Barings (U.K.) Limited
Investment Firm Prudential Regime (IFPR)
MiFIDPRU 8 Disclosures
for the Year Ended 31 December 2024

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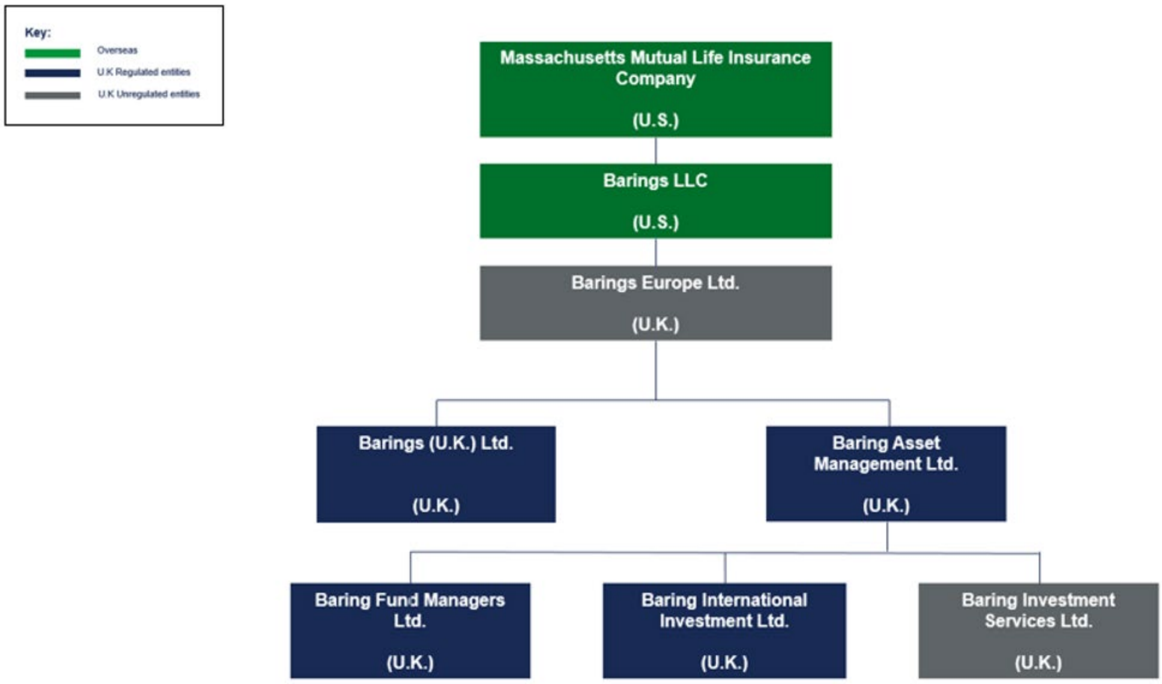
Section 1: Introduction

Barings (U.K.) Limited ("the Firm" or "BUK") is a member of the group of entities ("Barings") which is headed by Barings LLC ("the LLC"), an indirect, fully owned subsidiary of the Massachusetts Mutual Life Insurance Company ("MassMutual"). BUK is a direct subsidiary of Barings Europe Limited ("BEL"), which is the holding company for all Barings' European entities (BEL and its subsidiaries collectively constitute "the Group"). Barings provides global investment management services across public and private fixed income, real estate, and specialist equity markets. BUK is authorised and regulated by the FCA as a UK MiFID Investment Firm and is therefore subject to the Investment Firms Prudential Regime ('IFPR') which was implemented by the Financial Conduct Authority ("FCA") in January 2022. Under the IFPR, the Firm is categorised as a non-small and non-interconnected ('Non-SNI') MiFIDPRU firm. It does not have FCA permissions to deal on its own account or underwrite securities issues.

This document contains the disclosures required in accordance with MiFIDPRU 8 of the FCA Handbook, based on the Firm's IFPR prudential classification as a Non-SNI firm. In accordance with the provisions of MIFIDPRU 8.1, this disclosure is made on a solo entity basis and has been published on Barings' website to ensure easy access by the public. The disclosure is made annually when the Firm publishes its financial statements, or more frequently in the event of a material change.

