuals responsible for covering public and private assets to our Sustainability & ESG teams to provide the teams with greater understanding of the nuances of each approach. The teams include:
  - Marios Halloumis: Senior Director of ESG Integration for Public Assets
  - Sean Allen: Stewardship
  - Elizabeth Cooper: Head of Social Impact & Corporate Giving
  - Tanya Vutz: Corporate Sustainability
  - Amadea Bentheim: Director of ESG Integration for Private Assets
  - Emily Cowper: ESG Integration and Stewardship
- Expanded the remit of the Stewardship & Engagement role to be equally focused on client-facing stewardship and supporting investment teams on investment-level stewardship.

REFLECTING ON OUR PROGRESS

Barings continuously seeks to reassess our resourcing and governance structure to ensure we are effectively and efficiently assessing sustainability-related issues. We have coordinated and standardized our approach to ESG and stewardship across investment teams and supported investment analysts to undertake strengthened engagement activities.

These actions have helped senior management stay informed on the sustainability-related impacts and opportunities of our business, as well as key regulatory issues, industry trends, and internal adherence to sustainability commitments. This should, in turn, help inform Barings' strategy, budgets, and planning processes and allow stakeholders to be appropriately consulted during the normal course of their business on decisions involving what business units consider sustainability-related issues.

PRINCIPLE 3

Managing Conflicts of Interest

CONTEXT

We remain committed to managing conflicts of interest in a transparent and effective manner to protect the interests of our clients and maintain their trust in us as a steward of their assets.

Our five-pillar operating framework remains the same:

1. **Governance**
   Senior management oversight of investment management and business activities, including conflicts of interest.
2. **Policies**
   A suite of regional and global policies (for example, Aggregation, Code of Ethics) designed to prevent and detect conflicts of interest. Our main policy conflicts of interest and proxy voting policies continue to be available on the firm's website.
3. **Compliance Systems**
   The use of systems to record and monitor employees' personal trading and outside business interests, as well as to automate employees' understanding of key policies and personal attestations.
4. **Annual Review of Conflicts**
   A compliance-led annual review of conflicts with business units to ensure that the record of potential and actual conflicts is comprehensive and reflects current business activities.
5. **Processes and Controls**
   Key controls are: the Conflicts Register, with allocation of risks and controls to a Senior Manager in accordance with their designation under the UK's Senior Managers and Certification Regime; and logs for gifts, entertainment, and the outside business interests of employees. We also are rolling out training, the content of which will vary by region to reflect local differences in regulation.

ACTIVITY—MONITORING POTENTIAL CONFLICTS

We continue to monitor conflicts of interest in four main areas:

1. Voting behavior replicating proxy-advisor recommendations. Here, relevant investment teams have discretion to deviate from recommendations where they deem it to be in clients' best interests.
2. Personal interests overriding client interests. A senior member of the Compliance team is a participant of the Proxy Voting Working Group and is responsible for checking and, where necessary, challenging instances of voting intentions by employees who may hold a personal interest in an issuer.
3. Holding multiple segments of capital structure. Barings has adopted policies, procedures, and information barriers for investment teams to help them deal with conflicts that may arise because our portfolios hold different segments of the same issuer's capital structure.
4. Undue influence in board membership. We continue to take a conflict prevention policy, where we prefer that individuals do not become a board member of a company that is undergoing a restructure. Instead, Barings will act as a board observer, allowing us to continue to be aware of board discussions without being able to influence them unduly. Policies and procedures are in place to ensure any material non-public information is either avoided or handled appropriately.

In last year's report, we outlined specific work that had been completed in relation to ESG-related conflicts for our Private Finance business. Having identified the risks, the Compliance team worked with members of the Investment team to design controls and document all relevant information on the Conflicts Register. In line with our governance structure, the first line retains responsibility for the controls associated with the potential conflicts as they relate to the use of ESG- and Sustainability-linked Loans.

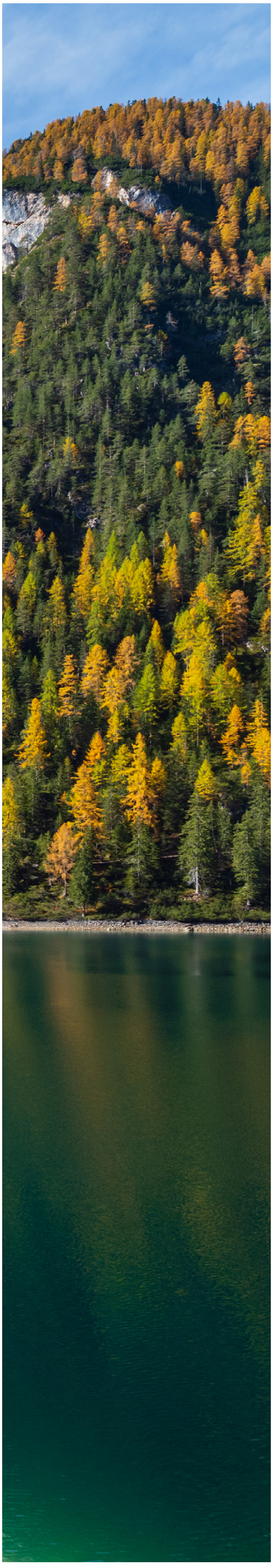
While there were no significant enforcement actions taken by regulators against asset managers for conflicts failures in 2023, our Compliance team identified a finding in the FCA's Thematic Review of Authorized Fund Managers' Assessment of Value. The FCA observed that there was a potential conflict between the duties of the directors of an Authorized Fund Manager to safeguard the interests of fund investors and the interests of an investment management group (which typically undertakes discretionary portfolio management under a delegation) to maintain revenues through management fees.

The FCA's finding was reviewed as part of a broader gap analysis of the Thematic Review and presented to the board of directors of Barings' Authorized Fund Management entity for discussion. The board concluded there were sufficient safeguards in place, such as the presence of Independent Non-Executive Directors and access to information from or requesting further analysis from Barings, so as not to preclude the directors from having full oversight of the Assessment of Value framework in a manner that ensured that investors' interests were being fully considered.

During 2024, we plan to replace a legacy personal trading system. The new system has been selected because it is highly flexible, configurable, and intuitive. Some of the enhanced features of the new system will provide a larger number of global broker feeds, which will significantly reduce the volume of paper statements our Compliance team receives, and a mobile application giving employees access during travel and time away from their desktops. We also expect the system to reduce the time and resources spent on monitoring conflicts of interest and market abuse, as well as create efficiencies for collating management information and reports.

REFLECTING ON OUR PROGRESS

During the reporting period, we did not encounter any material instances of investment teams being precluded from applying stewardship practices due to conflicts of interest. The transition of ESG-related conflicts from 'discussion and review' to a standardized process reflects our ongoing focus on this important theme. As in previous years, we reviewed material publications from the regulators and plan to implement a new compliance system to better manage the potential conflicts of employees.



PRINCIPLE 4

Identifying & Responding to Market-Wide & Systemic Risks

As many of our clients continue to identify and prioritize systemic risks, we have enhanced our risk management processes.

CONTEXT

RISK MANAGEMENT

Barings' risk management framework continues to identify and respond to market-wide and systemic risks from an operational and investment management perspective.

The Board is accountable for risk and oversight of the risk management process at Barings. Non-executive oversight of the risk management process with respect to standards of integrity, risk management, and internal control is exercised through the Audit Committee of the Board. The Chief Executive Officer and the leadership team, as the principal executive committee, have responsibility for regularly reviewing the firm's key risks. This includes ensuring that their respective business areas in all legal entities are monitoring and reporting relevant risks and controls. The executive committee is also responsible for monitoring individual behaviors and assuring they align with the culture and core values of Barings.

The Chief Administrative Officer has responsibility for the risk and control framework at Barings. Independent oversight, monitoring, and reporting of risks and controls is carried out by the Chief Risk Officer supported by the Risk Management function. Formal governance is provided by a framework of committees focused on the firm's core investment, trading, regulatory/compliance, and operational activities. The risk and governance committees are chaired by senior business leaders and are supported by risk monitoring and oversight responsibilities from the risk team. Individual committee members include various associates from across the firm who provide a multifunctional viewpoint to risk oversight and management.

The first line of defense consists of the business functions themselves and the line managers across investment and operations who take the lead in identifying potential risks and implementing and maintaining mitigating controls. This includes the PSA team, which provides embedded investment analytics and portfolio risk management, which may be accomplished through the production and interpretation of standard risk functionality (e.g., VaR, volatility, tracking error), limits and thresholds monitoring and reporting, and stress testing and ad-hoc analysis.

First-line risk management is supplemented by the control and oversight functions, including Risk Management, Compliance, and Legal, which constitute the second line of defense. The compliance monitoring program reviews the effective operation of relevant key processes against regulatory and client-mandated requirements. Internal Audit provides retrospective, independent assurance over the operation of controls and forms the third line of defense.

1ST LINE

Portfolio Management, Trading, Product, Client Services & Operations

2ND LINE

Risk Management Compliance & Legal

3RD LINE

Internal Audit

RISK GOVERNANCE; COMMITTEES & POLICIES

BARINGS LEADERSHIP TEAM

AUDIT COMMITTEE OF THE BOARD

INVESTMENT RISK

The Investment Risk Management function is conducted by both the Regulatory and Non-Regulatory investment risk teams. The Non-Regulatory Investment Risk Management team at Barings provides oversight of such areas as the market, liquidity, leverage, and valuation components of investment risk. While managing investment risk is primarily the responsibility of our portfolio managers, the investment risk function provides independent oversight in line with industry best practices to meet client and regulatory expectations. Independent oversight is undertaken by the Investment Risk function through ongoing monitoring of agreed upon internally established fund and portfolio-level risk limits, including stress tests, as well as review of performance outliers. The attributes monitored by investment risk tend to be more quantitative across public market groups while the nature of attributes across our private groups are more qualitative in nature. In addition, the investment risk team assesses the impact of market and macro events on the asset classes we manage. Significant findings from our oversight and monitoring process are brought to and discussed by the Barings' Investment Risk Committee, which is chaired by our Chief Risk Officer and includes our asset class investment team leaders.

ORGANIZATIONAL RISK

Emerging risks and changes to Barings' existing risks are identified throughout the year during the normal course of business; they are reviewed and discussed at the relevant risk committees. Complementary risk appetite measures are tracked against pre-approved thresholds and the results are reported to the Global Organizational Risk Committee. Each quarter, the risk owners report whether the risk measure is above or below the tolerance threshold. Any measure exceeding its tolerance threshold requires the risk owner to provide additional information, including a mitigation plan. Organizational Risk monitors the threshold values and follows up as necessary to ensure mitigation plans are implemented. Organizational Risk is also involved in the incident management process. Identified incidents are investigated, their root cause determined, and corrective action as part of a remediation plan is implemented to minimize the risk of recurrence. This includes ensuring escalation and reporting of the event to senior management, relevant control functions and governance committees. (See Principle 5 for information on the incorporation of Sustainability & ESG into this process.)

SUSTAINABILITY & ESG TEAM AND SUSTAINABILITY WORKING GROUPS

To ensure stewardship considerations are integrated into the business, the Stewardship Working Group, which is composed of representatives from Risk, Compliance, Distribution, Barings Economic & Thematic Research, and Investment teams, discuss issues relating to priority topics and preferences received from clients, as well as systemic risks and stewardship strategy. Relevant information is shared between the Reporting & Distribution Working Group, the Stewardship Working Group and the ESG Integration Working Group. This includes how priority ESG topics identified by clients and the addressing of systemic risks are reflected in business unit activities. Projects coordinated by the Sustainability & ESG team feed through these working groups and into the Sustainability Committee to ensure implementation in the wider business.

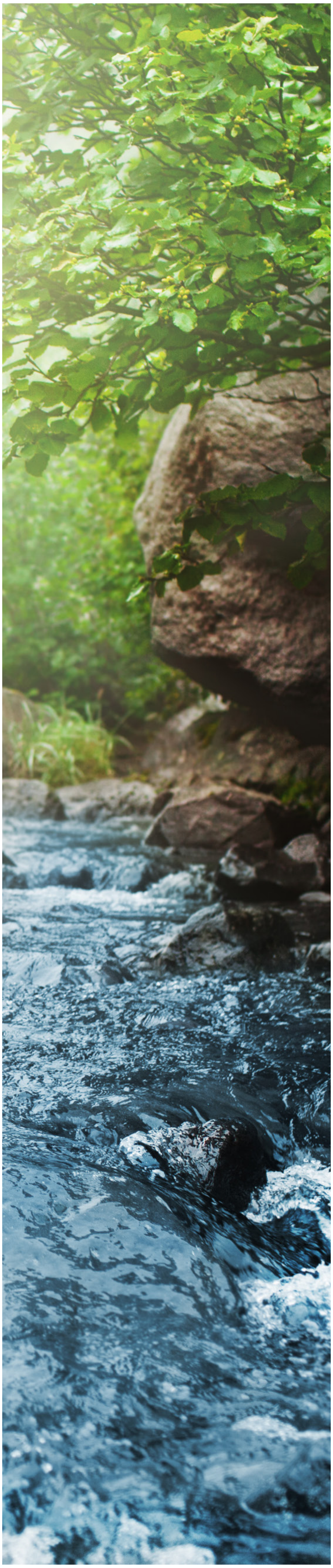
BARINGS ECONOMIC & THEMATIC RESEARCH (BETR) TEAM

Barings' portfolio managers and investment analysts benefit from the expertise of the BETR team to assess key macroeconomic, financial, and geopolitical risks and derive implications for Barings' investment processes and decisions. BETR, a team of economists with experience in the public sector, international financial institutions, and rating agencies, has among its missions the identification of relevant short- and longer-term risks for the economic outlook.

As well as producing core documents analyzing the global economic drivers of markets, BETR members meet with Barings investment teams to discuss proprietary research, which helps portfolio managers identify and thus manage key risks to their asset class strategy. Sustainability issues and their implications for financial markets are among the key drivers and risks assessed and analyzed by the BETR team.

The BETR team performs three types of analysis to help achieve this mission:

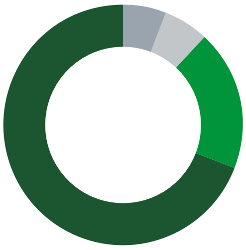
- First, the BETR team strives to identify key short-term risks arising from macroeconomic factors such as misplaced expectations on benign economic developments, misalignment between market prices and macroeconomic fundamentals, and financial instability. The results of this monitoring exercise are presented and discussed with Barings' investment teams.
- Second, the BETR team identifies long-term, systemic trends that present investment risks, as well as opportunities. These include ongoing challenges related to climate transition, population aging, public debt, new technologies, and changes in globalization patterns. By monitoring these trends, the BETR team helps Barings stay ahead of potential risks and identify new investment opportunities. In-depth reports on these topics are published and discussed with investment teams.
- Third, the BETR team undertakes economic research focusing on topics of particular relevance to specific investment teams. Cognizant of the need to tailor economic analysis to the different dimensions of risk relevant for different asset classes (e.g. public vs private assets), the BETR team leverages its expertise to zoom in on these asset-specific topics, helping Barings better understand the economic and market factors that impact their investments. These asset-class-specific analyses help identify macroeconomic and geopolitical risks, aligning with Barings' commitment to stewardship.



ACTIVITY

IDENTIFYING PRIORITY RISKS

As part of the stewardship-focused client survey explained in Principle 6, we asked respondent organizations the extent to which they were prioritizing specific ESG issues.



6% | We do not prioritize ESG issues

6% | We place the same weight on all ESG issues

19% | ESG issues are prioritized by materiality on an individual investment basis

69% | Yes, we prioritize specific ESG issues

A majority of respondents prioritize issues, and from them we gathered the most frequently cited:

1. Climate change (including energy transition)
2. Decent work and economic growth (including labor automation)
3. Biodiversity (including nature loss, deforestation, and sustainable agriculture)
4. Human rights, social inequality, and modern slavery

These findings, alongside the broader set of survey responses, were shared with the Sustainability Committee and the Reporting and Distribution, Stewardship, and ESG Integration Working Groups. The responses have informed the Sustainability & ESG team strategy for 2024.

CLIMATE RISK TASKFORCE

In alignment with the priority topic of climate change, we launched Barings' Climate Risk Taskforce. To support our firm-level approach, the aim of the Taskforce is to oversee the identification and response to climate risks and opportunities (aligned with TCFD recommendations) from both an investment and operational perspective. In partnership with key groups from around the firm, including PSA, Compliance, Reporting & Distribution and Technology, the Taskforce has been involved in the following actions:

- Identifying training needs and knowledge-sharing opportunities around climate risk for both Barings and our parent company, MassMutual, as well as providing ongoing support for MassMutual around their net-zero strategy.
- Defining and assessing firm-level physical and transition risks.
- Contracting a climate modeling service to support top-down scenario analysis.
- Updating risk committee charters to reflect appropriate climate-related responsibilities.

