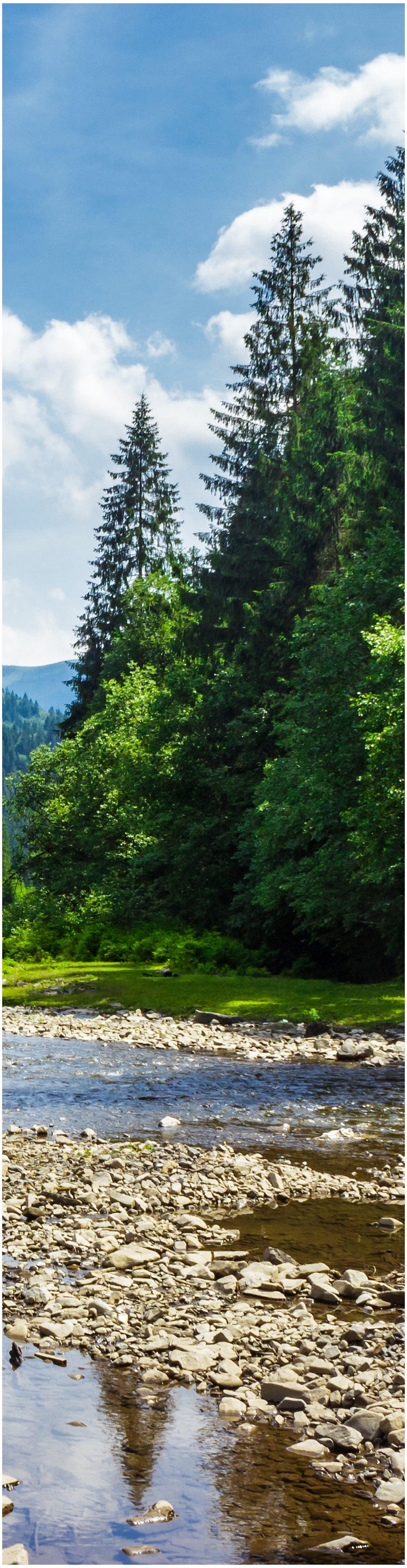
U.K. Stewardship Report

SUBMISSION FOR CALENDAR YEAR

2021



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Foreword

We are pleased to present our 2021 U.K. Stewardship Code Report. At Barings, we fully support the Stewardship Code, which ensures that high standards are upheld for those investing money on behalf of U.K. savers and pensioners, and those that support them.

We're excited to share the activities we've undertaken and progress we've made this past year. The definition of a good steward is being redefined in these changing times and we believe we can rise to the challenge.

At Barings, being a good steward of our clients' capital is about engagement and partnership—partnership with both clients and the companies we invest in. We believe in engaging with management—making the case for better practice—as we see this as a long-term solution rather than simply divesting, because that is how we ensure a fair transition.

A fair transition requires every asset manager, company and client to play a critical role in building a better future, as we invest in lasting change, together.

MIKE FRENO

Chairman & CEO, Barings LLC

J. T. Swayne

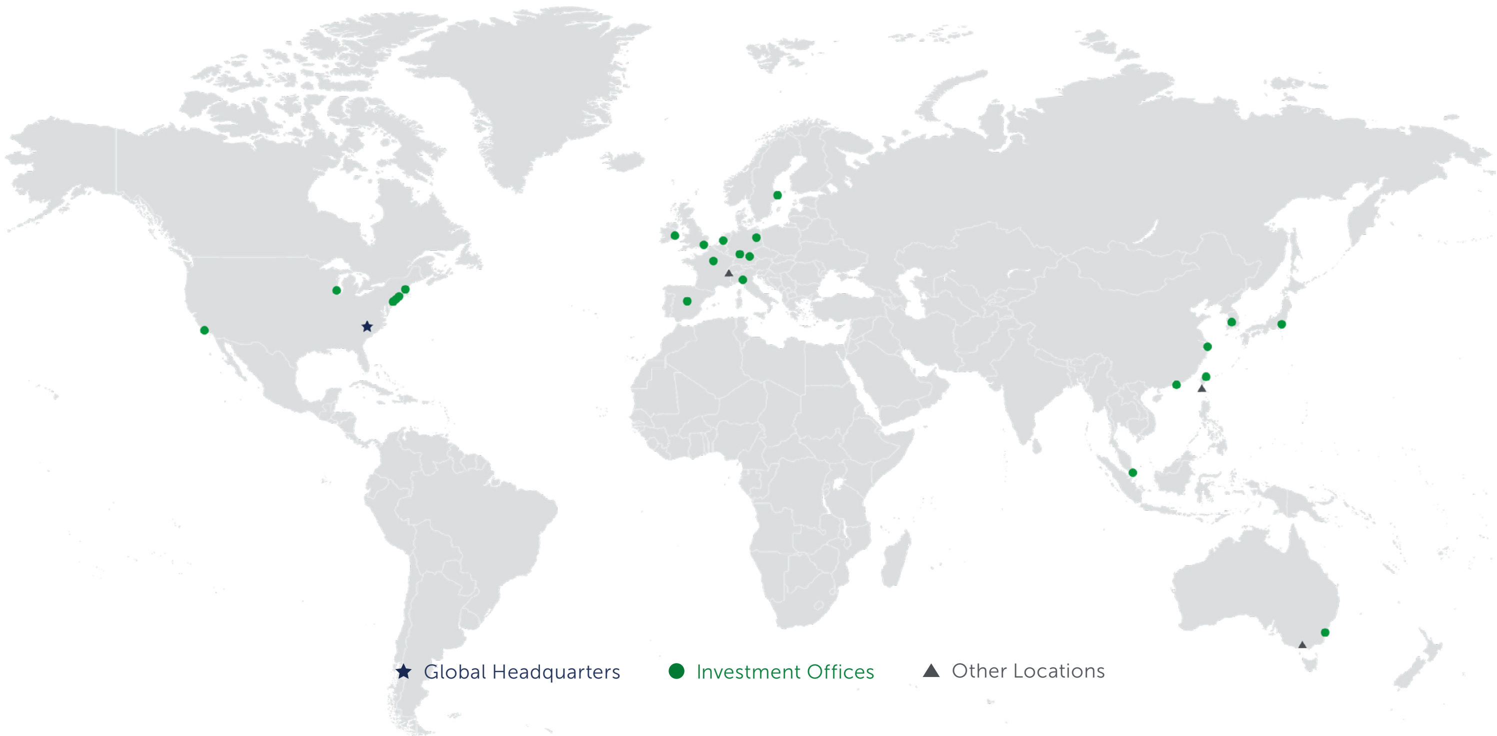
JULIAN SWAYNE

Chief Executive, Barings Europe

Barings Overview

Barings is a $391+ billion[1] global investment manager sourcing diverse opportunities and building long-term portfolios across public and private fixed income, real estate, and specialist equity markets. The firm, a subsidiary of MassMutual, aims to serve its clients, communities and employees, and is committed to sustainable practices and responsible investment.

We have 1,800+ staff across 18 countries, including 730+ investment professionals with on-the-ground local knowledge and broad investment experience. Our global presence enriches our understanding of market conditions and specific investment opportunities.



Introduction

This is Barings' 2021 stewardship report, in which we articulate the firm's processes, activities and associated outcomes related to our stewardship practices for calendar year 2021, based on our governance, investment and engagement approach, and voting.

In 2021, we took significant steps to improve our stewardship practices. With the hiring of our Stewardship Associate Director, reporting to our Director of Sustainability, and our new Stewardship Working Group, Barings' stewardship strategy is as follows:

1. Increasing our stewardship reporting and transparency
2. Enhancing our stewardship framework
3. Empowering our investment teams to undertake stronger stewardship practices

In accordance with the 12 Principles of the U.K. Stewardship Code, this report highlights the activities made in line with this strategy and we will mark our progress as we publish future annual stewardship reports.

1. Data provided in this report is as of 31 December 2021.

Purpose & Governance

At Barings, we strive to act responsibly today to help deliver a sustainable tomorrow. Our sustainability activities are a journey, not a destination, because the challenges of a just transition are always changing. For example, 2021 saw major systemic and market risks from climate change, COVID-19 and inflation continue to grow. As a result, now more than ever, it is critical that we continue to conduct our business with ethical, sustainable and sound governance to deliver more sustainable value to our clients, colleagues and communities.

We believe every organisation and individual has a role to play in driving lasting positive change for our industry, people and the planet. Throughout this section, we will discuss notable actions Barings took in 2021 to help deliver a more sustainable future. We will also identify areas of our business and practices where we see room for improvement. These include:

- The formalisation of our improved Sustainability governance structure
- The launch of an ESG materiality assessment
- An internal audit on our stewardship and ESG-integration activities

PRINCIPLE 1

Our Purpose, Beliefs, Strategy & Culture Related to Stewardship

CONTEXT

A TEAM-DRIVEN CULTURE

We aim to sustain a culture where ethical conduct is valued and exemplified by all associates. Associates of Barings not only recognise their responsibility to comply personally with the Associate Ethics and Conduct Guide, but also their responsibility to serve as role models in observance of its spirit.

Our team-driven culture is built on transparency, accountability and commitment to excellence in client service. We listen to our clients to understand their needs, so that we can be an informed strategic advisor and a long-term partner capable of meeting their unique investment goals. Risk management and protecting our investors' capital over the long-term is also an essential component of our lasting partnerships.

SUPPORTING OUR PEOPLE, CLIENTS & COMMUNITIES

We are committed to supporting our talented, diverse workforce with the resources they need to flourish—competitive benefits, professional development and a safe and healthy environment. We reward those who display personal and professional integrity and share our values and commitment to client service. Our people are invested in the communities in which they live and work, and we all demonstrate our commitment through partnerships with a number of civic, philanthropic and non-profit initiatives, and through monetary donations and employee volunteerism.

At Barings, we have built our reputation and track record on a strong, bottom-up style of investing driven by fundamentals and a long-term view. We target steady, sustainable growth of assets, client base and fund offerings across our core areas of expertise. It remains a key priority to maintain a high level of service to the firm's existing clients, while building our business through organic growth and selective strategic acquisition.

A COMMITMENT TO ESG INTEGRATION & STEWARDSHIP

We believe the analysis of environmental, social and governance (ESG) topics should be integrated into the investment process across all asset classes. We consider ESG factors in our fundamental, bottom-up analysis because we believe that understanding and minimising relevant ESG risks, and unlocking ESG opportunities, is key to delivering superior long-term risk-adjusted returns for our clients. ESG analysis also enables us to engage with companies and demand better ESG standards that may contribute to positive environmental and societal outcomes. Our data-driven, in-depth and structured fundamental research, and our proven investment process, gives us an advantage in identifying these potential risks and opportunities.

We believe this analysis feeds into our role as responsible stewards of our clients' capital. Consistent with our investment analysis, we seek to leverage our position with issuers to help minimise the ESG risks they face and encourage the improvement of practices to maximise ESG opportunities. Aligned with our investment strategy, we engage and vote, where possible, to guide our investments towards sustainable practices. We recognise that this may involve collaborating with peers, policymakers and industry bodies.

THE ROLE OF OUR GLOBAL SUSTAINABILITY POLICY

Our Global Sustainability Policy captures our overarching approach to ESG integration, stewardship and corporate responsibility across the Firm's investment processes and operations.

All employees are required to review this policy on an annual basis and adapt their behaviour accordingly. Alongside this, our company encourages employees and leadership to support an environmentally and socially sustainable future, and to consider how decisions impact clients, the environment and society. All employees are held accountable to these values in our annual performance management process and are provided resources to continuously develop their ESG acumen and behaviours. Meanwhile, our Senior Leadership Team takes part in strategic off-sites on a regular basis, where sustainability is consistently a leading topic of discussion. As a result, our firm-wide strategic focus is aligned with our sustainability and stewardship goals.

REFLECTING ON OUR PROGRESS

In 2021, we undertook the following activities to further support the alignment between our beliefs, culture and stewardship practices:

1. Instructed the first phase of a third-party ESG materiality analysis and industry benchmarking exercise to focus on prioritised sustainability issues (see Principle 4);
2. Hired an Associate Director to lead the coordination and enhancement of stewardship activities across investment teams and business units;
3. Established a Stewardship Working Group to oversee the steering and implementation of stewardship-related projects (see Principle 2); and
4. Undertook a high-level gap analysis to prioritise our stewardship efforts (see Principle 5).

From these activities, we have identified that Barings' existing stewardship approach is well aligned with our ESG integration approach to protect and enhance the value of our clients' assets. This does not mean, however, that we will not grasp opportunities to strengthen our influence on companies and further enable change against identified ESG risks and opportunities through our engagement and stewardship activities. We are always looking for further ways to support the best interests of our clients and beneficiaries, and to see environmental and social value take their place alongside financial value in our long-term goals.

We will continue to enhance and development our investment team tools for recording engagements, tracking progress and escalation activities, and training.

PRINCIPLE 2

Our Approach to Supporting Stewardship Through Governance, Resourcing & Incentives

CONTEXT

GOVERNANCE OVERSIGHT—KEEPING BARINGS ON THE RIGHT TRACK

The Barings Board, Senior Leadership Team (SLT) and regional leadership teams are regularly updated on our activities related to stewardship, sustainability and ESG concerns. Our SLT is 37% female. Barings' Director of Sustainability reports directly to the Chief Administrative Officer and Chief Legal Officer (a member of the SLT).

Sustainability Committee

Barings' Sustainability Committee was formally established in April 2021. The Committee is responsible for:

- Providing oversight of the Global Sustainability Policy;
- Barings' ESG-integration and stewardship related strategies and programs; and
- Ensuring that Barings complies with its obligations as a signatory to sustainability-related memberships and commitments.

The Committee meets monthly, chaired by our Director of Sustainability, and is comprised of team leaders, including the Chief Diversity, Equity and Inclusion (DEI) Officer, Head of Portfolio Solutions & Analytics (PSA), Head of Public Fixed Income, Head of Private Assets, Head of Client and Product Management, Global Head of Equities, Deputy Chief Compliance Officer, Head of Digital Product Innovation and Head of UK Institutional Sales.

The structure and composition of this committee was chosen to ensure that the oversight provided incorporates the relevant perspectives across asset classes, external stakeholders and business units. We think this mix best informs the direction of sustainability practices across Barings globally, including stewardship.

Sustainability Working Groups

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

SUSTAINABILITY COMMITTEE

CORPORATE RESPONSIBILITY

Responsibilities

Corporate environmental and social efforts

Corporate responsibility recording, monitoring, targets and reporting

Barings Social Impact (BSI) and Employee Resources Group (ERG) alignment

Socializing plans and soliciting feedback/ideas

ESG INVESTMENT INTEGRATION

Responsibilities

ESG integration framework

Investment tools

Data (third-party, engagement, scoring, analysis) monitoring and reporting

Investment external memberships and reporting

Sharing practices between investment teams

Socializing plans and soliciting feedback/ideas

Product development

REPORTING & DISTRIBUTION

Responsibilities

Client reporting

Regulatory reporting

Industry reporting

Client/prospect insight, requests, RFPs

Marketing and Communications

REGULATORY & COMPLIANCE

Responsibilities

Horizon scanning

Regulatory analysis

Regulatory timelines

Proposal of necessary actions

TECHNOLOGY

Responsibilities

ESG data architecture

Third-party data intake

Visualization tools for ESG integration and stewardship

Platform integration and refinements

STEWARDSHIP

Responsibilities

Stewardship framework development and internal knowledge building

Engagement practices and industry collaboration

Stewardship-related reporting

Stewardship Working Group

The Stewardship Working Group, chaired by the Associate Director of Stewardship, who reports to the Director of Sustainability, oversees the coordination and strengthening of Barings' stewardship practices across investment teams and associated external reporting. The Working Group is comprised of associates representing various business units such as Sustainability, Portfolio Solutions & Analytics (PSA), Public Equities, Corporate Debt, Sovereign Debt, Private Finance, Structured Credit, Securitised Products, Real Estate, Compliance, Procurement, Corporate Services, Corporate Actions, and Diversity, Equity & Inclusion (DEI). The group oversees the following activities and reports monthly to the Sustainability Committee:

- Development and coordination of stewardship-related reporting using the PRI's Reporting Framework and the FRC's U.K. Stewardship Code;
- Development and facilitation of training and awareness raising for relevant Barings' investment teams;
- Development and management of broader stewardship communications with external stakeholders;
- Review of existing stewardship-related policies and procedures, as well as implementing ongoing improvements; and
- Coordination of engagement and participation with external initiatives and organisations, including collaborative forums.

