



BARINGS

# Sustainability Report

2022-2023

## ABOUT THIS REPORT

*This is Barings' 2023 Sustainability Report summarizing the firm's ESG investment integration, stewardship, corporate sustainability, social impact and DEI initiatives.*

*All data in this report is as of March 31, 2023, unless otherwise noted.*

*For additional information, visit [Barings.com](https://www.barings.com)*

*As of September 30, 2023*



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# A Message from our CEO

As we continue to navigate the emerging challenges the world faces, our core approach over the last year has remained unchanged: we partner with our clients to understand their objectives and use our global platform to create solutions that deliver superior, risk-adjusted returns.

This client-centred approach includes our work on sustainability issues. As a prudent fiduciary, we consider a broad range of factors that could impact performance—and actively engage with clients and investors to create long-term value.

We are committed to continue working with clients, partners, teammates and other stakeholders around sustainability as we advance this important work.



A handwritten signature in dark ink, appearing to read 'M. Freno'.

**MIKE FRENO**

*Chairman & CEO*

# A Message from our Head of Sustainability & ESG

Over the past year, we've faced headwinds in an increasingly complex global landscape. But during this challenging environment, our focus has never wavered: we've remained committed to delivering for our clients through seeking superior risk-adjusted returns. In our experience, the analysis of material environmental, social, and governance (ESG) factors, among other issues, can support in this, all in the pursuit of minimizing risk and maximizing returns for our clients. We will carry on partnering with them on their ESG preferences.

Over the year, our social impact team continued to work together with charity partners and global teammates to serve our communities in a post-pandemic world. In addition, our corporate sustainability activities have continued to go from strength to strength through creating a healthy work environment that reduces our impact on the natural world, and where teammates can thrive.

I'm delighted to present this report and am proud of the steps we have taken over the past year to advance sustainability and ESG at Barings. I look forward to working with teammates across the firm to build upon our work over the coming years.



A handwritten signature in dark ink, appearing to read 'S. Munday'.

**SARAH MUNDAY**

*Head of Sustainability & ESG*

# Our Impact 2022–2023



884

## ENGAGEMENTS INITIATED OR UPDATED

*by our Fixed Income and Public Equities teams with*



30.3 tons

## OF FOOD WASTE & OTHER MATERIAL

*composted in our London office<sup>1</sup>*



540

*entities to encourage improved disclosure or changed behavior across a range of ESG topics*



670+

*teammates volunteered over 5,170 hours<sup>2</sup>*



*Voted in*

2,208

## MEETINGS



40%

*decrease in operational greenhouse gas emissions<sup>3</sup>*



60 tons

## OF CO<sub>2</sub> EMISSIONS

*avoided in the sustainable decommission of our Hartford office, equivalent to growing 1,523 tree seedlings for 10 years*



93%

## OF BARINGS TEAMMATES

*agreed that we treat each other with respect, regardless of gender, race, age, religion or sexual orientation*

1. January 2022–Q2 2023
2. January 2022–August 2023
3. Since our baseline year of 2019



# Firm Overview

Barings is a \$347+ billion global investment manager sourcing differentiated opportunities and building long-term portfolios across public and private fixed income, real estate, and specialist equity markets. With investment professionals based in North America, Europe and Asia Pacific, the firm, a subsidiary of MassMutual, aims to serve its clients, communities and employees, and is committed to sustainable practices and responsible investment.

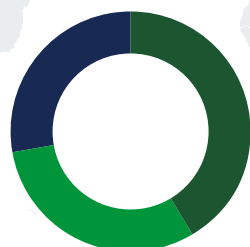
## ABOUT BARINGS

**\$347+ B**  
Assets Under Management

**1,200+**  
External Clients

**1,800+**  
Professionals Globally

## EXTERNAL AUM BY REGION<sup>4</sup>



Americas | 42%  
Asia Pacific | 31%  
EMEA | 28%

# Global Investment Capabilities

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

## PUBLIC

**\$186.8 B**

**PUBLIC FIXED INCOME<sup>5</sup>**

**\$10.9 B**

**PUBLIC EQUITIES<sup>6</sup>**

## PRIVATE

**\$80.4 B**

**PRIVATE CREDIT**

**\$45.7 B**

**REAL ESTATE<sup>7</sup>**

**\$5.9 B**

**PRIVATE EQUITY**

**\$5.0 B**

**CAPITAL SOLUTIONS<sup>8</sup>**

4. Includes third party, external AUM only.

5. Excludes the Korean Fixed Income Strategy totaling \$2.8 billion in AUM.

6. Excludes the Korean Domestic Equities Strategy and other equities, which has \$8.2 billion in AUM.

7. Projected AUM figures. Includes Real Estate Debt Strategy assets that are managed as part of affiliated fixed income portfolios.

8. 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 September 30, 2023

# Sustainability at Barings

In partnership with our clients, communities and colleagues, and by integrating material ESG issues into our investment activities, we strive to create a more sustainable future.



## ESG INTEGRATION

- Our focus is to seek attractive risk-adjusted returns for our clients.
- Our ESG analysis supports this overarching goal by aiming to incorporate those material ESG risks and opportunities that can give us better insight into the investments we make.
- We do not take a one-size-fits-all approach, as we assess risks and opportunities relative to the local norms where our investments operate.



## STEWARDSHIP

- We're committed to creating long-term value for our clients through engagement.
- We believe that partnership and engagement, over exclusion, allows us to consider a fuller investment universe.
- We regularly partner with stakeholders to encourage improved transparency and sustainable practices in pursuit of minimizing risks and maximizing returns for our clients.



## OPERATIONAL SUSTAINABILITY

- We're committed to sustainability and reducing our impact on the environment through our operations.
- Barings' corporate commitment to ESG principles is extensive, and includes Barings being a signatory and reporting progress to the Principles for Responsible Investment (PRI) and the United Nations Global Compact.
- We're seeking to achieve net zero in our global operations by 2030.

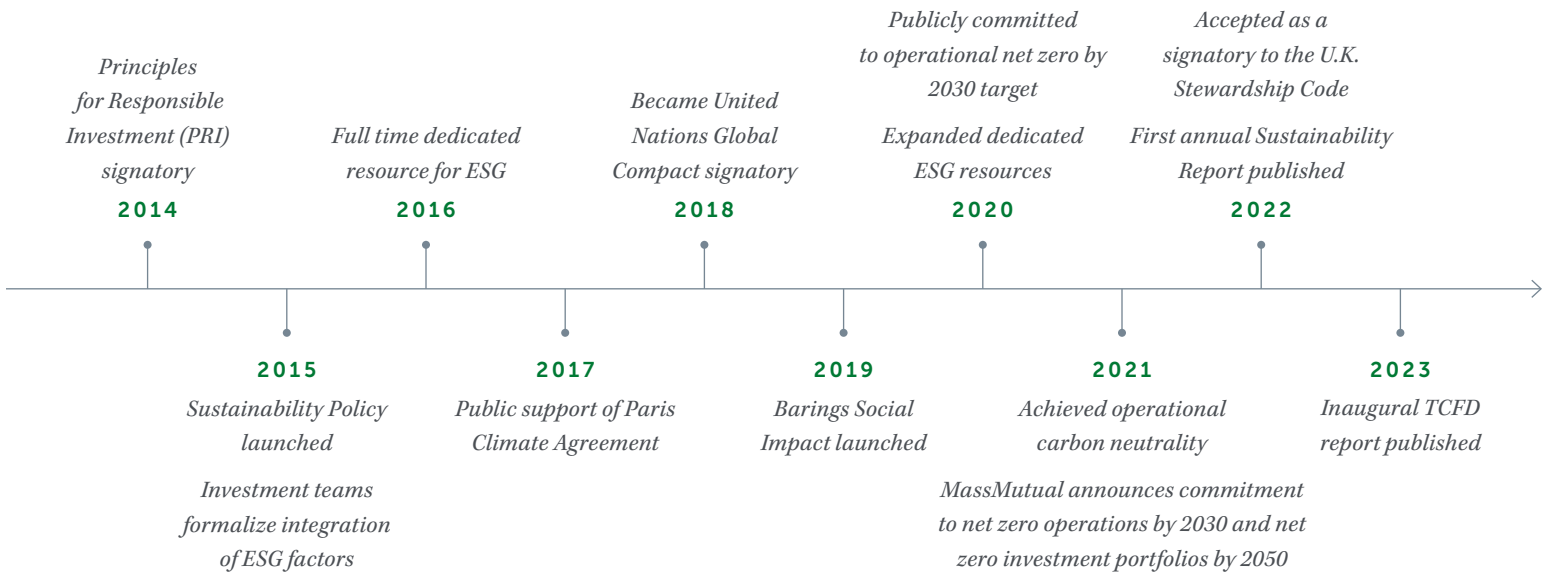


## BARINGS SOCIAL IMPACT

- It's everyone's work to support our local communities and we put the power in our teammates' hands to be the change they want to see. Through our collaborative culture and teamwork, we effect real, lasting change, together.
- Our strategy goes beyond financial giving and builds lasting relationships with our partners and community members—going from a transactional to a transformational approach.
- Our strategic partnerships and civic investments are carefully crafted and executed in partnership with select organizations to ensure we serve as partners, not just a funder.

# OUR COMMITMENT TO SUSTAINABILITY

## OUR SUSTAINABILITY JOURNEY



Barings' commitment to sustainability was formalized in 2014, when we became a signatory of the PRI.

Since 2015, we have defined sustainability commitments and goals, expanded our Sustainability & ESG team and other dedicated resources, and taken concrete steps to formally integrate material ESG topics, alongside other factors, into our investment analysis.

Over the past year, we continued to make progress toward our sustainability commitments and goals, evidenced by the release of our inaugural report aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).


## OUR APPROACH TO CLIMATE CHANGE

We know that phenomena such as droughts, wildfires and floods, along with the rise in temperatures analyzed and forecast by many scientists and agencies, can have widespread consequences on our clients and communities. Natural disasters, many driven by climate change, caused global economic losses of \$313 billion in 2022<sup>9</sup>. These proliferating costs are borne by businesses, governments and individuals, and could create a significant strain on local and global economies.