The diagram below provides a simplified overview of the Group structure.



Section 2: Overview of the Firm

BUK is an originator and manager of collateralised lending obligations (“CLOs”). As part of this activity, the Company also originates and manages CLO warehouses.

At 31 December 2024, the Company managed 12 CLOs, all of which were closed ended products incorporated in Ireland with institutional investors (earliest maturity date 2029). The eligible collateral within the CLOs consists of loans and debt securities issued or borrowed in leveraged transactions predominantly by UK and continental European companies and to a limited extent companies in the USA. The CLOs invest in secured senior loans and bonds complemented by unsecured senior loans, mezzanine, second lien and/or subordinated loans and other loans and debt securities issued by companies with strong operations and solid capital structures.

The EU/UK Securitisation Regulation imposes a direct obligation on the originator or sponsor of a securitisation to retain on an ongoing basis a material net economic interest in the securitisation of greater than or equal to 5% (“the Risk Retention Requirement” or “RRR”). BUK holds its risk retention investments (“RR Investments”) as vertical slices in each of the tranches of the CLOs it manages, except for Barings Euro CLO 2024-2 Designated Activity Company, for which the Company's EUR 24.5m RR Investment is held entirely in the subordinate note tranche. As at 31 December 2024, the value of BUK’s RR Investments totaled £201m, financed through a combination of the Firm’s own working capital, loans from the LLC and third party repurchase agreements (the latter two sources of funds representing liabilities of £11.6m and £112.2m respectively as at 31 December 2024).

BUK has very few fixed costs as it does not directly employ any staff or rent premises and is instead recharged these costs through a variable fee charged by the Group’s service entity, Baring Investment Services Ltd (see Group structure chart in Section 1). Recharges are also made between the Firm and other Barings’ entities to reflect the cost of business development and various middle office functions which are located in each region but are providing support on a broader global basis.

All the Firm’s clients are institutional, and the Firm does not have permission to hold client money or assets.

Section 3: Governance

Each Barings entity within the Group (including BEL) has its own board, (“the **Management Body”**) which defines, oversees and is accountable for the implementation of appropriate governance arrangements for each firm.

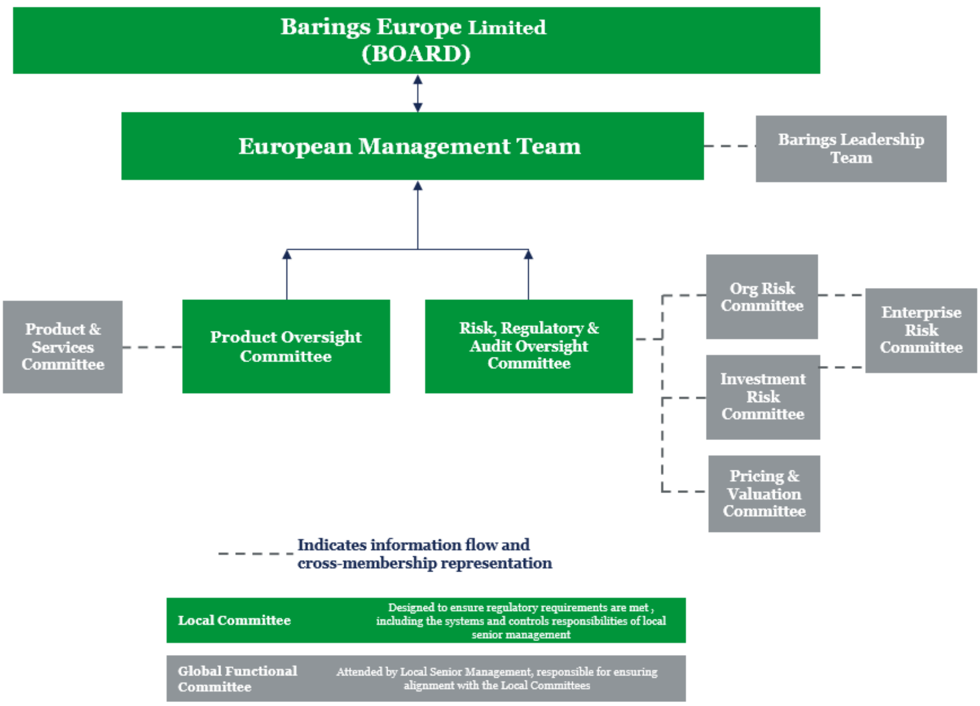
Each Management Body has implemented a Terms of Reference which sets out its duties and responsibilities. Management Bodies may delegate various duties to the Barings European Management team (“**EMT”**, the formal committee for each of the boards) and those duties are documented in the Terms of Reference of the EMT. Barings has a committee structure in place to ensure appropriate reporting and information is submitted to each Management Body to ensure effective and prudent management of each regulated entity.