Resourcing

Stewardship at Barings is implemented through the following resourcing mechanisms:

- Sustainability Team and dedicated resources
- Sustainability working groups
- Investment professionals
- Service providers

Sustainability Team & Dedicated Resources

Barings' Sustainability team is responsible for developing the firm's sustainability strategy, policies and processes through:

- The integration of ESG into the investment process to fully understand the value drivers of our investments;
- Stewardship for our clients targeted at enhancing returns. We are active managers of our clients' capital; and
- Embedding sustainability within our operations as well as our investment activities to ensure that we are leading by example.

Barings' Sustainability team is supported in the delivery of the sustainability strategy by five dedicated professionals in the PSA team, who support investment teams with their ESG integration as well as providing ESG research, analysis and reporting.

There are currently 11 professionals dedicated to sustainability across the Sustainability and PSA Teams, with further ESG resourcing captured in investment teams. The Sustainability Team is comprised of individuals based in both the U.S. and the U.K. With a variety of educational and professional backgrounds, the team has a diverse set of expertise in fields such as finance, real estate, mathematics and ESG consultancy. Our Stewardship Associate Director joined from the PRI with experience in the Stewardship Team and U.K. & Ireland Signatory Relations.

Further details on the experience of our Sustainability and PSA Teams are provided below.

Role	Commentary
Director, Sustainability Team	Seven years at Barings, including five years focused on ESG integration, stewardship and corporate sustainability.
Stewardship Associate Director, Sustainability	Eight years' experience in ESG, covering sustainability consulting for corporates and investors. This time also includes a tenure at the PRI in the Stewardship and Signatory Relations teams.
Associate Director, Sustainability	Nine years' ESG integration experience in the asset management industry.
Associate Director, Sustainability	More than one year ESG expertise, including the certificate in Sustainable Management from Duke University, with more than 20 years financial executive office experience.
Social Impact Associate Director, Sustainability	Six years' social impact experience in the financial sector.
Analyst, Sustainability	Three years' ESG experience in ESG real estate consulting and asset management.
Director, PSA Team	12 years' ESG experience across asset classes with a previous focus on private equity and real assets.
Director, PSA Team	More than 20 years' quantitative research and analysis.
Director, PSA Team	More than 20 years' quantitative research and analysis.
Associate Director, PSA Team	More than five year's ESG and quantitative research and analysis, with a background in mathematics and computer science.
Analyst, PSA Team	More than one year ESG and quantitative analysis, with educational background in mathematics and finance.

Outside of the Sustainability and PSA Teams, a number of employees, including all of our investment professionals, have ESG-related responsibilities. Example team ESG-focused roles and experience include:

- ESG Associate Director, Public Equities: Five years' experience in ESG integration and active ownership in public equities, and five years' investment experience, with 12 years' in the investment management industry in total. Holds the CFA ESG Certificate.
- ESG Director, Real Estate: Ten years' experience in ESG and sustainability, both in house and consulting, with a focus on real estate.
- Director, Fixed Income: More than 3.5 years' ESG experience with 16 years' investment industry experience.
- Chief DEI Officer: Seven years' experience in DEI in legal and investment industry, and seven years' legal experience prior.
- Associate Director, DEI: Four years' experience in DEI.

Other Barings' business units that include activities with a focus on ESG include:

- Compliance and regulatory
- Legal
- Data and Technology
- Client services and reporting

GUIDED BY INVESTMENT PROFESSIONALS

Barings' investment professionals are responsible for incorporating ESG factors and undertaking stewardship activities as part of their investment processes. This is because our investment professionals know their investments, industries and markets better than any other group in the business, and are therefore best placed to execute on both ESG integration and stewardship activities with our investments and industry bodies.

Our professionals are trained in ESG integration in their relevant asset class, use third-party data where appropriate, and are supported by our dedicated sustainability resources. Portfolio managers and analysts also access ad-hoc teach-ins by the Sustainability Team, which provide updates on ESG integration activities and considerations. The Investment Committees or other governing bodies for the individual asset classes provide the oversight for this. Once invested, investment professionals continue to monitor each entity to ensure that our thesis remains intact and that (in liquid investments) an investment's risk and return profile remains attractive relative to other opportunities available in the market.

Promoting Personal Development

As mentioned in Principle 1, all Barings employees build their personal development programmes on our corporate values, which have sustainability at their core. Specifically, we focus on the following attributes:

- Valuing our People states that professionals value diverse perspectives and are inclusive of others.
- Taking Accountability explicitly informs professionals to consider the impact of decisions on clients, the environment and society.
- Foster Collaboration states that professionals are expected to align team and individual objectives to the firm's overall goals, which include sustainability and stewardship.
- Delivering Excellence assures that professionals act with integrity by adhering to corporate ethics, policies and market regulations to manage firm risk, follow through on commitments in service to our clients, colleagues and communities, and support an environmentally and socially sustainable future through individual business practices.

Performance aligned with these values is directly linked to remuneration benefits. Investment professionals are also encouraged to attend conferences and talks related to sustainability, and pursue other educational opportunities such as PRI Academy coursework, Sustainability Accounting Standards Board's (SASB's) Fundamentals of Sustainability (FSA) credential and the CFA U.K. ESG Certificate. External providers also visit Barings regularly to update our investment professionals on any updates and changes to their ESG practices.

ESG & Remuneration

ESG is a critical part of the investment philosophy and process, thus linked to the compensation of our investment teams.

Beyond this, we offer annual incentive awards designed to advance the interest of the firm by linking the compensation to performance and achievement of key financial goals, as well as divisional and individual goals. Individual allocations are on a discretionary basis based upon relative performance to market and individual performance evaluations. Investment professionals across a number of our investment teams, including Public Equities and Public Fixed Income, have ESG explicitly integrated into their performance development goals relating directly to ESG integration and engagement activity.

Barings' long-term incentives ("LTI") programmes include deferred-cash based components, which can be tracked against Barings' earnings, products and other specific investment vehicles. These awards are typically deferred with a four-year vesting and pay-out. In addition, our long-term incentive plans are designed to tie a material portion of the incentive compensation received by our executive officers directly to the long-term performance of Barings, as measured by our phantom stock price.

Furthermore, we design our compensation programmes to reward intangible and tangible contributions to our success, including:

- Corporate integrity
- Service quality
- Customer loyalty
- Risk management
- Corporate reputation
- The quality of our team of professionals
- The collaboration within that team

DIVERSITY, EQUITY & INCLUSION

As an organisation, we believe that diversity of perspectives and skills is essential to meeting the evolving needs of our clients. We are committed to attracting and retaining a talented workforce whose diversity reflects the clients and communities in which we work and live.

Barings recognises that women and other diverse individuals in the financial services sector need a supportive environment and mentorship throughout their careers. Our six employee resource groups—Barings Black Alliance (U.S.-led), Barings Black Talent Network (U.K.-led), Barings Veterans Network (U.S.-led), Barings Women's Network (U.K. and U.S.-led.) and Out & Allies (global focus, U.K.-led)—help build a sense of community, engage and advance their members within the firm and recruit diverse talent to the firm. These groups are open to all employees across our offices globally.

Our Global Statement on Diversity and Statement of Respect outline Barings' commitment to a discrimination—and harassment—free work environment, including all employment decisions (i.e., hiring, promotion and compensation), and underscores Barings' expectation that everyone helps drive and sustain our inclusive culture.

We publicly report on our U.K. gender pay gap annually and publish this on our website. Furthermore, all eligible Barings' employees completed inclusive culture training in 2021. Barings will continue to offer DEI programs and training for employees on an annual basis.

GLOBAL GENDER STATISTICS

EXECUTIVE MANAGEMENT

63% *male*

37% *female*

FULL FIRM

61% *male*

39% *female*

SERVICE PROVIDERS

Alongside our in-house ESG integration and stewardship activities—which cover all of our investment teams—we also work with third parties to provide the following services, in order to enhance our approach (monitoring of these services providers is discussed in Principle 8):

Provider type	Relevance to stewardship activities
Proxy voting	Supporting our Public Equities team to exercise its voting rights based on voting guidelines and recommendations.
Financial and ESG research and data	Supporting investment teams across asset classes with an ESG integration process that in turn informs prioritised engagement activities.
Credit research and rating	Supporting our fixed income teams with our ESG integration process, in turn informing engagement activities.
ESG strategy consulting	Helping to inform Barings' Sustainability strategy, including stewardship prioritisations.
Specialised ESG due diligence, monitoring and certification services	Providing in-depth due diligence for identifying ESG risks and opportunities to inform investment decisions for specific investments across a number of our investment teams including real estate and private debt.

ACTIONS

We took the following actions in 2021 to strengthen our governance structure and resourcing for stewardship practices:

GOVERNANCE

- Formalised the Sustainability Committee.
- Launched the Stewardship Working Group, agreeing to prioritise:
    - Increasing stewardship reporting and transparency;
    - Enhancing our stewardship framework; and
    - Empowering our investment teams to undertake stronger stewardship practices.

RESOURCING

- Increased ESG resourcing across PSA, sustainability and specific investment teams.
- Specifically hired an Associate Director of Stewardship to lead the coordination and enhancement of our existing stewardship activities.
- Expanded third-party data provider relationships and tools, including beta testing new packages/analysis in partnership with data providers to support increased scope of ESG data.
- Surveyed data providers across the market to test capabilities, including start-ups via our technology innovation team to further strengthen our proprietary ESG analytics tools.

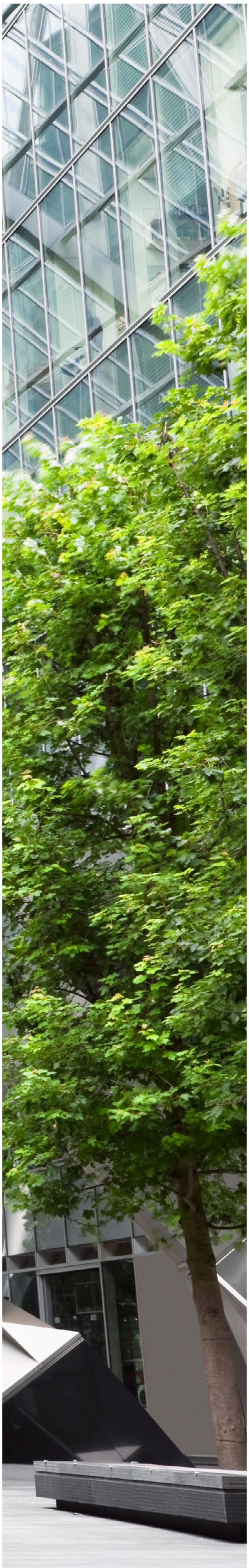
TRAINING

- Developed an in-house stewardship training programme in Q4 2021 to cover the foundations of stewardship and associated definitions, drivers and practices. Training sessions were provided to the following teams, covering more than 40 professionals, with ongoing roll-out across teams in 2022:
    - Global Private Finance
    - Emerging Markets Corporate and Sovereign Debt
    - European Sales

REFLECTING ON OUR PROGRESS

We believe our strengthened governance approach established in 2021 has been effective in the delivery of ongoing improvement of our stewardship practices through enhanced accountability of our Sustainability Committee, as well as oversight of the projects implemented across our Sustainability Working Groups. More broadly, our governance and resourcing related to stewardship will be improved through the following planned activities in 2022:

- Ongoing roll out of stewardship training of investment teams and relevant Barings business units.
- Development and roll out of training to support investment teams with topics such as best-practice ESG integration practices and advanced incorporation of climate risk.
- The assessment of ongoing knowledge, training and resource needs by the Stewardship Working Group.
- Further incorporation of sustainability into performance review and incentivisation of our SLT and investment professionals. We have added explicit goals tied to sustainability and ESG across the entire SLT, and we want to expand these to include clear key performance indicators (KPIs) in the future.



PRINCIPLE 3

Managing Conflicts of Interest

CONTEXT

Our framework for identifying, preventing, and managing conflicts of interest has five core pillars:

1. **Governance**
   Key committees, which consider conflicts of interest before new lines of business (including new products) are approved, and conflicts that, may arise during day-to-day activities.
2. **Policies**
   A suite of regional and global policies, which aim to prevent and detect conflicts. For corporate matters, we operate a Conflicts of Interest Policy, which outlines our approach to identifying, preventing and managing conflicts. This policy is made available to all clients and disclosed on our website. For personal conflicts (such as personal trading or outside business interests), we have implemented a Global Code of Ethics. And for conflicts related to voting, we operate a Proxy Voting Policy (see Principle 12).
3. **Compliance Systems**
   Used to systemise and monitor employees' personal trading and outside business interests. The same application is also used to manage employees' confirmation of their understanding of internal policies.
4. **Annual Review of Conflicts**
   The Compliance department for each region globally conducts an annual review of conflicts to ensure the record of potential and actual conflicts is comprehensive and reflects current business activities.
5. **Processes and Controls**
   We maintain a conflicts register, which is the source for all conflicts-related risk and controls. Separate records are maintained for gifts and entertainment, and additional employments or outside interests. While the content varies by region, employees are required to complete conflicts of interest training.

The framework has been designed to reflect both the nature of Barings' business activities and its ownership structure.

STEWARDSHIP CONFLICTS—ACTIVITIES

Barings is owned by a non-listed insurance company, and none of the firms that perform regulated activities are listed. Therefore, the conflicts associated with listing arrangements are generally not applicable to Barings.

The conflicts related to engagement and stewardship that may in asset management include:

- **Voting behaviour replicating proxy-advisor recommendations.** Investment teams have full discretion to deviate if they deem it is in the best interests of clients or voting behaviour will support an engagement plan.

- **Personal interests overriding client interests.** There will be instances when a member of an investment team has a personal interest in the shares being voted on. A representative of the Compliance team is a member of the Proxy Voting Working Group and is responsible for checking and, where relevant, challenging an individual team member's voting intention.
- **Holding multiple segments of capital structure.** As a large asset manager, there will be instances when our portfolios hold different segments of the same issuer's capital structure. Barings has adopted policies, procedures, and information barriers between investment teams for dealing with such conflicts. The same controls are designed to mitigate circumstances when an investment team may be engaging with a specific issuer, and which may also be a client of the firm.
- **Undue influence in board membership.** Barings' policy is to avoid individuals from becoming members of the board of a company that is undergoing a restructure, in order to avoid any potential conflicts arising between the company and its shareholders. Barings will instead act as a board observer, allowing Barings to continue to be aware of board discussions without being able to influence them unduly. Policies and procedures are in place to ensure any material non-public information is either avoided or handled appropriately. On the rare occasion Barings is required to take a seat on a board, conflicts are managed until such a time as we can be removed from the Board. The preference would be to sit on the advisory board, which helps manage any potential conflict, should the firm and shareholders not be aligned. We will continue to monitor our approach in case investment teams feel it would be in investors' best interests to take up seats on boards.