Alongside this we have enhanced the incorporation of climate into our ESG integration approach for our Public Equities and Public Fixed Income Platforms (see Principle 7).

In relation to the topics identified pertaining to biodiversity, decent work, and human rights, we have undertaken the following:

- Ongoing and increased participation in collaborative engagements on the topic of biodiversity (Principle 10).
- Ongoing discussion of the interlink between climate change and human rights in alignment with the principles of the Just Transition as part of our lead investor role with Vale under Climate Action 100+ (Principle 10).

ADDRESSING RISKS & ALIGNING INVESTMENTS

Beyond the risks identified through the stewardship client survey, the following examples demonstrate the use of our first line of defense against market-wide and systemic risks from 2023.

RESPONSE TO CONFLICT IN THE MIDDLE EAST

Since the armed conflict that has been taking place between Israel and Hamas-led Palestine militant groups from October 2023, the Emerging Markets Corporate Debt team has been assessing its possible impact on the portfolios and overall outlook for issuers in the EM universe, particularly in Middle East region. The team explored direct implications for the companies and banks operating in Israel and the wider region by engaging with issuers and getting first-hand views from management teams at gas field operators and banks in Israel, as well as pharmaceutical businesses domiciled in Jordan. Analysis undertaken resulted in the team exiting a position in an Israeli gas field and selling exposures to Israeli banks, where the risks to the assets were perceived to be high.

More broadly, as the conflict widened and Red Sea trade routes became more seriously disrupted, the team focused on analyzing how these logistical developments would impact various sectors of the economy, what the implications for various supply chains would be, and the ultimate impacts on prices and inflation. This analysis is ongoing and involves internal research, and collaborating and sharing relevant information across investment teams within Barings (e.g. with our Global Equities and Sovereign Debt teams), as well as engaging with external experts.

Alongside this, our Public Structured Credit team coordinated with our Global High Yield team to screen portfolios for any exposure to credits that had a footprint in the Middle East that may be affected by an escalation of the conflict. This analysis concluded that there is very limited exposure within associated deals and portfolios.

PERSPECTIVE FROM THE DIVERSIFIED ALTERNATIVE EQUITY (DAE) TEAM ON RESPONDING TO ONGOING INFLATION RISK

In line with efforts undertaken in 2022, the team has continued to engage with all its private equity and real assets sponsors with whom our clients have material holdings or exposure to gauge the vulnerability of underlying portfolio companies and co-investments to rising interest rates and an inflationary environment. This involved engaging with sponsors to quantify the impact of projected interest rate increases for investments with variable-rate debt on their balance sheets to determine if our holdings are well-positioned to withstand the financial impact (profitability and free cash flows) of rising interest rates prompted by actions taken by the U.S. Federal Reserve and global central banks to stem inflation. In addition, the team asked its financial sponsors to determine if our holdings are susceptible to any credit issues due to rising rates, whether our holdings are anticipated to default on any of their covenants with lenders, and if additional equity will be needed to support our investments. We also engaged with sponsors to understand how their underlying investments are responding to inflation through the pricing of their goods and services (i.e. to determine whether those businesses are passing price increases through to their customers or if they are absorbing the costs and exposing themselves to profit margin compression that could pose credit risk). The DAE team then shares findings during quarterly monitoring and valuation meetings to inform the underwriting of new investments.

INVESTING IN TRANSITION FINANCING

The Infrastructure team has invested in assets that support the energy transition and have incentivized emission reductions as part of this through ESG-linked financing (see Principle 12).

ENGAGING WITH POLICYMAKERS & INDUSTRY GROUPS TO PROMOTE SUSTAINABLE FINANCIAL MARKETS

Primarily driven through our Compliance team, Barings participated in the following activities related to sustainable financial markets.

Consultation	Summary
The European Commission's Targeted Consultation on the Sustainable Finance Disclosure Regulation—Compliance	Participated in two trade body working groups which submitted responses to the consultation.
UK Government 'Call for Evidence—U.K. Investment Research review'—Compliance	Provided input into the response prepared by a UK trade association.
FCA Consultation on 'Diversity and Inclusion in the Financial Sector—Compliance	Part of a trade body working group that submitted a response to the FCA.

INDUSTRY PARTICIPATION

To ensure central oversight of Barings' involvement in industry initiatives, the Stewardship Working Group maintains a central list of memberships that are reviewed and approved regularly with the Sustainability Committee. Primary examples from existing memberships include the following:

Initiatives	Commentary
APAC Risk Council Disaster Recovery Institute International Global Association of Risk Professionals Professional's Risk Management International Organization European and North America Risk Council	Involvement in the following forums: Buy Side Risk Management, Operational Business Resiliency, Third-Party Risk Management, Cyber Risk, Operational Resilience, Counterparty Risk, Strategic and Business Risk and Business Continuity Planning.
Investment Company Institute Securities Industry and Financial Markets Association	Industry initiative (non-ESG focused).
European Leveraged Finance Association Loan Markets Association Hong Kong Investment Funds Association (HKIFA) Structured Finance Association Investment Association Australian Securitization Forum (ASF)	Participation in ESG-related working groups or initiatives.
Climate Action 100+ Emerging Markets Investors Alliance FAIRR Investor Forum	Participation in collaborative engagements.
Principles for Responsible Investment	Annual reporting and participation in working group.
Urban Land Institute Greenprint Group (US Equity Real Estate) Global Real Estate Sustainability Benchmark (GRESB)	Member of real estate sustainability industry group, and contributor to the ULI State of Green Annual Report Participate in Annual GRESB Benchmarking for a number of Real Estate funds

In 2023, we joined the following initiatives:

Initiatives & Team	Rationale & Participation
PRI Sustainable Systems Investment Managers Reference Group—Sustainability & ESG Team	Providing views on future plans for PRI and expectations for investment managers. Join quarterly calls and provide feedback as requested.
Impact Disclosure Taskforce—Emerging Markets Sovereign Debt	Representing the sovereign investor voice in an initiative to encourage standardized impact disclosure around the SDGs and other sustainable targets. Feedback has included recommendations for model frameworks, proper wording for sovereign issuers, and general consistency around documentation.

In line with our stewardship priorities for our Global Private Finance team, we participated in ELFA's Private Debt ESG Committee meetings to discuss and share best practice on topics such as:

- Potential solutions to overcome the ESG data gap in private markets (e.g., through the use of an industry-aligned questionnaire).
- Opportunities to educate borrowers and liaise with sponsors.
- Processes on how to show progress to investors.

Alongside our involvement in this committee (including the Retailization of Private Assets Working Group), ELFA participated in a panel at our Global Private Finance Conference in November 2023 on the topic of Sustainability in Private Finance.

REFLECTING ON OUR PROGRESS

Alongside maintaining our bottom-up approach to identifying and managing ESG-related risks (Principle 7), we have continued to develop the identification and management of risks from a top-down perspective. The stewardship survey undertaken (Principle 6) has been key in understanding issues that many of our clients are considering. These findings will be incorporated, where relevant, into our plans to support investment teams as part of their stewardship practices.

The Climate Risk Taskforce has provided direction on our ongoing efforts related to managing climate change risk, and we have made progress in areas related to governance (Principle 2), risk identification, and climate analytics (Principle 7). The purchase of a climate modeling service will allow us to undertake initial firm-level scenario analysis to help us review and prioritize efforts in assessing climate risk across our asset classes. Any key findings from these scenarios will be shared internally, including with the BETR team, with progress communicated in our next climate risk report, which we expect to publish later in the year.

We have remained active in industry working groups and have sought to provide our opinion in relation to the ongoing development of sustainable finance related legislation. As Barings continued to integrate acquired businesses Altis and Gryphon in 2023, the Stewardship Working Group will look to capture and centralize all relevant industry participation across the firm globally.

We shall continue to review our involvement across existing and potential initiatives to ensure our involvement is meaningful, appropriate, and remains aligned to our primary objective of delivering risk-adjusted returns for our clients globally, while satisfying the expectations of our clients. For example, one focus area remains driving improved data disclosure in private markets. There, we will review progress made by ELFA and consultant 9Fin on the streamlined collection of ESG data from borrowers.

PRINCIPLE 5

Ensuring the Effectiveness of Our Activities

CONTEXT

As Barings continues to enhance our stewardship capabilities, we regularly review our processes and policies to ensure they enable effective stewardship.

To further our commitment to transparency, in 2023 we published a comprehensive sustainability report and a climate report made in line with the recommendations of the Task Force on Climate-Related Financial Disclosures. In writing those reports, we spent considerable time developing, documenting, and testing our ESG and stewardship practices.

As signatories to the Principles for Responsible Investments' (PRI) six principles of responsible investment, we support transparency and credibility through the PRI's annual reporting and assessment process. We remain committed to upholding these standards as part of our mandate to maintain a high standard of ESG integration, stewardship, and reporting.

ACTIVITY

EXTERNAL REVIEW OF APPROACH TO ESG & STEWARDSHIP

In 2023, we continued to build on the outcomes of the 2022 external review of Barings' ESG & Stewardship policies and practices. The review aimed to evaluate the effectiveness of our approach and resulted in a rating for each team. It also identified areas for improvement, which steered actions at the investment team and firm levels. In particular, the Sustainability Committee and Sustainability Working Groups used this information to develop actions for improvement which were implemented in early 2023. These include:

Potential Risk	Actions Taken
Policy Finalization	Policy refinement and enhancements • Further developed ESG & Stewardship policies to ensure effectiveness. • Confirmed that policies align to what is occurring in practice currently, rather than aspirational objectives or in-progress developments. • Standardized policy information and format across investment teams to ensure comparable disclosure for clients invested across multiple strategies.
New ESG Regulations	Regulatory readiness for ESG • Evaluated funds to determine the expected disclosure requirements, and identify gaps and assist in developing disclosure data, where required. This includes, but is not limited to, GHG and engagement data for all proposed disclosure requirements. • Evaluated global ESG regulatory regime by jurisdiction to understand existing and expected future ESG regulatory requirements, addressing impacts as necessary.
Operationalization	Implementation and operationalization support • Implemented ongoing review process for ESG and Stewardship-related policies and disclosures. • Provided firmwide ESG training to engage and empower Barings team. • Led to considering new methods to monitor exclusionary criteria across investment teams to ensure effective oversight.
Future Greenwashing Risk	Reviewed policies and commitments to evaluate potential issues • Undertook a review of ESG integration policies and associated disclosures to determine a risk rating and mitigation plan.

IMPLEMENTATION OF INVESTMENT STRATEGY ESG & STEWARDSHIP POLICIES

As ESG investment integration and stewardship practices may differ across asset classes, investment teams have established written ESG Integration and Stewardship policies to govern their individual practices. The policies were updated in line with the above recommendations from the 2022 external review and were finalized in July 2023. Topics covered include:

- Team resources and training pertaining to ESG and stewardship.
- ESG and stewardship data sources and research practices.
- ESG integration into the investment decision-making process.
- ESG scoring methodology.
- Portfolio management and construction.
- Approach to engagement, collaborative engagement, and escalation.
- External reporting.

USE OF POLICIES GOING FORWARD

Since completion, these policies have been sent to clients and prospective clients to help communicate our practices, especially regarding the consistencies in approach to ESG integration and stewardship across teams.

Our Internal Audit team will also use these policies to assure individual investment team ESG processes going forward.

We will continue to review and update these policies to maintain formal processes and procedures related to ESG integration and stewardship. Designated teammates from our Legal and Compliance teams support the review, maintenance, and implementation of these policies in line with ESG regulatory requirements across all jurisdictions in which Barings operates (Principle 2).

BARINGS GLOBAL SUSTAINABILITY & ESG POLICY AND SUSTAINABILITY & ESG FRAMEWORK

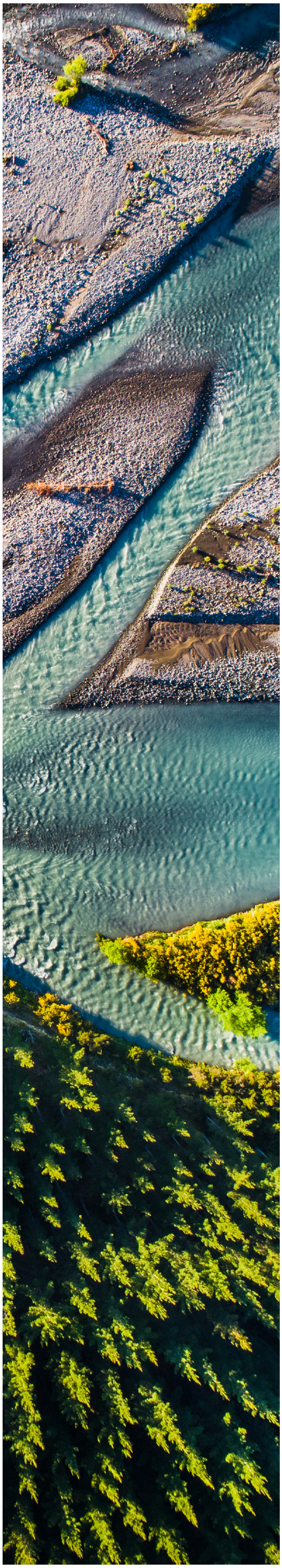
In October 2023, Barings' Global Sustainability & ESG Policy was reviewed and updated to more precisely reflect employee roles and responsibilities regarding ESG and Sustainability. Alongside this policy, to further enhance our disclosures to key stakeholders, we also published our inaugural Barings Sustainability & ESG Framework, which includes greater detail on our approach to ESG investment integration, stewardship, and corporate responsibility. Both documents are publicly available on our website.

Barings' Global Sustainability & ESG Policy is reviewed annually through several channels. It is formally reviewed by our Sustainability & ESG team, our Sustainability Committee, and members of Sustainability Working Groups.

PRI REPORTING ASSESSMENT

The PRI's annual Reporting Framework acts as our primary benchmark for the development and implementation of our ESG integration and stewardship activities. In preparation for 2023 PRI Reporting Assessment, the Sustainability & ESG team worked to implement improvement actions at the firm and investment team level, with the goal of improving our scores.

This included working with our Compliance and Risk teams to strengthen our ongoing monitoring and risk management processes and working with individual investment teams and the PSA ESG team to expand client ESG reporting capabilities across asset classes.



INTERNAL AUDIT

Internal Audit at Barings is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Internal audit activities help an organization accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Barings' Internal Audit function acts independently, and it performs reviews across Barings globally. All functions, including centralized sustainability processes and investment and operational team ESG activities, are subject to Internal Audit oversight. Issues identified across all internal audits are tagged to the Risk Appetite framework.

In 2023, Internal Audit completed certain testing regarding ESG matters.

RISK APPETITE MEASURES

To further strengthen our risk management framework referenced in Principle 4, we formalized the incorporation of a Sustainability & ESG-focused risk appetite statement into the broader framework, which was approved in the fourth quarter of 2023. Monitoring became effective in the first quarter of 2024 on year-end 2023 data. It includes measures across our ESG scoring, engagement recording, operational greenhouse gas emissions, and firmwide sustainability awareness. The measures are monitored by the Sustainability & ESG team and reported to the Organizational Risk committee on a quarterly basis.

REFLECTING ON OUR PROGRESS

We believe that the review and monitoring of our stewardship activities is key to maintaining our accountability and credibility with clients and other stakeholders. We expect that the launch of our Sustainability & ESG risk appetite framework will be a useful tool in centralizing and distributing awareness of scoring and engagement activity across teams. This in turn will help ensure higher coverage and quality of data, which is the basis of information reported to our clients.

With the finalization of the investment strategy-level ESG Integration and Stewardship policies, we established a strong foundation for standardizing the effectiveness of our approach to ESG integration and stewardship. In turn, this supports our internal audit capabilities for maintaining and improving our ESG processes. We plan to review and update policies for each investment strategy annually to maintain formal processes and procedures related to ESG and stewardship.

Our 2023 PRI Assessment Report received industry-leading four- and five-star scores across all eight reported modules. Every investment module outperformed their peer set and we doubled the number of five-star scores from our 2021 Assessment Report.

We did, however, receive one score that was below average in the "confidence-building measures" section. This section examines the robustness of information reported to the PRI and is split into three sub-topics. We were pleased to receive high scores for two of the three sub-topics, but one, Internal Audit, was below average. While we answered the questions in this section based on available data and agreed processes, we have inquired through the appropriate channels to determine the options available to address this issue. Given the work done during 2023 to mature investment teams' ESG and stewardship policies and practices we expect to have different responses for our 2024 PRI submission.