The Firm is not required to have its own Risk, Remuneration and Nomination Committees as it falls below the thresholds specified in MiFIDPRU 7.1.4. However, as explained in more detail below, BUK’s management is supported by a number of specialist committees, including the Risk, Regulatory and Audit Oversight Committee or “RRAOC”) which reports directly to the EMT on behalf of each European entity, including the Firm. The Management Body for each entity as well as the EMT receives appropriate reporting and material to consider.

Examples of information considered by each Management Body include, but are not limited to:

- Policies
- Departmental reports and updates
- Risk data
- Audit information
- Regulatory updates
- Legal updates
- Project plans and updates
- Potential conflicts of interest, including mitigations to prevent conflicts arising.

The diagram below provides an overview of the Group’s governance structure (excluding remuneration which has a separate governance structure as described in Section 7.3)



Each Management Body is made up of members who bring a varied skillset to the board. All members have a deep level of knowledge and experience from a variety of disciplines and devote the necessary time to their roles. This results in a collective group who ensure each firm acts in a manner that promotes the integrity of the market and the interests of clients.

BUK's directors do not hold any additional directorships which require disclosure as they are only directors of other Barings entities or entities in which Barings has a qualifying holding.

Section 4: Risk Management

4.1 Risk Appetite

Barings defines risk appetite as the level of risk that the Group is prepared to sustain whilst pursuing its business activities and objectives. The key risks identified for BUK are conduct, operational and business risks, and the risk appetite guidelines and escalation protocols have been purposefully aligned to the Firm's business activities and the material risks it faces.

The Organisational Risk team facilitates workshops and discussions with senior management to determine an impact and likelihood rating for each key risk. This is recorded in a grid which then provides a view of the residual risk profile for each key risk. Key risks are plotted against the risk materiality grid to determine the residual risk profile for each key risk against the risk appetite.

In simple terms, BUK has a low appetite for residual risk and seeks to maintain a control environment that is designed to keep residual risk at acceptable levels. By way of example, the Firm:

- Pre-funds its risk retention amounts during the warehouse phase of new CLOs in order to minimize the possibility of an inadvertent breach of its risk retention requirement;
- Runs the warehousing for its CLOs on a sequential basis and would not normally expect to have two warehouses open at the same time;
- Maintains a significant capital buffer to protect against possible falls in the market values of its RR Investments; and
- Hedges the currency risk associated with its RR Investments

4.2 Risk Management Objectives & Policies

The Firm's Internal Capital Adequacy and Risk Assessment ("ICARA") has been designed to ensure that BUK has sufficient financial resources to remain financially viable on both a short term (liquidity) and long term (own funds) basis. This analysis has been performed by considering the potential material harms that may result from the Firm's ongoing activities, and the expected costs that are likely to be incurred in conducting an orderly wind-down of the business.

The main driver of BUK's Own Funds Requirement is its Ongoing Operations Requirement (see table in Section 6 for breakdown). As the Firm does not deal on its own account, the most likely causes of a breach of financial resources are either 1) an increase in the fixed cost base of the Firm, or 2) a decrease in Own Funds due to operating losses. BUK's board look to minimise the risk of any such breach occurring through careful management of its fixed cost base and maintenance of a significant capital buffer, which was £16.4 million (20.2%) as at 31 December 2024.