EMERGING STEWARDSHIP CONFLICTS

Barings is transparent about its approach to sustainability, stewardship, and engagement, including voting. However, the pace of legislative change and the introduction of industry codes on the theme of sustainable finance has, thus far, led to a small number of clients requesting that we adopt their responsible investment policies. Our approach to date has been to accommodate such requests for segregated mandates—this approach can also be used for funds with a small number of institutional investors. We foresee potential conflicts when such requests are made from clients that have relatively small holdings in our open-ended funds.

OUTCOMES

During the reporting period, there were no material instances when investment teams were precluded from applying stewardship practices—including engagement and voting activities. We believe our framework continues to be effective for managing the conflicts of interest associated with stewardship activities. And we will continue to review and adapt our approach in light of business and regulatory changes.

REFLECTING ON OUR PROGRESS

In our previous Stewardship Report, we explained that the European Compliance team were planning to complete a review of the regional conflicts register to ensure the descriptions of conflicts reflected business practice. Responsibility for each entry was allocated to a Senior Manager, according to their designation under the U.K.'s Senior Managers and Certification Regime. This review and associated actions were completed in the first half of 2021.

During 2022, the European Compliance team plans to complete a review of conflicts of interest in relation to ESG. The review will focus on the fair treatment of clients who may not have a tilt towards sustainable investing, and potential claims or statements or product strategies that may give rise to a 'greenwashing' risk. The results of this work will be reported to the European Risk Committee and any material findings will be raised with Senior Management.

We will also complete a 'lessons learnt' analysis following the conflicts-related fines the FCA levied on two asset managers in Q4 2021.

PRINCIPLE 4

Identifying & Responding to Market-Wide & Systemic Risks

CONTEXT-RISK MANAGEMENT

Multiple teams across Barings contribute to the identification of market-wide and systemic risks, and respond to these risks from both an operational and investment management perspective. We have five functions within our Risk Team covering:

- Organisational risk
- Investment risk
- Counterparty risk
- Model risk
- Business resiliency

Barings' Enterprise Risk Management Framework has been established by the Risk Team to support the effective identification and management of risks, potential events and trends that may significantly affect the firm's ability to achieve its strategic goals or maintain operations. Barings' key risks are assessed under three categories—strategic, business and operational.

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 themselves 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 program reviews the effective operation of relevant key processes against regulatory requirements.

Internal Audit provides retrospective, 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.

A framework of committees focused on the firm's core investment, trading, regulatory/compliance and operational activities provides formal governance, with membership comprised of associates from across the firm to provide a multi-functional viewpoint of risk oversight and management. The Chief Executive Officer and the Senior Leadership Team, as the principal executive committee, have responsibility for regularly reviewing Barings' key risks. This includes ensuring that their respective business areas in all legal entities are monitoring and reporting relevant risks. The executive committee is also responsible for monitoring individual behaviours, ensuring that they mirror the culture and core values of Barings.

As part of this, Barings maintains a comprehensive Risk Management Framework that oversees market-wide and systemic risks. Through this framework, we focused on five systemic and market-wide risks in 2021:

- Business resilience
- Information security
- Climate
- COVID-19
- Inflation

BUSINESS RESILIENCE

The risk of failing to maintain Barings' Business Resiliency program could result in the firm's inability to ensure employee safety, maintain critical operations and mitigate the impact on the business, clients, and markets in the event of a disruptive incident or unforeseen event.

Barings maintains a collection of Business Resiliency plans that encompass all significant operational areas of the firm. The plans detail the resources, locations, and technology required to maintain critical operations. To validate the effectiveness of the Business Resiliency program, a series of testing and validation exercises are undertaken annually.

The resilience strategies used to mitigate the impact of disruptive events include:

- Alternate working
- Resilient IT infrastructure
- Transfer of work

INFORMATION SECURITY

The risk of failing to maintain an effective Cyber and Information Security program could result in a security incident that could impact the firm's ability to maintain reliable business operations, and meet legislative and regulatory requirements.

A cyber risk management program is in place to identify threats and the potential impact to the business for all critical assets on a continuous basis. Known threats are aligned with compensating controls and tracked in a governance, risk, and compliance (GRC) tool to measure the maturity level of the program. As the threat landscape changes, critical assets are reassessed to ensure we have an acceptable level of cyber hygiene. It is the responsibility of the collective Information Security team, more specifically the Chief Information Security Officer and Global Head of GRC, to alert the operation groups to the required changes needed to reduce risk.

Barings maintains a Cyber and Information Security function to:

- Maintain policies and standards based on industry best practices;
- Architect and implement technical capabilities to enforce policies and standards; and
- Operate security sensitive tasks (Identity and Access Management, Security Monitoring and Response, and Data Protection).

Barings' Information Security team partners with other control functions to ensure appropriate cross functional policies and standards are maintained. The team also partner with business teams to ensure operations are conducted securely. There are also both formal and informal forums comprised of cross-functional internal stakeholders to provide a range of expertise, guidance and to challenge information security oversight and developments to continue strengthening the governance framework, program and control environment.

CLIMATE CHANGE

Climate change triggers physical risks. Frequent or severe weather events, for example, have a direct impact on our society and may potentially affect the economy. It handicaps populations in their ability to work and consume, and firms in their ability to contribute to economic activity. The transition to a low-carbon economy means that all sectors of activity will have to adapt their production process so they rely on greener sources of energy and become more energy-efficient. The cost of doing business will thus rise, and firms' asset value may collapse. The more action is delayed and climate conditions deteriorate, the higher the risk to the financial performance of Barings' investments—in both companies and real assets. To confront these risks, as well as opportunities, requires a more comprehensive investment process by asset managers, with full knowledge of the environmental performance of an entity, as well as the governance that underpins its environmental strategy. From our perspective, this includes the strengthening of Barings teams (see Principle 2), not only to address risks in their investment portfolio but also to use the power of their capital to drive change. (Activities from our Public Equities team are outlined later in this section.)

COVID-19

The restrictions to mobility and economic activity that were required to alleviate the human and economic costs of the COVID-19 pandemic risked significant negative effects on society. The expected destruction of demand also reduced firms' willingness to invest—causing a fall in demand that hit hard financial markets, including Barings' investments.

The significant and relentless support of governments to households and corporates, including through easier lending conditions, broad wage support schemes, and massive investments in health and healthcare delivered the unexpected—a dynamic economic restart over the course of 2021. To continue to respond to COVID-19, we maintained a working group to ensure outsourced services operated as close to normal as possible and portfolios were priced correctly to safeguard all clients. We also set up a liquidity group to ensure normal and proper functioning of open-ended funds.

From a portfolio management perspective, we continued to engage with investee company management teams on their ongoing plans for business resilience and protecting staff. (Activities from our Structured Credit team are outlined later in this section.)

INFLATION

Over the course of 2021, inflation replaced deflation as a significant risk to investment value. Quality companies competing globally suddenly risked not being able to pass on higher input costs to consumers, reducing margins and operating profits. With workers losing purchasing power, demand could suffer. Disruptions to supply related to the pandemic—from missing workers and restrictions to mobility—triggered the acceleration of inflation globally. Barings' teams analysed the risk this posed to investments and managed their portfolios strategically. In particular, a risk to portfolios came from default risks of firms unable to pass on part of their higher input costs to consumers. Balance-sheet analysis was reinforced, with a close review of policy response to support both firms and consumers. Fund managers sought to reduce their impact on asset owners while exposing portfolios to opportunities in the long-awaited economic restart.

CONTEXT—BARINGS INVESTMENT INSTITUTE

Barings portfolio managers and investment analysts benefit from the expertise of the Barings Investment Institute (BII), accessing data on key macroeconomic, financial, and geopolitical risks. One of the key missions of the BII, a team of economists with experience in the public sector, international financial institutions, rating agencies and think tanks, is to identify relevant short- and longer-term risks in the economic outlook. BII members attend weekly meetings with Barings' investment teams where they present and discuss their analysis to help portfolio managers identify and manage key risks.

This year, and in continuation of its work in 2021, the BII team has been performing three types of analysis.

1. Developing Macroeconomic Scenarios
   The first is to develop macroeconomic scenarios about the economic outlook and market-wide risks in the next 12–18 months. The result of this work is published every month in the form of a Macroeconomic Dashboard and presented in a firm-wide call to Barings' investment teams, followed by a Q&A. The analysis has focused on the impact of the pandemic on key macro and market variables, including growth, inflation, poverty and inequality, financial volatility, and asset prices. The team's assessment of the policy response is also considered.

2. Identifying Long-Term Trends
   The BII has also identified long-term, systemic trends that present investment risks as well as opportunities. Five key themes are currently the topic of much analysis and interactions with investment teams. These deal with the following:
   - The daunting task of the climate transition
   - The implications of population ageing for growth and inflation
   - The consequence of the high level of public debts on the functioning and pricing of risk on financial markets
   - The disruptive nature of new technologies
   - The risk to economic resilience from changes in globalisation patterns

3. Undertaking Research
   Lastly, the team undertakes economic research to help guide investments. This past year, the agenda has covered topics including the choice of a value frameworks for integrating environmental, social, and governance concerns in investing; the dynamics of inflation; the importance of corporate liquidity for resilience.

   The investment risk management team and BII, both part of the Portfolio Solutions and Analytics (PSA) group, collaborate to design stress testing assumptions relevant to investment portfolios across asset classes. Assumptions are provided by the BII and our quant and risk associates run models to asset the impact of these scenarios on portfolios. This has proved useful for teams to protect against identified macroeconomic and geopolitical risks this year.

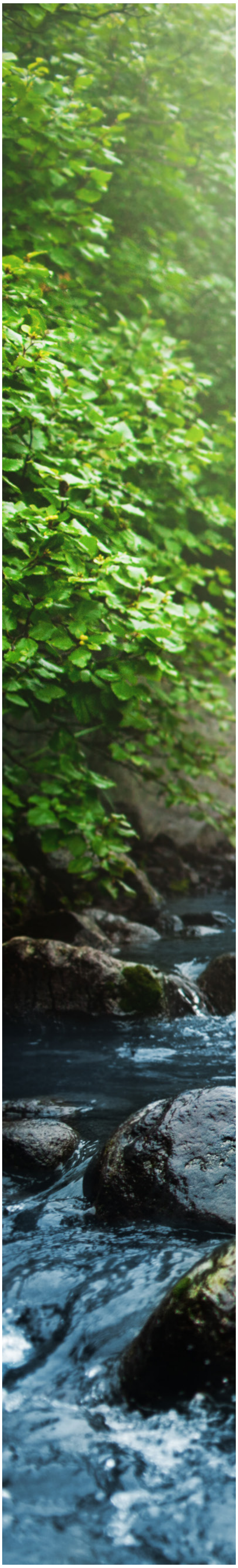
ACTIVITIES—WORKING WITH STAKEHOLDERS & PARTICIPATING IN INDUSTRY INITIATIVES

DIALOGUE WITH POLICYMAKERS

BII interacts regularly with public sector, academia, and think tanks to gather information, discuss views, and exchange feedback. In the past year, BII took part in conversations with the European Commission (EC) regarding ESG regulation and green and social taxonomies. A topic of frequent interaction, for example, was on the role of fossil fuels in the transition to cleaner energy. As the EC opened the draft green taxonomy for public comments, we argued for using the remaining emission budget wisely before temperatures rose 1.5C to ensure a rapid and effective transition to clean energies. The green taxonomy was later revised in response to industry and policy interactions to classify these energies as acceptable transition sources.

The Institute engaged in dialogue with representatives from the European Central Bank (ECB) and the U.S. Federal Reserve and provided Barings' teams the opportunity to provide feedback. In particular, we organised two firm-wide calls with the Head of the Monetary Operation Department of the ECB to facilitate such feedback. Barings' teams explained that yield curves priced the success of ECB policy and market participants reacted positively to the reduction of economic risks from the pandemic. Over the course of the year, and possibly comforted by this and other feedback from the industry, the ECB did not shy away from keeping extraordinary supportive measures in place, helping the European economy weather the painful shock.

Baring Asset Management (BAM) Asia also participated in various discussions with regulatory bodies. In particular, it provided comments on the Securities and Future Commission's (SFC) public consultations through working with the Hong Kong Investment Funds Association (HKIFA) on regulatory regimes that aim to enhance market transparency and promote sustainable finance.



INDUSTRY INITIATIVES

Barings participates in several initiatives that are driving better ESG and risk management practices across the industry as indicated in the table below.

Initiatives	Commentary
GARP (Global Association of Risk Professionals), PRMIA (Professional's Risk Management International Organisation) SIFMA (Securities Industry and Financial Markets Association)	Within these three organisations, Barings associates have been involved in the following forums: Buy Side Risk Management, Operational Business Resiliency, Culture and Governance, Impact of COVID, Liquidity Risk, Cyber Risk, Operational Risk, Counterparty Risk and Business Continuity Planning.
Hong Kong Investment Funds Association (HKIFA)	Barings associates in Hong Kong (BAM Asia) are members of the ESG Working Group of HKIFA.
Structured Finance Association (SFA)	Barings is represented as a member of the SFA ESG Working Group Co-Chair Committee on CLO Data Disclosure.
The Investment Association (IA)	Barings associates are actively involved in IA's fixed income stewardship working group. The purpose of the group is to produce a guidance document with recommendations on how to improve stewardship in fixed income.
European Leverage Finance Association (ELFA)	Barings is represented as a member of the ELFA committee. ELFA ESG committee works to improve disclosure and develop best practice guidance for sub-investment grade corporate borrowers.
Emerging Markets Investor Alliance (EMIA)	Barings associates have participated in several events led by EMIA which look to enable investors to support good governance, promote sustainable development, and improve investment performance in the government and companies in which they invest.
Climate Action 100+ The Investor Forum The Principles for Responsible Investment (PRI)	Barings associates across our public equities and fixed income teams are actively involved in these collaborative engagement initiatives as either lead or collaborating investors. (See Principle 10 for more information.) We also use our PRI signatory membership to engage with representatives on ESG issues or asset-class practices.

Key reflections on outcomes from our involvement in these initiatives include:

- For SFA, we have been in several kick-off introductory high-level meetings to establish timelines and discuss objectives/expectations. We expect the specific asset class (CLOs in our case) working groups to be forthcoming. As we understand, the over-arching goal of the committee is to enable dedicated work streams to develop and publish an ESG disclosure framework for CLOs that our industry can adopt globally. While no outcomes from the group have been established yet, we will look to actively participate in relevant work streams.
- For ELFA, we have been involved in the production of sector ESG fact sheets and participated in working groups with investors and issuers in the market. The aim of these actions is to help address the issue that ESG disclosure remains poor for large parts of the sub-investment grade market. The ESG fact sheets are available on ELFA's website.
- For EMIA, our analysts have participated in thematic calls and workshops on deforestation, climate risk disclosure in extractive industries, as well as Alliance's EM ESG Conference. As a result, the team has signed up to EMIA full membership from 2022 and it aims to participate in several sector working groups for collective engagement with issuers.