Against this backdrop, we are building a framework for both our investments and operations to help us identify the potential risks and opportunities created by the changing climate.

In 2020, we announced our ambition to achieve net zero in our global operations by 2030. Since then, we have taken steps to reduce our impact on the environment through our operations.

We integrate material ESG information (which includes climate change data) into our investment process, stewardship, corporate responsibility and partnerships with our clients, where applicable. We believe that doing so not only helps us deliver superior risk-adjusted returns for our clients, but also builds more resilient portfolios, and develops environments where both our teammates, and the communities in which we live and work, can thrive in the long term.

 Find out more about our [climate-related activities](#)

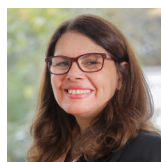
9. Source: Reuters. As of 2023.

# Sustainability Governing Structure

Barings' Sustainability Committee is responsible for oversight of the firm's sustainability strategy, ESG investment integration and stewardship functions, and sustainability policies and commitments.

The Barings Board, Leadership Team and regional leadership teams are regularly updated on our activities related to sustainability.

To ensure that the committee's oversight is comprehensive and inclusive, its members were selected to represent a diverse range of perspectives across asset classes, business units and external stakeholders. Committee members include:



**GHADIR COOPER**

*Managing Director,  
Global Head of Equities*



**PAUL DIOURI**

*Managing Director, Chief Risk Officer*



**BILL DOYLE**

*Assistant General Counsel,  
Legal*



**NEIL GODFREY**

*Managing Director,  
Global Head of Distribution*



**MARTIN HORNE**

*Managing Director, Global Head of Public  
Assets, Head of Barings Europe*



**MELISSA LAGRANT**

*Managing Director,  
Chief Compliance Officer*



**MAUREEN JOYCE**

*Managing Director,  
Real Estate Equity*



**DAVID MIHALICK**

*Managing Director,  
Head of Private Assets*



**SARAH MUNDAY**

*Senior Director,  
Head of Sustainability & ESG (Chair)*



**YIANNIS PAPAS**

*Head of ESG Research and Analytics,  
Portfolio Solutions & Analytics*



**CHARLOTTE PHILLIPS**

*Managing Director,  
Head of Client Experience*



## SUSTAINABILITY WORKING GROUPS

Our six sustainability-focused working groups consist of representatives from across the business and focus on delivering long-term projects steered by the Sustainability Committee. These working groups foster cross-business collaboration to improve communication and consistency, enabling stakeholders from across the business to support our sustainability goals.

### SUSTAINABILITY COMMITTEE



**CORPORATE  
RESPONSIBILITY**



**ESG INVESTMENT  
INTEGRATION**



**REPORTING &  
DISTRIBUTION**



**TECHNOLOGY**



**REGULATORY &  
COMPLIANCE**



**STEWARDSHIP**

## DEDICATED SUSTAINABILITY & ESG RESOURCES

Barings' Sustainability & ESG team is responsible for firm-level sustainability strategy, ESG policies and governance, partnerships, Barings Social Impact and supporting investment teams with ESG integration, research and analytics and reporting.

To further assist investment professionals on ESG integration and engagement activities, Barings has 25+ ESG resources embedded across the firm. These individuals support their broader teams to understand and identify ESG risks and opportunities.

Our ESG and Sustainability, Portfolio Solutions and Analytics, and dedicated ESG resources in investment teams have woven ESG into the individual goals/objectives that they are evaluated on each year. Investment professionals across a number of our investment teams, including Public Equities and Emerging Markets Corporate Debt, have ESG explicitly integrated into their performance development goals relating directly to ESG integration and engagement.

Additionally, each one of our teammates' 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.

Dedicated resources across the firm's operational functions such as Legal, Compliance, Marketing and Communications support the implementation and delivery of our sustainability strategy.

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



# ESG Investment Integration

Seeking Superior Risk-Adjusted Returns For Our Clients

Our goal is to seek superior risk-adjusted returns for our clients. Our analysis supports this by aiming to incorporate material ESG risks and opportunities that can give us better insight into the investments we make, allowing for a more holistic understanding of complex risks.

We also believe in acting as stewards of our clients' capital, which complements our active investment and management approach. Consistent with our investment strategy we engage and vote, where possible, to guide our investments toward sustainable business practices.

We partner with our clients to find the ESG and sustainability solutions that help meet their evolving investment needs. As part of this commitment, we integrate material ESG issues and stewardship into the investment process.



## INTEGRATION

We conduct a thorough analysis of an array of material factors as we aim to maximize returns and manage and mitigate risk. This includes ESG-related risks and opportunities.



## A DYNAMIC, FORWARD-LOOKING APPROACH

We are forward looking and do not exclusively rely on current or historic ESG performance.



## ACTIVE ENGAGEMENT OVER EXCLUSION

We generally prefer to engage over exclude because it allows us to consider a fuller investment universe so potential investment opportunities have the chance to improve their ESG performance alongside their financial performance. Where material and appropriate, we can be part of that dialogue. We also use our ESG integration process to determine if any ESG risks are too significant to invest in.

# BARINGS' APPROACH TO ESG INVESTMENT INTEGRATION

Through investment analysis, including material ESG topics, we seek to understand the factors that influence the financial sustainability of the investments we make.

Barings' investment professionals evaluate ESG information, along with various other potential risks and opportunities that may impact their investments and portfolios, to make informed decisions that align with the relevant clients' investment objectives. Investment professionals are given the flexibility to assess the material ESG risks and opportunities that affect the investments in their remit. Barings investment professionals may supplement their proprietary ESG evaluation with third-party ESG data and research, where coverage allows.

ESG analysis continues through the life of an investment with investment teams monitoring their investments' performance and progress on ESG matters. Experience and the evolution of best practices related to the integration of material ESG considerations are shared through periodic formal and informal internal discussions, as well as through cross-functional working groups that comprise the broader Sustainability & ESG governance structure at Barings. ESG investment representatives, as well as attendees from other teams, are invited to attend an ESG Investment Integration Working Group at least quarterly to share best practice, related projects, challenges and opportunities.

To formalize and document our ESG and sustainability strategy, processes and controls, Barings engaged a third-party consultant to examine how ESG is integrated into investment decision making. We received a series of recommendations to support the effective articulation of ESG-related protocols, which have subsequently been reflected in our [Global Sustainability Policy](#) and overarching [Sustainability & ESG Framework](#).

Outcomes from this project include: improved consistency and comparability of ESG scoring across the Public Fixed income team, the implementation of a baseline scoring process into the ESG scoring methodology, firm-level policy alignment with broader investment team activities, and improved resilience of our ESG practices and process in line with a rapidly changing regulatory landscape.



## SUSTAINABILITY CHAMPION

# Rosemary Simmonds

## INVESTMENT MANAGER, SMALL CAP EQUITIES

I have always been passionate about the value that ESG analysis adds to our understanding of companies, their competitive advantage and the sustainability of their returns. As stewards of our clients' capital, we have always analyzed risks and looked for unrecognized growth or mispriced qualities of companies in which we are looking to invest. It seemed common sense to me that analyzing material ESG issues could not only highlight risks, but also uncover inherent qualities not apparent in traditional financial analysis.

In 2015, with a group of teammates, I collaborated on the development of Barings' first ESG scorecard, which aligned an analysis of ESG issues with our GARP investment approach. This scorecard is informed by external data but is driven by our own analysis of ESG issues where our focus is on direction of travel—whether the businesses are improving in their approach to ESG issues. This helps enhance our assessment of the quality of a company and the appropriate cost of risk that we use to value it. This scorecard and its assessment of ESG issues has been fully embedded into our analysis for every single company in which we invest since 2016.

## ESG RATING METHODOLOGY

Most<sup>10</sup> investment teams calculate proprietary Barings ESG scores for investments, in the majority of cases determining both an ESG Current State score and an ESG Outlook score. Where possible, the ESG Current State score captures current ESG performance and ranges from one (excellent) to five (unfavorable), and the ESG Outlook score captures the momentum of the entity's ESG efforts as Improving, Stable or Deteriorating.

Depending on the investment strategy, ESG scoring and analysis may be based on information sourced by third-party data providers, peer research or directly from interactions with the company or other stakeholders. We believe that long-term knowledge of portfolio companies and sectors, as well as access to management and financial sponsors, provides a superior level of analysis and a more robust methodology than relying on third-party data sources alone.

10. Barings Public Equities team processes vary



## BARINGS ESG SCORES

**Static:** Each score addresses a moment in time

**Comparable:** Used across asset classes

**Aggregation:** Weightings for each pillar may be set or adjusted by investment professionals



## BARINGS ESG OUTLOOK SCORES

**Forward-looking:** Complements static ESG score with a focus on trajectory

**Consistent:** Used across asset classes

**Momentum:** Capitalizes on the potential for an entity to change over time, supported by engagement



## ESG ISSUES

Our investment professionals consider a full range of ESG issues as part of their materiality assessment. Topics are informed by external frameworks such as SASB, UN Global Compact and other reporting frameworks such as the PRI and TCFD. They can include but are not limited to:



### 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*



## SUSTAINABILITY CHAMPION

# Lori Mabardi

### SENIOR DIRECTOR, REAL ESTATE EQUITY

Being stewards of capital in the real estate space comes with the responsibility of managing risk. Maximizing risk-adjusted returns means integrating carbon-consciousness into what we do, hardening our assets against a changing climate, creating healthy spaces for occupants, all the while embracing data, technology, and innovation along the way. This approach is designed to future proof our assets and investments on behalf of our clients, while creating a legacy of quality assets in the communities in which we invest.



## CASE STUDY

# Creating & Preserving Value on a Grade A Space

We believe that integrating ESG issues into our real estate approach presents an opportunity to both preserve and create long-term value. This has been our approach with Capital House, a Grade A office and retail accommodation in the City of London. [Watch more](#)



## CASE STUDY

# Integrating Sustainability Initiatives at a Multifamily Community

The Triangle in downtown Redmond, WA is home to 195 units of sleek, boutique hotel-inspired interiors. Barings integrated several sustainability initiatives to the asset. It is LEED Gold certified, emphasizing energy efficiency and air quality. Biophilic design is emphasized with natural wood floors and lots of natural light. A state-of-the-art fitness center, including a climbing wall, as well as a rooftop social area, provide a healthy space for tenants and guests.