As BUK does not operate a trading book, the provisions of MiFIDPRU 5.3-5.10 regarding concentration risk do not apply. The Firm's exposure to market risk relates primarily to its RR Investments, and fluctuation in the market value of these positions can lead to volatility in BUK's P&L. However, ultimately this exposure is generally well diversified as it is held across multiple tranches in multiple CLOs which are themselves invested in multiple different assets. Similarly, the Firm's concentration risk arising from trade debtors is limited given the number of CLOs that pay its management fees.

The Firm seeks to mitigate its liquidity risk by holding, (in a separate account from its other cash and cash equivalent balances), an amount of Core Liquid Assets equal to or greater than its Basic Liquid Asset Requirement.

The key risks faced by the Firm as described in the ICARA are summarised in Section 4.5.

4.3 Risk Management Framework

Barings's risk management framework is designed at the overall Barings enterprise level rather than by individual legal entity. The LLC 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 LLC Board.

Risk Management is an independent function of Barings with specialised, independent teams responsible for investment risk, counterparty risk, model risk, organisational risk and business resiliency. The function is headed by the Chief Risk Officer who reports to Barings' Chief Administrative and Legal Officer.

Barings operates under a three lines of defence model. It is the responsibility of all employees to uphold the control culture of Barings.

The first line of defence against undesirable outcomes is the business functions and the line managers across investment and operations. Heads of each business area take the lead role with respect to identifying potential risks in their area and implementing and maintaining appropriate controls to mitigate the risks.

Line management is supplemented by the control and oversight functions, including Risk Management, Compliance, Legal, Governance, Finance, Tax and Human Resources, which constitute the second line of defence. The compliance monitoring and surveillance programs review the effective operation of relevant key processes against regulatory requirements.

Internal Audit provides independent assurance over the operation of controls and forms the third line of defence. The internal audit program includes reviews of risk management processes and recommendations to improve the control environment, supplemented by external assurance from external auditors.

The effectiveness of the Firm's risk management framework and processes is reviewed by the Management Body, based on reporting of key management information metrics reported by the RRAOC.

4.4 Risk Oversight

The committee responsible for overseeing the application of the Group's risk management framework to each European entity is the RRAOC. This committee is chaired by the Head of Organisation Risk and comprises membership from all key operational departments representing Middle and Back Office functions. The RRAOC proposes the population of "Top Risks" for the Firm and establishes a continuous process of monitoring that ensures all Top Risks receive regular reviews both from a bottom-up basis (using KRIs, incident data and other sources) and a top-down process which looks to determine the future risk trend. The population of Top Risks proposed by the RRAOC is approved by the EMT. A formal risk report is presented to the Management Bodies on a quarterly basis.

4.5 Key Risks

The list below summarises the key risks faced by the Firm as detailed in its ICARA, together with the controls and processes put in place to mitigate these risks. A capital requirement has been calculated for any item where residual risk remains and has been included in the Firm's Ongoing Operations Own Funds Requirement (see table in Section 6), either as part of the K-factor calculation (where it has been possible to map the risk) or as an additional amount for risks not covered by K factors requirement.

The key risks overseen by the RRAOC and assessed as part of the ICARA process include:

- Enterprise Project Delivery
- Business Resilience
- Data & Analytics
- Technology & Cyber
- People & Talent
- Operations
- Sustainability, Climate and ESG
- Outsourcing
- Credit & Market
- Model & Spreadsheet
- Valuation & Pricing

The most significant of these key risks faced by BUK (and the main driver of its Own Funds Requirement) is credit risk due to the materiality of the RR Investments relative to the Firm's net assets.

Section 5: Own Funds

As required by MIFIDPRU 8.4, BUK has prepared the reconciliation of own funds in line with the MIFIDPRU 8 Annex 1. As at 31 December 2024, BUK held capital resources of £97.3 million, comprised solely of core Tier 1 capital after deductions.