Example outcomes from our involvement in Climate Action 100+ and The Investor Forum are explained in Principle 10. In 2021, we also liaised with the FAIRR initiative and the International Corporate Governance Network to discuss options for membership.

ACTIVITIES—ADDRESSING RISKS & ALIGNING INVESTMENTS

Beyond our involvement in industry initiatives to drive improvements in addressing systemic and market risks, our teams have been involved in the following activities:

MATERIALITY ASSESSMENT

In 2021, Barings commissioned an ESG professional-services firm to conduct a comprehensive ESG materiality assessment and industry benchmarking exercise relevant to Barings' investment management activities and business operations. The assessment was expected to be completed in Q1 2022.

The results from the assessment will be used by our Sustainability Team, Sustainability Working Groups, Sustainability Committee and Senior Leadership Team to inform and guide Barings' investment beliefs, stewardship activities and corporate sustainability strategy.

We wanted to gain vital insights into our most material ESG issues as defined by key stakeholders, industry peers, and ESG standards. We also wanted to find out how industry peers are planning ESG initiatives to help inform the prioritisation of issues within Barings and any material issues that may present systemic risks to the industry and society at large. As such, these findings would help anchor Barings' strategic focus around risks and opportunities that are significant to both our corporate entity and the investments we manage on behalf of our clients.

Initial activities included interviewing key internal and external stakeholders (see Principle 6 for client involvement) to identify ESG issues and processes that could be prioritised as part of our ESG integration, stewardship and sustainable business operations.

CLIMATE CHANGE

- In 2021, the Emerging Market Corporate Debt Team worked on a comprehensive review of its investment portfolio, and risks and opportunities arising from climate change. Sector analysts identified the most important factors relevant to our portfolio companies' business models, including physical risks and transition risks under different climate scenarios (SSP 1 and SSP 3). We also looked at investment opportunities and identified types of businesses that potentially benefit from the climate change evolution. This analysis formed part of a firm wide exercise, with contribution from all investment teams. The information was collated by the ESG Integration Working Group and will form the basis of our future firm-level climate change disclosure in line with the Taskforce for Climate-Related Financial Disclosure (TCFD).
- Our Public Equities team started designing a framework to formally integrate Carbon Costs for companies that may be exposed to carbon adjustment mechanisms, whether local or cross-border. We added a specific 'carbon' impact to the proprietary Cost of Equity used in the valuation of companies. The draft of this enhanced framework was completed in 2021 and in Q1 2022 it is being applied to relevant companies. Meanwhile, our teams will continue to engage with companies to improve disclosure related to carbon emissions and costs, and, where necessary, encourage companies to implement or accelerate their de-carbonisation efforts.
- Our Public Equities team also divested from a major oil & gas producer due to a lack of progress in reducing exposure to oil sands relative to peers.

COVID-19

From the onset of COVID-19 and throughout 2021, the Structured Credit team wanted to minimise (and/or price appropriately) exposure to credits in underlying collateral loan obligation (CLO) portfolios that would be disproportionately at risk from surges in COVID-19 infections. Barings High Yield Analyst Team created a "Coronavirus Exposure List", which included credits they believed to be at risk in the event of an extreme outbreak. Barings' CLO team augmented this list to include additional credits held by CLO managers other than Barings. Overlap analysis was run for all potential CLOs investments to quantify and compare across investment opportunities exposure to credits that could be at risk in downside scenarios. This was one of many metrics that we used as in input into investment and relative-value decisions throughout 2021, helping to quantify potential downside risks to preserve our clients' capital. As 2021 progressed and the global economy began to re-open, this became less relevant in our analysis.

REFLECTING ON OUR PROGRESS

Our response to COVID-19 and the systemic risks to our business processes were successful, as there were no material operational risk events, and Barings' business units were strengthened in the process. Systemic liquidity risks were predicted and addressed by Barings, and there were no material liquidity events affecting the firm in 2021.

Stress tests are applied daily to our funds, successfully highlighting areas of elevated market-wide risks to be addressed. We have actively identified and responded to systemic and market issues across asset classes and regions through our risk management, BII and investment teams. We recognise that a number of initiatives are working to effect positive change, and we will remain proactive in our contributions.

We see the opportunity to strengthen our approach through:

- The incorporation of the findings from the materiality assessment undertaken to ensure that our business strategy captures the key ESG issues identified;
- The streamlining of risk management efforts from BII and Risk teams through the Stewardship Working Group
- Ongoing identification and response to systemic risks such as human rights;
- Ongoing and increased collaboration in industry initiatives where we believe we can meaningfully contribute or benefit from an attempt to mitigate systemic and market risks; and
- The promotion of best-practice sharing across investment teams, through workshops, training and resources, by incorporating systemic issues into the ESG integration and stewardship process.

PRINCIPLE 5

Assuring the Effectiveness of Our Activities

ACTIVITIES

As part of our commitment to ongoing improvement in our stewardship practice, we recognise the importance of assessing the effectiveness of our activities. In 2021, Barings undertook the following activities to ensure our stewardship approach is implemented successfully across the relevant investment processes:

1. Policy Review
   Barings' Global Sustainability Policy, which encapsulates Barings Stewardship Policy, is applicable across asset classes and reviewed on an annual basis. This process is overseen by the Sustainability Committee. Following last year's review, the Policy was updated to further articulate our approach to prioritization of engagements, the use of escalation and collective action. This change has helped to inform plans for the Stewardship Working Group in 2022 (see Strengthening our Stewardship Approach Going Forward section).

   Alongside this, all current Barings policies are reviewed annually by relevant subject matter experts and/or oversight committees. New policies are reviewed and signed-off by Barings Governance Committee before adoption.

2. Completion of PRI Reporting Framework
   The completion of the PRI reporting framework, and in particular the Investment and Stewardship Policy module, was used to review Barings' existing stewardship Policy (see above) and practices across asset classes to identify areas for improvement. The PRI's Reporting Framework was completed by the Sustainability Team with input across investment teams to ensure accurate articulation of existing stewardship practices. The responses were reviewed and signed off by the Sustainability Committee. More broadly, the ESG and engagement reporting undertaken for clients (see Principle 6) was reviewed by the Sustainability Team.

3. Internal Audit of Barings ESG Processes and Controls
   Internal Audit at Barings is an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. Internal audit activities help an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

   Barings' Internal Audit function is independent and performs reviews across Barings globally. All functions, including centralised sustainability processes and investment team ESG activities, are subject to Internal Audit oversight. Internal Audit has undertaken testing regarding ESG matters as part of its 2021 audit plan and expects to continue this throughout 2022.

   Within the reporting period, an audit of ESG processes and controls was completed, covering both ESG integration and stewardship practices. The audit scope included:
   - Governance and oversight over ESG
   - Regulatory requirements and filings
   - Reporting accuracy
   - Application controls

   In addition, Internal Audit has developed specific audit steps and will provide further reviews of our investment teams' stewardship processes on a rolling basis.

   In 2021, they undertook internal audits on several investment teams, including consideration of their ESG integration and stewardship practices. A key outcome of these reviews performed in 2021 was the need to continue the investment and development of our propriety system to log and standardise ESG scores and engagements.

4. Stewardship Practice Gap Analysis
   Following the hiring of Barings' Stewardship Associate Director, a high-level gap analysis was undertaken to establish the priorities of Barings' stewardship strategy. This included a review of data, policies, processes and procedures against the reporting expectations of both the U.K. Stewardship Code and the PRI's 2021 reporting framework. The findings were shared and discussed by the Stewardship Working Group. They included:
   - The development and roll out of Stewardship training (Principle 2)—ongoing.
   - Standardisation of engagement reporting across investment teams, including a quarterly review of investment-team engagement data—ongoing.
   - The strengthening of information exchange between systemic and market risks, captured by the Risk team and investment teams, to formally link stewardship strategy to such risks (Principle 4)—ongoing.
   - The strengthening of our approach to capturing client feedback on ESG and stewardship preferences (Principle 6)—ongoing and planned for 2022.

The Stewardship Working Group will monitor progress against these priorities and feedback relevant KPIs to the Sustainability Committee.

REFLECTING ON OUR PROGRESS

Our internal audit is a key step in strengthening the assurance process of our activities and we will continue to work on the actions identified in our audit and stewardship gap analysis. To support our ongoing improvements, we will consider opportunities for third-party assurance procedures. All activities mentioned above will be steered by the Stewardship Working Group—and overseen by the Sustainability Committee—to enable and monitor the improvement of stewardship practices and assurance processes.

Investment Approach

ESG incorporation and stewardship practices are integrated across all of our asset classes and we look to improve our approach further.

The integration of ESG factors runs throughout our investment approach and we recognise the value that stewardship brings to this process. Because ESG factors and what drives them are always in flux, we strengthen our ESG integration processes by being true investment partners to our clients. We want to know their ambitions for ESG integration and stewardship. And we will work closely with our service providers to deliver for our clients.

1. Integration—ESG analysis is a core part of our fundamental research and the responsibility of our investment analysts
2. A dynamic, forward-looking approach—the "direction of travel" for a company in terms of ESG can be as important (if not more important) than its current state
3. Active engagement over exclusion—we believe in driving outcomes through direct engagement with corporate management teams, rather than relying on exclusion lists

PRINCIPLE 6

Taking Into Account & Reporting on Client & Beneficiary Needs

We target steady, sustainable growth of assets, our client base and fund offerings across our core areas of expertise: fixed income, equity and alternatives.

Our clients' assets are managed across asset classes, geographies and client types as indicated below.

$391+ B

Assets Under Management

1,200+

External Clients

1,800+

Professionals Globally

EXTERNAL AUM BY REGION*

*Includes third party, external AUM only.

Client Type	Total AUM
Charities/Endowments/Foundations	$2,656
Corporate Pensions	$27,343
Financial Intermediaries	$20,685
Insurance	$250,739
Public Funds	$25,468
Sovereign Entity	$13,315
Structured Private Funds	$19,413
Wealth	$31,868
Grand Total	**$391,487**

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

PUBLIC

PUBLIC FIXED INCOME[1]

Provides access to strategies ranging from investment grade to high yield across developed and emerging markets

INVESTMENT GRADE

$123.5 B AUM

HIGH YIELD BONDS & LOANS[3]

$63.4 B AUM

SPECIAL SITUATIONS[4]

$0.8 B AUM

STRUCTURED CREDIT

$23.5 B AUM

GLOBAL SOVEREIGN DEBT & CURRENCIES

$14.2 B AUM

PUBLIC EQUITIES & MULTI ASSET[2]

Aims to deliver superior risk-adjusted returns through fundamental analysis and high-conviction, high-active share solutions

GLOBAL & INTERNATIONAL EQUITIES

$3.5 B AUM

EMERGING MARKETS EQUITIES

$8.8 B AUM

SMALL CAP EQUITIES

$3.9 B AUM

MULTI ASSET

$3.1 B AUM

PRIVATE

PRIVATE CREDIT

Offers a diverse range of private debt financing solutions by partnering with our broad industry network

GLOBAL PRIVATE FINANCE

$33.6 B AUM

INFRASTRUCTURE & PRIVATE PLACEMENTS

$44.5 B AUM

REAL ESTATE[5]

Provides a broad spectrum of solutions across private real estate debt and equity

REAL ESTATE DEBT[6]

$31.9 B AUM

REAL ESTATE EQUITY

$16.7 B AUM

PRIVATE EQUITY[5]

Leverages our global presence in an effort to identify unique risk-adjusted return opportunities

DIRECT PRIVATE EQUITY

$2.7 B AUM

FUNDS & CO-INVESTMENTS

$5.5 B AUM

MULTI STRATEGY

Utilizes our expansive asset market coverage to offer solutions such as income, target return and absolute return

1. Excludes the Korean fixed income strategy totaling $1.7 billion in AUM.
2. Excludes the Korean domestic equities strategy, which has $10.0 billion in AUM and other equities of $0.2 billion.
3. Includes the EM Corporate Debt strategy, which has $6.3 billion in AUM.
4. Represents dedicated special situation accounts and does not include assets managed in other diversified credit accounts.
5. Projected AUM figures.
6. Includes real estate debt assets that are managed as part of affiliated fixed income portfolios.

All figures are as of December 31, 2021 unless otherwise indicated. Assets shown are denominated in USD.

Barings' fundamental investment approach targets a medium-to long-term investment horizon, aiming to provide long-term outperformance and, as such, our ESG integration and stewardship practices endeavour to support this value creation.

Establishing an Investment Time Horizon

We work with clients to ensure their investments match their performance-timeline goals. While some clients may select our short duration strategies, which may have performance goals of just three months, others may be insurance clients with a preference for long-dated assets, such as real estate, which can have a timeline of more than 20 years.

Barings invests on behalf of its clients across a range of asset classes and risk/return profiles. Although each client may have different views and expectations around their investment time horizon, Barings generally provides investment opportunities with mid- to long-term performance goals. Ideally, we think an investor should invest in a product for at least three years to ensure they receive the benefits of our fundamental investment approach, and this period should be even longer for some strategies.

Why We Believe in Long-Term Investing

We built our track record on strong, bottom-up investing driven by fundamentals, and an approach to risk that considers the long-term view and an increasing set of sustainability factors. Because of this, throughout every aspect of what we do, we recognise that ESG risks are, by their very nature, long-term. Our ESG integration process captures the material risks that may affect a company's performance both within our investment timelines and beyond if the investment case is deemed to be impacted from a forward looking perspective.

ACTIVITIES

GIVING CLIENTS A VOICE ON STEWARDSHIP

Each client is served by a team of client-service professionals responsible for leveraging the firm's expertise and resources, providing high quality responses to client queries and ultimately being responsible for the success of client engagements.

Our sales and investment teams are in frequent contact with clients about their specific requirements and concerns. Meanwhile, investment professionals conduct client calls on markets, strategy, trades, performance and operations. They also meet clients in person at least annually or bi-annually, and through conference calls on a quarterly basis or more regularly. Through these calls, topics on ESG and stewardship are raised and addressed on an ad-hoc basis. Elsewhere, an ongoing effort is made to educate clients on the investment landscape, their portfolios and how Barings can further service their needs.

In 2021, we undertook the following activities to strengthen our insight of client views related to stewardship, both at a holistic and individual level:

- Centrally storing ESG and stewardship-related questions in RFPs and questionnaires, including our responses.
- Taking part in ESG and stewardship-related conversations with clients and consultants, recording these interactions in a central client database, and liaising with the Sustainability team and investment teams when important developments arise.
- ESG specialists within the firm frequently speak to clients on topics relating to our portfolio analysis and construction.
- Significant outcomes of this process included new product launches, improved evaluation of ESG initiatives, and the refinement of our investment processes. This has, in turn, resulted in further flows and on-boarding of new clients seeking a sustainable philosophy and approach.

As part of the materiality assessment launched in Q4 2021 (see Principle 4), 5 key clients (including asset owners and consultants) took part in an interview process to determine which issues were material to them in terms of ESG integration and stewardship. These clients were selected based on their AUM, regional significance and/or reputation for embedding ESG leadership in their investment activities. The views collated from these client interviews will be incorporated into the findings of the materiality assessment, which will be presented to Barings' Sustainability Committee in 2022.

Dialogue with Our Parent Company

We have a close relationship with our parent, MassMutual, and we are heavily engaged across various touchpoints to understand their preferences and views related to ESG and stewardship. We have weekly conversations between sustainability representatives at both organisations related to ESG integration and stewardship.