In order to accommodate a changing climate, all southwest units were outfitted with air conditioning, something that was new in the area at the time of development. While the asset currently has a lower transit score of 55 today, it should jump in 2025 when the light rail stop is completed within walking distance, encouraging transit-oriented development. The asset boasts a walk score of 95 given the vibrant neighborhood.

## ENGAGEMENT

Barings' investment professionals are 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.

Engagement topics with individual issuers generally tend to be on longer-term issues that may impact our investments, however, we may also engage reactively and on shorter-term risks on a case-by-case basis. The topics for engagement can vary and are related to material issues identified and overall engagement objectives are designed to seek to improve disclosure or change behavior of the issuer. Other factors that may influence prioritization include the perceived chance of success, the size of our potential investments, and the nature of existing transparency on a topic.



## CASE STUDY

# Engaging With An Issuer On Transparency & Disclosure

Barings manages an investment in a global private higher education provider and student recruitment company. Barings' investment committee previously declined to invest in the issuer on ESG grounds in 2015 and 2017 due to concerns around quality of accreditations/regulatory compliance and reporting quality. Barings subsequently invested following resolution of the accreditation issues (all institutions are now in compliance with regulatory requirements) and expansion of the role of academic NEDs on their institutional level boards. This included splitting financial and academic management to ensure improved reporting and academic standards. The issuer had also invested in the finance function with several senior appointments including a Group Financial Controller and Head of Group Reporting.

Management recently informed the investor syndicate that they would be seeking a waiver to delay delivery of audited accounts due to a balance sheet booking issue at one of its subsidiaries that had been identified as part of a more rigorous process by new auditor PwC. Before consenting to the waiver, Barings undertook a successful disclosure engagement to confirm a clean audit opinion on the rest of the group and written confirmation from PwC that the issues were not related to any fraudulent activity. The company also confirmed the appointment of Deloitte, to provide additional resource to review and resolve any reporting issues at the subsidiary. Barings subsequently received clean audited accounts from the group and remains comfortable holding its investment in the issuer.

## ESCALATION

Based on our analysts' relationship with and understanding of our investments, we believe that engaging in dialogue should be the initial approach for pursuing engagement objectives. Where this is seen to be ineffective, we may consider the following forms of escalation:

- Review thesis with portfolio managers and potentially adjust portfolio weighting
- Pursue collaborative engagement
- Vote on material issues against management or the board
- Divest

Across our asset classes, we consider our options to act meaningfully 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' senior management to communicate our concerns where engagements are not on track.
- 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.
- In private finance, our director positioning or relationship with private equity sponsors can be leveraged to pursue the progression of engagement objectives.
- 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 pursue engagement objectives.



## EXCLUSION

Our preference has always been to engage with our investments, rather than pursue an exclusionary approach. We will not, however, directly invest in companies or knowingly hold securities issued by companies that are materially involved in the production, stockpiling and use of cluster munitions, anti-personnel mines and chemical and biological weapons at the time of investment.

The Barings Guideline Monitoring team (or Korea Compliance team for Korean investments) is responsible for monitoring Sustainability & ESG exclusions/restrictions/thresholds.



### SUSTAINABILITY CHAMPION

## April Gagnon

**DIRECTOR, EUROPEAN PRIVATE FINANCE**

I've been working with our Sustainability & ESG and PSA teams to improve carbon emissions data collection in private markets and deploy a custom ESG questionnaire across our portfolio companies.

Currently, we use a third-party data provider to estimate the carbon footprint of our portfolios. While this gives us a starting point, in the limited instances where we have reported emissions data at the borrower level, we see that the estimate is multiple times higher than reported data.

Our goal is to engage with borrowers directly to encourage them to measure their carbon footprint and then work toward reducing it. This will help us build a more accurate picture of our portfolios' carbon footprint and how it evolves over time. Obtaining estimated data for our portfolios, which will be updated quarterly going forward and replaced with reported data over time, is a critical initiative that will assist us in discussions with borrowers that help drive improvement, like adopting sustainability-linked loans with meaningful carbon reduction targets.



## CASE STUDY

# Engaging with a Residential Care & Education Group



The borrower is a leading U.K. high acuity residential care and education group supporting both adults with long-term learning disabilities or acquired brain injuries, and children with complex social, emotional and mental health needs. Historically the borrower operated as two businesses but merged in 2022 supported by financing from Barings.

Since closing of the merger, the company and the sponsor appointed a third-party consultant to review and calibrate sustainability KPIs and targets proposed by management.

The review and negotiation of sustainability targets took approximately nine months due to the specificity of the high acuity care sector in the U.K., the lack of benchmark available, and substantial data collection work done by the consultant. This negotiation resulted in significant engagement between management, the sponsor, the consultant and Barings to calibrate ambitious, albeit achievable, targets.

Once reviewed and approved by all parties, the final targets and ESG margin ratchets were implemented through an ESG letter amending the documentation in May 2023, with a first assessment based on the full year 2023, and granting up to 12.5bps margin ratchet depending on achieved targets.

## PRODUCTS & SERVICES

Barings partners with our clients on their unique goals and preferences for sustainability and climate-related investments. This presents opportunities for Barings to develop new products to serve a wide range of their investment needs. As such, Barings partners with clients to find solutions to specific ESG and climate-related objectives. We currently operate 37 funds<sup>11</sup> that are classified as Article 8 under the European Union's Sustainable Finance Disclosure Regulation (SFDR)<sup>12</sup>. We also manage separate accounts aligned with our clients' preferences, ranging from bespoke sustainability & ESG criteria, including climate-related goals, to client-specific exclusion requirements.

11. As of September 30, 2023.

12. Article 8 funds are required to 'promote environmental and/or social characteristics'.

# Memberships

## PRINCIPLES FOR RESPONSIBLE INVESTMENT

Reflecting our commitment to responsible investing, Barings has been a signatory of The Principles for Responsible Investment (PRI) since January 2014. This commitment involves adherence to their six principles of responsible investment, as well as transparency and accountability through the PRI's annual reporting and assessment process. We remain dedicated to upholding these standards as part of our mandate to maintain a high standard of ESG integration, stewardship and reporting. We have joined several PRI-led initiatives, including the Global Investor Letter on Climate Change, urging the governments of the G7 and G20 countries to remain in the Paris Agreement, as well as the ESG in Credit Ratings initiative, collaborating with other asset owners, managers and credit rating agencies to ensure ESG incorporation in credit ratings is transparent and appropriate.

Read our latest [Assessment Report](#).



## OTHER MEMBERSHIPS

We believe in collaborative engagement and are active participants in Climate Action 100+ and the Emerging Markets Investor Alliance (EMIA). We are also public supporters of the Task Force on Climate-related Financial Disclosures (TCFD)—we released our [first report](#) in 2023. We contribute to industry best practice in specific asset classes, for example, through the European Leveraged Finance Association (ELFA) and Loan Markets Association (LMA).

For a full list of memberships, please see page 27 of our [U.K. Stewardship Report](#).





# Stewardship

Partnering With Clients & Investees For The Long Term



Effective stewardship is a core tenet of Barings' investment philosophy. To ensure that we continued to partner with stakeholders to deliver sustainable long-term value to our clients, over 2022 and 2023 we:



### **LISTENED TO OUR CLIENTS**

We engaged with key clients to understand their expectations and priorities regarding stewardship. This feedback has helped us to refine our approach and ensure that we continue to remain aligned with our clients' needs.



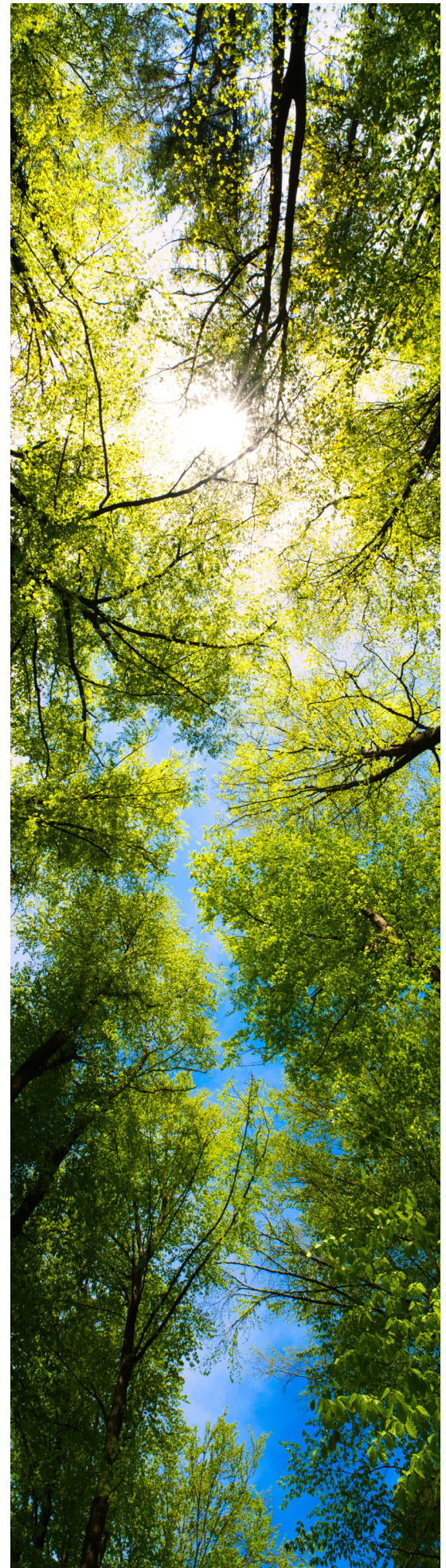
### **EMPOWERED OUR TEAMS**

Ongoing training and development are critical to delivering effective stewardship. Therefore, we invested in sustainability and stewardship-focused training sessions for our teammates to better equip them with the skills and knowledge needed to serve our clients.