Composition of Regulatory Own Funds at 31 December 2024			
	Item	**Amount (£'000s)**	**Balance Sheet Reference from Audited Financial Statements**
1.	OWN FUNDS	97,297	
2.	TIER 1 CAPITAL	97,297	
3.	COMMON EQUITY TIER 1 CAPITAL	97,297	
4.	Fully Paid-Up Capital Instruments	31,560	Share Capital
5.	Share Premium	N/A	
6.	Retained Earnings	65,775	Profit & Loss Account
7.	Accumulated Other Comprehensive Income	N/A	
8.	Other reserves	N/A	
9.	Adjustments to CET 1 due to prudential filters	N/A	
10.	Other Funds	N/A	
11.	TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(38)	Deferred Tax Asset
19.	CET 1: Other capital elements, deductions & adjustments	N/A	
20.	ADDITIONAL TIER 1 CAPITAL	N/A	
21.	Fully Paid Up, Directly Issued Capital Instruments	N/A	
22.	Share Premium	N/A	
23.	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	N/A	
24.	Additional Tier 1: Other capital elements, deductions & adjustments	N/A	
25.	TIER 2 CAPITAL	N/A	
26.	Fully Paid Up, Directly Issued Capital Instruments	N/A	
27.	Share Premium	N/A	
28.	(-) TOTAL DEDUCTIONS FROM TIER 2	N/A	
29.	Tier 2: Other capital elements, deductions & adjustments	N/A	

		Balance Sheet Per Audited Financial Statements (£'000s)	**Under regulatory scope of consolidation (£'000s)**	**Cross reference to template OF1**
		At 31 December 2024	**At 31 December 2024**	
Assets				
1	Fixed Asset Investments	201,422	201,422	
2	Deferred tax asset	38	38	Box 11
3	Amounts owed from group entities	2,053	2,053	
4	Other debtors	5,409	5,409	
5	Current asset investments & other financial assets	5,472	5,472	
6	Cash and cash equivalents	8,293	8,293	
	Total Assets	**222,687**	**222,687**	
Liabilities				
7	Amounts owed to group entities	11,621	11,621	
8	Accrual and deferred income	1,228	1,228	
9	Other creditors including taxation & social security	112,503	112,503	
	Total Liabilities	**125,352**	**125,352**	
Shareholders' equity				
10	Share capital	31,560	31,560	Box 4
11	Profit & loss account	65,775	65,775	Box 6
	Total shareholders' equity	**97,335**	**97,335**	

Instruments issued by the Firm and included in Own Funds comprise 31,560,000 fully paid ordinary £1 shares, and one fully paid preferred ordinary £1 share.

Section 6: Own Funds Requirement

The table below provides a breakdown of BUK's Own Funds Requirement as at 31 December 2024 in accordance with the requirements of MIFIDPRU 8.5. The Firm met its Own Funds Requirement throughout the entire financial year.

Own Funds Requirement at 31 December 2024		**£ '000**
A	**Permanent Minimum Requirement**	**75**
Ongoing Operations Own Funds Requirement		
	K - AUM	242
	K - DTF	4
	Additional amount for risks not covered by K factors requirement	80,690
B	**Total Ongoing Operations Own Funds Requirement**	**80,936**
I)	Wind Down Calculation	5,672
II)	Fixed Overhead Requirement	5,160
C	**Wind Down Requirement [higher of I) & II)]**	**5,672**
Own Funds Requirement		
	Higher of A, B & C	**80,936**

BUK's ICARA details a number of approaches that the Firm has used to ensure that it remains compliant with the overall financial adequacy rule under MIFIDPRU 7.4.7R, both in terms of own funds and liquidity resources. In particular, the Firm has:

- Taken a conservative approach to assessing which key risks could reasonably be seen to already be covered by the K-factor calculations, and consequently a number of these risks have been deemed to be incremental to the basic K factor figure as indicated in the table above;
- Completed a series of stress tests across a range of plausible but severe scenarios to determine whether the Firm's Own Funds figure is sufficient; and
- Performed a detailed assessment of the capital required to affect an orderly wind down of the business. The assumptions used for the wind down analysis were developed in conjunction with the broader business and reflect a prudent analysis of the potential costs that might be incurred.

Section 7: Remuneration

7.1 Philosophy

Barings promotes an equitable and structured approach to compensation that reinforces our values and culture, is aligned with stakeholders and supports pay-for-performance practices that attract and retain top talent in a competitive market.