In 2021, these conversations led us to explore MassMutual's commitment to Net Zero within their General Investment Account. We have undertaken research into net zero frameworks and analysis of our portfolios to understand the implications and opportunities for net-zero alignment by 2050.

MANAGING ASSETS IN LINE WITH CLIENT REQUIREMENTS

We managed assets in line with client requirements by:

- Working to incorporate ESG and stewardship requirements into investment objectives and related legal documents, as well as communicating them through our own stewardship policies and activities. These requirements may include exclusions of specific industries and investments, a tailored engagement approach and adherence to their own policies.
- Portfolios are monitored to ensure alignment with client investment objectives.
- We have worked with clients to create funds that are tailored to their objectives and policies, and enjoy wider market demand.

We also offer segregated mandates, which have client-directed exclusion lists, custom ESG targets, such as targeted absolute portfolio carbon footprint, and custom engagement requirements based on specific criteria. Where custom exclusion lists are applied to mandates, the Barings' Guideline Management team uses a third-party database to screen investments.

Examples of responding to client requirements include:

- Our Private Placement and Infrastructure team exited a large coal export port facility in Q3 2021 to align with a number of client requests to eliminate exposure to coal.
- During 2021, one of Barings' investors was developing its net-zero portfolio investment plans. To support this, we developed an internal carbon-emissions reporting capability using a combination of reported and estimated emissions data to estimate portfolio carbon-emissions profiles within the high yield and loan markets where data availability can be poor. Barings was able to provide a solution to the client for a global high yield multi-strategy fund with a requirement to maintain carbon emissions profile of the fund at an agreed level lower than the index.

More detailed client case studies are provided on the following pages.

CASE STUDY

Swiss Client

$250M | EMERGING MARKET SOVEREIGN DEBT

In 2021, we were awarded an emerging market sovereign debt mandate. We liaised extensively with the client throughout the RFP process to establish the alignment of our approach to ESG integration, engagement and reporting with their ESG and stewardship policies. In addition, the client was seeking a portfolio that would target a significantly lower carbon intensity versus the benchmark.

The client sought our advice on calculating and monitoring carbon intensity in the context of emerging market sovereign debt, as they only had experience in corporate-emissions metrics. After analysing the data for both the proposed portfolio and the relevant traditional and ESG-tilted indices, we worked with the client to design appropriate metrics and targets for the portfolio.

After successfully on-boarding the mandate, we have continued to monitor and manage the emissions profile of the portfolio alongside the client's other investment objectives. In 2022, we are continuing to engage with the client to develop relevant ESG reporting in an effort to provide them with increased transparency of their portfolio's ESG profile.

CASE STUDY

Dutch Client

$1.4BN | EMERGING MARKETS EQUITY

This client is a responsible investment leader in the Dutch market and has been a longstanding partner of the firm with an emerging markets equity mandate managed since 2003 that currently stands at $1.4 billion.

Through interactions with the client, we have received a prescribed carbon budget which is linked to its net-zero strategy and have discussed views on stewardship preferences. On engagement, the client has a system to rate underlying companies as ESG leaders or laggards, and we have received instruction to prioritise engaging with laggards to improve fundamental ESG practices, as well as ESG topics to streamline stewardship efforts alongside other managers. Example engagement objectives include improving whistleblowing procedures and board diversity.

Outcomes included:

- The provision of data coverage capturing engagement activity and progress.
- The agreement to spin out a portion of the portfolio into another segregated mandate to allow for the more flexible application of ESG-related restrictions, e.g. the reduction of fossil fuels.

CASE STUDY

U.K. Consultant

$800M+ | HIGH YIELD & PRIVATE DEBT

We work closely with a leading U.K. consultant who advises U.K. institutional clients and is a supporter of Barings across our high yield and private debt assets. The consultant has a clear agenda to promote stronger responsible-investment practices across the industry and is an active member of the Investment Consultant Sustainability Working Group.

A meeting was organised in Q4 2021, to better understand the consultant's expectations of investment managers. The meeting, comprising members of Barings' Sales and Sustainability teams, focused on net-zero commitments and the consultant provided further clarification on their relationship with the Asset Owner Diversity Charter.

Following the meeting, the following actions were implemented:

- Acceleration of analysis on the implications of committing to a net-zero target in terms of client requirements and portfolio adjustments.
- Liaison with the Barings' Diversity and Inclusion team to discuss participation in relevant industry initiatives and disclosure frameworks.

In 2022, we will release details of our net zero commitments and target setting, as well as our participation in industry initiatives relevant to Diversity and Inclusion.

STEWARDSHIP-RELATED REPORTING

On a monthly, quarterly, and/or annual basis, each client receives reporting on:

- Portfolio activities
- Holdings
- Notable investment decisions
- Performance analysis
- Investment commentary

Our reporting has increasingly focused on key ESG topics for certain funds as we seek to meet both client needs and regulatory guidelines. Reporting enhancements also continue to be driven by client feedback.

Recent advancements include our reporting on engagement activity and impact, carbon profile, ESG profile versus benchmark and, where applicable, proxy voting for our EU SFDR Article 8 funds as well as for select segregated mandates where there are custom ESG integration and stewardship requirements.

In 2021, we have seen an increase in requests for additional ESG reporting, such as carbon emissions, and we are working to expand regular ESG reporting for key strategies and asset classes in the coming year. In addition, we make public a wide range of content on our website, including key policies and procedures, records of our engagements and proxy voting (Principle 12), and investment research pieces and viewpoints.

We have also liaised with representatives from the Investment Consultant Sustainability Working Group (ICSWG) regarding its approach to standardised ESG engagement reporting. This has resulted in internal engagement with client portfolio managers to help standardise case-study identification and reporting across funds.

REFLECTING ON OUR PROGRESS

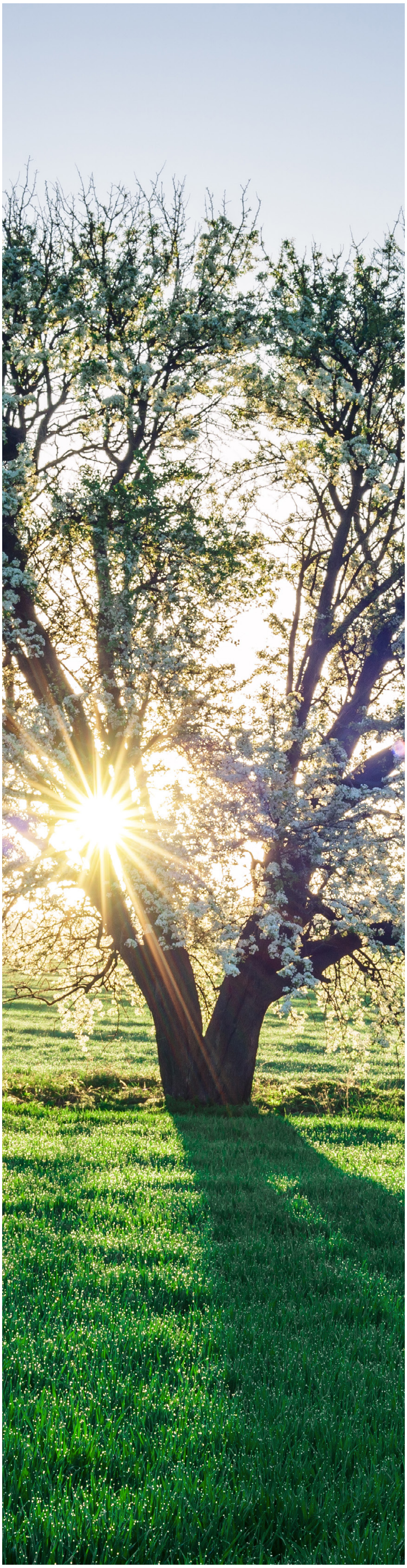
While we actively seek and collate client views, which have informed our investment process, ESG integration and stewardship activities across various products, we plan to strengthen this approach through the following activities in 2022:

CLIENT VIEWS

- Proactively targeting stewardship discussions with a variety of clients across asset classes and regions
- Launching a client wide survey capturing preferences on ESG issues and stewardship practices
- Enhancing our internal systems to better record and identify relevant conversations with clients
- Incorporating the results from client views of the materiality assessment (Principle 4) related to prioritised ESG issues

REPORTING

- Enhancing our proprietary system to support more standardised engagement data across asset classes
- Enhancing and standardising our engagement-data and case-study reporting through alignment with disclosure frameworks from the ICSWG and the Pensions and Lifetime Savings Association (PLSA)
- Developing a stewardship-dedicated Barings webpage to provide reporting, case studies and perspectives on stewardship issues



PRINCIPLE 7

Incorporating Our ESG Integration & Stewardship Practices

CONTEXT

Integrating ESG-related analysis into our investment processes is vital to delivering competitive risk-adjusted returns for our clients, as these issues can impact long-term risks and performance. Investment teams consider a variety of ESG topics as part of initial, ongoing and exit analysis. Given Barings' global scope, ESG considerations vary by asset class, geographical location and client type.

The list on the following page shows the range of ESG factors that may be considered by our investment analysts. It is informed by third-party industry groups such as the Sustainability Accounting Standards Board (SASB), reporting standards and UN Global Compact principles, as well as information from data providers and Barings' proprietary ESG rating mechanism, which can incorporate ESG data directly from issuers.

ENVIRONMENTAL

EMISSIONS/ ENVIRONMENTAL IMPACT

Climate Change

Greenhouse Gas Emissions including Carbon Footprint

Pollution/Purity—Air, Water, Soil and Noise

Toxicity

ENERGY

Energy Consumption including upply Chain

Energy Mix: Fossil Fuels/Renewable Energy

NATURAL CAPITAL

Ecosystems: Biodiversity, Wildlife, Habitats, Protected Areas, Aff/De/Reforestation

Resource Usage: Withdrawal/ Consumption/ Management of Water, Land, Natural Resources

PRODUCT LIFESTYLE/ SUPPLY CHAIN

Circular Economy: Product Design, Sustainability of Materials

Supply Chain: Environmental Transparency/ Assessment/Controls

Waste Management and Recycling

SOCIAL

LABOUR (EMPLOYEES & SUPPLY CHAIN)

Child Labour

Equality, Diversity and Equal Opportunity

Freedom of Speech

Labour Rights and Relations (including Freedom of Association, Collective Bargaining, Strikes)

Occupational Health, Safety and Wellbeing

Labour Force Compensation

Slavery

Supply Chain: Social Transparency/ Assessment/Controls

Training and Education

CONSUMER/SOCIETY

Consumer Equality, Diversity and Equal Opportunity

Education

Consumer/Societal Health, Safety and Wellbeing

Marketing and Selling Practices

Access and Affordability (including Pricing)

Privacy and Cyber Security

COMMUNITIES

Community Relations (including Rights of Indigenous Peoples, Security Practices, Socio-Economic Impact)

Heritage Sites

GOVERNANCE

BOARD

Board Composition: Diversity, Tenure, Attendance, Over-Boarding

Board Skills

Board Remuneration

STRATEGY & APPROACH

Innovation and Investment

Risk Management and Policies

Stakeholder Management

Strategy, Business Plan and Performance

Tax

TRANSPARENCY

Audit

Public Policy (including Industry Groups/ Associations)

Transparency and Reporting

LEGAL

Anti-Competitive Practices (including Anti-Trust, Monopoly Practices)

Conflicts of Interest

Corruption and Bribery

Fraud

Lawsuits/Fines/Sanctions/ Regulatory Violations

ACTIVITIES

ESG RATING METHODOLOGY

We score our investments on ESG issues from 1 (excellent) to 5 (unfavourable) using Barings' proprietary ESG rating system across our investment teams. Typically, this score captures both the current ESG performance relative to peers as well as an Outlook score, which rates the momentum of the entity's ESG efforts as Improving, Stable or Deteriorating. (Please note, our Public Equities team's process varies, which we discuss in the corresponding section below). This allows portfolio managers to see the best and worst contributors in the portfolio and make relative-value active-management decisions that include ESG factors (i.e., reduce exposure to investments with poor ESG scores).

Depending on the asset class (as indicated below) 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 our investments and sectors, as well as access to company management and financial sponsors, provides a superior level of analysis and a more robust methodology than relying on third-party data sources alone.

INVESTMENT TEAMS

Our investment professionals use their deep industry and sector expertise to understand and identify the material ESG opportunities and risks in their investment universes, alongside their broader investment analysis. As part of this, we may meet with government officials and corporate management teams, visit operational facilities and analyse industry competitors. Once invested, our investment professionals continue to monitor each investment to ensure that our thesis, including with reference to ESG matters, remains intact and that (in liquid assets) an investment's risk and return profile remains relatively attractive.

PUBLIC FIXED INCOME

INVESTMENT GRADE & HIGH YIELD, EMERGING MARKETS CORPORATE DEBT, KOREAN FIXED INCOME

Barings' credit analysts and portfolio managers incorporate ESG concerns primarily through fundamental analysis, alongside a range of other potential risks and opportunities that may impact industries and companies. We consider the sustainability of a business in relation to its ESG interactions, as well as how this can be directly or indirectly attributed to its ability to generate ongoing free cash flow to service its debt obligations. We equally consider the borrower's long-term corporate behaviour and how it affords transparency and responds to industry reform or regulatory change.

As part of the investment process, an ESG review is included in the investment paper. As part of this, analysts must provide an initial assessment of relevant ESG topics, which may include a third-party rating if available. The next step is to conduct proprietary research, drawing on available market data providers, company CSR policies, audited accounts, due diligence provided as part of the transaction and discussions with company-management teams.

The investment-committee structure also incorporates ESG considerations. Investment reports presented by analysts include a summary of key ESG risks and recommendations, which incorporate both Barings' proprietary credit rating and third parties' analysis. Our investment committees then debate material ESG issues and determine whether an investment is suitable for purchase. For example, a record of fraud in the current management team or exposure to structurally challenged sectors would be flagged for discussion.

Given our size and scale in the market, our teams have good access to senior management and financial sponsors due to ongoing monitoring of businesses, and regular management meetings and presentations. Analysts are required to interact directly with issuers to discuss any material company developments, including ESG issues. This is considered an integral part of the credit risk-analysis process. While investment grade issuers generally have adequate disclosure, third-party ESG data coverage of high yield and emerging market issuers is weaker, so fundamental analysis of ESG issues is of increased importance.

A sizeable proportion of emerging issuers are privately or government owned (i.e., are not subject to stock exchange listing requirements). For such companies we pay particular attention to the governance and disclosure factors; for example, board composition, independent directors, auditors, related party transactions and financial disclosure. The materiality of the specific factors depends on the nature of the company's business and the jurisdiction it operates in.

We calculate a proprietary Barings Credit Grade that allows us to give all companies held in any portfolios an internal quantitative rating. This rating methodology was updated in 2019 to break out ESG factors from other investment risk metrics, such as market growth dynamics and cash flow, for specific analysis and quantification.

In addition to ESG scores, Barings has also developed proprietary methodologies to estimate carbon emissions for companies where disclosure is limited or there is no available information from our third-party data providers. Ultimately, this analysis allows our investment teams, including portfolio managers, to evaluate the carbon emissions of a particular investment and incorporate that information into our proprietary ESG scores and investment decision-making process.

STRUCTURED CREDIT

Applying practical ESG procedures to Structured Credit (CLO debt and equity tranches) investments poses unique challenges given the layered complexities of the asset class. At Barings, our Structured Credit team's investment philosophy covers the following points:

1. We begin with a focus on understanding and analysing CLO managers' performance and style.
2. Our analysis also encompasses a thorough examination of the underlying collateral, which provides the cash flows to CLO tranches.
3. To properly analyse ESG aspects of CLOs, we consider both the CLO manager and their policies and practices, as well as the underlying collateral backing each CLO in which we invest.