### **ENHANCED OUR TECHNOLOGY INFRASTRUCTURE**

We made significant improvements to our proprietary technology system for ESG integration and engagement reporting. This system enables us to better integrate ESG factors into our investment processes, engage with companies on material ESG issues and report on our stewardship activities to our clients.





## CASE STUDY

# Client: Pension Fund

INVESTMENT TEAM: GLOBAL PRIVATE FINANCE

TOPIC: INCREASING CLIMATE DATA

LOCATION: U.K.

**Client Request:** Our Sustainability, Sales and Global Private Finance (GPF) teams joined a call with a U.K. pension fund to understand their ambitions related to climate risk disclosure. We discussed the challenges of carbon data for small to mid-sized borrowers in private markets and opportunities to support the client's ambition for obtaining carbon emissions data across their portfolios by 2030.

**What We Did:** The topic was discussed as part of the Stewardship and Reporting & Distribution Working Groups as other climate-related client queries were identified. These conversations led to the identification of two priorities for the GPF team, establishing options for collecting bottom-up ESG data from borrowers and the feasibility of estimating carbon emissions.

Additionally, the PSA team, through their ongoing dialogue with a third-party ESG provider, explored options for acquiring carbon emissions proxy estimations. The Sustainability & ESG team also streamlined efforts with the GPF team on liaising with external consultants' potential services to support data collection with respect to setting KPIs as part of establishing ESG-linked Loans (Principles 8 and 12).

**Outcome:** Barings utilizes a carbon estimation engine through our third-party provider, which will act as a first step in identifying climate risk within private market portfolios. We remain in dialogue with the client on their preferences related to portfolio-level climate-related reporting going forward. Furthermore, we have developed a questionnaire aligned with industry standards such as the LSTA and LMA. Through the latter half of 2023, we are partnering with our internal technology teams to begin the process of bottom-up data collection to ensure that data is not only collected, but leveraged for portfolio construction and decision-making and easily reportable to clients.

## STEWARDSHIP IN PRACTICE

As stewards of our clients' capital, we act through a range of mechanisms, including:

- Our investment process, where ESG information is integrated into investment analysis.
- Our influence and control over certain assets, engaging with companies, issuers, sponsors, servicers, policymakers, service providers, and industry bodies, to improve transparency and sustainable practices, in pursuit of minimizing risks, maximizing returns and supporting a durable financial system.
- Our partnership with clients on their goals, timelines and stewardship preferences to ensure our investment strategies align with their values.





## CASE STUDY

# Engaging with a CLO Manager

**What We Did:** Barings engaged with an experienced CLO manager with an issuance track record dating back to 1998. The analyst conducted a thorough due diligence of the manager and, given a strong performance track record, recommended approval to invest in AAA, AA and single-A rated tranches to the Investment Committee.

Ultimately, the manager was not approved by the Investment Committee given the analyst's assigned ESG rating of five and their lack of demonstrated commitment to the incorporation of ESG and stewardship considerations into their underwriting process. They also do not have a formal ESG policy or dedicated ESG resources and are not a signatory to any ESG codes or initiatives. The manager suggested that they did not have any plans to establish a formal policy at the time of the underwriting (September 2022).

**Outcome:** We communicated to senior members of the team at the CLO manager that their lack of commitment to ESG integration and documentation of a formalized policy/approach was the reason that they were not approved for investment. The last interaction suggested that they may consider putting a policy in place, but they have not taken any action to date. The Barings team will periodically pursue dialogue with the manager to check on progress.

## ENGAGEMENT ACTIVITY

We're committed to creating long-term value for our clients through engagement and believe that partnership and engagement, over exclusion, allows us to consider a fuller investment universe.

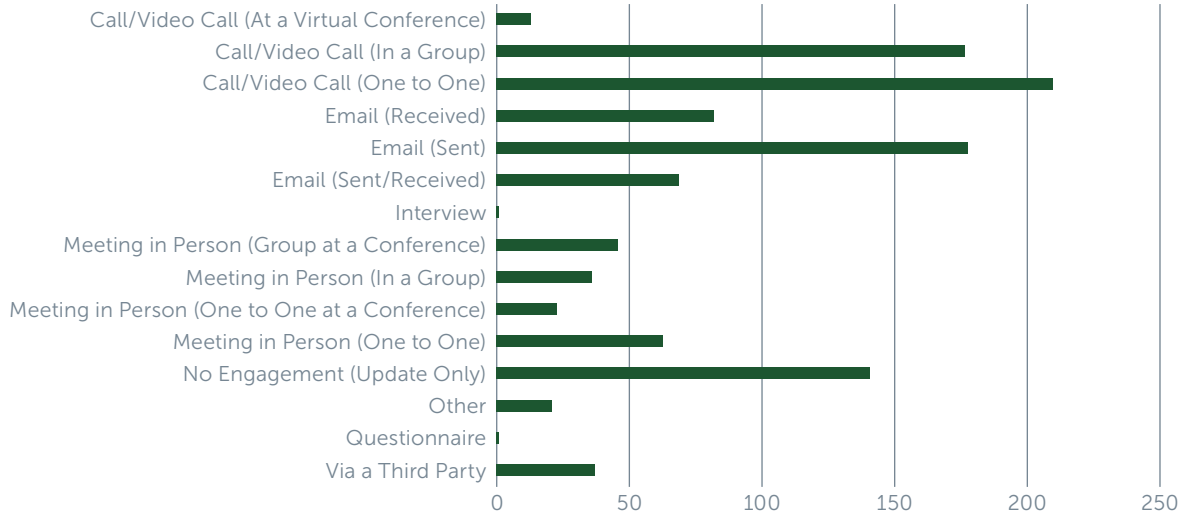
In 2022 and Q1 of 2023, we initiated 647 engagements with 405 entities. In 2021, we initiated approximately 900 engagements with 486 entities and approximately 300 engagements with 189 entities in 2020. Given ongoing engagements initiated prior to 2022, our engagement activity has involved monitoring and following-up on these as demonstrated below.<sup>13</sup>

Over the past year, we strengthened our reporting capability to capture activity which includes pre-existing engagements updated in the 12-month period, rather than engagements initiated alone. Based on this, we recorded the following activity:

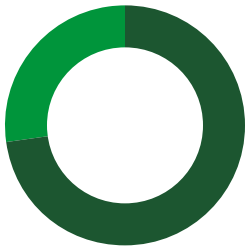
- 1,098 engagement interactions or updates
- 884 engagements (initiated or updated)
- 540 issuers engaged

13. Our engagement platform is available for analysts to record their previous engagements with investee companies. Therefore, the number of engagements reported may be updated if analysts log or alter engagements on the platform after the report is published.

### ENGAGEMENT INTERACTIONS OR UPDATES

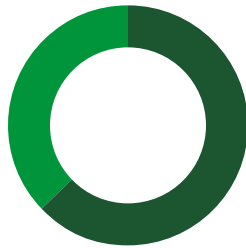


#### ENGAGEMENTS INITIATED VS UPDATED



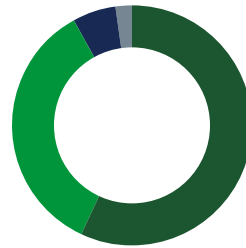
New Engagements Initiated | 73%  
Pre-existing Engagements Initiated | 27%

#### ENGAGEMENTS INITIATED OR UPDATED: ENGAGEMENT OBJECTIVE



Improved Disclosure | 63%  
Changed Behavior | 37%

#### ENGAGEMENTS INITIATED OR UPDATED: STATUS



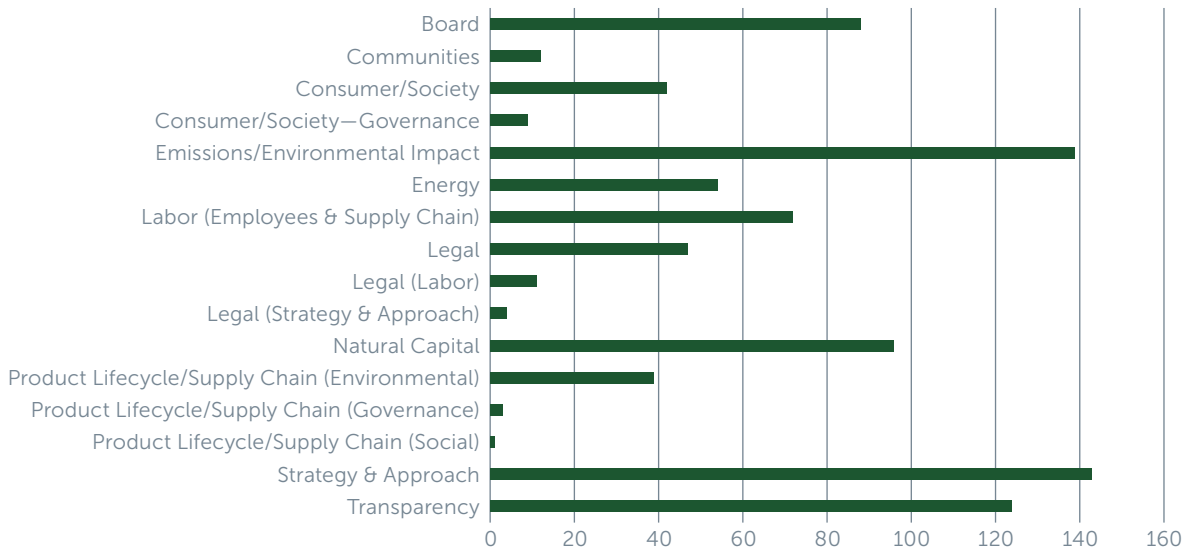
Ongoing | 57%  
Closed Successful | 35%  
Closed—Unsuccessful | 6%  
Discontinued | 2%

#### ENGAGEMENTS INITIATED OR UPDATED: CATEGORY



Governance | 49%  
Environmental | 37%  
Social | 14%

### ENGAGEMENTS INITIATED OR UPDATED: TOPIC BREAKDOWN



Barings' investment professionals are 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.