The Sustainability & ESG team will continue to monitor the practices of individual teams through regular meetings and through relevant sustainability working groups. This allows us to identify opportunities for enhancing practices and improving consistency among teams.

Investment Approach

We integrate material ESG risks and opportunities into our investment process and undertake stewardship-related activities in pursuit of maximizing returns for our clients. We do this in line with their time horizons and any preferences stipulated.

PRINCIPLE 6

Taking into Account & Reporting on Our Clients' Needs

CONTEXT

We prioritize steady, sustainable growth of assets, our client base and fund offerings while adhering to our core areas of expertise: public and private investments across fixed income, capital solutions, and real assets. Our clients' assets are managed across a diverse range of asset classes, geographies and client types as indicated below, as we believe in the importance of maintaining a balanced and resilient portfolio that reflects the diversity of our clients' needs and preferences.

$381+ B

Assets Under Management

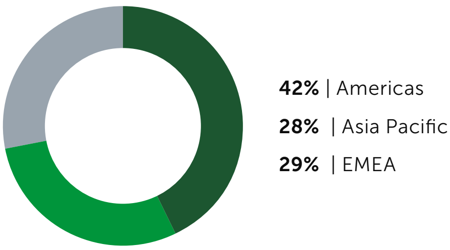
1,200+

External Clients

1,800+

Professionals Globally

EXTERNAL AUM BY REGION*



**Includes third party, external AUM only. Includes third party, external AUM only. All figures are as of December 31, 2023 unless otherwise indicated. Assets shown are denominated in USD. Percentages may not equal 100 due to rounding.*

Barings leverages its **depth and breadth of expertise across** public and private markets to help meet our clients' evolving investment needs.

PUBLIC

$203.7 B

PUBLIC FIXED INCOME[1]

$11.3 B

PUBLIC EQUITIES[2]

PRIVATE

$94.3 B

PRIVATE CREDIT[3]

$6.1 B

PRIVATE EQUITY

$46.4 B

REAL ESTATE[4]

$5.0 B

CAPITAL SOLUTIONS[5]

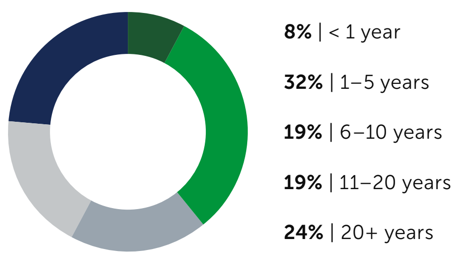
RFP Client Type	Total AUM (U.S. Billions)
Charities/Endowments/Foundations	2,258
Corporate Pension	26,116
Sector Pension Fund	2,076
Financial Intermediaries	22,362
Insurance	197,258
Public Funds	32,957
Sovereign Entity	15,176
Structured/Private Funds	22,727
Wealth	60,705
Grand Total	**381,635**

CONSIDERING INVESTMENT TIME HORIZONS

Given our mix of clients and asset classes, we cater to a range of risk-return profiles and expectations on time horizons. As part of our stewardship-focused client survey explained in this section, we asked several of our clients to identify the time horizons they consider as part of their own stewardship strategy. Their responses demonstrated that many clients consider their own stewardship approach to be a mix of short- and long-term time horizons.

STEWARDSHIP TIME HORIZONS CONSIDERED

clients were able to make multiple selections in this question



1. Excludes the Korean Fixed Income Strategy totaling $3.1 billion in AUM.
2. Excludes the Korean Domestic Equities Strategy and other equities, which has $9.6 billion in AUM.
3. Includes the structured finance assets from Gryphon which was acquired by Barings in 2023 and MassMutual Asset Finance which transitioned to Barings in 2023.
4. Includes affiliated real estate debt assets that are not managed directly by the Real Estate Debt team, including certain CMBS and Residential Mortgage investments. AUM includes Australia real estate assets through Barings' acquisition of Altis.
5. Represents dedicated Capital Solutions accounts and investments made on behalf of Barings BDCs, but does not include assets managed in other cross-platform portfolios.

All figures are as of December 31, 2023 unless otherwise indicated. Assets shown are denominated in USD. The Multi-Asset Strategy is not included on this slide, which has $2.3B in AUM.

While our fundamental investment approach targets a medium- to long-term investment horizon, aiming to provide long-term outperformance, some clients may select our short duration strategies, which may have performance goals with a duration of as little as three months. As such, our ESG integration and stewardship practices endeavor to support value creation across this range of timescales.

MANAGING ASSETS IN LINE WITH CLIENT REQUIREMENTS

We seek to partner with our clients on their range of preferences, including ESG where they are stipulated. Results from our stewardship survey aligned with our broader experience in 2023, where we took part in a number of conversations with clients to discuss the definition and achievement of their stewardship objectives (see case studies in this section.)

SEEKING SUPPORT FROM MANAGERS WITH STEWARDSHIP

25.0% | We proactively ask for partners' input into our stewardship approach and goals

56.25% | We consider input from partners regarding our stewardship approach and goals

12.5% | We would rather develop our approach to stewardship independently

6.25% | We have no formal approach to stewardship and are not looking for support developing one

More broadly, we manage assets in line with clients' ESG-related requirements by:

- Working to incorporate ESG and stewardship requirements along investment objectives and related legal documents, as well as communicating them through our own stewardship policies and activities. These requirements may include exclusions of specific industries and investments, a tailored engagement approach, and adherence to their own policies;
- Monitoring portfolios to ensure alignment with client investment objectives; and
- Collaborating with clients to create funds that are tailored to their objectives and policies. We also offer segregated mandates, which have client-directed exclusion lists; custom ESG targets, such as a targeted absolute portfolio carbon footprint; and custom engagement requirements based on specific criteria. Where custom exclusion lists are applied to mandates, the Barings' Guideline Monitoring team incorporates them into their oversight and uses a third-party database to support screening where required. We also work with clients to explain differences in methodology or data between service providers to help them in their selection of exclusions or targets (see example in Activity section below.)

Oversight of client preferences is generally steered by regular meetings between the Distribution and Sustainability & ESG teams. Alongside this, the Sustainability & ESG team is alerted to client meetings undertaken by the Distribution team where ESG considerations have been a key topic. These items are discussed as necessary via automated reports from our client experience management platform. Any overarching trends on client preferences are discussed during Sustainability Committee meetings, and a key focus of the Sustainability & ESG team throughout 2023 was providing more data-driven feedback to support frequently received anecdotal feedback.

Ongoing from 2022, our RFP team also presents to the Reporting & Distribution Working Group on a quarterly basis to summarize any trends identified through tracking questions received.

ACTIVITY

DEEPENING OUR UNDERSTANDING OF OUR CLIENTS' STEWARDSHIP PREFERENCES

As a client-led solutions provider, our aim in 2023 was to capture data-driven evidence to help inform our stewardship practices going forward. We undertook this through two main mechanisms:

- A targeted client survey exploring stewardship preferences; and
- Meetings between clients, investment teams and the Sustainability & ESG team.

STEWARDSHIP SURVEY*

Developed by the Stewardship Working Group and reviewed externally, two question sets were developed (one for institutional investors and one for investment consultants) to ascertain details on preferences related to engagement approaches, product allocation, reporting requirements, and stewardship topics.

A targeted set of clients was invited to take part in the survey, identified with support from our Distribution team to seek strategic insight from organizations representing a range of asset classes.

Results of the client survey were presented to groups, including:

- The Stewardship Working Group
- The ESG Integration Working Group
- The Reporting & Distribution Working Group
- The Sustainability Committee

Subsequently, the Sustainability & ESG team undertook a strategy session to incorporate the findings into objective planning for 2024.

CLIENT MEETINGS

Alongside the stewardship survey, the Sustainability & ESG team worked with the Distribution team and a range of investment teams to determine opportunities for stewardship preferences to be discussed in more detail between client representatives and Barings' stewardship lead.

Key insights from the survey and these meetings have been included throughout this report.

FINDINGS FROM RFP

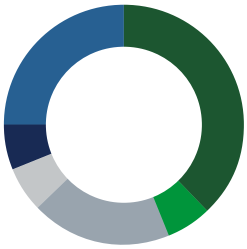
Through tracking ESG questions received in RFP requests over 2023, we found that the main ESG topics clients asked about in RFPs broadly aligned with our survey findings. Climate change and net-zero targets, biodiversity and nature, human rights and labor rights were among the most frequently asked about ESG topics throughout the year. Clients also showed high interest in our engagement processes and increasingly enquired about methods, priorities, outcomes, and examples of engagements undertaken by our investment teams.

*Please note based on survey participation, the following regional charities received donations from Barings Social Impact:
Europe—St Mungo's
U.S.—Roof Above
APAC—Junior Achievement

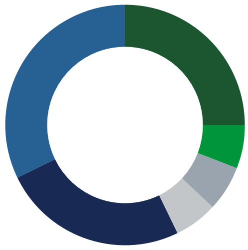
WORKING WITH CLIENTS ON THEIR NET ZERO PREFERENCES

Findings from our stewardship survey demonstrated an expected increased allocation to products aligned with net zero in the next three years.

INVESTMENTS CURRENTLY IN PURSUIT OF OR ALIGNED WITH ACHIEVING NET ZERO BY 2050



INVESTMENTS IN THREE YEARS' TIME IN PURSUIT OF OR ALIGNED WITH ACHIEVING NET ZERO BY 2050



CONTINUING TO SUPPORT OUR PARENT, MASSMUTUAL

Client request: In spring of 2021, MassMutual announced net-zero initiatives for their operations (by 2030) and for their investment portfolio (by 2050). Since then, Barings has continued to work with MassMutual to research already defined net-zero frameworks by the Net-Zero Asset Owner Alliance, SBTi, and PCAF concentrating on alignment with MassMutual's portfolio goals for carbon reduction and feasibility from an investment management perspective. MassMutual decided not to commit to any already defined net-zero framework but to create its own based on where credible data, methodologies, and transition pathways exist.

What we did: Barings continued to help assess data vendors that would be able to provide data aligned with MassMutual's net-zero journey throughout the year. Barings expanded current client reporting to MassMutual to include a dedicated analysis for ESG, providing breakdowns for internal scoring, case studies for engagements, highlights for darker green or higher impact exposures, and carbon profiles of the public corporate portfolios, which included views on carbon-intensive sectors through time.

Outcome: In 2023, MassMutual decided on its third-party vendors for data and disclosed interim targets for commercial mortgage loans and public corporate power and energy portfolios.

PERSPECTIVE FROM GLOBAL HIGH YIELD

What we did: During 2023, our Global High Yield, PSA and Sustainability & ESG teams engaged with several clients to discuss the concept of a Global High Yield Bond Climate Strategy. We discussed a climate investment framework that would invest in a diversified portfolio of high yield issuers that provide a lower carbon footprint than the market, supported by an active approach to portfolio decarbonization with a proactive engagement strategy at the issuer level to encourage and support a climate transition and to address climate-related risks and opportunities.

Outcome: We incorporated feedback from clients, including in relation to their reporting preferences, and have utilized the basis of the framework to develop two separately managed account strategies for clients in the last quarter of 2023.

PERSPECTIVE FROM GLOBAL PRIVATE FINANCE

What we did: In Q3 2023, our GPF and Sustainability & ESG teams engaged a strategic European client to discuss how Barings could support their net-zero commitment as part of their allocation to this asset class. The client stipulated that against predetermined thresholds for low, medium and high emitters of Scope 1 and 2 emissions, high emitters should be avoided where practical.

Given the nature of the asset class and the lack of bottom-up carbon data, we discussed with the client, as well as our primary data provider, the option to use estimations as a basis for the categorization of emitters. We also discussed the aim for estimation data to be replaced over time, facilitated by our ESG data questionnaire (see Principle 7). Following this, we presented an initial analysis of the carbon profile of comparable portfolios, to indicate the likely proportion of emitters across the predetermined categories. While the analysis showed that the vast majority of issuers would not be considered high emitters, and in some cases estimation data can be significantly higher than actual data, we suggested a range of potential mechanisms that could be used for identifying and managing carbon emissions, including:

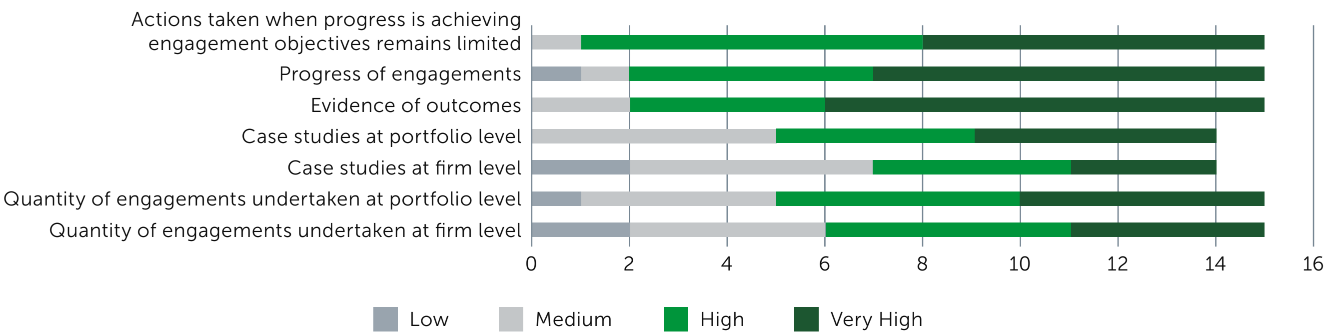
- Across the portfolio, considering use of margin ratchets to encourage bottom-up collection of carbon data to replace use of estimation over time;
- For existing borrowers categorized as high emitters, targeting engagement on carbon emissions on a more frequent basis, e.g. at least once every six months;
- For new borrowers potentially categorized as high emitters, using pre-deal diligence (e.g. appropriate industry estimates and proprietary internal data points) and more stringent loan documentation if the deal is to be considered (i.e. including a credible decarbonization strategy and requirement to report on carbon emissions annually); and
- For existing and new borrowers categorized as medium emitters, using engagement and Sustainability-Linked Loan features to encourage tracking, reporting and reduction of carbon emissions over time.

Outcome: The client was pleased with our suggested approach and appreciated the partnership to navigate the identification and management of carbon emissions within the portfolio. The client also signed off on our proposed ESG reporting framework to show progress on carbon data collection and stewardship activity across the portfolio.

PREPARING FOR ENHANCED REPORTING CAPABILITIES

As we prepare to launch our new technology platform in 2024 (as referenced in Principle 1), we finalized the prototype of our new engagement recording tool and leveraged our stewardship survey to glean an understanding of our clients' preferred reporting requirements related to engagements, as shown below.

IMPORTANCE OF ENGAGEMENT REPORTING ELEMENTS



Given the strong evidence for more granular data demonstrating progress and outcomes of engagements, we developed our enhanced engagement platform to allow for the following functionality to be able to be reported at the firm, investment platform, and portfolio levels:

- Setting of specific engagement objectives with progress toward these being met over time;
- Inclusion of any relevant KPIs and milestones;
- Tracking of supporting interactions, including any activity that is escalated; and
- Conclusion of whether an engagement objective was met at end of the engagement in the delivery of the desired outcome or not.

REFLECTING ON OUR PROGRESS

Our enhanced focus on gaining a deeper understanding of our clients' preferences, both through the survey and through one-to-one conversations, has been a key input in the development of our stewardship approach going forward. Among the key takeaways:

- Most clients responded that stewardship is a two-way conversation, and they value manager input.
- Climate change and biodiversity, human rights and decent work, and tangible progress toward net-zero are frequently prioritized ESG topics.
- Investors are already allocating to net-zero products, and further growth is expected.
- Against a backdrop of expected updated regulation, the vast majority of respondents want to see evidence of outcomes in reporting.
- Both investors and consultants want to see more detailed engagement data.

We will continue to proactively engage with our clients to understand their unique preferences alongside their investment objectives and endeavor that these remain met through ongoing dialogue. We also plan to expand our survey to provide comparable data-driven feedback to ensure our strategy remains aligned with our clients' objectives. We will consider expanding the survey topics covered and the number of clients we reach out to in the latter half of 2024.

As captured in Principle 4, we have seen a number of our clients are prioritizing ESG issues as part of their own stewardship strategies, which we have reflected in our plans to support the prioritisation of engagements for a number of our investment teams.

Alongside the development of a High Yield climate strategy and increased client interest and allocation to net-zero products, our survey findings also showed 81% of respondents expect to increase allocation to products targeting ESG outcomes more broadly than net zero in the coming three years, although 38% were unsure what percentage of AUM this was likely to be. We will continue to work with clients to understand how preferences in this space are likely to evolve and continue to partner with them and investment teams to develop solutions to support these preferences.