Once invested, portfolio managers and analysts continue to monitor each collateral manager and the deals that we own to ensure that our thesis remains intact. We also need to ensure an investment's risk and return profile remains attractive relative to other opportunities available in the market. Our analysts and portfolio managers monitor and manage risk through ongoing surveillance of individual deals, including ESG considerations and active dialogue with managers (see Principle 8).

While we recognise some CLO managers' ESG policies are more robust than others, managers must meet a set of standards and demonstrate their willingness to continue to make improvements. The Outlook score provides an indication of whether the CLO manager is moving in a favourable direction. As a CLO investor, we have limited-to-no control over the underlying collateral in which the CLO manager invests unless otherwise restricted in the governing documents.

As part of our initial and ongoing analysis, our portfolio managers and analysts have regular dialogue with CLO management teams to better understand potential risks and opportunities, including those related to ESG factors. A standard questionnaire is sent to all approved managers that addresses policy, governance, investment process and monitoring. The responses are recorded and tracked over time. Both qualitative and quantitative factors are considered when scoring each manager in accordance with the established Barings' proprietary ESG scoring system (see Principle 8 for more information).

SECURITISED CREDIT

Barings Securitised Credit investment philosophy focuses on a complete understanding of an issuer's business model and capital structure through analysis of the legal structure and underlying collateral.

In evaluating investment opportunities, our Securitised Products Group's research analysts are tasked with conducting thorough due diligence across issue fundamentals, collateral and borrower, leverage, subordination, and cash flow of every security considered for purchase. For any new investment, an ESG review is included in the Investment Committee memorandum. Each tranche of an issue is evaluated individually to find the best risk-adjusted opportunities for our clients.

Securitised Credit ESG scoring is based on a blended evaluation of ESG risk factors across three pillars. Unlike other asset classes that have a more singular approach to ESG scoring, our Securitised Products' framework assesses ESG risk factors across three dimensions/pillars:

1. Originator/Servicer
2. Collateral/Loan Pool
3. Structure/Third Parties

We use this framework to more accurately capture the nuances of securitised transactions, which can have different E, S, and G scores for each sub-component. Based on the nature of the industry, and inherent risk exposures and applicability, analysts have some latitude to adjust pillar weights in the overall score within a certain range. Barings' analysts continuously monitor credits and update their analysis regularly as new information becomes available.

Portfolio managers can see the best and worst contributors from an ESG perspective and make investment determinations based on several factors, including:

- Fundamental credit quality
- ESG risks and considerations
- Structural characteristics
- Credit ratings
- Spread duration
- Relative value
- Liquidity

CASE STUDY

Securitised Credit

HOME IMPROVEMENTS

Barings was an early investor and supporter of Residential Property Assessed Clean Energy (PACE) ABS. PACE assessments are used to finance home improvements related to energy-efficiency, renewable energy (solar), and water conservation improvements. More recently, PACE has been used to finance hurricane proofing. A major part of our investment thesis around this emerging asset class included the positive environmental impact of PACE, and the team's belief that PACE was an innovative way for the private sector to contribute to carbon-emission reduction. Additional benefits of the social side included supporting home ownership, and on the governance side enabling PACE eligible municipalities to act as an additional monitoring party in the home-improvement sector.

CASE STUDY

Emerging Markets Corporate Debt

INDONESIAN COAL MINING COMPANY

The Emerging Market Debt Team underwrote one of the largest coal mining companies in Indonesia and participated in its debut bond issuance in January 2020. The investment thesis was based on the company's strong fundamentals and credit profile: low cost base, large coal reserves and a very low leverage. Recognising the company's heavy exposure to coal and lack of diversification, we demanded a large new issue premium. Since initial investment, we tracked the company's operating and financial performance, which has been in line with expectations. At the same time, we actively engaged with its management and pushed for more measurable ESG targets. However, the company failed to make meaningful improvements to offset its carbon footprint despite the pressure from investors. As a result, when we reviewed the credit in January 2021, we decided to exit the position despite the bond still offering value. We viewed the lack of progress on reducing climate risk to undermine creditworthiness at the potential detriment of client assets.

SOVEREIGN DEBT

Our Sovereign ESG methodology incorporates a mix of quantitative and qualitative analysis of ESG factors.

Quantitative Assessment:

We use and analyse a proprietary and diverse selection of indicators of a country's institutional, social and environmental resilience and performance, and value ones that indicate future trends. We do this by:

- Gathering various selected indicators pertaining to different ESG dimensions from reliable international sources.
- Carefully shortlisting the most relevant indicators, as demonstrated in the graphic below.
- Assessing how the country performs relative to peers.

Qualitative Assessment:

We assess the policy framework (i.e., country management, and predictability of policies for sustainable financial performance) by:

- Visiting countries to take stock of important aspects of political, social and environmental evolution, and macroeconomic factors. These are often material in driving a country's creditworthiness.
- Regularly updating countries based on latest data release and news, including ESG factors.
- Regularly holding country discussions and debating the latest governance, institutional and social developments. The diversity of the team's background, and our collective personal and historical knowledge of political systems across the world, provides us with a unique perspective.

Dimension	G: Grow the Pie	S: Divide the Pie	E: Preserve the Ingredients
Objective	Sustainable Growth	Comprehensive Poverty Reduction	Preserve the natural resources in the country and participate in protecting the global environment
Measurable Outcomes	**Two Legs:** Growth Accelerations Stability	**Two Legs:** Multidimensional Poverty Capabilities	**Three Legs:** Decrease sensitivity to international shocks Participate in international efforts Domestic effort at preserving the environment
Indicators	**Growth:** Experimental policies, conducive political settlements, anticipation/coordination **Stability:** WB Government effectiveness, state fragility indicators	**Capabilities Approach:** Difficult unless through subjective surveys (WVS, OECD social satisfaction) otherwise too outcome-oriented **Poverty Reduction:** Effective redistributive policies, fiscal data quality , social spending efficiency WB, milex	**Increase Resilience:** Disaster risk reduction **International Effort:** Signatory of international conventions, protection of international environment as a public good **Domestic Effort:** Internal policy, execution of those policies

PUBLIC EQUITIES

We use a proprietary assessment framework to capture the ESG performance of companies, which is fully integrated into our fundamental research and structured in a way that is consistent with how we assess a companies' quality attributes. The standardised qualitative assessment of a company is carried out in three broad categories:

- Sustainability of the Business Model (Franchise)
- Corporate Governance Credibility (Management)
- Hidden Risks on the Balance Sheet (Balance Sheet)

Within these categories, our ESG framework groups industry research and material sustainability issues into nine sub-categories.

	Change to Cost of Equity			
	Nine Key Topics		**Score/Rationale**	**Data / Issues to Consider**
Sustainability of the Business Model (Franchise)	1	Employee Satisfaction	Exemplary	Staff Turnover; Strikes; Fair Wages; Injuries; Fatalities; Unionized Workforce; Training and Education
	2	Resource Intensity	Improving	Water Usage; GHG Emissions; Energy Usage
	3	Traceability/Security In Supply Chain	Improving	Traceability of Key Inputs; Investments In Protecting The Business From External Threats, e.g. Cyber Security; Backward Integration (Protection of Key Inputs)
Corporate Governance Credibility (Management)	4	Effectiveness Of Supervisory/ Management Board	Not Improving	Separation of Chair & CEO; Size of Board; Independence of Board; Frequency of Meetings; Attendance Record; Voting Structure; Female Participation on Boards
	5	Credibility of Auditing Arrangements	Not Improving	Credible Auditor; Independent Audit Committee; Qualification To Accounts
	6	Transparency & Accountability of Management	Exemplary	Access To Management; Financial Reporting; Tax Disclosure; Appropriate Incentive Structure; Gender & Diversity Considerations
Hidden Risks on the Balance Sheet (Balance Sheet)	7	Environmental Footprint	Improving	GHG Emissions; Carbon Intensity; History of Environmental Fines/Sanctions; Reduction Programs In Place For Water/Waste/Resource Intensity
	8	Societal Impact of Products/Services	Exemplary	Health/Wellness implications of Consumption of goods/services; Product Safety issues; Community Engagement
	9	Business Ethics	Improving	Anti-competitive practices; Bribery/Corruption; Whistle-Blower Policy; Litigation Risk; Freedom of Speech; Gender & Diversity Considerations

+2% to COE			**-1% to COE**
Unfavourable	Not Improving	Improving	Exemplary

The assessment is dynamic and geared at capturing change. For example, if a company has a strategy to reduce its carbon footprint or to improve its disclosure on environmental and social issues—and has a credible management team in place—there could be a positive and meaningful impact on its valuation. On the other hand, deteriorating ESG standards and practices may very likely have a negative effect on a company's future outcomes.

Each sub-category is equally weighted and integrates potential ESG risks or opportunities that a company may be facing—from the training and development of staff to whistle-blower policies. Analysts assess each sub-category and their total rating corresponds with a premium or discount added to the required discount rate (the Barings Cost of Equity [COE])—which we then apply to the 5-year earnings forecast we use to value a company. For example, a negative ESG assessment would translate into an addition to the discount rate of up to 2%, thus penalising the stock and reducing its attractiveness by decreasing its current valuation. Conversely, a positive ESG assessment can indicate an exemplary company that is lower risk and can result in a reduction of the COE of up to -1%.

Looking at these metrics allows us to quantify the ESG risk (or premium) alongside other macro and company specific risks—providing a unique and better understanding of the risk (or opportunity) at hand when valuing a company. This approach is particularly useful given that some risks, such as environmental or anti-money laundering fines, tend to be excluded from traditional cash-flow forecasts.

The qualitative assessment also results in a quality sub-score assigned to the company for each of the three broad categories above. An overall quality score, which is the average of the three sub-scores, is also calculated. The sub-scores range from one (strong) to five (weak). In cases where the investment professional determines that the sustainability of the franchise or strength of the company's balance sheet are under threat due to an ESG issue, or that there is lack of commitment from management on resolving the issue, then the three quality sub-scores could deteriorate to such a level that the investment becomes unattractive from a quality perspective. We will divest from, and not invest in, companies that have a quality score of five and an ESG-related modification to the discount rate of +2%.

KOREAN EQUITIES

For our Korean Equities Team, our equity analysts use market-based valuations (e.g., PER, PBR, EV/EBITDA, PSR, etc.) to value companies. When calculating a company's target price that considers attributes of the company and the sector to which it belongs, we select the market-based valuation and include our ESG assessment of the company. To quantify our ESG assessment, we calculate the company's ESG ratings by multiplying ESG category scores and industry-specific weights. We assign different weights by industry to each category in order to incorporate local norms and contexts.

Depending on the company's ESG ratings, our analysts calculate the target price multiples—a lower rating leading to the discount rate of up to 15% and a higher rating leading to a premium of up to 20%. Once the target price multiple is determined, we use it to set the target price of a company's stock.

PRIVATE ASSETS

PRIVATE CREDIT, INFRASTRUCTURE & PRIVATE PLACEMENTS

Barings considers ESG factors alongside all other credit risks when evaluating an investment Private Credit and Infrastructure opportunities.

Alongside the consideration of environmental and social factors, our team performs in-depth due diligence on the portfolio company's management team, examining their qualifications, experience, incentives, potential conflicts of interest, and succession plans. In addition, we analyse the agent backing the transaction, as they often provide governance oversight and may even make changes to key personnel on the board or senior-management team of the portfolio company. The agent's track record, investment philosophy, and exit strategy are also important factors to consider. Lastly, we make sure the borrower company has adequate accounting and audit capabilities, and we carefully review the quality-of-earnings report provided by a leading accounting firm to assess the sustainability and accuracy of historical earnings, as well as the achievability of future projections.

We will decline investment opportunities with any ESG concerns that we feel cannot be mitigated and will only invest in firms that have met our requirements. Our ESG research is based on both our own research and third-party reports.

We typically receive these reports from the agent, who themselves gathered research from reputable accounting firms, industry/market research reports, customer and supplier reference calls, environmental studies (if applicable), insurance adequacy reviews, background checks and legal reviews. We assess the accuracy of the data drawn from third parties by comparing it with findings from our own proprietary due diligence. To make an informed decision, we can conduct deeper due diligence with additional third parties.

DIRECT PRIVATE EQUITY/REAL ASSETS

As part of Barings Private Equity/Real Assets (PE/RA) investment process, we seek to gain a compressive understanding of the ESG risks associated with each investment. The PE/RA investment team reviews opportunities on a weekly basis with the PE/RA Investment Committee and other members of the investment team to discuss potential risks, including ESG-related issues. If the PE/RA Investment Committee agrees to further due diligence, the investment team will meet with the corporate management teams, visit operational facilities, and analyse industry competitors to better understand any potential risks, including ESG risks.

The investment team provides regular updates on diligence and will formally present their findings to the PE/RA Investment Committee. The PE/RA Investment Committee, through a supermajority vote (seven out of eight), will vote to approve, reject, or require additional due diligence on the investment. The Investment Committee continues to be involved in the process through negotiation of final terms and conditions. The Barings PE/RA team has also established an ESG Committee to continue to help the team refine how it incorporates ESG factors into the Barings PE/RA investment process.

In addition to in-house analysis to evaluate ESG risks, our team also has access to third-party resources that provide institutional investors with ESG data. This third-party ESG research analyses thousands of companies worldwide, providing ratings, real-time updates, search functionality, and analytical tools to assess company ESG factors. In certain instances, Barings' PE/RA may be able to leverage this research but given the private nature of many of the companies it covers, limited data on most target investments is available.

FUNDS & CO-INVESTMENTS

While we have always held our investment partners to the highest ethical standards and expect rigorous analysis around key risks or deficiencies that could undermine an investment's performance, Barings Funds and Co-investments (FCI) team has constructed a specific assessment for ESG considerations. The three key areas of ESG in our underwriting process include:

1. Materiality of ESG issues
2. Diversity and inclusion
3. Engagement on sponsor ESG policies

For co-investments, FCI analysts score each relevant metric based on how well the company is currently positioned relative to these material issues, and how its financial sponsor and management team are prepared to address deficiencies or seize any opportunities. Within each sector, there are varying degrees of how much a material issue or risk can be managed. We account for the portion of risk that is inherent to a given sector that cannot be managed away by using third-party research for "manageable risk factors" (MRFs). These MRFs effectively place caps on how well a company can be scored based on this element of unmitigated risk.

Evaluating managers and their underlying funds for ESG risks is more nuanced. Like our scoring model for co-investments, FCI has developed a rating methodology informed by a sponsor's targeted investment sectors and a third-party framework for material indicators. In addition, other factors are considered, including our Operational Due Diligence Score, ESG policy, historic loss ratios, and firm-related considerations.

The materiality component of the scoring model is centred on responses to three primary questions:

1. Does the sponsor incorporate relevant metrics into its underwriting process?
2. Does the sponsor engage with its portfolio companies on each relevant metric to influence change?
3. Does the sponsor report on the status and development of each metric to its limited partners?

The Barings FCI scoring model emphasises how the sponsor considers ESG issues in its investment due diligence and investment management process, as well as internal operational protocols around such categories as fund administration, diversity and inclusion, succession planning, allocation of economics, compliance and HR.