## COLLABORATIVE ENGAGEMENTS

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 those involved should ensure their contributions are active and meaningful.



### CASE STUDY

# Collaborative Engagement with FAIRR

COMPANY: BAKKAFROST | SECTOR: AQUACULTURE

**Why We Engaged:** As part of FAIRR, a collaborative network engaging the protein industry on ESG risk and performance, our Public Equities team led a collaborative engagement group with the CEO and senior executives of Bakkafrost, a salmon farming business. The engagement was targeted to assess the sustainability of its fish feed used in its salmon farming operation, given the material risks on resource use, pollution and ecological impacts that can be associated with high-protein feed for salmon.

**How We Engaged:** Through the use of FAIRR's Protein Producer Index, the engagement was designed to provide greater disclosure of the sustainability of Bakkafrost's fish feed and how the company is evaluating the inclusion of novel ingredients for fish feed, such as algae-based ingredients, which can be more sustainable than marine-based ingredients.

**Outcome:** Following our engagement, Bakkafrost shared their internal analysis, which showed that the marine ingredients for their salmon farming business on the Faroe Islands was the most sustainable source for their fish feed, given its geographic position. Furthermore, Bakkafrost confirmed that they are researching novel ingredients to use within their fish feed. As a result, we have requested that the company disclose the amount of money it is spending to evaluate these novel ingredients. In addition, we have requested more disclosure on the fish feed efficiency calculation so we can better understand the sustainability of their fish feed (specifically, forage fish dependency ratio—FFDR), including assumptions, workings and source data. We recognize that the company has taken positive steps and will continue to monitor for the anticipated improvements in disclosure, including the potential impact that climate change may have on food sourcing. Barings presented how we integrate ESG into the analysis of protein producers and the importance of engagements at FAIRR's event on its Protein Producer Index in January 2023. We discussed Bakkafrost in the presentation with some of the key findings as an example of a high-quality engagement.



## SUSTAINABILITY CHAMPION

# Ashwinder Singh Bakhshi

### MANAGING DIRECTOR, EMERGING MARKETS CORPORATE DEBT

After noticing information gaps around disclosure, in 2021, I created a questionnaire for financial sector issuers focusing on ESG and especially on climate as a risk factor, which has resulted in improved disclosure—at least 50% of our coverage now provides some climate disclosure (Scope 1 and Scope 2). Last year, I joined the Emerging Markets Investors Alliance (EMIA) and have used the collective power of that platform to further driver investor engagement with banks on climate change. I led a session for the group on how to engage banks, and enhanced the questionnaire using feedback from other asset managers. EMIA members now use the questionnaire as a basis for sector engagement.

With the collective weight of EMIA, we are seeing steps toward meaningful change. Although some banks are still early in their journey, engagements are much richer and involve much more of a dialogue. We now also see banks coming to us with a climate change strategy, dedicating resources to this topic, and also considering how they can implement carbon risk assessments in their lending strategies.



For more information on our approach to stewardship, see our [U.K. Stewardship Report](#).

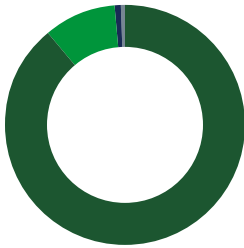


# Proxy voting

We recognize that exercising our voting rights related to material ESG concerns in our equities portfolios and leveraging loan agreements where appropriate for fixed income, can be an effective stewardship tool.

In 2022 and Q1 of 2023, Barings voted in 2,208 meetings, including casting votes on 99.76% of eligible proposals. We attempt to vote on all proposals; however, we do not cast votes where there are instances of share blocking.

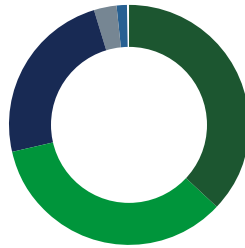
## VOTES CAST



For | 88.95%  
Against | 9.81%  
Abstain | 0.88%  
Other\* | 0.36%

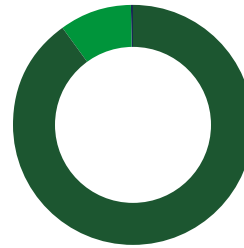
*\*includes withheld, backed out and directors slate votes*

## VOTES BY GEOGRAPHIC REGION



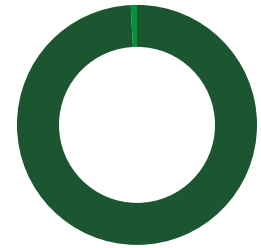
Europe | 37.12%  
Asia Pacific | 34.46%  
North America | 23.89%  
Middle East & Africa | 3.14%  
Central & South America | 1.40%

## FOR/AGAINST MANAGEMENT RECOMMENDATION



For | 90.27%  
Against | 9.72%  
No | 0.01%

## FOR/AGAINST PROVIDER RECOMMENDATION



For | 99.26%  
Against | 0.74%



Find out more about our proxy voting activities: [Read our Voting Records](#) | [Read our Proxy Voting Policy](#)



## CASE STUDY

# Voting Against Appointment of Chairman

In 2022, our proxy provider planned to vote in support of all nominated directors at Tokyo Electron Ltd. However, we voted against the appointment of Mr. Nunokawa as Chairman on the grounds that the nomination committee has a very low ratio of independent members, well below our red line of over 50%. As we view the Chairman as in charge of governance issues in the absence of any designated responsibility, we feel that was the best way to voice our feelings, following initial engagement on this topic with the company in 2021.



# Our Corporate Approach

Leading By Example

We're committed to reducing our impact on the environment through our operations and creating a healthy work environment where teammates can thrive.

We strive to lead by example in our corporate behavior and have made commitments to act in a sustainable manner when conducting our corporate activities. We work to continuously innovate to improve our environmental performance and to integrate recognized environmental management best practice into our operations.

## INDUSTRY RECOGNITION ACROSS OUR GLOBAL OFFICES



## OPERATIONAL GLOBAL PROGRESS

Across our global offices, we have made progress on our operational sustainability goals via a number of initiatives including:

- Reducing single-use plastic
- Eliminating desk-side trash cans
- Adding or enhancing recycling and composting bins
- Introducing "Secure Print" to reduce paper waste
- Growing produce on terraces, which is used in our kitchens
- Introducing new circular economy e-waste supplier
- Using more eco-friendly materials in office renovations

## CHARLOTTE OFFICE SPOTLIGHT

- 60% clean energy used, with plans to provide 100% clean energy by 2030
- Herbs from rooftop terrace used in on-site café
- Individual trash cans removed from desks
- Compostable cups and dishware used in café
- Comprehensive composting and recycling

Employee health and wellbeing is supported through standing desks, nursing rooms for new mothers, healthy food options in the café, gym access for employees, initiatives during Mental Health Awareness Month, and the creation of a book swap library.



*Teammates in the Charlotte office enjoy a yoga class and a group walk, initiatives organized during Mental Health Awareness Month.*

## LONDON OFFICE SPOTLIGHT

- We were delighted to be recognized for a second year in a row at the 2022 Clean City Awards winning the 'Resource and Circular Economy' category; we achieved Gold awards in all other categories.
- We were recognized by the Business Green Awards in the 'Recycling Project of the Year' Award for our on-site bio-processor. It turns food waste and compostable products such as catering gloves and takeaway containers into soil, which is then used on our terrace planters. Over the past year, just over 30 tons of food waste and other material were turned into compost over 2022 and 2023.<sup>14</sup>
- We added a fourth beehive to our terrace. We now have in excess of 80,000 bees on the Barings rooftop—they spun 100lb of honey in 2022, which is used in our café.



### SUSTAINABILITY CHAMPION

**Mark Williams**

**HEAD OF CORPORATE PROPERTIES EMEA**

I'm passionate about creating a working environment that is as sustainable as possible and have been leading on implementing many initiatives in the London office. I regularly bring Barings' key third-party suppliers together for open discussions on sustainable initiatives. I do believe no one person is too small to make a difference. It has to start with someone, and that 'someone' is each of us. If we all do our bit, we can make an impact, together.



## CASE STUDY

# Hartford Office

To mitigate our impact on the environment, Barings collaborated with environmental consultant Green Standards following the decommissioning of our Hartford office. We were seeking to donate, sell or recycle everything in the office. The task was a big one, with excess office furniture compiled to the tune of 46.1 tons.

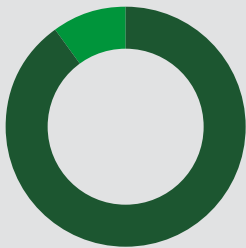
Through our collaboration we avoided any waste going to landfill and also made \$9,340 in charitable donations through this process.

*“Operational net zero by 2030 is the commitment we have made. This means that sustainability must be part of every decision we make. All our corporate policies integrate the recognized environmental best practices. We’re confident we will meet our target.”*

**BRAD DIVINS, GLOBAL HEAD OF CORPORATE PROPERTIES**

## BY THE NUMBERS

### PROGRAM IMPACT REPORT...



Recycled | 90%  
 Donated | 10%  
 Relocated | 0%  
 Resold | 0%  
 Landfilled | 0%

### ...THIS LED TO

60 tons

of Co2 emissions avoided, equivalent to



100%

diverted from the landfill

46.1 tons

diverted from the landfill

1,523

tree seedlings  
growing for 10 years

1 year's

worth of electricity use  
from eight homes

\$9,340

of furniture donations

3

total beneficiaries

# OPERATIONAL NET ZERO

## ROADMAP TO NET ZERO

*Publicly commits to operational net zero by 2023 target*

*Achieve Carbon Neutrality Via Offset Purchases*

**2020**

*Promote and Incentivize Less Carbon-Intensive Commuting Habits*

**2022**

**2019**

*Barings London office switches to 100% renewable energy*

**2021**

*Establish Internal Tax on Carbon  
Sets short and long-term operational GHG emissions targets*

**2023 & BEYOND**

*Report on Progress Annually  
Reduce Scope 1 and 2 GHG Emissions by 100%*

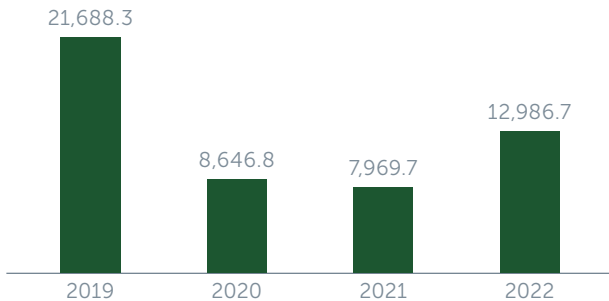
*Parent company MassMutual announces commitment to net zero operations by 2030 and net zero investment portfolio by 2050*

Our commitment to operational net zero by 2030 is promoted through monitoring and reporting our environmental impact, as well as contributing to environmental regeneration.