As our new technology platforms are expected to go live in 2024, we will liaise with our investment teams using the engagement recording system as well as with clients to ensure that our engagement recording remains effective and fit for purpose and will consider iterative improvements going forward.

PRINCIPLE 7

Integrating ESG Considerations Into Our Investment Process

CONTEXT

At Barings, we are committed to integrating ESG-related analysis into our investment processes across all our asset classes as part of our goal to maximize investment returns for our clients. Our approach is founded on the belief that minimizing ESG risks and unlocking ESG opportunities help us achieve risk-adjusted returns for our clients in line with their time horizons (Principle 6). Our investment professionals possess industry and sector expertise that enables them to identify the material ESG risks and opportunities relevant to each of the investments they cover as part of their broader investment analysis. Our professionals have access to training on ESG integration and use third-party ESG data and research to support their work on ESG where appropriate. In our experience, this expertise makes them best placed to undertake ESG integration directly on the issuers they cover. We believe that ESG investment analysis, focusing on material ESG information, enhances our investment process as it helps identify relevant risks and opportunities for our investments. The Sustainability & ESG team provides subject-matter expertise, training, frameworks, policies and procedures, and additional resources to support investment analysts' analysis of these material ESG considerations.

Many of our clients align with our approach to prioritizing material ESG issues. Where clients stipulate additional preferences on ESG issues, we integrate our bottom-up approach with client input, where possible. Where it is not possible, such as a pre-existing co-mingled offering, we discuss alternatives such as a separately managed account with the aim of delivering on client objectives. As highlighted in Principles 4 and 6, an ongoing focus on risks and opportunities from climate change has resulted in climate analysis process enhancements, as described in the Activity section below.

Our investment professionals consider a full range of ESG issues as part of their materiality assessment. Such topics are informed by external frameworks such as ISSB, UN Global Compact and other reporting frameworks such as the PRI and TCFD. They include:

ENVIRONMENTAL

EMISSIONS/ENVIRONMENTAL IMPACT & CLIMATE CHANGE

ENERGY

NATURAL CAPITAL

PRODUCT LIFESTYLE/ SUPPLY CHAIN

SOCIAL

LABOR (EMPLOYEES & SUPPLY CHAIN)

CONSUMER/SOCIETY

COMMUNITIES

GOVERNANCE

BOARD

STRATEGY & APPROACH

TRANSPARENCY

LEGAL

We typically score our investments on ESG issues from one (excellent) to five (unfavorable) using Barings' proprietary ESG rating system across our investment teams. Where possible, this score captures both the current state of ESG performance as well as the ESG outlook for an investment, which rates the momentum of the entity's ESG efforts as Improving, Stable or Deteriorating.

Our Public Equities team has a proprietary standardized ESG assessment framework to evaluate the ESG dynamics of current and potential portfolio companies. This assessment is dynamic and forward looking and has an impact on both the valuation of the investment and the qualitative assessment of the company. The ESG topics above are considered and aligned to the following three categories as part of the assessment framework:

- sustainability of the business model (franchise)
- corporate governance credibility (management)
- hidden risks—including environmental and social (balance sheet)

As part of this analysis, a maximum of two percentage points can be adjusted to the Cost of Equity (CoE) to account for the impact internalized carbon costs can have on company earnings depending on the sector and jurisdiction. As these are actual cash costs, this adjustment is in addition to the maximum two percentage points, which the Public Equities investment professionals can add to the CoE if the company is facing unfavorable ESG dynamics. The CoE is the minimum rate of return required by equity investors for committed capital, and the Barings Public Equities teams use this to value a company.

Depending on the asset class and region (as indicated through the examples below), inputs to ESG scoring and analysis may be based on information sourced from third-party data providers, or directly from interactions with the issuer or other stakeholders. Given ESG data challenges pertaining to accuracy, methodology, comparability, and coverage, our own fundamental, qualitative, and quantitative (where appropriate) analysis and research holds more importance in the investment process than third-party input. We believe that long-term knowledge of our investments and sectors, as well as access to issuer management and financial sponsors, provide a superior level of analysis and a more robust methodology than relying on third-party data sources alone.

CONSIDERATIONS ACROSS ASSET CLASSES

As articulated through our investment team case studies in this section, the nature of our ESG integration processes can vary depending on the asset class and/or region of the investment. These considerations include:

- For emerging issuers that are privately or government-owned, third-party ESG data may be limited and they may not be subject to stock exchange listing requirements. In such cases, we pay particular attention to governance and disclosure factors such as board composition, independent directors, auditors, related-party transactions and financial disclosures. We determine the materiality of the specific factors based on the nature and location of operations.
- Our Public Equities and Public Fixed Income teams often have access to senior management and/or financial sponsors through scheduled meetings and presentations. Analysts interact directly with issuers to discuss material company developments, including ESG issues. This is considered an integral part of either the credit risk or cost of equity-analysis process.
- The ESG integration process for private assets is most focused on the pre-investment due diligence stage to identify where red flags may result in investment decline, as compared with ESG risks and opportunities that can be managed either through formal agreements or ongoing monitoring.
- For Real Estate Equity, ESG analysis starts at initial pre-screening. ESG risks (particularly climate-related) are identified, and mitigation strategies are assessed where required. Once acquired, monitoring/managing risks continues with an emphasis on physical and transitional risk. This, together with the identified ESG opportunities and implementation plan, form a strategic ESGG asset management plan.
- For Structured Credit (CLO debt and equity tranches), ESG analysis focuses on the underlying CLO manager's approach, as well as an examination of the underlying collateral providing the cash flows to the CLO tranches. For Securitized Credit, ESG risk factors applicable to the originator/servicer, collateral/loan pool and structure/third parties are assessed.
- For Global Sovereigns, ESG integration involves consideration of public policy developments that are influenced by different government entities. Sovereign ESG analysis is more fundamental in nature, based on policy implementation, development outcomes, and government effectiveness. Rather than taking a standardized approach to integration, analysis is focused on material risks and policy orientation unique to each country's geography, history, and economic reality. Interactions with government officials as well as multilaterals and other third-party entities are key to informing the ESG integration process.

ACTIVITY

ENHANCING OUR CLIMATE ANALYTICS FOR PUBLIC PORTFOLIOS

Through our ongoing dialogue with our primary data provider (Principle 8), the PSA team has enhanced our climate analytics for our Public Equities and Public Fixed Income portfolios where data is available. To support portfolio managers' awareness of carbon performance, as well as to supplement client reporting, the following data points have been aggregated comparing the portfolio to the nominated benchmark, including respective data coverage:

- Carbon emissions scope 1, 2 and 3 (including financed emissions, and weighted average carbon intensity)
- Implied Temperature Rise
- Climate Value at Risk scenario analysis covering 1.50° C, 2.0° C and 3.0° C global temperature rise
- Projected decarbonization rate for scope 1 and 2 emissions based on company targets
- Revenue exposures to carbon intensive or renewable activities
- Carbon attribution between sector allocation and security selection
- Carbon contribution by sector

ENHANCING ESG DATA COLLECTION IN PRIVATE MARKETS

The Sustainability & ESG Team, in partnership with several private markets investment teams, has developed an ESG questionnaire based on industry standards and templates similar to those from the PRI (Integrated Disclosure Project) and the ESG Data Convergence Initiative. The intention is to issue the template to all existing borrowers through to 2024 and to new borrowers upon deal closing. When a borrower agrees to a Sustainability Linked Loan or ESG-linked margin ratchet, establishes the Sustainability Performance Targets and corresponding KPIs, and completes the initial ESG questionnaire, the borrower may be eligible for a small discount on the margin with a commitment to completing the questionnaire annually to retain that discount.

During the fourth quarter of 2023, this questionnaire was finalized and sent to a handful of Global Private Finance borrowers in a first pilot of the template. We expect this initiative to enhance the availability of data for our own analysis and support future ESG reporting for both regulators and clients. The questionnaire requests borrowers disclose their scope 1, 2, and 3 emissions to us, and covers the following topics:

- ESG policies and procedures
- Greenhouse gas (GHG) emissions
- Biodiversity
- Workplace safety, UNGC violations, human rights
- Waste production and water consumption
- Board diversity and gender pay gap
- Revenue exposures

DEVELOPMENTS IN REAL ESTATE

In 2023, the Real Estate Equity team created the Real Estate Equity Blueprint and Guiding Principles. This tool is designed to demonstrate the investment team's approach towards sustainability and resilience, highlighting the relevant considerations that are integrated throughout the asset lifecycle and leveraged to maximize risk-adjusted returns. This Blueprint emphasizes mitigating physical and transition risk.

For Real Estate Debt, a Borrower Questionnaire was created in 2023 to begin to engage with existing and potential borrowers on the underlying ESG-related characteristics of the property(ies) in question.

ESG INTEGRATION EXAMPLES FROM INVESTMENT TEAMS

STRUCTURED CREDIT TEAM: TURNDOWN OF CLO TRANCHES, U.S.

In early February 2023, the Barings Structured Credit team suspended the ability to buy any CLO tranches managed by Sculptor Capital Management due to governance concerns. Sculptor had been in the news because one of its founders filed a complaint with the Securities and Exchange Commission on 1/27/2023 in which he accused independent board members comprising the committee exploring the sale of the firm of not being independent. A disagreement ensued for much of 2023 as competing buyout plans for the platform were considered. Ultimately, the founder agreed to support a rival's proposal at the end of October 2023 after the purchase price was boosted. The Barings Structured Credit team conducted a lengthy due diligence call with the CLO management team at Sculptor on November 30, 2023, and in December 2023 assigned the manager an internal governance score of "3 – stable". As a result, the team is more comfortable from an ESG perspective to consider the manager for future investment.

REAL ESTATE EQUITY TEAM: INVESTMENT IN ST GABRIEL'S HALL, U.K.

In July 2023, Barings acquired St Gabriel's Hall, a development site that will offer high-quality, purpose-built student accommodations (PBSA) within walking distance of multiple world-class university facilities in Manchester. The 72,098 sq. ft site will consist of two refurbished buildings and two new buildings. The asset will also offer over 5,000 sq. ft of best-in-class communal amenity spaces, including a gym, co-working space, a games room and an outdoor garden. The development showcases an impressive ESG profile, from both an environmental and social value perspective. It will deliver at minimum an Energy Performance Certificate (EPC) B rating, with new-build elements expected to reach an EPC A rating. The site is also expected to qualify as BREEAM Excellent for the newly built units and BREEAM Very Good for the units that are being refurbished.

The site will be partly powered by an air source heat pump which will produce the hot water, and no gas will be used on site. These features, alongside the site's low carbon footprint and strong transport connections, mark this asset as a sustainability champion among comparable developments in the Manchester PBSA market.

GLOBAL PRIVATE FINANCE—TURNDOWN OF LOGISTICS SOFTWARE PROVIDER, NORWAY

The Barings Private Finance team was approached to finance the acquisition of a cloud-based SaaS logistics management platform for the offshore energy industry. Headquartered in Norway, the company's software connects oil and gas operators to key supply-chain stakeholders (e.g. transport providers, drilling vessels) through a centralized real-time platform, producing cost savings and reductions in CO_2 emissions through more efficient cargo, equipment, and vessel use.

The company exhibited an attractive credit profile, being the global market leader in a niche software segment that caters to a loyal blue-chip customer base. Furthermore, the recurring revenue nature of the business provided high visibility on future revenue, which historically translated into strong cash generation due to the high margin profile of the business.

Despite the strong credit fundamentals, the Barings deal team—in conjunction with the Private Finance ESG Committee—decided to pass on the opportunity, given that (i) software licenses, which are sold per active oil rig, were indirectly linked to oil exploration, and (ii) half the firm's revenue stemmed from high-risk jurisdictions with legal and governance regimes that have in the past been prone to allegations of bribery and corruption, particularly within the O&G sectors.

SECURITIZED CREDIT—LINKING ESG INTEGRATION AND ENGAGEMENT WITH AUTO ABS, NORTH AMERICA

As part of our ESG investment process, we conduct diligence across sectors to identify material risks. The auto industry has faced increasing scrutiny and regulation over its environmental impact and employee relations.

The team liaised with one of the programmatic auto ABS issuers to have periodic updates on their ESG strategy and the progress they are making. In 2023 we met with them during an industry conference, had a site visit at one of their offices, and talked to them during their roadshows for deals. The company is a leading automobile manufacturer in the US and has taken steps to achieve its target of reaching 1 million units of annual EV capacity in North America in 2025, eliminating tailpipe emissions from new U.S. light-duty vehicles by 2035, and achieving carbon neutrality in global products and operations by 2040. From a social perspective, they provide competitive financing terms to help consumers with their automobile purchase. Also, the company leads most global peers in corporate governance and corporate behavior. The company has a relatively high representation of women and minorities in top management positions. Furthermore, the company has board oversight for its ethics and compliance program supported by a dedicated team. These efforts have been recognized with numerous awards including the Dow Jones Sustainability Index (DJSI) and Energy Star. These factors allowed us to assign their deals a favorable E-score, S-score, G-score respectively under our Securitized ESG rating framework.

We track both positive and negative updates and adjust our scoring accordingly. In Q3 2023, the United Auto Workers union struck the firm, resulting in record pay increases for workers. We interacted with the company during the strike to understand the impact on our bond holdings and encouraged a speedy and mutually beneficial resolution to the strike. We view this as positive progress and the disclosures to be timely and proactive. Furthermore, we have also pointed out the importance of getting the company's suppliers and dealerships to increase their focus on ESG topics. We continue to interact with the company to get updates on the progress toward their ESG goals and to improve disclosures to bond investors.

REFLECTING ON OUR PROGRESS

The fundamentals of our ESG integration approach across investments team has remained the same, with a focus on bottom-up identification and prioritization of financially material topics as identified by investment analysts. With the transfer of our previously equities-focused ESG integration resource to our firm-level Sustainability & ESG team, we believe we can continue to scale our efforts across the business.

We have formalized investment team-level ESG policies alongside efforts to transform and consolidate our internal systems to help centralize and monitor investment, ESG integration and engagement-related activity. This aligns with Barings' commitment to stewardship and will strengthen the effectiveness of our analysts to undertake stewardship-related activities and report on this accordingly.

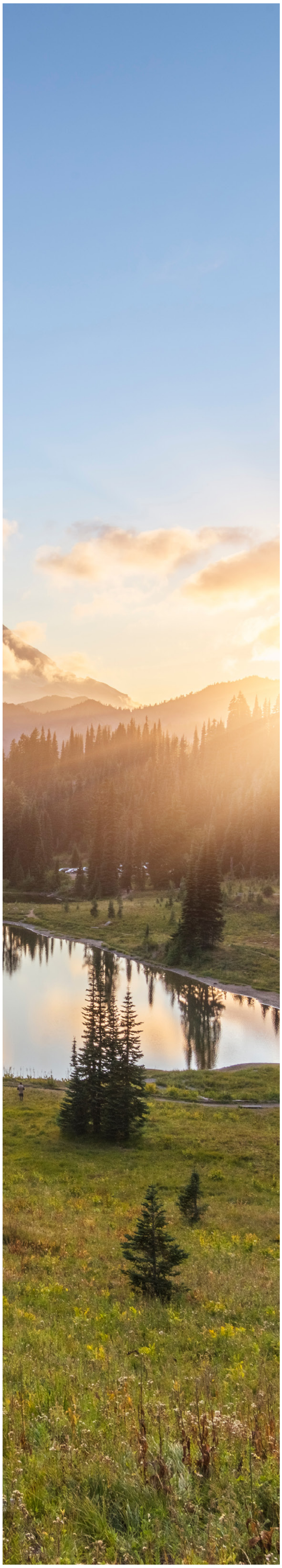
Incorporating findings from our stewardship survey, we have continued the development of our ESG data analysis across asset classes on topics including the decarbonization plans and carbon emissions trajectory of issuers. Where data coverage remains low for certain assets, particularly in loans, emerging markets, and private markets, we will continue to liaise with our service providers as their modeling and datasets are refined.

Enhancing data quality and availability, particularly in private markets, will continue to be a strategic priority for the Sustainability & ESG team. Looking ahead, we intend to expand initiatives such as the ESG questionnaire that was developed for use by the Global Private Finance team. Given the initial success of the 2023 pilot, we plan to develop similar questionnaires based on industry standards and client reporting expectations, specific to other asset classes that Barings invests in including Private Placements and Infrastructure Debt.

These plans have been reflected in the Sustainability & ESG team's 2024 strategic objectives (see section at end of this report, Continuing To Develop Our Stewardship Practices).