CASE STUDY

Funds & Co-Investments

OIL & GAS REFINING AND MARKETING

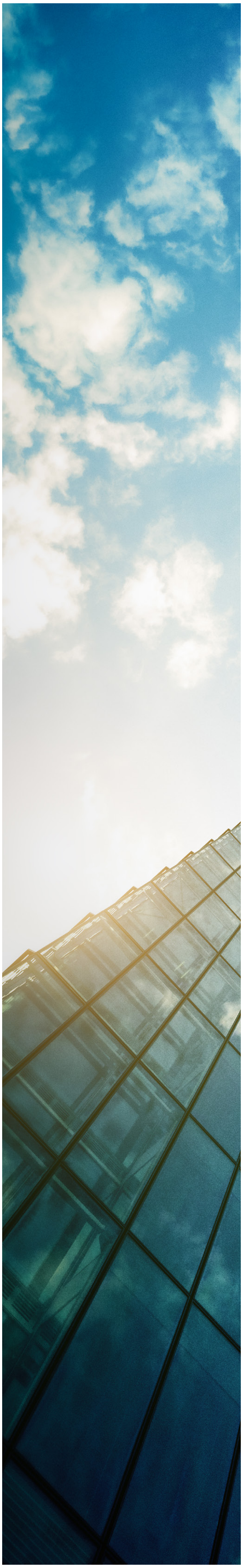
As part of its due diligence, the sponsor engaged a global consulting firm to identify any environmental issues that could result in liabilities or compliance costs more than $0.5 million. The report highlighted several issues at certain sites, including ground water contamination, contaminated soil, gasoline releases, and hazardous waste thresholds exceeded. The FCI deal team conducted a number of ESG-related reference calls with Midstream-focused Sponsors and direct asset owners to better understand their environmental diligence processes and to identify "red flag" situations that could potentially cause them to walk away from a transaction. One significant "red flag" was BTEX, which refers to the chemicals benzene, toluene, ethylbenzene and xylene, which all occur naturally in crude oil. BTEX can easily penetrate ground soil and groundwater systems and cause serious pollution issues. The report referenced the presence of BTEX in the soil and groundwater at a number of locations. While many of the identified issues can potentially be mitigated through remediation work, it is the unknown impacts stemming from the identified issues that are unquantifiable and could potentially lead to a significant negative outcome. This led us to decline the investment.

REAL ESTATE

REAL ESTATE EQUITY

Prior to any acquisition, a sustainability assessment is completed and only assets that comply with legislation, or those with sufficient capital expenditure underwritten to make them compliant, will be acquired. ESG considerations are a fundamental component of our process—at the property level, during due diligence, through the annual business plan and at the portfolio level through benchmarking and, ultimately, investment performance.

Barings in-house expertise—our team of regional engineers and external consultants—identify and track ESG risks and opportunities across our assets. We use topics from established ESG frameworks such as GRI CRESS, GRESB, PRI, LEED, etc., as well as from stakeholder engagement, including conversations with investors, tenant surveys, interviews and additional discussions. We have also engaged third-party ESG consultants to perform ESG Acquisition Assessments during due diligence to identify potential ESG risks and opportunities. Meanwhile, consulting firms conduct detailed on-site assessments and audits to identify additional opportunities to improve the efficiency and performance of an asset during the due-diligence phase. In addition, Barings Real Estate pursues appropriate ESG certifications for each asset and submits appropriate portfolios annually to GRESB.



Some of the key ESG factors that we review include:

- Regulatory requirements and performance related to energy, emissions, water, or recycling
- Review of eligibility and history of green building certifications and energy ratings
- Opportunities to improve energy or water efficiency to include in the asset underwriting
- Resiliency of the asset and the physical and transition risks due to the impacts of climate change
- Stakeholder engagement with investors, property managers, employees, tenants, community members, developers and supply chain
- Transparency and disclosure of ESG performance, ESG reduction targets and objectives, and compliance with benchmarking ordinances/legislation

We engage with consultants who deliver both core and ad-hoc ESG services. The gathering of environmental performance data is the bedrock of a robust strategy, helping Barings Real Estate manage its portfolio in a more efficient and sustainable manner, understand relative performance, set appropriate targets and track asset performance over time.

REAL ESTATE DEBT

As part of the initial screening of a lending opportunity, ESG factors are assessed as part of the memo presented at our Investment Committee meetings. These meetings include the most senior investment individuals from the Real Estate Debt Team, and details such as the building's long-term sustainability and borrower structure and governance are addressed.

Environmental factors, such as energy ratings, LEED certifications, greenhouse gas emissions profile, natural disaster or climate change risks are addressed. For example, a property located close to a river could present a flood risk, which would require further due diligence in the underwriting process.

Social considerations are also addressed, such as transportation linkages and health and wellbeing attributes. For example, a borrower plans to include additional showers and storage facilities to encourage employees to cycle to work would be noted in the investment committee paper. We also include WalkScore, TransitScores, and BikeScore in initial pre-screen papers as part of our due diligence on the property's location. In addition, a tenant mix that could highlight areas of any potential social controversy is addressed in our initial underwriting of an investment opportunity. An investment opportunity where a high proportion of the property income comes from a tenant/industry that is listed on Barings' list of socially controversial areas may preclude us from pursuing the investment.

We currently take a qualitative approach to assessing ESG risks and opportunities but are in the process of creating a proprietary Barings Real Estate Debt scoring methodology for our loan investments. Each investment is assigned a score from 1–5 (1 being the strongest). Our scoring model is still under development, but once finalised, we intend to complete the scorecard for each investment at the onset of every opportunity and update it through the life of the loan as part of the loan-monitoring process.

REFLECTING ON OUR PROGRESS

ESG integration is embedded in all our asset classes and is integral to the investment decision-making process. We will continue to strengthen the knowledge and resources available to our investment analysts, driven by the ESG Integration and Stewardship Working Groups.

PRINCIPLE 8

Monitoring Our Managers & Service Providers

CONTEXT

A TEAM-DRIVEN CULTURE

All third party vendors are governed by our Global Vendor Management policy.

The objective of the new policy is to provide a global framework to:

- Manage the risks associated with conducting business with vendors by formalising 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.
- Off-boarding of vendor relationships.

An additional objective for the Global Vendor Management Team is to increase our focus on Supplier Diversity and sustainability. Currently, our diverse suppliers represent less than 10 percent of our total supplier base and to increase this number we are leveraging our partnership with MassMutual and making a concerted effort to include diverse suppliers in the bidding process for new engagements.

As part of monitoring, Global Vendor Management has recently implemented a new vendor monitoring solution that will assist with the proactive oversight of our critical vendors. Additionally, 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.

ACTIVITIES—ENGAGEMENT WITH SERVICE PROVIDERS

Examples of service-provider engagement resulting from monitoring undertaken by Barings Associates is provided below.

DATA VENDORS

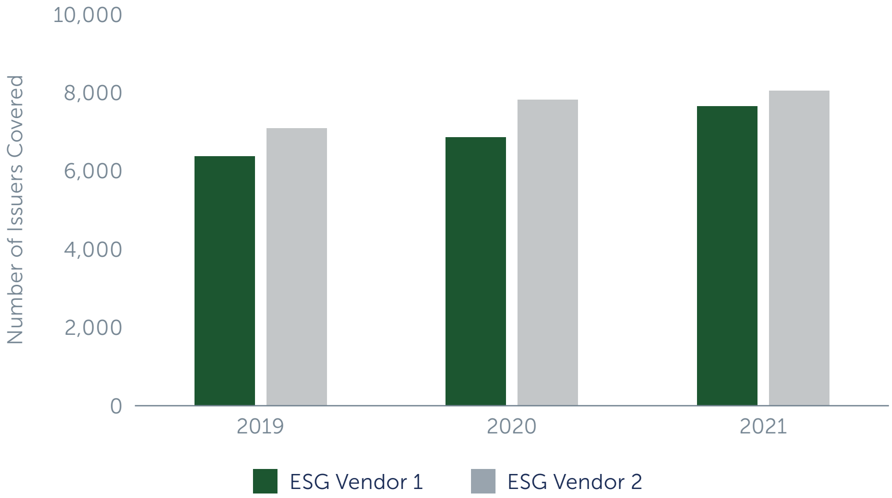
Barings' investment teams rely on ESG data to support their analysis of investments' ESG performance and help inform engagement efforts. Barings use two primary ESG Vendors. As an active manager, Barings uses third party ESG data as an input when forming our own independent assessment of companies ESG profiles.

Barings also use ESG data in the development of proprietary ESG analytical and reporting tools. This helps us further support ESG investment integration and meet growing client and regulatory demand for ESG reporting respectively.

ESG data sets are less mature when compared with traditional financial or pricing data; vendors rely on estimation methodologies for non-covered companies and use data collection techniques such as web scraping to obtain data. As such, vendor data can be more susceptible to errors than traditional data sets. In addition, outside of publicly listed instruments, ESG data tends to be limited.

Barings monitors vendor coverage across our investable universe and is actively engaged with vendors over their future coverage plans, including into asset classes where currently there is very limited data, such as private assets. Across our investable universe there has been growth in coverage among our vendors.

VENDOR COVERAGE— BARINGS INVESTABLE UNIVERSE*



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

In 2021, we engaged with each of our two ESG data-service providers at least monthly, resulting in a total of more than 30 meetings. We used these meetings to communicate the progress of our ESG integration and stewardship procedures, and our expectations of their services.

Topics covered during these sessions include the vendors' development schedule of new tools and analytics. For example, to support climate change physical- and transition-risk analysis, data quality and expansion of asset class data coverage, and data relevant to forthcoming regulatory reporting requirements, needs to be incorporated into a vendor's schedule.

CASE STUDY

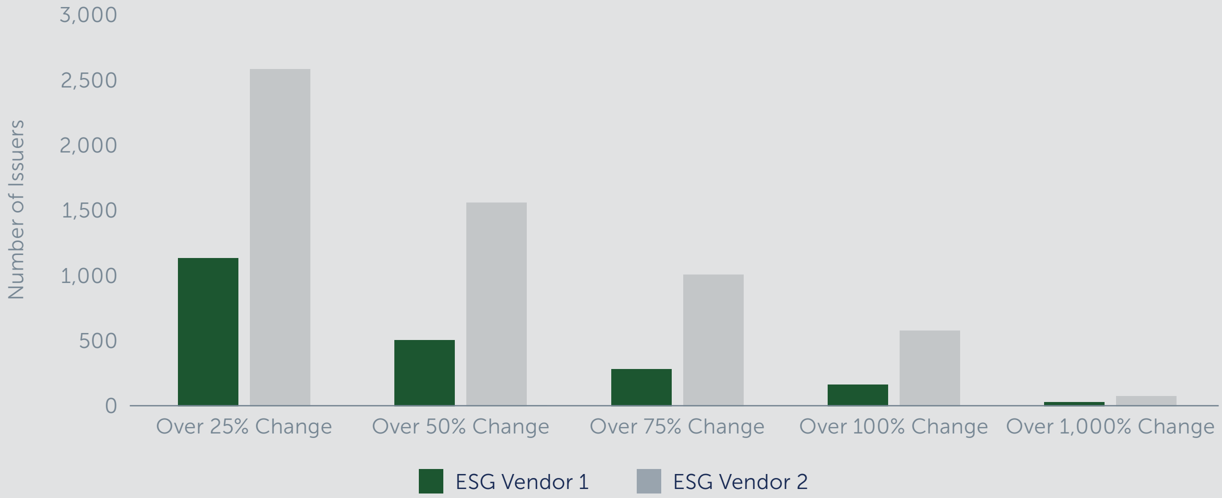
Engaging with Data Service Provider to Improve Data Quality

With climate change being a major challenge facing the world, the carbon footprint associated with our investments and portfolios is a key area of concern for Barings, our clients and regulators.

Carbon emissions data is prone to reporting errors, with companies reporting emissions in different units—some companies report the actual emissions tonnage while others report in thousands of tonnes or even millions. Barings conducts checks on carbon emissions data focussing on large changes in reported emissions, and we monitor large changes in our portfolio's carbon footprints. We also rely on our fundamental investment teams as the ultimate users of ESG data to highlight areas of concern.

In 2021, we alerted vendors to a number of errors in reported carbon-emissions data. In one instance, a vendor reported that carbon emissions for a well-known airline had dropped by 1000 times compared to the previous year. In this instance, the vendor's automated web scraping process had misinterpreted the units used by the company, and the vendor quickly corrected the error. We have held discussions with the vendor's technical team on process enhancements that they intend to introduce to reduce chances of recurrence, and shared our own data-validation experience.

EXTREME CHANGES IN CARBON EMISSIONS—NOVEMBER 2021 COMPARED TO DECEMBER 2020*



**Based on combined universe of all issuers in Barings' equity and FI public corporate portfolios and benchmarks*

Following the data quality check undertaken by Barings, the vendor overhauled the service provider's own data governance practices, positively impacting their entire client base.

PROXY PROVIDER

Barings meets with our proxy service provider semi-annually and we discuss issues and talking points from the previous half year. In addition, a list of questions provided to us by Procurement Vendor Management includes subjects such as controls, significant changes in leadership, and how our data is stored. With regards to monitoring the accuracy of our proxy service, our teams run several daily checks to ensure all proxy votes are received, submitted and accepted. Along with our checks, our provider also has comprehensive controls that include a dedicated internal team, Control and Audit, and partners with departments to help ensure that appropriate levels of control are in place and assess risk within the business units.

Through our conversations in 2021, no issues were identified with the proxy voting services provided.

ACTIVITIES—ENGAGEMENT WITH MANAGERS

As an active manager, we typically engage directly with the companies and assets in which we invest (see Principle 9), enabled through our ESG integration approach provided in Principle 7. At times, engaging directly with an issuer on ESG issues may not be entirely straightforward, including in the following circumstances:

- In the case of indirect investments, such as Structured Credit.
- Where there is an opportunity to significant influence the ESG performance of an underlying issuer via another party.
- Where we look to engage with investment managers as part of our stewardship approach with Funds & Co-Investments.

STRUCTURED CREDIT

Given that CLOs are actively managed, our approach to stewardship and ESG specifically focuses on engagements with the CLO managers. We encourage them to include assessments of ESG issues in their underwriting process and, at some point in the future, their reporting. While we had been asking all CLO managers with whom we invest or underwrite for approval to fill out ESG questionnaires and provide a copy of their company's policy related to ESG for the past few years, we updated our process in 2021. We pivoted to the LSTA ESG Diligence Questionnaire for asset managers to streamline the process. In addition, we supplemented this with a few additional questions that we felt were not fully addressed, including:

- How the manager assesses and manages risk related to climate change specifically.
- Their near and medium term plans for continuing to improve upon their investment process as it related to ESG and their overall commitment to sustainable investing.
- Whether plans to and/or would they be willing to publish the answers to the LSTA questionnaire on their website for all to access.

Ultimately this question set was designed to encourage managers to improve disclosure around their ESG practices.

In 2021, we started having conversations with CLO managers specifically about climate change, following client feedback. At this point, a small minority of managers was assessing climate change specific risks, but third-party data is lacking, making this difficult. We also brought the issue up during an Investor Round Table with a few industry-leading investors and managers, which led to a robust conversation, but few solutions. We would like to integrate the work done by our high yield analyst team as it relates to carbon emissions into our team's analysis of underlying CLO portfolios, but we are not currently set up to do so from a systems perspective.