In 2022, Barings' total carbon footprint was 12,987 tons of CO<sub>2</sub>. The carbon footprint includes emissions from over 2,200 employees across 26 sites.

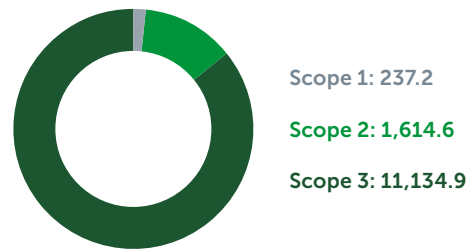
### BARINGS' OPERATIONAL GHG EMISSIONS

*Tons CO<sub>2</sub>e*



### 2022 OPERATIONAL GHG EMISSIONS BREAKDOWN BY SCOPE

*Tons CO<sub>2</sub>e*



Our operational emissions saw an increase from 2021 to 2022, a rebound expected and experienced by many other organizations, driven largely by our return to the office, increasing headcount and an increase in business travel to meet client needs and expectations. However, despite these changing circumstances, our overall operational emissions for 2022 are over 40% lower than our baseline year of 2019. We intend to keep executing on our sustainability initiatives around our own operations to further reduce these emissions in line with our 2030 target.





# Barings Social Impact

It's Everyone's Work:  
Connecting Company with Purpose



At the beginning of 2022, we pivoted our Social Impact approach to best serve our communities in a post-pandemic world. Our reimagined strategy aims to go beyond financial giving and build lasting relationships with our partners and community members, moving our approach from transactional to transformative.

Our strategic partnerships and civic investments are carefully crafted and executed in partnership with select organizations to ensure we are serving as a partner, not just a funder, working hand in hand toward an end goal.

We believe it's everyone's work to support our local communities. We put the power in our teammates' hands to make the change they wish to see—through our employee-led grants, global volunteer efforts and governing structure.

While the below showcases our high-level impact, view a detailed report of our community investments [here](#).

## IMPACT OVERVIEW



670+

**EMPLOYEES**

*logged over*

5,170 hours

*of community service and participated in over*

150

*community engagement  
events in 2022 and 2023<sup>15</sup>*

[Watch our 2022 Year-End Recap](#)

15. January 2022–August 2023

## OUR MISSION

Barings Social Impact is committed to partnering with organizations focused on advancing economic and social mobility within marginalized communities.

## STRATEGIC PARTNERSHIPS & CIVIC INVESTMENTS

Effective and innovative grants providing multi-year support to a targeted number of partners in three key areas:



### AFFORDABLE HOUSING & HOMELESSNESS

Building stronger, more vibrant communities by partnering with organizations that address affordable housing and homelessness.



### WORKFORCE DEVELOPMENT

Supporting vulnerable populations by partnering with organizations that provide professional development, life skills and educational opportunities.



### ACCESS TO EDUCATION & FINANCIAL EMPOWERMENT

Fostering early childhood economic opportunities by collaborating with partners specializing in supplemental instruction, digital equality and financial literacy.

## EMPLOYEE-LED INITIATIVES



### ENCOURAGE

We encourage employees to put forth their passions by applying for employee-led microgrants in our local communities.



### ENGAGE

Our governing body is comprised of Barings employees from across the globe who drive our strategic investments and identify employee-led initiatives to receive corporate grants.



### SUPPORT

We support teammates through matched financial giving and paid volunteer time off benefits to amplify their personal dedication to nonprofit organizations.



## CASE STUDY

# See the Possibilities

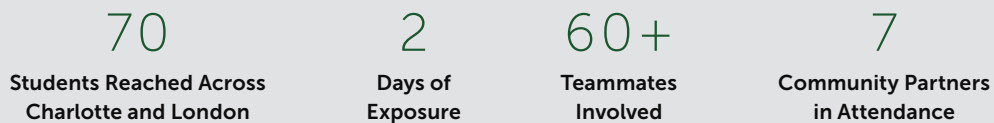
### GLOBAL

See the Possibilities is Barings flagship student program for students aged 16-20. The program provides access and exposure to the investment management and financial services industry. Participants are broken into two sub programs:

**Discovering Barings:** the junior program exposes high school/sixth form students (aged 16-18) to all areas and career opportunities within the business.

**Pathways to Barings:** the senior program focuses on identifying talent for Barings' internship scheme during their early university years through exposure to asset management. In partnership with our Early Talent team, students are identified through an application and brief interview process.

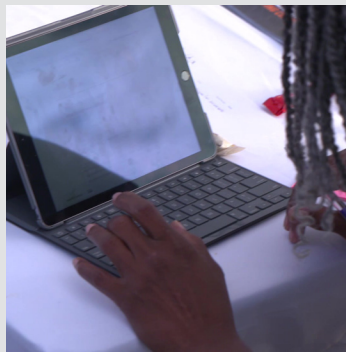
### IMPACT OVERVIEW



Thank you to our wonderful community partners who make the See the Possibilities program a success by nominating eager and engaged students.







## CASE STUDY

# Increasing Digital Equity Across Affordable Housing Communities

CHARLOTTE, NC

Barings, digital equity non-profit E2D, The Center for Digital Equity at Queens University and Local Initiatives Support Corporation (LISC) set out to make Charlotte a more digitally inclusive community by banding together to uniquely advance digital equity. From 2022–2024 the partners have committed to distributing over 1,600 laptops and digital literacy training to residents of affordable housing communities across the city of Charlotte. Historically, distributions across the city have been transactional, with community members receiving a laptop and then walking away. We aimed to humanize the interaction and take a more comprehensive approach to the distribution by supplying the following onsite:

- A laptop
- A family meal
- Digital literacy training
- Affordable Connectivity Program sign-up assistance with trained digital navigators
- Barings mobile library, The Barings Book Bus, in partnership with the Charlotte Hornets
- Access to a community health care worker and other community resources (where applicable)

Since the program's inception, we have completed five distributions, giving over 700 laptops and touching around 2,000 people across Charlotte. Additionally, E2D serves as the beneficiary of our tech recycling program; we have donated over 400 laptops for refurbishment to them since 2015.



## SUSTAINABILITY CHAMPION

# Juliano Avigliano

**DIRECTOR, GTD**

I've collaborated closely with the Social Impact team and our charitable partner, E2D, for many years. Together, we've repurposed old Barings laptops and provided them to those in need within Charlotte and the surrounding areas. Witnessing the tangible difference these laptops bring, especially during a visit to a Barings-supported affordable housing complex, has reinforced our commitment. Our ongoing collaboration with E2D aims to bridge the digital divide through grassroots initiatives and local support efforts. Our current endeavor involves distributing 1,600 laptops, offering tech assistance, and providing meals to residents in affordable housing units.

Owning a laptop is crucial in today's America as it reduces numerous barriers. I firmly believe in meaningful engagement beyond financial contributions. By 2024, we aim to ensure every child in Charlotte Mecklenburg can access a laptop.

I can't help but relate to the individuals we're assisting. Growing up as a first-generation Italian immigrant with non-English-speaking parents, I understand the challenges of striving for a better life. I take immense pride in our collective efforts—both as individuals and as an organization—to create a substantial and lasting impact.

## GLOBAL MONTH OF SERVICE

*During our 2023 Global Month of Service,*

290+

**TEAMMATES ACROSS**

11 offices

**SPENT 1,068 HOURS**

*volunteering for causes  
meaningful to them, working with*

32 charities

[Watch the video](#)



## SUSTAINABILITY CHAMPION

# Youngsoo Ji

### SENIOR ASSISTANT, KOREA INVESTMENT

I've volunteered for Barings' charities for the past three years. I've always been interested in volunteering—I believe giving back is my responsibility.

Barings empowers me to go out and contribute to my local community. Korea is well-known for its intense work culture. In this culture, if you spare time and energy for volunteering, it often gives an impression you're not focusing on your main responsibilities. But at Barings, we take giving back seriously—it's a fundamental part of all our jobs.

[Read more about Youngsoo's story](#)

## EMPLOYEE RESOURCE GROUP COMMUNITY GRANT PROGRAM

Barings and our teammates have an innate desire to work together to improve the status quo, not just within the firm, but in our wider communities. We are committed to ensuring our community investments remain sustainable, diverse, equitable and inclusive for all community members. To supplement our investment in diverse communities, we established our Employee Resource Group Community Grant Program. Within this program, each employee resource group (ERG) annually receives a \$10,000 grant to donate to a charity whose mission aligns with their diverse goals. Read more about our ERG partnerships in our [social impact report](#).



Find out more about [Barings Social Impact](#).

### NORTH AMERICA



### EUROPE







# Diversity, Equity & Inclusion

An inclusive culture where everyone belongs

At Barings, we believe diversity, equity and inclusion (DEI) is fundamental to our success. It's our mission to foster an equitable and inclusive environment where everyone feels like they belong. To deliver on this, we're dedicated to building the right culture—inclusive and anchored in mutual respect. The driving force behind our culture continues to be our teammates. Their unique backgrounds, perspectives and experiences remain our greatest asset and give us a competitive advantage in a challenging market.

Regardless of location, we expect our people to keep **PACE** and live our core values—Value Our **People**, Take **Accountability**, Foster **Collaboration** and Deliver **Excellence**—in all that they do.