PRINCIPLE 8

Monitoring Our Managers & Service Providers



CONTEXT

In order to deliver on our clients' expectations, identifying and working with relevant providers on their services is key. All third-party vendors are governed by our Global Vendor Management policy. This policy covers risk management and monitoring of vendors from onboarding, through service delivery and offboarding. As part of the monitoring process, Global Vendor Management leverages a vendor monitoring solution that assists with the proactive oversight of our critical vendors. Performance reviews are expected to take place at a minimum of annually and any performance-related issues that arise are to be escalated to the Global Vendor Management team to assess the risk and to determine if further corrective action is required.

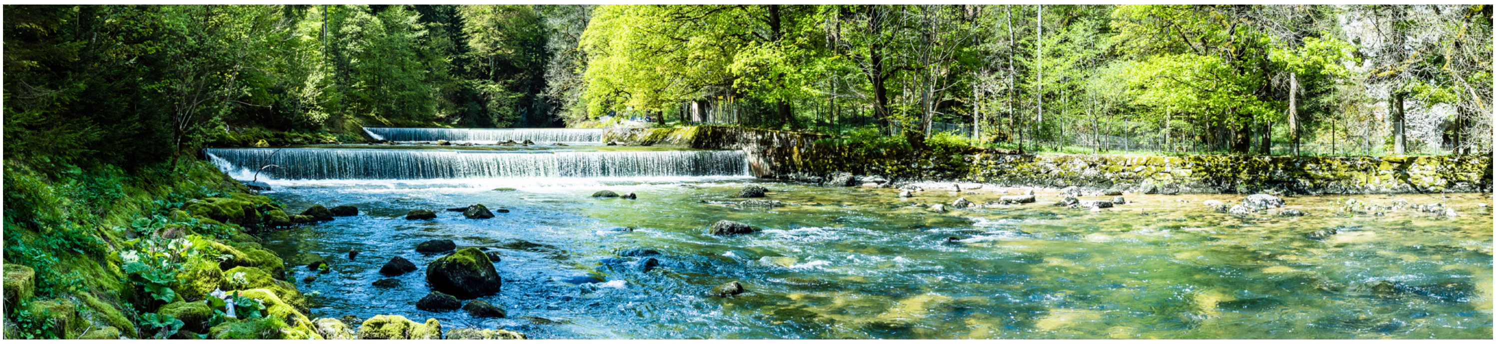
ESG DATA PROVIDERS

To support our ESG integration process as an active manager, our investment teams use relevant ESG data, where available, as part of their assessment of issuers. Vendor ESG data—primarily from two major providers at firm-level—can also help supplement our reporting tools to meet ongoing client and regulatory demand.

While ESG data availability can be high for public issuers, we still experience low third-party data coverage for a number of our issuers, particularly in private markets. While we enable efforts to drive bottom-up data (described below), we continue to recognize that ESG data sets remain less mature than traditional financial or pricing data, which can make them subject to error and discrepancy through methodologies used, especially for estimated data points.

We remain in frequent dialogue with existing and new vendors to discuss priority topics such as climate-related data and scenario analysis alongside ESG data coverage for private assets (see activities below). We also provide feedback on new and emerging tools to encourage methodological and user experience improvements.

We continue to monitor vendor coverage across our investable universe as we seek to understand vendors' plans for increased ESG data coverage across asset classes. In 2023, vendor coverage across our investable universe dropped notably from our second data provider (see Activity section below).



VENDOR COVERAGE— BARINGS INVESTABLE UNIVERSE*

**Combined universe of all issuers in Barings' equity and FI public corporate portfolios and benchmarks*

PROXY PROVIDER

Semi-annual service reviews are conducted using questions provided by procurement vendor management. The service reviews include discussion points on control procedures, changes in leadership, data storage, and any upcoming changes or solutions that may be relevant. With regard to monitoring the accuracy of our proxy service, our teams run several daily checks to ensure all proxy votes are received, submitted, and accepted. Along with our checks, our provider also has comprehensive controls that include a dedicated internal team, Control and Audit. It also partners with departments to help ensure that appropriate levels of control are in place and assess risk within the business units.

Through our conversations in 2023, no issues were identified with the proxy voting services provided; however, we did engage on their stewardship disclosure approach (see activity section below).

ENGAGING WITH EXTERNAL MANAGERS

In the case of indirect investments, such as Structured Credit, our stewardship efforts focus on engagement with CLO managers. Through regular dialogue, we encourage managers to incorporate ESG analysis as part of their underwriting process and subsequently provide associated ESG reporting. This is driven by the request for all CLO managers to complete the LSTA ESG Diligence Questionnaire and provide a copy of the company's ESG policy.

Through our private investments, our GPF team and Diverse Alternative Equity (DAE) team engage with private equity sponsors to understand their approaches to ESG through policies and procedures. Our DAE team assesses financial sponsors on their evaluation of ESG issues, engagement with portfolio companies and fund governance. Our GPF team works closely with sponsors to set portfolio-company level KPIs to steer ESG improvements as part of establishing ESG-linked loan agreements (see examples in Principles 9 & 12).

ACTIVITY

ENGAGING WITH OUR DATA PROVIDERS

- Following conversations in 2022, we liaised with our primary provider on the development of dataflow infrastructure to enable systematic use of a carbon emissions estimation engine for borrowers from our GPF team (as highlighted in Principle 6).
- We arranged another 'Climate Day' training workshop provided to our Sustainability & ESG, PSA and Public Equities and Public Fixed Income teams. This covered areas such as the climate-related regulatory landscape, use of climate-change metrics and targets, methodologies for Implied Temperature Rise (ITR) and Climate Value-at-Risk, and net-zero alignment.
- We sought to understand emerging tools related to the assessment and rating of climate risk for underlying collateral of securitised assets.
- Given the decrease in ESG data coverage from our second data provider identified in our data quality processes, we engaged with the company to flag our observation and to understand any plans to increase coverage. This has been taken into consideration as we consider our use of providers going forward.

LIAISING WITH OUR PROXY PROVIDER

In Q1 2023, we engaged with our proxy provider to understand their plans for ongoing stewardship-related disclosure as their UK Stewardship Code signatory status was revoked. We asked for the expected rationale for an unsuccessful submission and were reassured that ongoing disclosure would be maintained, which was been demonstrated through a successful resubmission in Q3 2023.

STRENGTHENING OUR APPROACH TO ESG-LINKED FINANCING IN PRIVATE FINANCE

Following a selection process in 2022 to identify a service provider specializing in ESG for private markets, we undertook extensive engagement with our preferred provider in the development of a framework agreement. The aim of this was to embed an approach that can support the selection of meaningful sustainability performance targets, appropriate to the borrower, alongside our push for bottom-up ESG data described in Principle 9.

The framework includes:

- Consultancy services on the Sustainability-Linked Loan (SLL) framework
- Second Party Opinions on proposed SLL frameworks
- Verification services on yearly reporting on SLLs

EXPLORING TOP-DOWN CLIMATE SCENARIO ANALYSIS PROVIDERS

Following the launch of the Climate Risk Taskforce (Principle 4), we liaised with several providers to understand services that could support top-down scenario analysis (considering our investments against country and sector) to help identify and determine high-level climate-related risk exposure for investment teams as we consider prioritization of our approach going forward.

SOVEREIGN DEBT CONTINUING TO INFORM INDUSTRY STANDARDS

Barings continued engagement with the JP Morgan ESG index team from 2022 and in 2023 contributed to a change in the index's exclusion methodology. This entailed detailed feedback from investors, including Barings, focused on the need to remove backward-looking and headline-based sovereign ESG ratings providers. The index now has an exclusion methodology that is much more forward-looking and based on deep country knowledge and policy development. As a result, the Barings Emerging Markets Sovereign Debt team considers this engagement successful. We continue to monitor industry-level ESG developments to ensure they meet the unique needs of the sovereign asset class and consider the most material risks and opportunities within it.

STRUCTURED CREDIT MAINTAINING ENGAGEMENT DIALOGUE WITH CLO MANAGER

We highlighted a case study last year whereby we declined to approve a CLO manager (Trimaran) at any part of the capital structure despite positive performance. Our decision was due to the manager's lack of process and consideration around ESG issues, primarily those related to integration and stewardship. In 2023, we checked in with Trimaran periodically to see if they had put a formal process in place so that we could revisit whether they were worthy of approval. Despite our interactions, the manager had not made significant enough progress for us to reconsider investment.

PERSPECTIVE FROM DAE: ENGAGING WITH SPONSORS

In 2023, DAE engaged with a private equity sponsor regarding the sponsor's ongoing inquiry with the U.S. Securities and Exchange Commission about a policies and procedures violation. As part of our ESG monitoring process, the DAE team flagged this item as an ESG consideration. As a result, the DAE team requested monthly updates from the sponsor on the situation through resolution. As an active LP, the DAE team provided feedback to the sponsor on communications timing, conducted a review of the sponsor's policies and procedures to ensure they were satisfactory and received an update from the sponsor on highlighted improvements to the existing policies and procedures. The sponsor has since updated their compliance manual, employee handbook, among other policies and written procedures.

REFLECTING ON OUR PROGRESS

Dialogue with services providers in 2023 was key to our approach in continuing to pursue high-quality ESG data where available, supplementing our investment teams' own analysis. Furthermore, as we made progress on the finalization of our technological transformation for go-live in 2024 (Principle 1), we had extensive dialogue with our existing data providers to ensure that ESG data effectively flow through our new infrastructure. Service providers were also involved in the enhancements made to climate analytics, preparing for firm-level climate scenario analysis, and strengthening our framework for ESG-linked financing in private credit and ESG data collection. We hope this provides a useful step in the encouragement of meaningful and appropriate KPIs for our GPF team.

In 2024, we will continue to review our existing and potentially new providers to ensure that our access to ESG data is efficient, effective, and as reliable as possible. Where data is unavailable, we plan to liaise with providers on the ongoing use of estimation data as a first step, ahead of pursuing bottom-up data from issuers.

Engagement

Engagement is key to our stewardship approach. We typically prefer to engage over exclude as we partner with entities in which we invest to address the material ESG risks and opportunities identified through our ESG integration approach undertaken by our investment teams. We do this in pursuit of maximizing return on our investments in the interest of our clients. We recognize that encouraging better sustainability practices to minimize risks can lead to positive environmental or societal outcomes.

We recognize the PRI's latest definition of engagement[6] that reflects interactions with investment entities (including private issuers and real assets) as well as service providers or non-issuer stakeholders to improve disclosure, improve practice on an ESG factor, or make progress on sustainability outcomes.

PRINCIPLE 9

Engaging with Issuers

CONTEXT

Barings' investment professionals continue to be responsible for undertaking engagement with corporate and sovereign issuers. Depending on the investment team, our investment professionals also liaise with investment managers, consultants, sponsors, tenants, and servicers as part of the engagement process. Our investment analysts also have access to support from the Sustainability & ESG team on individual engagements where assistance is required (see Principle 11 for an example).

Where we engage with industry bodies and regulators as indicated in Principle 4, this is typically undertaken by representatives from our Sustainability or Compliance teams.

Our engagement approach with public corporate and sovereign issuers typically involves the following:

- Engagements are initiated at the discretion of investment analysts based on the selection of material ESG topics, typically identified through the ESG integration process and ongoing monitoring.
- We typically gain access to engage with C-suite level for corporates and senior governmental representatives for sovereign entities.
- Objectives, milestones, likelihood of success, and timelines are established at the start of the engagement; progress against these are recorded in our proprietary system.
- Insights gained through engagements feed back into our fundamental ESG analysis.
- As a signatory to the UN Global Compact, we are guided by its principles, which are incorporated into our engagement activities related to fundamental responsibilities in the areas of human rights, labor, environment, and anti-corruption.
- As part of our firm-level approach, our investment teams have access to join collaborative engagement groups, including those highlighted in Principle 10, when deemed relevant to consolidate efforts and streamline engagement goals.
- Any concerns identified through ongoing monitoring and engagement interactions may lead to escalation (Principle 11).

6. Interactions and dialogue conducted between an investor, or their service provider and a current or potential investee (e.g. company), or a non-issuer stakeholder (e.g. an external investment manager or policy maker) to improve practice on an ESG factor, make progress on sustainability outcomes, or improve public disclosure. In private markets, engagement also refers to investors' dialogue with management teams and/or Board of portfolio companies and/or real assets.

Considerations for our engagement approach with issuers from our other investment teams include the following:

- Dialogue with private companies (e.g., from our GPF and DAE teams) typically involves regular discussion with both the portfolio company and the private equity sponsor on identifying and steering improvements to ESG performance.
- Where equity positions are held in companies or real estate assets outside of the Public Equities team, our stewardship activity can take the form of direct changes to operations or management rather than engaging as a separate entity.
- Through debt positions, including in private companies and real estate, we leverage the agreement on ESG requirements being incorporated into loan documentation as an opportunity to steer engagement (see Principle 12).
- The nature of dialogue can be more focused at the due diligence phase and may involve interacting with other stakeholders such as issuers and servicers of securitized credit, as well as sponsors and consultants for private companies, real estate, and infrastructure.

As indicated in Principle 7, the prioritization of ESG issues is identified bottom-up through our investment analyst's ESG integration process. This typically acts as the source of prioritization of engagement topics. The initiation of engagements is typically prioritized by the materiality of the issue on financial performance or creditworthiness of an investment. It may also be influenced by the likelihood of success and the relative size of the investment, among other matters. The nature of engagement objectives often seeks improved disclosure to further strengthen our ESG analysis, although analysts may also seek to change behavior where this is seen to materially address risk. Engagement objectives may vary depending on the sector, location and size of an issuer. For example, we have found that when engaging with smaller companies, we may focus on prioritizing the disclosure of key environmental metrics that are currently unavailable and partnering with these issuers in understanding the resources required to help support them in providing this information. Conversely, ongoing engagements with larger companies (see examples provided in Principle 10) may focus more on how activities and operations will be planned to fulfill targets disclosed.

ACTIVITY

To further explain our engagement approach across investment teams and geographies in 2023, a variety of case studies have been provided below, as well as in Principles 10 and 11.

PERSPECTIVE FROM GLOBAL PRIVATE FINANCE

The GPF team leverages engagement activity through direct relationship with key stakeholders, including private equity sponsors and issuer management teams. We focus on partnering with reputable private equity sponsors, as they play a critical role in influencing ESG practices, given the control they have over the company. The benefit of these relationships and the private nature of the asset class is that we can stay in constant communication with both the sponsor and the portfolio company management teams. This allows us to closely monitor any potential ESG-related concerns and view the company's controls.

We continue to recognize that the use of loan documentation to include an ESG margin ratchet process acts as an important framework on which to build engagement activity with borrowers (Principle 12). Not only does an ESG margin ratchet benefit issuers to incentivize good ESG behaviors and outcomes, it also acts as a mechanism to specify expected progress to be made over time by monitoring progress against KPIs. We recognize that the establishment of the loan agreement requires ongoing engagement to ensure that these provisions convert at scale into the formalized selection of meaningful KPIs. As of 31 December 2023, the European GPF team has reached agreement with 61 borrowers to incorporate an ESG ratchet in their loan documents (>50% of the full portfolio), of which 15 of those deals have activated KPIs (i.e. ESG-linked or Sustainability-linked loans). This is a net increase of 18 borrowers agreeing to loan documentation and 3 more deals implementing ratchets compared to 2022.

ENGAGING WITH EUROPEAN FINANCIAL DATA PROVIDER ON EMISSIONS

ESG KPIs were set for ESG-linked margin reduction based on the facility agreement in October 2022 and greenhouse gas emissions were deemed an important topic to establish as one of the KPIs.

The ESG KPI that was set was reduction of scope 1 and 2 emissions in line with the Science Based Targets Initiative. If in any financial year the million tonnes (Mts) of CO_2 equivalent emissions during the relevant financial year is below the applicable threshold, then 2.5 basis points per annum will apply with respect to the following financial year. Below, the financial year (FY) thresholds in Mts:

- FY22: 219.2
- FY23: 207.4
- FY24: 195.6
- FY25: 183.8

Scope 1 and 2 emissions were 230 Mts in FY22, exceeding the target of 219.2, and thus not qualifying for the ESG margin reduction, although these emissions were offset to 0 Mts.

Barings last engaged with management in November 2023, with an update expected in early 2024 regarding progress made on emissions. The discussion also is expected to include an update on board diversity figures.

DRIVING DISCLOSURE

As part of our ongoing effort to address the ESG data gap in private markets (see Principle 7), we finalized our ESG questionnaire in Q4 2023 and our GPF team sent it to a handful of borrowers in Europe in a first pilot of the template. As part of this, the questionnaire was sent to a care provider, which responded with a substantial proportion of data points answered in December 2023. The GPF team followed up with the company to request some clarifications and further data points. This resulted in further information being received at the beginning of 2024.

REAL ESTATE DEBT—ENHANCING ESG CREDENTIAL AT THE BREWERY, U.K.