7.2 Approach

BUK's remuneration policy (the Remuneration Policy") is determined at the Group level and is designed to ensure that staff are compensated in a manner that is consistent with and promotes sound and effective risk management and is competitive in the markets in which it operates. In accordance with SYSC 19G.3, BEL's Board has overall responsibility for overseeing the implementation of the Remuneration Policy in conjunction with the Management Body of each its MiFID subsidiaries, and accordingly the Remuneration Policy is submitted to BEL's Board annually for review and approval,

7.3 Governance

As part of Barings' remuneration framework, the boards of all Barings' MiFID entities (including BUK) have delegated remuneration decisions and activities to a remuneration panel ("the Remuneration Panel"), which is chaired by LLC's Chief Human Resources Officer and comprises the Global Head of Compensation and Benefits together with the Senior Director from the compensation team. The Remuneration Panel is responsible for implementing the Remuneration Policy, reviewing and approving compensation proposals and such other human resources and compensation matters as maybe referred to it from time to time, including but not limited to matters relating to:

- risk management
- company retirement plans
- regulatory compliance
- culture & conduct
- malus and clawback

If any of the Group employees are among Barings' top ten highest paid executives or highest paid investment professionals, their proposed compensation awards are also reviewed by Barings LLC's Human Resources Committee, which comprises Barings' Chief Executive Officer, Barings' Chief Human Resources Officer, the Chief Executive Officer of MassMutual and the Chief Financial Officer of MassMutual.

7.4 Risk Management and Conflicts of Interest

The policy is designed to:

- ensure that risk-taking by staff in the course of their business does not exceed the level of risk tolerated by Barings;
- contain measures to avoid conflicts of interest;
- encourage responsible business conduct; and
- promote risk awareness and prudent risk taking.

Investment risk is generally assumed by Barings on an agency basis for clients, rather than on a principal basis for its own balance sheet. Staff are required to take investment decisions in compliance with the investment guidelines and the process is overseen and monitored by the Risk Management and Compliance teams. These two teams are functionally and hierarchically separate from the portfolio management teams and the operating departments that support the portfolio management teams. The remuneration of investment personnel is determined in a manner which is designed to ensure the independence of their respective judgments in performing their duties. The remuneration of the Risk Management and Compliance teams is not directly linked to the performance of any portfolio management team. The remuneration of the senior officers in risk management and compliance functions is directly overseen by the Remuneration Panel.

As part of the annual compensation awards and promotions process, the Remuneration Panel will consider any relevant information received in respect of risk or compliance behaviour (e.g. complaints, conduct breaches etc.).

Variable remuneration is not paid to members of the Firms' management bodies who do not perform an executive function.

7.5 Material Risk Takers

Material Risk Takers ("MRTs") are identified annually (and as appropriate in respect of new joiners). Each MRT is notified of their classification and the implications of their status as such. An MRT register is provided to both the Remuneration Panel and BEL at least annually.

The types of staff identified as Material Risk Takers ("MRTs") include:

- All members of management bodies (executive and non-executive)
- Members of Senior Management
- Staff who have managerial responsibilities for control functions including Risk, Compliance (including the prevention of money laundering), Audit and IT, information security and outsourcing of critical functions
- Staff with managerial responsibilities for investment management
- Staff with responsibility for a high proportion of revenues
- Staff in other roles who are considered to have a material impact on the risk profile of the Firm.
- Staff with the authority to approve or veto new products.

7.6 Performance Measurement

MRT performance-related variable remuneration is based on a combination of the assessment of the performance of the individual, the business unit concerned and the overall results of the Firm.

The assessment of MRT performance is part of a multi-year framework that ensures:

- the assessment of performance is based on longer-term performance; and
- the payment of performance-based remuneration is spread over a period that takes account of the business cycle of the firm and its business risks.

The Firm considers financial and non-financial criteria (including targets related to environmental, social and governance factors and conduct) when assessing the individual performance of all staff to determine their variable remuneration.

Appraisals of employees are conducted annually, with less formal quarterly check-ins. Final ratings and promotion recommendations are evaluated and reported to the Remuneration Panel. These ratings direct compensation decisions which are impacted by business results and market practices. The process is iterative, since individual awards are positioned as pool sizes are finalised.