## OUR HIGHLIGHTS

*Over the past year, we*



### ENSURED CLARITY OF OUR DEI STRATEGY

Shared DEI strategy updates and metrics in two internal audiocasts

Presented DEI updates at business-led offsites

Developed and implemented 2022 DEI communications plan



### IMPLEMENTED EQUITABLE TALENT PROCESSES

Launched inclusive hiring toolkit for all hiring teammates

Supported firm-wide talent review and performance management processes

Conducted DEI analysis of new expanded title structure



### BUILT COMMUNITY & TRUST

Conducted second year of global DEI training for all Barings teammates

Held our third annual 'Day of Understanding', with a focus on values and expectations of a multi-generational workforce

Amplified culture initiatives through ERG programming

Launched our APAC DEI Council



### ENHANCED MEASUREMENT & REPRESENTATION

Presented DEI progress updates and metrics to Barings Board of Directors

Increased voluntary self-identification from 82% to 87%

Posted Barings teammate demographics to DEI page on intranet

Updated external website to share diversity demographics

## OUR PEOPLE FOCUS

We know that the best talent is comprised of a diverse group of individuals with varied capabilities to challenge the status quo, solve complex problems and innovate beyond traditional norms and approaches to work. 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.

We ensure that a DEI lens is applied across all our functions and take a leaders-first approach to advancing it. Our CEO and leadership team maintain DEI goals and regularly manage our progress and performance against organizational, team and individual goals. Our mid-level managers model behaviors that advance our DEI objectives, provide a regular cadence for both feedback and critique, and embed inclusive practices as they lead in their respective lines of business. Everyone has a role in creating an environment in which all teammates can authentically be themselves and be successful.

Our successful global self-ID campaign has enabled us to measure representation across our applicant pool and workforce.<sup>16</sup>

As of December 31, 2022, Barings' workforce is:

4.0%

LGBTQ+<sup>17</sup>

2.4%

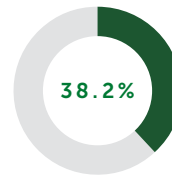
Veterans<sup>18</sup>

1.4%

People with disabilities<sup>19</sup>

Taking unconventional roads into asset management provides our firm with teammates who bring a wealth of unique experiences and skills to their roles.

## GLOBAL GENDER DIVERSITY



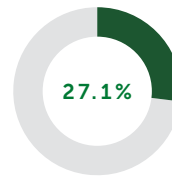
35.4% | North America

55.1% | Asia Pacific

36.8% | EMEA

*APAC leads our firm in gender representation, with over half of our workforce in the region identifying as women.*

## GLOBAL RACIAL/ETHNIC DIVERSITY<sup>20</sup>



24.3% | North America

33.8% | EMEA

## SENIOR-LEVEL DIVERSITY<sup>20</sup>

18.7%

Race/Ethnicity

32.2%

Female

## GENERATIONS<sup>21</sup>

5.1%

Baby Boomers

35.2%

Generation X

49.9%

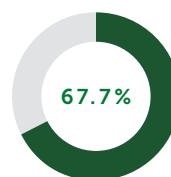
Generation Y/  
Millennials

9.8%

Generation Z

## EARLY CAREERS DIVERSITY<sup>22</sup>

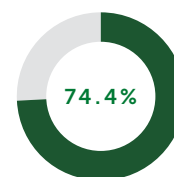
### INTERNS



65.8% | U.S.

70.8% | U.K.

### ANALYSTS



72.4% | U.S.

80.0% | U.K.

16. Data representative of 87% of our population in the countries where we are legally authorized to request this information and teammates have self-identified

17. Representative as a percentage of total responses provided.

18. United States only

19. United States and United Kingdom only

20. North America and EMEA only

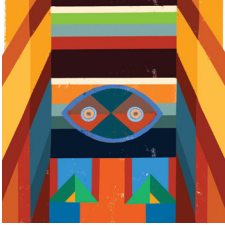
21. Director, Senior Director and Managing Director levels combined

22. Includes females, racially/ethnically diverse and LGBTQ+ individuals

## OUR INTERNAL COMMUNITY

Creating community is important to Barings' teammates: they can join over 20 sports and social clubs, from language and book clubs to activities including running and yoga. Informal groups within teams also hold sessions to share thoughts on DEI topics, highlighting the culture our teammates are building from the ground up to create authentic connections.

We also have four employee resource groups, created grassroots, to help promote a culture of diversity and inclusion. They build community and connectivity across the firm, influence programming and act as a sounding board to identify gaps and opportunities to enhance our DEI approach. We strive to ensure each group has one to two sponsors from executive leadership who lend their voice and perspective to support and drive the groups' impact forward.



### BARINGS BLACK NETWORK

Designed to foster meaningful opportunities for Black talent to develop and advance their careers as future leaders. In the U.S, we introduced a 'Food for Thought' initiative, a monthly touch point for members and allies alike to have open discussions and better understand and support one another. In the U.K., we promoted cultural awareness of African and Caribbean heritage through a Black History Month panel on the topic 'Moving Forward Together'.



**OMOTUNDE LAWAL**

*Managing Director, Emerging Markets Corporate Debt*



**BRIAN MANGWIRO**

*Managing Director, Global Sovereign Debt and Currencies*



**TANYA VUTZ**

*Associate Director, Sustainability*



### BARINGS OUT & ALLIES

Supports LGBTQ+ individuals and fosters allyship. For Pride Month 2022, O&A celebrated the theme 'Unapologetically Us', by hosting internal Pride celebrations in offices across Europe and the U.S. The group also partnered with Out Investors to connect 150 LGBTQ+ direct investment professionals and their allies for a night of networking and community building.



**MATT CARTY**

*Managing Director, European Private Finance*



**SABIH HUSSAIN**

*Managing Director, Strategic Relationship Management*



## BARINGS VETERAN'S NETWORK

Centered on providing its members a community as they adjust to life outside of military service, as well as creating conversations between veterans, and their allies, that lead to a more inclusive Barings. Over the past year, the network focused on creating a sense of fellowship for Barings' veterans by hosting a luncheon for a day of networking. Further, the network coordinates with Barings' talent acquisition team to attract veterans at all levels of the organization, in particular by attending the MBA Veterans Network Career.



**STUART AURRE**

*Managing Director, Strategic  
Relationship Management*



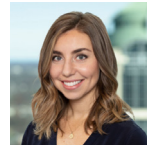
## BARINGS WOMEN'S NETWORK

Reinforces a culture for women whereby they can freely and safely express themselves in a supportive community. Also works to attract, progress and retain female talent by bringing a collective voice to the table at Barings, and the wider industry. Highlights over the past year include a safe space conversation in the U.S. so that members and allies could speak openly about the Supreme Court's Dobbs decision. In the U.K., we hosted Sinead Starkey-Stenson of Generation Women for a practical workshop on imposter syndrome; and Charly Young, The Girls' Network CEO, gave a keynote during Women's History Month.



**SAIRA FAROOQ**

*Director, Compliance*



**HEIDI LILLY**

*Director, Marketing*



**SAVANNAH WASHCO**

*Associate, Legal*



## CULTURE CHAMPION

# Jill Dinerman

### MANAGING DIRECTOR, CHIEF LEGAL OFFICER

I believe that diversity leads to better decision making and have tried to be an advocate for diversity throughout my career.

I was a member of the Barings Women’s Network (BWN) leadership committee and continue to be involved with BWN, leading a Power of 10 group in Charlotte and serving as the BWN executive sponsor. I try to use my platform as a leader to support and advocate for women, and others, throughout the firm, while encouraging the next wave of leaders.

In my current role as the head of legal, I am committed to creating a more diverse legal profession. On an internal level, in 2021, a grassroots book club formed in the legal department to discuss social justice and other DEI issues. The goal is to provide a safe space to examine challenging topics and expand our perspectives. From an external perspective, in 2022 we began using the American Bar Association Model Diversity Survey and collecting additional diversity metrics from our top law firms (by spend). The goal is to ensure we have the conversation with our law firm partners around DEI, so they know that it is a factor for us and to set our expectations for improving diversity representation on Barings matters.

As a mom, my hope is that my daughters enter a workforce that has greater equity and inclusion than today—I try to instill in them and those around me that we each have a responsibility to advocate and role model for something better.

## DIVERSITY PARTNERSHIPS

We’re dedicated to driving intentional change not just within Barings, but the industry at large. As well as signing on to initiatives including the Institutional Limited Partners Association and Investment 20/20, we actively partner with the below key organizations to broaden access to entry, mid and senior-level diverse talent at Barings, and to diversify the broader industry.







## CASE STUDY

# Johnson C. Smith University

Aligned with our commitment to the Charlotte community and the Mayor's Racial Equity Initiative, we committed \$1.7 million to Johnson C. Smith University (JCSU), our local historically black college and university (HBCU). We support the city and university's efforts to close the digital divide and transform JCSU, with an aim to encourage economic mobility and inspire the next generation of financial industry leaders.

We do this through:

- A 10-year commitment to annually select qualifying students to receive a \$10,000 scholarship award for their sophomore, junior and senior years. \$1.2 million of our commitment is earmarked for scholarships.
- Expanding the potential internship and job opportunities for JCSU graduates.
- Future plans to design an introduction to asset management course, speaker series and endowed professorship.



Find out more about Barings' approach to [diversity, equity and inclusion](#).



# Employee Resources

We're dedicated to building a healthy working environment where teammates can thrive. Supported by professional development and guided by good governance, this culture helps teammates achieve their best, and in turn effectively service our clients.

## PROFESSIONAL DEVELOPMENT

Barings teammates participate in ongoing performance management and development—an important part of maintaining a continuous growth and pay-for-performance culture. The performance review process encourages direct and candid conversations between teammates and their managers. It provides teammates the tools to manage and document their individual performance and career development plans.

All Barings teammates complete an annual performance review supporting inclusive and equitable people practices. This process helps teammates and managers evaluate progress towards their individual performance and career development goals. Performance review results are a key indicator of a teammate's contributions to the firm and factor into the determination of their annual compensation.

## TRAINING & EDUCATION

The training opportunities designed for our organization ensure the development of core competencies that align with the needs of our business and our clients. We support the development of our teammates with appropriately tailored training to help them gain the knowledge, skills and abilities required to excel in their roles.