Why we engaged: Barings has invested in the acquisition and renovation of a retail and leisure park in Romford, with the loan being used to improve the ESG credentials of the scheme without ceasing day-to-day operations. This includes retrofitting existing buildings to improve asset EPC ratings and maintaining BREEAM 'Excellent' certification.

Our engagement: Barings has been monitoring the borrower's performance against the established ESG targets on an on-going basis.

Outcome: As of Q4 2023 the borrower has implemented the following programs and remains on track to meet agreed KPIs:

- LED lighting. The project to upgrade all lighting in landlord-controlled areas has been completed;
- EV chargers. A feasibility study has been completed confirming viability to install 24 EV charging stations;
- EPC rating of the assets has been improved, with plans to collaborate with occupiers on further improvements;
- PV Panels and Roof Replacement. Project feasibility has been confirmed and is expected to be completed in a 39-week program.

INVESTMENT GRADE—ESTABLISHING GOVERNANCE CONCERNS WITH PARAMOUNT (PARA)—U.S.

Why we engaged: Despite a stated commitment to retaining its investment grade (IG) rating, PARA faced the possibility of a downgrade in 2023, resulting from the leverage impact of its strategic transformation to direct-to-consumer distribution (i.e. streaming).

Our engagement: We participated in a fixed income investor call with PARA's management team to discuss recent developments in the media industry, as well as to obtain updated thoughts around the company's financial policy and ownership (the Redstone Family Trust holds 77% of PARA's voting stock though NAI). With respect to PARA's capital priorities, management made clear that it is focused on: 1) the transition to profitable streaming; 2) its balance sheet; 3) deleveraging; and 4) maintaining an IG rating.

When pressed on the latter point, the company noted that it has issued equity, sold non-core assets, issued subordinated debt and materially reduced the dividend, all to defend its IG rating. Further, it expects leverage to significantly improve in 2024 with additional asset divestiture proceeds and growth in total company earnings on lower streaming losses.

Management declined to provide an explicit 2024 leverage target, however, which is one area where we would appreciate increased disclosure. As it relates to the current ownership structure and industry consolidation, management would only say that it is very focused on creating value for both shareholders and bondholders, noting that both are focused on similar things at present.

Outcome: As such, governance concerns remain with this name due to the nature of the controlling ownership. Alongside this, Barings continues to review the position held and may consider engaging further with the company or reducing exposure as deemed appropriate.

SOVEREIGN DEBT—ENCOURAGING SUSTAINABILITY-LINKED BOND (SLB) ISSUANCE WITH THE GOVERNMENT OF PARAGUAY

Why we engaged: In November 2023, Barings' analysts continued engagement with the Paraguay authorities that started in Q2 2023, when ESG-oriented analysis led analysts to find Paraguay as a strong contender for a Sustainability-Linked Bond (SLB) issuance.

Our engagement: After discussions with the Inter-American Development Bank and the IMF, the team met with the Debt Management Office (DMO) of Paraguay to discuss its strategy around issuing sustainable debt. After hearing their perspective and understanding capacity limitations, we continued to encourage considering the benefits of issuing Sustainability-Linked Bonds rather than thematic use of proceeds bonds. We also advised the Office on potentially relevant indicators for Paraguay, including fiscal revenue/GDP, reforestation, and reducing informal employment and activity in the economy.

Outcome: Further conversations included advisory around enhancing government capacity and communications among agencies. The EM Sovereign team then connected the DMO with a working group on Sovereign SLBs for further capacity development. Moving forward, the Sovereign Debt team will continue to engage with the Paraguay DMO as it embarks on their journey toward issuing ESG debt. The team plans additional visits to discuss the topic more deeply with officials.

PUBLIC EQUITIES—ENGAGING ON PHYSICAL CLIMATE RISK—PHILIPPINES

Why we engaged: We asked Wilcon Depot, a Philippines furniture retailer, to increase disclosure of the physical risks to its business from climate change and the steps the company is taking to mitigate those risks. Based on our analysis, we recognized that Wilcon's physical assets are situated in areas which may face more frequent or severe weather events such as flooding and extreme heat. The company does not disclose any assessment of its exposure to the physical risks from climate change or the mitigation measures it has introduced.

Our engagement: On this basis of our analysis, we had a one-to-one call with the company's Investor Relations team to request that the company disclose these details.

Outcome: To date, the company has acknowledged our request and is working toward enhancing disclosure in the areas specified. We will continue to monitor progress and will follow up with the company in due course.

FIRM-LEVEL ENGAGEMENT ACTIVITY

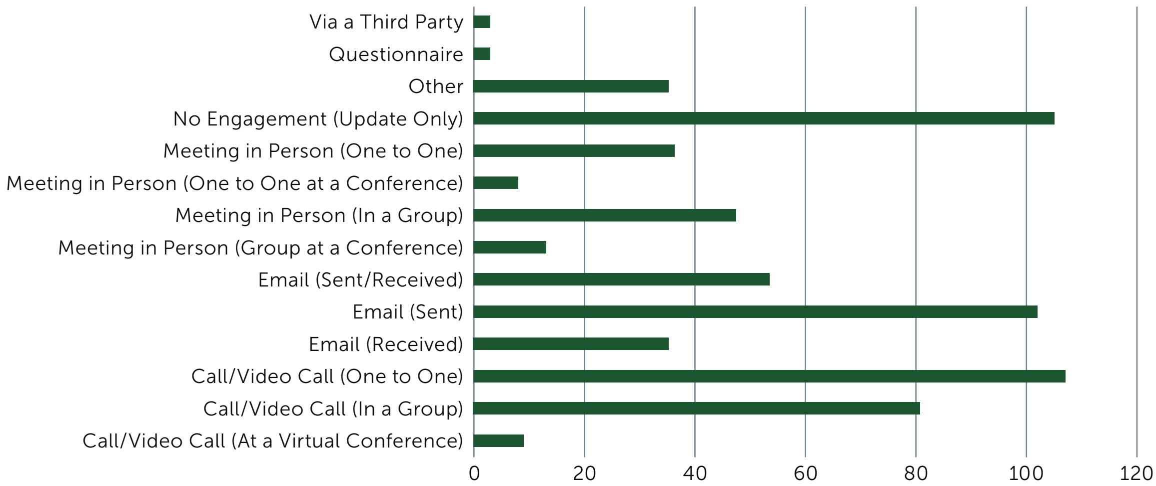
Below is a summary of the engagement activity recorded in our proprietary platform at firm level for 2023.[7] The ESG topics of these engagements can be found on our website.

- 307 engagements initiated with 209 issuers
- 539 engagements initiated or updated with 355 issuers
- 633 interactions or updates made

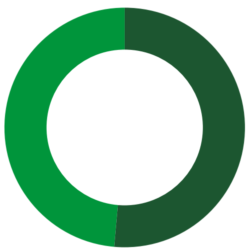
This compares to 760 engagements initiated or updated with 477 issuers in 2022 and 912 engagements initiated with 486 entities in 2021.

7. Firm-level statistics are primarily composed of engagements from our Public Equities and Public Fixed Income investment platforms. Our Global Private Finance and Capital Solutions teams have also recently started to record engagements. Please note that Barings' engagement figures are subject to subsequent updates based on data entered into our proprietary tracking system.

ENGAGEMENT INTERACTION: FORMS OF ENGAGEMENT



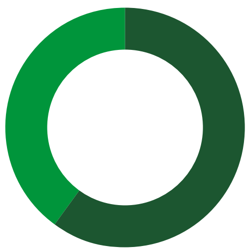
ENGAGEMENTS INITIATED VS UPDATED



51.12% | New Engagements Initiated

47.88% | Pre-existing Engagements Initiated

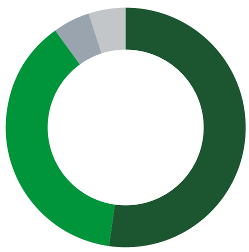
ENGAGEMENTS INITIATED OR UPDATED: ENGAGEMENT OBJECTIVE



60.48% | Improved Disclosure

39.52% | Changed Behavior

ENGAGEMENTS INITIATED OR UPDATED: STATUS



54.92% | Ongoing

34.69% | Closed Successful

5.38% | Discontinued

5.01% | Closed—Unsuccessful

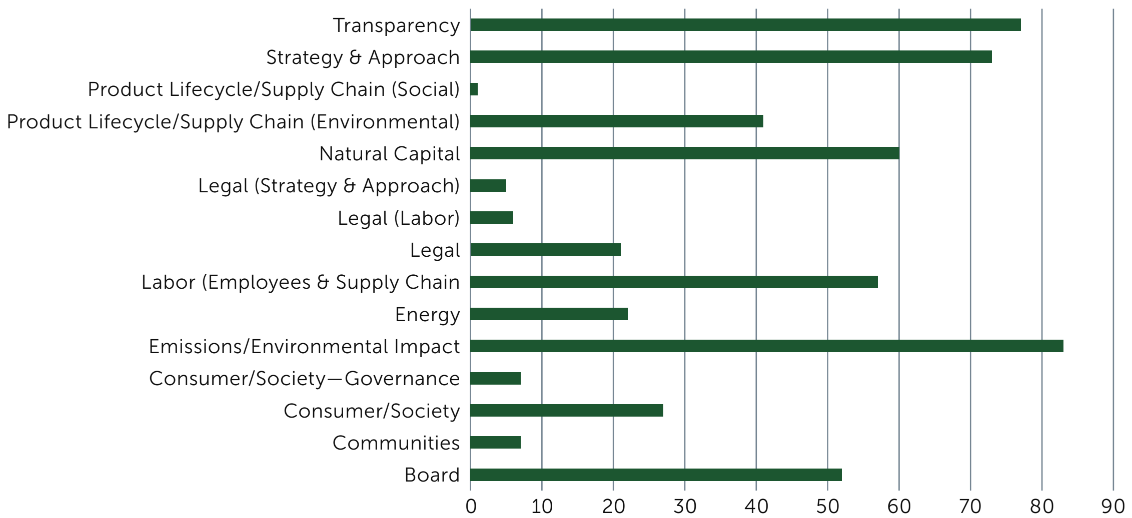
ENGAGEMENTS INITIATED OR UPDATED: CATEGORY

44.71% | Governance

38.22% | Environmental

17.07% | Social

ENGAGEMENTS INITIATED OR UPDATED: TOPIC BREAKDOWN



REFLECTING ON OUR PROGRESS

We recognize that our records of engagement activity have decreased over the last couple of years and have discussed the following as part of the Stewardship Working Group:

- Market conditions in 2023 resulted in increased dialogue with issuers focused more directly on ESG-related research informing investment decision-making rather than pure-play engagement dialogue.
- A challenge remains ensuring that all engagement activity is captured within our recording platform.
- Our Investment Grade team continued to comment that issuers can defer engagement through directing attention to public disclosures and our Global Private Finance team flagged that borrowers can delay interest in ESG-linked financing.

However, alongside the client survey findings (Principle 6) that demonstrated general priority for communicating progress on engagements at portfolio level, we believe that engagement interactions and updates that aim to monitor and evaluate the trajectory of progress can be more valuable than a focus on initiating new engagements.

Going forward, we will consider the following priorities:

- Leveraging our technological transformation (Principle 1) to provide more granular engagement-reporting to our clients.
- Supplementing bottom-up engagement activity undertaken at the discretion of investment analysts with top-down guidance on priority issues identified by our clients.
- Encouraging the collection of bottom-up ESG data where this information has been traditionally unavailable and tracking this activity within our engagement recording where feasible.
- Encouraging the recording of engagement attempts, even where this may be unsuccessful.
- Continuing to offer one-to-one support to analysts across investment teams from the Sustainability & ESG team, to provide guidance on engagement activity.

PRINCIPLE 10

Participating In Collaborative Engagement

CONTEXT

We continue to recognize that participating in collaborative engagements can be an effective stewardship tool to consolidate engagement efforts and streamline investor requests of issuers. However, we recognize the importance for this activity to be appropriate and that those involved should ensure their contributions are active and meaningful. We believe collaborative initiatives should be focused on material ESG topics and constructive as it relates to supporting companies in better disclosure or outcomes related to these material topics. We will only participate in collaborative engagements that remain aligned with this philosophy.

As part of our stewardship survey summarized in Principle 6, we saw the vast majority of respondents valuing at least partial use of collaborative engagement activity:

WHAT IS YOUR PREFERRED METHOD OF ENGAGEMENT?

56% | Prefer a mix of collaborative and individual engagement

31% | Prefer to take part in collaborative engagement where possible

13% | No preference

In 2023, we were part of the following collaborative engagement initiatives:

Initiative Name	Role(s)	Company Sectors
Climate Action 100+	Leading and Collaborating Investor	Diversified mining (lead and collaborator) Oil and gas Chemicals Paper
FAIRR	Collaborating Investor	Aquaculture
Emerging Markets Investors Alliance (EMEA)	Lead and Collaborating Investor	Financial (lead) Agriculture & consumer Mining

ACTIVITY

PERSPECTIVE ON DEFORESTATION

Alongside the results of our stewardship survey, which highlighted our clients' preferences for prioritizing systemic ESG-related topics, including biodiversity, an example has been provided below on the interrelated issue of deforestation.

PROTEIN SECTOR COLLABORATIVE ENGAGEMENT WITH EMIA

Summary

Since 2021, Barings' Emerging Market Corporate Debt team has participated as a collaborating investor in an EMIA initiative, alongside the World Wildlife Fund (WWF), to drive the uptake of WWF's Deforestation and Conversion Free

(DCF) Implementation Toolkit for Financial Institutions (DIFTI). DITFI is adapted from WWF's DCF Implementation Toolkit for Corporates, which to date has guided over 40 companies (meatpackers, soy traders, restaurants, manufacturers and retailers) to develop policies and practices toward deforestation-free supply chains. The tool is currently designed for companies sourcing beef and soy from the South American biomes (Amazon, Cerrado, and Chaco). The long-term objective is to expand the list of companies assessed and to ensure the reports are publicly available. The tool guides companies on how to improve their supply chain management practices and achieve DCF in line with the Accountability Framework Initiative (Afi) standards for ethical supply chains. Furthermore, it helps investors assess the progress of invested companies toward a deforestation-free supply chain.

Rationale

The forest, land, and agriculture sector is at high risk from the impact of climate change, but it also represents nearly one-quarter of global greenhouse gas (GHG) emissions—the largest-emitting sector after energy. Much of this is due to the conversion of forests and other ecosystems to agricultural use. Between 2001 and 2015, just seven agricultural commodities replaced 71.9 million hectares of forest, with cattle, palm oil, and soy as the main drivers for this land use change.

Activity

Under the collaborative initiative, six Brazilian companies (Amaggi, BRF, Marfrig, Minerva, JBS, and Seara) with exposure to deforestation in the Amazon, Cerrado, and Chaco biomes were invited to pilot the DCF implementation toolkit. This entailed sending letters to the target companies, requesting the completion of the implementation plan/questionnaire, and providing supporting documents/evidence. It was explained that the template developed by WWF will serve as a tool for ongoing engagement and tracking progress, with the analysis of their reporting to steer further dialogue.

Key criteria of company assessment included:

- Commitment to traceability of cattle and grain suppliers (direct and indirect) and explicit target dates of 2025 to fully implement policies, aligned with AFi.
- Commitment to zero/no deforestation and no conversion and explicit target dates of 2025 to fully implement policies aligned with AFi.
- Understanding the supply chain more fully, including the number of direct and indirect suppliers, the commercial relevance of each supplier, duration and quality of the relationship (proximity and shared value), and location of suppliers for all biomes.

Outcomes and Next Steps

By the end of phase one, Marfrig, Minerva, and BRF were assessed with assessment reports produced. The companies have agreed to ongoing assessments as they continue to develop an implementation plan in line with the DCF toolkit and we expect that the number of participating companies may increase.

Example observations from Minerva:

- While the company has a commitment to achieve full traceability of cattle suppliers by 2030 for all biomes, as well as achieving zero illegal deforestation, it does not have a zero-deforestation policy for the Amazon. It also does not monitor indirect/tier 3 suppliers in all biomes against its DCF requirements.
- Despite submitting an assessment report and implementation plan, the company had the weakest commitments and plan of those received. Minerva backtracked on its commitments of no deforestation to no illegal deforestation commitments. Going forward, engagement will focus on discussing improvement areas against the framework.