Reference is also made to the outcome of the annual Fitness and & Propriety and Certification Process under the Senior Managers & Certification Regime. Any issues regarding the fitness and propriety or knowledge and competence of relevant staff will be taken into account, as appropriate, when determining remuneration.

7.7 Performance and Variable pay

Remuneration structures are designed to support and further the Firms' business strategy, objectives, values and long-term interests (as required by SYSC 19G.2.9 R). Packages aim to facilitate the retention of existing employees and attract high calibre new employees to achieve the best results for the Firm and its clients.

In accordance with 19G.4.1, a clear distinction is made between criteria for setting fixed and variable remuneration.

Remuneration arrangements for employees currently comprise some or all the following components:

- fixed salary (fixed remuneration);
- benefits – e.g. private medical insurance cover, life assurance cover, personal accident insurance cover, pensions etc. (fixed remuneration);
- awards under the short term incentive scheme ("STI") (variable remuneration);
- awards under the long term incentive scheme ("LTI") (variable remuneration); and/or
- share of carried interest in certain funds ("Carried Interest") variable remuneration.

The Firm ensures that:

- the fixed and variable components of total remuneration are appropriately balanced; and
- the fixed component represents a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration, including the possibility of paying no variable remuneration component.

The Firm has set an appropriate ratio between the variable and fixed components of total remuneration for their MRTs.

7.8 Performance Adjustment

Any variable remuneration awards granted to MIFIDPRU MRTs are subject to malus and clawback requirements. Malus will apply where the MRT:

- participated in or was responsible for conduct which resulted in significant losses to the firm or relevant business unit;
- failed to meet appropriate standards of fitness and propriety; and/or
- participated in or was responsible for conduct which resulted in a material failure of risk management at the level of the firm or relevant business unit.

Malus will apply from the date of grant of an award of variable remuneration to the point of vesting, for any equity-based compensation, and to the point of payment for any cash award payments. Clawback may apply if an MRT:

- participated in or was responsible for conduct which resulted in significant losses to the firm; and/or
- failed to meet appropriate standards of fitness and propriety.

Clawback will apply for a period of three years from the date of vesting, for equity-based compensation, and from the point of payment for any cash award payments.

7.9 Severance Pay

Severance pay (other than for contractually mandated notice periods) for MRTs will only be made at the absolute discretion of the Remuneration Panel who will seek any additional approvals required in accordance with internal documentation.

Any payments related to early termination of an MRT employment contract will reflect performance achieved over time and will be designed in a way which does not reward failure or misconduct.

7.10 Guaranteed Variable Remuneration

Barings' general policy is not to offer any form of guaranteed variable remuneration (a sign-on bonus, "golden handshake" or lost opportunity award) to staff. The principal exception to this is in the context of the hiring of a new employee. Generally, such a guarantee would be limited to the amount of any compensation that would otherwise have been due from a previous employer (but was being forfeited on account of the employee joining Barings) and would not be more generous in relation to its other terms.

7.11 Quantitative Remuneration Disclosures

The table below provides details of the aggregate remuneration for the Firm for the year ended 31 December 2024 as required under MiFIDPRU 8.6.8.

BUK had twenty-five MRTs during the year, of whom twenty-four were members of senior management, leaving one non-senior management individual whose compensation is included in the table below.

The Firm has taken advantage of the exemption available under MiFIDPRU 8.6.8.R(7)b) not to separately disclose the remuneration of this individual in order to maintain confidentiality. Similarly, it has not separately disclosed the total severance payments or guaranteed variable remuneration awarded during the year to MRTs, in order to prevent identification of information relating to specific individuals.

£'000s	MRTs	Other Staff	Total
Fixed remuneration awarded	597	5,418	6,015
Variable remuneration awarded	3,219	3,800	7,019
Total remuneration awarded	3,816	9,218	13.034

Section 8: Investment Policy

The Firm is not required to provide disclosures under MiFIDPRU 8.7 as it meets the conditions specified in MiFIDPRU 7.1.4R.