Barings facilitates mandatory training for new joiners spanning multiple HR and Compliance-related topics. As part of ongoing development, teammates are encouraged to take courses and programs in relevant subject matters. These may include graduate programs, the Chartered Financial Analyst program, the Chartered Financial Analyst ESG certification, the Security Analysts Society programs and other professional investment management programs.

Additionally, our teammates are asked to attend appropriately focused trainings, professional conferences and seminars with well-known learning and development providers. All Barings teammates have full access to Barings University in partnership with OpenSesame. They are also encouraged to expand their knowledge through "on the job" education and training, with ongoing development taking place through day-to-day contact and coaching.

Furthermore, investment professionals are encouraged to attend conferences and talks related to sustainability and pursue other educational opportunities, such as PRI Academy coursework or SASB's Fundamentals of Sustainability (FSA) credential. This year, the Sustainability team has enhanced the ESG training offered to investment professionals.



## BENEFITS

Barings offers a comprehensive health and wellness program that encourages employees to become active participants in managing their health and health care, while also offering choice and flexibility.

Components include:

- Comprehensive medical coverage
- Wellness program
- Health Savings Account (HSA)
- Health Care Flexible Spending Account (FSA)
- Dental
- Vision
- Employee Assistance Plan (EAP)

For those enrolled in the firm's medical coverage, employees and their covered spouses and domestic partners are given opportunities to engage in healthy behaviors and preventative screenings. Financial incentives in the form of "wellness incentive dollars" are part of this program. Eligible employees who satisfactorily complete applicable programs receive company contributions of wellness incentive dollars.

In conjunction with the Green Commute Initiative, Barings offers to its UK employees a tax advantaged Cycle to Work program. The program serves dual purpose of improving both the individual's health and wellbeing, as well as reducing the environmental impact of pollution and congestion from cars.

Barings is also committed to providing a safe and healthy work environment by:

- Providing a safe and healthy workplace free of preventable hazards.
- Maintaining reasonable safety rules and practices and effectively communicating these to employees.
- Providing appropriate employee training and information.
- Promoting and protecting employee safety and health.
- Complying with all health, safety and environmental laws and regulations that impact its operations.
- Responding quickly and effectively to environmental incidents.



# Barings Policies & Procedures

Barings is committed to acting ethically, with integrity, and in compliance with applicable laws and regulations in all countries/jurisdictions that we operate in, both through our own operations and in the way we manage our clients' investments.

## ETHICS & CODE OF CONDUCT

We believe operating in accordance with ethical standards is critical to the success of Barings' vision. At every level of the organization, ethical conduct is recognized, valued and exemplified. Employees of Barings not only recognize their responsibility to comply personally with our Global Ethics and Conduct Guide, but also their responsibility to serve as role models in observance of its spirit. The Guide establishes the following framework of ethical behavior to guide employee actions and judgments:

- Operate in accordance with applicable laws and regulations governing our business
- Operate to safeguard the ability to fulfil our obligations
- Conduct business activities and relationships with unquestioned integrity
- Ensure Barings' transactions, communications and information are accurate, confidential and secure
- Foster an environment in which fair employment practices extend to every member of Barings' diverse community
- Treat employees consistently, with integrity and fairness in all dealings
- Maintain a safe and healthy work environment

## ANTI-BRIBERY & ANTI-CORRUPTION POLICY

Barings has established a Global Anti-Bribery and Anti-Corruption Policy which generally prohibits any Barings entity, associate or third party from corruptly offering, promising, paying or authorizing the payment of, directly or indirectly, money or anything of value—including but not limited to cash, travel, gifts, entertainment, employment and directed charitable donations—in order to influence a person so that a Barings Entity may obtain or retain business or gain any other improper business advantage. This includes attempts to:

- Influence any act or decision by any person
- Induce any person to take action, or refrain from taking action, in violation of his or her lawful duty
- Induce any person to use his or her influence to affect or influence any act or decision



## POLITICAL & CHARITABLE CONTRIBUTIONS

All political and charitable contributions must comply with the applicable laws of each jurisdiction in which a Barings Entity conducts business and must not be made to improperly influence a person so that a Barings Entity may obtain or retain business or gain any other improper business advantage. Employees must pre-clear their personal political contributions and those of their covered family members in accordance with the relevant Barings Entity's policy regarding political activities and/or charitable contributions.

## GIFTS, ENTERTAINMENT & HOSPITALITY

Employees must never accept or offer gifts, entertainment or hospitality which could compromise his/her business judgement, could conflict with his/her duty to Barings and/or Barings clients, or which could appear to others as compromising to his/her business judgement. Additionally, employees must report all gifts, entertainment and hospitality given or received valued at more than \$25 or the local currency equivalent.

## GLOBAL CONFLICTS OF INTEREST

Each Barings entity has adopted a corporate governance structure (i.e., committees, a board of directors, or similar body) which assists in the oversight of its investment management and business activities. Under this corporate governance structure, each Barings entity may identify potential conflicts of interest, and is responsible for the ongoing management and/or resolution of any conflicts of interest for those activities.

Barings' Compliance Department conducts various types of testing and monitoring to ensure that the outcome of operational, investment compliance and risk activities, including those related to conflicts of interest, over time are consistent with expectations and Barings' Investment Adviser Compliance Manual. These tests focus on risks or conflicts of interest specific to Barings and its fiduciary obligations to its clients.

Barings' Compliance Department makes sure that any potential conflicts of interest that have been identified are appropriately disclosed to clients in accordance with applicable policies, procedures and regulatory requirements.

## DATA PRIVACY & CYBER SECURITY

Barings' Cyber and Information Security program's framework is architected from a hybrid of standards, ISO 27001 and NIST Cybersecurity Frameworks, to ensure the confidentiality, integrity, availability, and privacy of the company and clients' information. The program measures the effectiveness of the security controls implemented to prevent, detect, and deter cyber-attacks.

Barings has a formal cyber and information security policy that outlines how the organization will protect information and information systems. The policy has sub-policies that align with baseline industry best practices (ISO 27002 and NIST-800 53) and regulatory requirements the firm must comply with. A series of control standards are implemented and maintained to meet the policy.

Employees and contingent workers who are granted access to the Barings network are required to complete all mandatory cybersecurity awareness training. The goal of this training is to promote topics such as best practices for protecting data, strong passwords, cyber policies, social engineering/phishing and safe internet surfing.



## PROCUREMENT & VENDOR MANAGEMENT

All third-party vendors are governed by the Global Vendor Management policy. The objective of the policy is to provide a global framework to: manage the risks associated with conducting business with vendors by formalizing processes for managing, measuring and controlling risks related to onboarding; monitoring ongoing performance (including establishing and testing agreed controls and performance metrics for vendors); periodic risk-assessments; and off-boarding of vendor relationships.

Due diligence is performed on third party vendors prior to the signing of a new contract to identify any potential risk that would warrant not moving forward with a new contract or a contract renewal. Performance reviews are expected to be performed at a minimum of annually per year and any vendor performance related issues are to be escalated to the Global Vendor Management team to assess the risk and to determine if further corrective action is required.





# Looking to the Future

Over the past year, we have remained steadfast in our goal of minimizing risk and maximizing returns for our clients. In 2024, we will continue to centre clients around all we do, and work to continuously improve our offering to them.

We will focus our progress on three key themes:

1. Ensuring robustness in our sustainability processes so we are always accountable in our approach. We plan to deliver on this through our technology transformation and firm-level risk management framework.
2. Playing our part in helping to address the ESG data gap, particularly in private markets. This will be leveraged through our partnership with borrowers and sponsors and collaboration with industry players.
3. Identifying systemic sustainability challenges that can affect our investments and operations and attempt to address these in line with our commitment to our clients and our communities.

In pursuit of an enhanced operating model, Barings recently initiated a program to implement new investment management technology. Our aim is to improve the consistency, connectivity and accessibility of our data in public and private markets, thereby providing better service and experience in our investment partnerships with our clients. The new platform will transform our technology and business processes, enabling us to enhance client experience and engagement, investment analysis and the integration of ESG and stewardship activities. It will also support our aim of strengthening our ESG-reporting capabilities for clients at an asset class level—focusing in particular on carbon and other relevant ESG data in private assets, where we see the largest data gap today.

We plan to continue advocating for corporate transparency on material ESG risks and opportunities through engagements with our portfolio companies.

We also remain committed to becoming net zero in our global operations by 2030, which will require several change management initiatives to reduce our emissions across Scopes 1, 2 and 3, and continuing to disclose progress against this target. Several of these initiatives include renewable energy procurement across our global office footprint, and updating our travel policies so that climate impacts are top of mind for all teammates.

Additionally, we will continue to provide sustainability education, advocacy and engagement to our teammates.

We plan to continue to reduce the impact of our operations on the environment by focusing on total waste generated and electricity used in our operations, and strengthening our teammates' use of compost and recycling programs to divert more waste from landfills. We will continue to hold ourselves accountable via our commitment to transparent reporting of our greenhouse gas emissions in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

Our Social Impact program has bold ambitions: we will launch and distribute our global education equity initiative which promotes literacy and equitable access to educational resources across the globe. Through this initiative, we will create book swaps, provide school supplies, and additional educational resources to housing communities that the Barings Real Estate teams have financed across the U.S. and U.K.

We will head into the third year of our Increasing Digital Equity in Affordable Housing Communities program. Since inception in 2022, we have distributed over 1,100 laptops and hosted eight community distributions inclusive of digital literacy training, a meal and other items addressing community needs on the ground.

Lastly, two other existing programs will continue: our partnership with our six ERG community partners, and we will host our See the Possibilities program in Charlotte and London, expanding into Hong Kong.

We look forward to working with teammates across the globe to further our sustainability and ESG plans over the next year and beyond.

*Barings is a \$347+ billion\* global investment manager sourcing differentiated opportunities and building long-term portfolios across public and private fixed income, real estate and specialist equity markets. With investment professionals based in North America, Europe and Asia Pacific, the firm, a subsidiary of MassMutual, aims to serve its clients, communities and employees, and is committed to sustainable practices and responsible investment.*

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*\*As of September 30, 2023*

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