Example observations from BRF:

- The company has a commitment aimed at achieving full traceability of grain suppliers by 2025 for all biomes, as well as achieving no-deforestation and no-conversion for the Amazon, and only illegal deforestation and conversion for Cerrado. BRF monitors some direct suppliers, and some located in all biomes against its DCF requirements to identify non-compliance.
- BRF has improved significantly through this engagement, as the company originally did not have an implementation plan for its deforestation targets. After engagement meetings, the company created a model implementation plan. BRF's plan is the most complete one received to date and the company has incorporated most of WWF's recommendations. Moreover, BRF plans to perform a risk and impact analysis for a no-deforestation and no conversion commitment for Cerrado and following completion, announce a revised zero-conversion commitment for the Cerrado. Alongside a legal deforestation/conversion policy, the company will also be making this plan and their progress for traceability KPIs public as well.

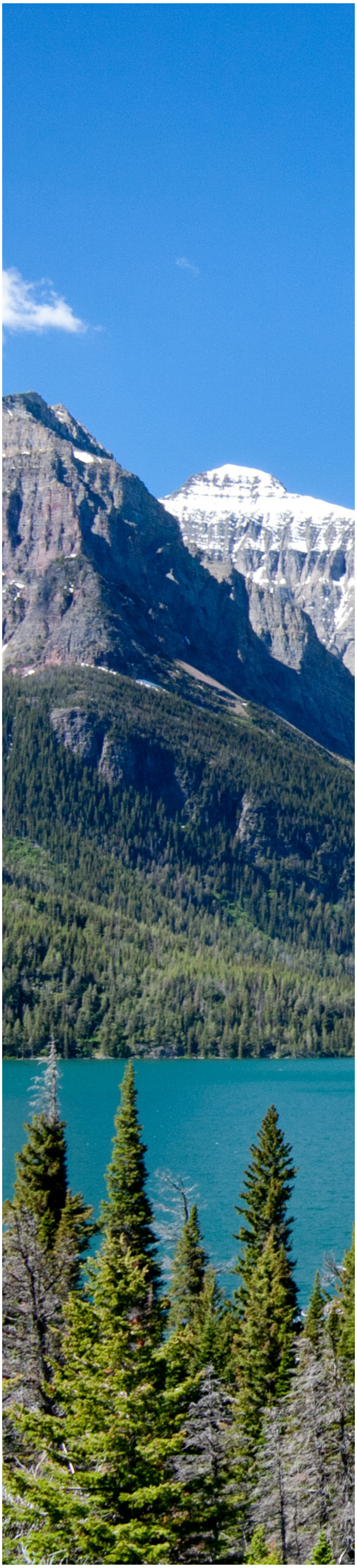
The findings from this engagement have been aggregated by the collaborative group, including commitments tracked by the Afi, and will be the source of ongoing engagement to steer further transparency and actions related to the commitments made. We recognize the enhanced disclosure and commitments made so far support our thesis for continued investment and engagement to encourage further progress.

In phase two of the engagement (2024 to 2025), we await companies' updating their 2022 implementation plans and we expect the process to repeat semi-annually or annually.

Updates on other collaborative engagements

Further examples on our collaborative engagement activity have been provided below.

Initiative, Issuer & Team	Summary
Climate Action 100+, Vale, Public Equities	In 2023, Barings' held a number of in-person and virtual meetings with Vale representatives to discuss their progress on climate-related practices and disclosures. We identified three priority topics for the engagement based on the CA100+ Company Assessment and our own internal research. These topics include Vale's progress towards achieving their stated 2030 and 2050 decarbonization targets, understanding ongoing developments regarding scope 3 emissions measurement and target setting, and making an initial plan to contribute to a Just Transition. **Outcome** Vale has commented on the positive and constructive nature of our dialogue in 2023. We have found that approaching this engagement in partnership with other collaborating investors, the CA100+ team, and Vale representatives has led to greater transparency and synergy between the various stakeholders. We note progress made on Scope 1 and 2 target setting and decarbonization plans as well as efforts undertaken to participate with ICMM and collaborate with customers on the topic of scope 3 emissions and target setting. Moving forward we will continue to look for increased disclosure and progress on the three priority topics. We have communicated with Vale that we will be seeking more transparency around evidence of decarbonization plans against their set targets, details on outcomes from their dialogue with the ICMM and value chain engagement for scope 3 emissions, and their progress on articulating specific project plans for Just Transition.
EMIA, Multiple banks, Emerging Markets Corporate Debt	In 2023, the collaborative group engaged five financial institutions—Standard Bank, Isbank, Bradesco, Itau, and HDFC—about their Scope 3-financed GHG emissions measuring and reporting, net-zero targets and third-party validation, deforestation policies, and sustainable initiatives reporting. The collaborative engagement group facilitated six webinars for members: one about the SBTi framework for Financial institutions, two about Nature and Biodiversity, one about financial funding for net zero, and two about financial inclusion. Most of our webinars included EM issuers. We had ten WG meetings with Standard Bank, Isbank, Bradesco, Itau, and HDFC. Two meetings included policy experts from WWF Brasil and SBTi. We also had three WG meetings to develop a financial inclusion questionnaire. **Outcome** Although there has not been enough time to confirm whether our advocacy campaigns are having a real-world impact, we have seen a change in attitude from issuers who now look to hear more from investors about what is considered best practice and a greater willingness to engage on these topics. Most of the issuers above have informed us about the actions that they have taken, which will be reflected in their Sustainability and TCFD reports in 2024.
FAIRR, BRF, Emerging Markets Corporate Debt	On the topic of managing biodiversity risk from manure of protein producers, Barings co-signed letters in Q4 2022 to BRF that encourages the development of risks assessments to focus on biodiversity risks caused by manure and animal waste created by intensive rearing of livestock (poultry) and to put in place actions plans to mitigate these risks, including exploring circular opportunities. This led to an investor preparation call with FAIRR and a call with BRF in 2023. BRF discussed the process by which it conducts its risk assessment of wastewater and its integrated waste management. This approach includes deploying biodigesters to capture methane and create improved fertilizers from manure to be applied to animal feed, creating a circular nutrient cycle. BRF spoke extensively about its risk assessment process for water and nutrient control, both at pre-farming installation and during farming operations. For water management, this included the use of the "Hydric Vulnerability Tool" to measure the water vulnerability of each of its facilities based on internal and external variables. This tool is customizable to different sites and is based on the CDP and Aqueduct water security tool. BRF also highlighted that, to gain and keep a farming operating license in its home market of Brazil, water and soil quality and nutrient levels must remain within specific boundaries and that deviation from this will result in immediate action to prevent environmental damage. This is used as a baseline for its Turkish and Middle East operations. **Outcome** We are encouraged by the progress BRF has made in identifying its operating sites located near biodiversity hotspots and how its operations may affect those areas. However, BRF has yet to include livestock suppliers in its risk assessment. While the company supports vertically integrated producers in managing animal waste and encourages the use of waste as organic fertilizer, BRF does not disclose manure's full lifecycle, including post-farm processes. Further engagement is planned for the company in 2024 under Phase 2 of the initiative. We plan to ask for the implementation of thorough risk assessments for water quality and biodiversity, for the entire life cycle of manure and animal waste as well as action plans to mitigate any identified risks, including through notions of circularity.



REFLECTING ON OUR PROGRESS

Given the results of our client survey and based on our preference of engagement over exclusion, we undertook collaborative engagement activity in 2023 to align with our overarching stewardship approach as well as considering priority topics identified by some of our clients (see Principle 4).

While most of our engagement activity at firm level is undertaken on an individual basis, as we believe this approach is typically more effective in the pursuit of our specific engagement objectives with issuers, we will continue to review our existing collaborative engagement activity, as well as potential opportunities, with central oversight by our Sustainability & ESG team.

Looking forward, we will continue to evaluate our current and future opportunities to pursue collaborative engagements that remain aligned with our strategic objectives of delivering competitive risk-adjusted returns and alignment with our clients' preferences.

PRINCIPLE 11

Escalating Our Stewardship Activities Where Necessary

CONTEXT

In the pursuit of engagement objectives being achieved, we believe that ongoing informative and open dialogue with issuers should first be prioritized. We recognize the value in partnering with the entities in which we invest to work toward common goals. However, we also recognize that, depending on the asset class and the nature of our investments, stewardship tools are available for us to escalate engagements where objectives are not being met.

Across our Public Equities and Public Fixed Income platforms, escalation can occur when the analyst who launched an engagement deems the issuer to be making insufficient progress toward the initial objective. Within our proprietary ESG scoring and engagement tool, this can be based on the analyst's assessment of the likelihood of success in relation to the target end date of the engagement and the nature of the last interaction recorded. Engagement initiation and subsequent escalation can also occur from ongoing monitoring of, and dialogue with, issuers for any unexpected events and/or controversies. Given our bottom-up approach to the selection of engagements and their topics, the consideration of where to escalate is typically prioritized by the analyst's perception of material risk to the investment and the timescale in which action should take place to address this risk. The process of escalation further depends on local market practice and regulatory options.

Part of the escalation process will usually involve articulating our ESG concerns primarily through private meetings with management teams, as we believe that change is usually facilitated by positive working relationships and respectful exchanges of opinion and information. Escalation is typically led by the analyst with oversight from the relevant investment team head and may involve the Investment Committee, for applicable teams, dependent on the options being considered.

Possible forms of escalation include:

- Issue flagged to the Sustainability & ESG team (which may join engagement efforts or consider broader escalation options available);
- Review of thesis with portfolio management and potential adjustment to portfolio weighting;
- Vote on material issues against management or the board (see Keyence voting example in Principle 12);
- Pursuit of collaborative engagement;
- Removal of the issuer from the approved buy list; and
- Reduction of financial position or divestment.

CONSIDERATIONS ACROSS ASSET CLASSES:

Individual approaches to escalation have been captured where appropriate in our investment teams' ESG integration and stewardship policies, based on the following considerations:

- As debt investors, we can be limited by our lack of ownership to raise ESG issues through proxy voting; however, we typically gain access to issuers' boards to communicate our concerns where engagement is not on track.
- Where ESG clauses have been incorporated into contractual information with an issuer, a breach of the agreement may be considered where these commitments were not met. In such instances, a review meeting may be scheduled. If this meeting is not satisfactory, the terms of the agreement may be subject to subsequent review.
- We also look to collaborate across fixed income and equity teams to identify where investment activity can be leveraged, including pursuing collaborative engagement opportunities where appropriate.
- For our illiquid investments, the due diligence stage plays a crucial role in identifying and escalating any ESG-related concerns before proceeding.
- In private finance, our director positioning or relationship with private equity sponsors can be leveraged to pursue the progression of engagement objectives. The implementation of ESG ratchets against sustainability targets can be an incentive to maintain performance. At this stage, we have generally experienced more constructive dialogue from positively incentivized KPIs rather than the use of penalties; however, we continue to review our position and may consider increased use if deemed appropriate within the market.
- Escalation with sovereign entities can be hindered by an investor's position as a stakeholder versus a country's population; however, we believe that ongoing engagement is key to communicating and pursuing engagement objectives.

PERSPECTIVE FROM OUR CLIENTS

- **Stewardship survey:** As part of our targeted survey (Principle 6), when asked to consider escalation mechanisms for liquid assets, 50% of respondents noted "Escalation should occur after repeated interactions with a company, demonstrating insufficient progress toward an engagement objective." From the perspective of the violation of internationally recognized sustainability norms, nearly 40% of respondents noted "Divestment should occur if, following sufficient amount of time, the company has failed to address violations."
- **Individual client dialogue:** As part of a meeting between a UK local government pension scheme, our Global High Yield team, and the Sustainability & ESG investment team, we discussed the use of escalation tools as part of stewardship. The Head of Responsible Investment commented that they expect engagement activity, including the use of divestment, should take place when relevant to a credit risk, and acknowledged that a failed engagement objective may not result in divestment alone.

Our clients' financial objectives will remain our priority and we will divest, if needed and deemed appropriate, at a time when the financial impact of doing so is not detrimental to our clients' objectives.

Perspective from High Yield: Reducing financial exposure—European Vertically Integrated Digital Car Marketplace Company
Barings held investments in one of Europe's largest vertically integrated digital car marketplace companies. Our investment analysts noticed that inter-company relationships, as well as lack of transparency, were making it difficult to understand the company's reporting. We met with the company's management to request increased transparency, as financial reports included limited information regarding costs and intercompany transactions.

Despite our engagement efforts, the company's reporting quality did not improve, management often refused to disclose certain information, and the sponsor stopped speaking with lenders. In this context, we de-risked our exposure across our funds.

Perspective from Emerging Markets Corporate Debt: Escalating engagement to project sponsor, Alfa Desarrollo, Chile
We engaged with Alfa Desarrollo to improve disclosure and operational information of the company. Alfa Desarrollo is a project finance bond, and information access tends to be very hard to obtain as it is usually sent to the trustee. For a typical investment, we expect more straightforward access to information, ideally conference calls and better access to management. Barings analyst discussed our reporting expectations and requirements with the company's CFO, originally in June 2022.

Without significant progress and visible improvement for over a year, we escalated our concerns to the project sponsor. In October 2023, Barings analysts met the CFO of the Celeo, a shareholder of Alfa Desarollo, conveying improved disclosure requests. We encouraged establishing more formal internal procedures at the project level. We expect this escalation to result in improved disclosure going forward.

Public Equities liaising with the Sustainability & ESG team to support with escalating a priority engagement with Impala Platinum, South Africa

Following an elevator accident in Q4 2023 which led to multiple fatalities in one of Impala Platinum's mine shafts, the Public Equities team collaborated with the Sustainability & ESG team to escalate dialogue with the company as a priority engagement. This involved creating an engagement plan with short-term follow-up plans. We are expecting a first response from the company soon, extending a second update to be provided within the next month, and further details to be provided in the subsequent quarter and beyond.

Following reports of the accident, we contacted the company to establish our engagement objective covering the request of:

- A summary of the immediate responses to impacted families (short term)
- Publishing of the investigation findings, detail the causes of accident, and future plans for improvement (medium term)
- Evidence of sharing the findings with the industry (long term)

The company was prompt to respond, confirming that the impacted shaft remains closed, subject to required repairs and securing approval from the regulator to re-open. In addition, remaining shafts were all proactively stopped by the company and subsequently re-opened with full support from the regulator.

A formal investigation by the regulator was followed by an inquiry into the incident/findings. We expect this process to conclude in six to 24 months. It will be accompanied by multiple independent and coordinated investigations—a formal investigation and inquiry process overseen by the regulator as well as internal and independent-expert investigations commissioned by the company and overseen by the board. Based on this response we believe the company has evidenced a robust response, and we have encouraged the company to make this information public and will continue to monitor for improvement.

REFLECTING ON OUR PROGRESS

While our escalation approaches typically have reflected a public fixed income or public equities perspective, we recognize that for other investment teams in private markets and real estate our director positioning or relationships with private equity sponsors can be leveraged to pursue the progression of engagement objectives.

We also have found that insights from our clients are valuable. We have seen alignment in expectations on the practicalities of escalating engagements and how determining and prioritizing escalation actions are driven by perceived financial materiality.

We believe that effective engagement recording, which highlights where engagement trajectories have been off-track and corresponding efforts to pursue engagement objectives being met, are key inputs as part of client dialogue in the communication and use of escalation tools.

As we continue to engage with borrowers to drive bottom up ESG data collection and identify meaningful KPIs for ESG-linked margin ratchets, we will maintain meaningful dialogue and monitor the progression towards KPIs being achieved to encourage relevant engagement objectives being met.

Exercising Our Rights & Responsibilities

We understand exercising our rights and responsibilities to be an integral part of our investment management responsibilities. We also recognize this as an opportunity to further integrate ESG considerations across public and private asset classes, in pursuit of risk-adjusted returns for our clients.

PRINCIPLE 12

Exercising Our Rights & Responsibilities

CONTEXT

As an investment manager with a majority of assets in fixed income and/or private markets, exercising our rights and responsibilities often takes place without voting rights.

PROXY VOTING

For our equities investments, and where voting rights are available, our process remains as follows.

Our approach to proxy voting is defined in the Barings' Global Proxy Voting Policy. An annual check is carried out on all equity positions to be captured within our proxy voting activity. This policy applies to all our applicable funds and, as such, we have no fund-specific voting policies. However, there are instances where we can apply client policies to segregated mandates instead of our own policy.

We generally vote all client proxies for which we have proxy voting discretion in accordance with the recommendations or guidelines (in absence of a recommendation) of our third-party proxy voting research provider, integrating ESG research. In circumstances where the research provider has not provided a recommendation nor has contemplated an issue within its guidelines, the proxy will be analyzed on a case-by-case basis. To monitor shares and voting rights, Barings employs a third party which is responsible for receiving ballots from our custodians and notifying us of any meetings. Barings also reconciles these ballots with our holding positions, which are also sent to our provider. In addition, we conduct service reviews with our proxy service provider (see Principle 8).

There may be times when it is in the best interests of clients to vote proxies (i) against the research provider's recommendations or (ii) in instances where the research provider has not given a recommendation to vote against the guidelines. Barings can vote, in whole or in part, against the research provider's recommendations or guidelines as it deems appropriate. Examples of our consideration of voting recommendations have been provided below.

While clients are not currently able to directly vote in pooled accounts, clients can elect to do their own voting and/or override Barings' views on specific votes for segregated accounts.

Procedures are designed to ensure that votes against the research provider's recommendations or guidelines are made in the best interests of clients and are not the result of any material conflict of interest. There may also be situations in which Barings will not vote proxies, including, but not limited to, instances where we have outstanding sell orders, where we no longer hold shares at the time of the meeting, or where the cost of voting foreign shares outweighs the potential benefits to the client. It should be noted that none of Barings' investment companies undertake stock lending.

EXERCISING OUR RIGHTS & RESPONSIBILITIES ACROSS ASSET CLASSES

Alongside the use of proxy voting in our Public Equities platform, we consider the following as part of our ability to exercise our rights and responsibilities across a number of investment teams:

- Using ESG-linked margin ratchets, with a particular focus on our GPF team, where these are offered to all new borrowers (see Principle 9 for 2023 figures)
- Using rights held as creditors in syndicated loans or high yield bonds e.g., approving changes to ESG-linked margin ratchets that require majority lender approval
- Leveraging our representation to influence board activity, for example through restructurings

Some examples of these mechanisms have been provided in the activity section below.

ACTIVITY

PUBLIC EQUITIES—ENGAGEMENT AHEAD OF VOTING ON BOARD REMUNERATION, GLANBIA | GLANBIA CFO REMUNERATION PAYMENT

In Q4 2023, the Public Equities and Sustainability & ESG teams held a call with Glanbia on its proposed additional compensation award to the CFO of 1x salary in shares for staying an additional two years to the end of 2025. The chief financial officer had been in post nearly 10 years. The remuneration committee is recommending this award because the CEO was retiring after 10 years and anew CEO was taking over at the start of 2024. The company wanted the CFO to stay on for stability purposes.

The Chair of the Remuneration Committee stated that the retention shares were deemed to be the minimum amount that would act as an incentive for the CFO to stay but will be awarded without any additional metric being achieved as long as he stays in the post for two years. The award will be revoked if he does not stay the full two years. While we questioned the lack of hurdles to be achieved to gain the award, it was commented that the award of shares aligned the CFO's interests with shareholders. The annual incentive award does contain hurdle rates to achieve payment and includes a small weighting related to ESG objectives. The annual incentive award can be significantly larger than this retention bonus.

After engagement and consideration, the Public Equities team is happy to vote through this recommendation as we can see the value of the stability of the CFO position following the appointment of a new CEO. The CFO's compensation is well aligned with shareholder interests and the individual is well regarded by the market. Subsequently, the company has released its annual report which includes the stipulated remuneration plan.

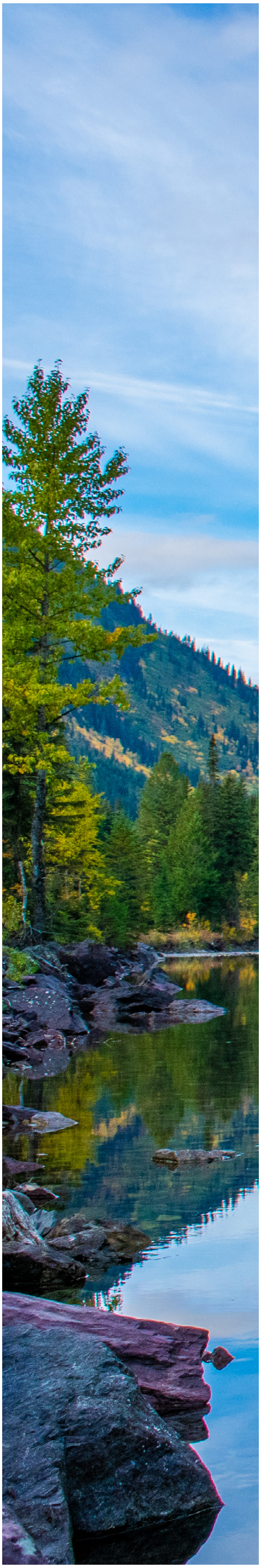
INFRASTRUCTURE—POWER GENERATION PORTFOLIO CASE STUDY—ESG LINKED FINANCING

In Q4 2023, the team provided a loan facility to a major power generation project. The Company owns and operates a diversified mix of 138 power generating assets across 20 countries ling 6.3 gigawatts of nameplate capacity. The portfolio consists of operational wind, solar, hydropower, and conventional generation assets which utilize proven technology and have a consistent history of strong availability in excess of 90%. The Company is owned by a large and experienced financial sponsor which has committed to support the growth of company and its energy transition plan, having recently purchased the portfolio for c.£1.75 billion.

As part of the lending agreement in place, ESG KPI targets have been established relating to reducing carbon intensity. Achievement of these targets will result in a margin discount of more than 15 basis points on an annual basis. The team plans to liaise with the company going forward to monitor progress.

CAPITAL SOLUTIONS—DRIVING BOARD DIVERSITY AT TRAVELEX, FOREIGN EXCHANGE, U.K.

The Travelex Board is currently composed of white males. As the largest shareholder in the business, Barings was able to leverage its position in Q4 2023 to in insist that the board becomes more diverse and that a recruitment plan is put in place. Our view is that increased diversity for a non-executive director (NED) can help provide enhanced board



effectiveness in support of our investment thesis. The company has engaged recruitment consultant Egon Zender with a brief to search for only female candidates for the role of NED. This search is ongoing with first screen of CVs completed. Interviews will commence in Q1 with a view to completing the appointment by the end of March 2024. Initial required action: Hire recruitment consultant.

HIGH YIELD—VOTING AGAINST THE WAIVER OF AN ESG RATCHET IN EUROPE

The High Yield team is part of a lending agreement with a European Provider of mental and physical rehabilitation services which implemented three margin ratchets since 2021 that are triggered on an annual basis by three KPIs being achieved. Two relate to the quality of care and one to greenhouse gas emissions. The greenhouse gas KPI is as follows:

- CO_2 emissions from directly controlled or owned sites as well as greenhouse gas emissions from electricity, steam, heat, and cooling purchased or acquired by the group. The baseline for measurement is group emissions for 2020. Target for 2022 is -10% vs 2020, 2023 is -15% vs 2020, 2024 is -20% vs 2020, and 2025 and beyond is -25% vs 2020 per year.

Following a series of recently completed acquisitions, the company's carbon footprint has increased and communicated it would not be able to meet a reduction of -15% vs. 2020. The company stated that historical information from its acquisitions was limited and given the time needed to rebase the target for increased size, a request was made for lender consent not to test the KPI for the 2023 margin ratchet. Majority consent (66.67% of total commitment) from lenders is required to implement a waiver on KPI 3.

In response to this, Barings' voting recommendation was to vote against the consent request. While an increase in business footprint through acquisitions is understandable, the lack of carbon data—which is considered material ESG information and should be part of due diligence of acquired businesses—is significant. Barings' view was that the waiver would be negative for lenders, seeing a 7.5 basis point decline to margins with no upside from increased disclosure.

GLOBAL PRIVATE FINANCE—ESTABLISHING MEANINGFUL KPIS FOR A SUSTAINABILITY-LINKED LOAN, FRANCE

Headquartered in France, a global provider of regulatory affairs, corporate vigilance, and product compliance consulting and outsourcing services for the pharmaceutical industry, offers end-to-end specialist services across the drug life cycle from product development and pre-market approval to long-term pharmacovigilance and regulatory monitoring support. The company is one of only three players with a global footprint, with direct access to 50 countries and indirect access to the more than 150 countries covered via its network of qualified partners.

As part of refinancing, Barings offered an ESG margin ratchet which was well-received by both the sponsor and management. An agreement to set targets and KPIs within six months after closing was included in the loan documentation. In May 2023, management provided Barings with an initial proposal regarding the ESG issues the Group wanted to address. After further discussions regarding our expectations around setting sustainability performance targets, we agreed a six-month extension of the negotiation period to ensure management had enough time to select the appropriate KPIs with a third-party consultant. Simultaneously, as part of the underwriting of an add-on financing, the loan documentation was amended to align with Barings' Sustainability-Linked loan guidance.

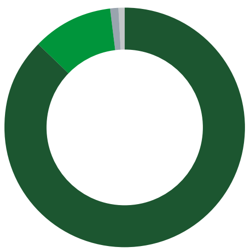
Management appointed an ESG consultant to prepare an initial assessment in line with the LMA guidelines for the definition of three meaningful, quantifiable, and ambitious targets, further reflecting for each of them the benchmark, sustainability performance targets (SPTs), and methodology. We received a revised proposal of SPTs based on the consultants work in October 2023. One of the proposed KPIs was a net promoter score reflecting employee satisfaction, for which the methodology was to be based on an internal survey and which thus would not have been able to be benchmarked. After further discussions with management and the consultant, the KPIs and methodology were amended to align with sustainability-linked loan guidance and agreed. KPIs include carbon emissions reduction targets (Scope 3), increase of gender diversity in senior/managing position across the organization, and achievement of better employee engagement through lower attrition of new hires.

Following recommendations from the consultant and considering the potential materiality of understanding climate-related risk, as well as encouraging a base for board effectiveness, the team determined that these KPIs were appropriate. First reporting is due for FY23, which will activate the ESG target. The consultant will be responsible for calculating and certifying these targets annually.

REAL ESTATE DEBT—PROJECT REMBRANDT, NETHERLANDS

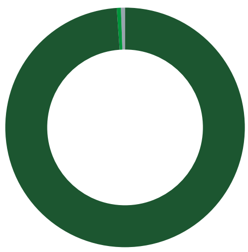
A sustainability-linked loan for the refurbishment of a 24,469 square meter office building offering a 0.05% a year margin step-down following delivery of BREEAM "Excellent" and EPC A rating, subject to third-party verification. The facility agreement clauses have been created in accordance with LMA guidance.

VOTES CAST



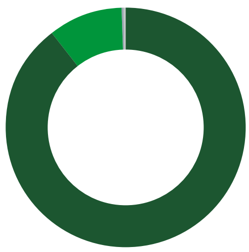
87.46% | For
10.68% | Against
1.21% | Abstain
0.65% | Other

FOR/AGAINST MANAGEMENT RECOMMENDATION



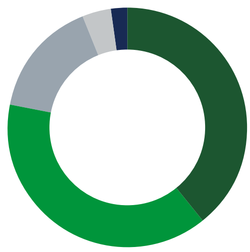
89.64% | For
10.08% | Against
0.27% | No
0.02% | Yes

FOR/AGAINST PROVIDER RECOMMENDATION



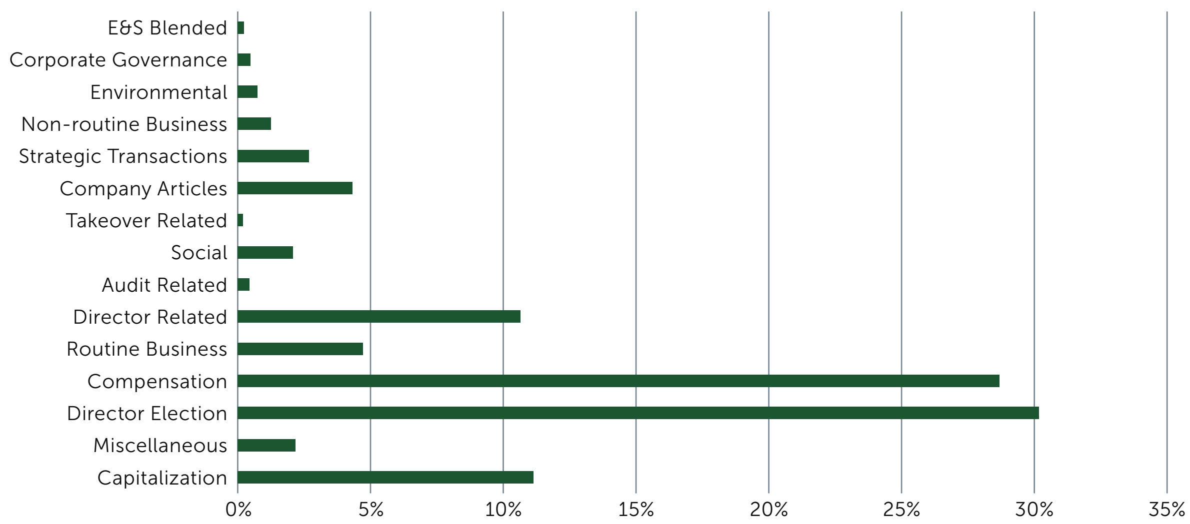
98.95% | For
0.77% | Against
0.28% | No
0.00% | Yes

VOTES BY GEOGRAPHIC REGION



39.24% | Asia Pacific
38.92% | Europe
15.86% | North America
3.80% | Middle East & Africa
2.17% | Central & South Americas

VOTES AGAINST MANAGEMENT BY CATEGORY



Examples of our voting decisions over the past 12 months are provided below.

Meeting Date	Company Name	Proposal	Mgmnt Rec	Provider Rec	Vote	Outcome	Barings Rationale
26 April 2023	Energisa SA	3. Do You Wish to Request Installation of a Fiscal Council, Under the Terms of Article 161 of the Brazilian Corporate Law?	None	Abstain	For	Accepted (% unavailable)	Vote For as having an independent fiscal board is a foundation of good corporate governance.
10 May 2023	TGS ASA	13. Approve Remuneration Statement; Approve Remuneration Policy and Other Terms of Employment for Executive Management	For	Against	For	Accepted (60.66% For)	Vote For as following extensive dialogue with company, the package proposed is in line with peers. There is a good balance between short-, medium- and long-term incentives. There is a positive impression of company management and with the industry's significant upcoming transitions, strong management is imperative.
15 May 2023	Technicolor Creative Studios	29. Amend Article 12 of Bylaws Re: Censors	For	Against	For	Accepted (96.68% For)	Resolution 29 relates to number of board observers ("censors"), to expand the number to a maximum of three. This is in our interest as the largest lender, and ultimately will be the largest shareholder post restructuring, as it will allow us or other large lenders to observe the board. Lastly, we signed an undertaking to vote in favor of these resolutions in relation to the restructuring (Conciliation proceedings) and therefore are required to vote in-favor.
14 June 2023	Keyence	2.2 Elect Director Nakata, Yu	For	For	Against	Accepted (86.61% For)	The proxy provider recommends that we vote to reappoint President/Chairman Nakata, citing 'no particular concerns'. While we think that Nakata has done a good job operationally, we feel that there is too much concentration of power at Keyence and the failure to construct oversight committees with independent majorities contravenes some of the red-line approaches we have used in relation to good governance for Japanese companies.
18 July 2023	Constellation Brands, Inc.	Disclose GHG Emissions Reductions Targets	Against	For	For	Rejected (68.28% Against)	Aligned with the proxy provider, a vote FOR this proposal is warranted, as additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low-carbon economy and climate-change-related risks.

REFLECTING ON OUR PROGRESS

Given our relatively small exposure to Public Equities, we recognize that as a firm, we typically exercise our rights and responsibilities through different mechanisms other than voting, although there are examples where we gain voting rights through other asset classes.

As a lender, we recognize the value that ESG-linked agreements can have in incentivizing borrowers to improve on material disclosure and behavioral change.

The Stewardship Working Group will continue to be a forum for our different investment teams to share how rights and responsibilities are being leveraged across asset classes, which can then also be showcased to clients where appropriate and/or requested.

CONTINUING TO DEVELOP OUR STEWARDSHIP PRACTICES

In 2023, understanding our clients' emerging preferences related to stewardship was key to support the development of our practices going forward. We did this while maintaining our fundamental approach to ESG integration and stewardship activities; alongside enhancing our accountability and oversight processes.

In 2024, our Sustainability & ESG team have developed and communicated strategic objectives to the Sustainability Committee which include the following activities:

- Top-down support on in-demand topics and systemic challenges by incorporating these into our investment integration and stewardship efforts across teams, supported by direct client feedback on preferences;
- Driving the use of high-quality data across all asset classes, and seeking to reduce the gap in ESG data, with a preference to use measured vs estimations over time;
- Leveraging our technology to scale and enhance our ESG reporting; and
- Expanding the understanding of client views.

Barings is a $406+ billion global asset management firm that partners with institutional, insurance, and intermediary clients, and supports leading businesses with flexible financing solutions. The firm, a subsidiary of MassMutual, seeks to deliver excess returns by leveraging its global scale and capabilities across public and private markets in fixed income, real assets and capital solutions.*

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**As of March 31, 2024*

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