We have also not been successful to date in having CLO managers broadly post the questionnaire answers for public consumption, and most indicated that they were not prepared to do so at this time. While we still have a long way to go, we have seen significant improvements in the resources and efforts that managers are dedicating to sustainable investing. Just a few years ago, a small minority of CLO managers had formalised ESG policies. Today, however, nearly 100% have some sort of formal policy in place, though clearly some are more thorough than others. Given our large presence in the CLO market and the increased focus on ESG from other CLO investors, we find that CLO managers are receptive to feedback and are striving to improve their ESG policies. In fact, we have upgraded at least two manager's scores based on improvements noted over the past 3–6 months.

FUNDS & CO-INVESTMENTS

We have a keen interest and desire to engage with sponsors on the development and implementation of a comprehensive ESG policy that addresses materiality in the underwriting process, socially responsible investment considerations, diversity and inclusion, partnership with third-party ESG resources, investment underwriting best practices, identified excluded sectors, and reporting and transparency to limited partners.

Our approach is to engage with sponsors to adopt of a set of ESG standards and policy requirements. Many emerging managers do not have codified ESG policies at their outset, which we view as a prime opportunity to influence the outcome of establishing guidelines that will bolster the sponsor's investment underwriting process. As part of our ongoing monitoring process, we evaluate a sponsor's progress annually in building out its ESG framework and the formalised adoption of a policy. While the lack of a policy at the time of initial underwriting does not necessarily preclude a fund commitment, we consider the sponsor's progress when making future investment decisions.

CASE STUDY

Funds & Co-Investments

LOGISTICS

The engagement objective here was to increase senior gender diversity. Barings engaged with private equity sponsors to incorporate DEI policies within their portfolio companies and to promote women and diverse inclusion at the general-partner (GP).

Engagement formally began in November 2020 at the time of underwriting as an equity co-investment alongside the sponsor and has continued to date. Meetings included a standalone discussion with the sponsor in Q1 2021, and email correspondence outlining Barings' views and advocacy for incorporating women and diverse representation at the Board and management levels. Engagement took place at the partner level, including the Founding Partner and two Principals.

FCI led the engagement and actively networked on behalf of the company and sponsor to identify women and diverse professionals to serve as independent directors on the board of directors and fill select management positions. FCI based its decision to invest, in part, on governance decisions related to the Board and the sponsor's willingness to entertain referrals of qualified professionals to serve as independent directors. FCI's engagement achieved the objective of having diverse representation on the Board of Directors. Barings continues its engagement with the sponsor on identifying qualified women-diverse-veteran/disabled professionals to serve on its Boards of operating companies and other capacities at affiliated holdings.

REFLECTING ON OUR PROGRESS

We have been active in our dialogue with service providers to ensure quality-of-service delivery and support stewardship efforts across the market more broadly.

In 2022, we will continue to engage with our service providers as our requirements continue to develop. We will collaborate on addressing some of the challenges that remain to support our ESG integration and stewardship efforts, including the lack of comparable and reliable data in private markets. This will also include strengthening our understanding of our providers' operational ESG performance through our due diligence process. We will be liaising with existing and new service providers to attempt to bridge this gap. Similarly, we will continue to engage with our managers across asset classes to drive increased disclosure, and where possible, performance of indirectly managed underlying assets.

Engagement

We are the stewards of our clients' capital across the asset classes that we manage. For us, this means using our influence as a large asset manager to effect positive change, gain detailed insights into our investments, and safeguard and generate long-term value for our clients.

Our approach to and priorities for engagements may differ from investment to investment, depending upon the asset class, geography and unique circumstances. This is why we give our various investment teams the flexibility to choose when and where to engage with companies and assets.

For example, our public equities and fixed income teams may be most effective engaging directly with company management. Conversely, our private finance teams may have more influence and success when speaking to a private equity sponsor rather than the underlying borrower.

In general, our engagement topics with individual entities tend to be on longer-term issues that may meaningfully affect our investments and are in-line with our sustainability mission. We will, however, also engage reactively and on shorter-term threats to value on a case-by-case basis.

PRINCIPLE 9

Our Purpose, Beliefs, Strategy & Culture Related to Stewardship

CONTEXT

We apply the PRI's definition of engagement:
"Interactions between an investor (or an engagement service provider) and current or potential investees (e.g., companies), conducted with the purpose of improving practice on an ESG issue, changing a sustainability outcome, or improving public disclosure. Engagements can also be carried out with non-issuer stakeholders, such as policymakers or standard setters."

We seek positive change against prioritised ESG issues for the following reasons:

- To benefit the financial performance of our investments, and ultimately our clients.
- To encourage the better sustainability practices that can lead to better outcomes for people and the planet.

While we believe that engagement is usually a better way to act in the interests of our clients than exclusion, there are certain investments in which we will not participate. We will not directly invest in companies that violate International Conventions on cluster munitions, anti-personnel mines, and chemical and biological weapons. We will also not knowingly hold securities that are materially involved in the production, stockpiling and use of these weapons at the time of investment.

IDENTIFYING ENGAGEMENTS

As mentioned in Principle 2, ESG integration and engagement activities are fully integrated into our investment analysts' activities across asset classes (see Principle 7). Based on Barings' rigorous investment process, analysts are deeply involved with the issuers they cover. This expertise gives them a clear understanding of the applicable ESG risks and opportunities, which, in turn, informs targeted and meaningful engagement objectives based on strong relationships with issuers.

The first step of our engagement process is to analyse companies using our proprietary assessment framework. Materiality is determined by our investment professionals' in depth knowledge of the ESG risks facing companies, in addition to external frameworks and third-party data research on key issues. Where appropriate, we will also liaise with competitors, suppliers and other industry contacts of a company to get a more holistic view. Ultimately, the goal of this initial data gathering, and in-depth research, is to determine if there are material issues, which require improved disclosure or a change of behaviour.

Furthermore, we are signatories to the UN Global Compact and, as such, our investment professionals engage with companies to ensure that ESG standards are increasingly adopted across the world, which, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. We consider an E, S or G factor as material if it is likely to have a significant impact on the financial performance or qualitative assessment of the companies we analyse. If our findings suggest a factor is likely to conflict with the commitments we've made to the PRI and UN Global Compact as signatories, this will also be considered material.

If, through our proprietary assessment framework and initial company meetings, we determine that there are material issues that require improved disclosure and/or a change in culture in our investee companies, we will formally engage with management on these issues to effect change.

UNDERTAKING ENGAGEMENT

The following approach to undertaking and recording engagements is well established in our Public Equities, Investment Grade, High Yield and Emerging Markets Corporate Debt Teams. Our remaining investment teams align their engagement and recording approach where practical, and we are looking to streamline practices further.

Where an analyst identifies material ESG issues that need to be addressed, a formal engagement plan is prepared which forms the framework for interaction with companies on the identified ESG issues. Engagement topics are prioritised at the discretion of investment analysts, based on material issues identified through ESG integration and the perceived chance of success.

Our view is that engagement needs to target clearly defined objectives that address relevant areas of potential risk or opportunity. As part of a formal engagement plan, key information is recorded in our proprietary software, covering the:

- Category of engagement (i.e., E, S and/or G)
- Sub-category issues to be engaged on (e.g., fair wages, whistle-blower protections)
- Data/issue relevant to the specified sub-category
- Objective of engagement (e.g., improve disclosure, change in behaviour)
- Title and position of individual we engaged with
- Actions and tangible milestones
- Timeframe including start date and target end date
- Frequency of update
- Latest update

This allows us to capture, update, monitor and, where necessary, escalate our engagement efforts. The system also allows us to provide detailed reporting on engagements undertaken on client portfolios upon request.

The second step of our engagement process is meeting with company management, where our position as a large global asset manager usually gains us access to C-suite level. This level of access is typically established during the due diligence phase, where on-site visits are undertaken where practicable. We aim to meet with all companies we seek to invest in at least annually. (Depending on the nature of the asset class, engagement may involve interactions with other entities (e.g., sponsors or consultants) and be more frequent (as described below and in Principle 8). During these proactive engagements, we communicate our expectations and seek to understand companies' areas for improvement. We also interact with any stakeholders that we identify as key to supporting engagement objectives, such as private equity sponsors and consultants.

In line with our culture (see Principle 1), we believe that value is derived from clear communication with the entities in which we invest, coupled with the expertise and discretion of our experienced investment professionals. We also emphasise the value of transparency in our investments. We believe our engagement activities can shed light on areas of the market where data is sparse.

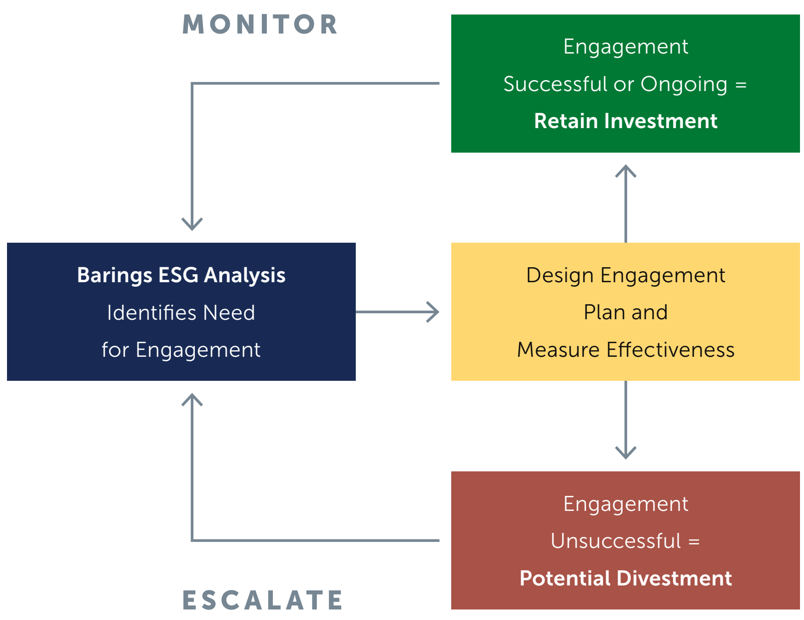
In addition to regular meetings with companies to discuss strategy and ESG dynamics, our investment professionals will remain actively engaged with companies to ensure progress is made on the specific engagement issues. The frequency of engagement and targeted end date of the engagement is defined and included in the engagement plan.

MONITORING ENGAGEMENT PROGRESS

As engagement progresses, analysts include updates from relevant interactions and note whether an engagement remains ongoing, partially successful, successful, or unsuccessful based on the original objective set. Engagement interactions feedback into our ESG analysis and inform scoring and investment decisions as required, including potential escalation (see Principle 11). This information is also the basis of our engagement reporting.

The traffic light system below demonstrates our approach to monitoring engagements.

ENGAGEMENT FRAMEWORK



CONTEXT—ENGAGEMENT ACROSS ASSET CLASSES

PUBLIC FIXED INCOME

Corporate

For our High Yield, Investment Grade and Emerging Market Corporate Debt teams, engagement objectives tend to focus on changing behaviour in key risk areas and improving disclosure on ESG topics in a part of the market that generally lags equities.

As debt investors, we have found that CFOs understand that debt investors can influence their cost of capital in the primary markets, and, to a certain extent, in the secondary markets through trading prices. While we may not be able to exercise the same voting rights as equity investors, we have found that honest conversations have led CFOs to rethink their approach to accessing capital markets for debt and consider how they can push positive ESG initiatives internally that may be less expensive than the higher interest rate (cost of capital) on a loan or bond. As a large lender, and in certain situations through amendments or restructurings, Barings has been able to change management teams and board members that may prioritise ESG initiatives more favourably compared to previous personnel.

CASE STUDY

Sovereign Debt

ENGAGEMENT WITH GABON

We engaged in collaboration with other investment managers to learn more about Gabon's approach to climate change risk mitigation and adaptation. Our dialogue also involved meeting with the Gabon Nature Conservatory. As part of our dialogue, we were clear that we expected further disclosure on plans to mitigate climate change impacts to both Gabon's biodiversity and human population. We were pleased to learn about Gabon's considerable efforts to develop its sustainable forestry industry and plans to monetize its (net negative) carbon contribution. We extended this engagement to inquire about certain governance-related priorities, namely around transparency. We offered to put Gabon in touch with the IBP's Open Budget Survey team and offered feedback on future ESG use-of-proceeds bonds from the issuer.

While no clear outcomes have been identified from this engagement, we appreciate that conversations with Gabon have allowed us to communicate what increased disclosure on climate change and data transparency might look like. This year, we have been invited for a site visit, which we see as key opportunity to progress the engagement.

Sovereign

ESG engagements with sovereign issuers remain very challenging; however, engagement can be warranted and effective in some areas. Improved fiscal transparency, for example, can be mutually beneficial for all stakeholders because the interests of governments, citizens, civil society and investors are ultimately aligned. During our works, we have engaged with various independent organisations that do excellent work in this area, such as CABRI in Sub-Saharan Africa, the Observatorio de la Politica Fiscal in Ecuador, and the Independent Budget Partnership. Members of the Sovereign Debt team have been active in working groups with the Emerging Markets Investors Alliance, to work on improving fiscal transparency in collaboration with issuers and other partners. The Alliance provides a platform for corroborative discussions focusing on improving government transparency, accountability, and responsiveness. In addition to the Alliance working groups, the team is part of the ESG Initiative and joins ESG conferences and webinars to discuss and learn from policy experts. The Sovereign team actively follows policy discussion in emerging markets countries by regularly following multilateral reports on these trends and bringing up relevant social and/or environmental policies on calls with issuers where appropriate.

Securitised Credit

Barings places a major emphasis on due diligence and engagement of issuers and servicers. The team typically meets with securitised issuers twice a year at conferences and has regular calls with capital-market teams throughout the year and as part of typical premarketing process. The team also frequently does on-site visits with the management teams of issuers/sponsors, as well as servicing centres to better understand the servicing process and systems of transaction servicers. Meeting with non-management staff provides the opportunity to do a further dive into the underwriting and servicing procedures of companies with the individuals who perform the respective functions.

Although securitizations are typically structured as passive investment vehicles with limited controlling rights and often static collateral pools, our approach is to look through to the sponsor/issuer/servicer with the goal of identifying counterparties who can have most impact related to the actual trust. The Securitised Team has a history of engaging with issuers to build partnerships and advocate for the interests of broader investor community from a fiduciary perspective and has in the past made decisions to divest from issuers that do not respond to engagements efforts in a constructive manner.

PUBLIC EQUITIES

We structure each engagement plan in a way that is consistent with the categories through which we assess company quality. Where an engagement has made sufficient progress or has been closed successfully, the investment professional will make a note of this in the qualitative assessment through our standardised ESG scorecard (described in Principle 7). This may result in an improvement in the ESG addition to the Cost of Equity and/or an improvement to the Quality score of the company. Conversely, in cases where the ESG issue we have engaged the company on is sufficiently material and the company has failed to improve, the ESG impact on the Cost of Equity could be increased to such a level that the valuation becomes unattractive. Similarly, if the analyst considers the franchise or balance sheet of the company to be under threat due to an ESG issue—or there is lack of commitment from management on resolving an issue—then the quality score could deteriorate to such a level that the investment becomes unattractive from a quality perspective. In such cases, our policy automatically means we will divest from the company at the earliest opportunity. However, it is important to highlight that the investment manager does not have to wait for this trigger to divest if they believe that the company is not responding to our engagement requests.

Monitoring "ESG controversies" is also an important part of the process. These controversies are defined as an activity by a company that causes unintended or undesirable consequences (i.e., a human rights violation, a toxic waste spill, etc.).

While a minority shareholder, we engage meaningfully with the companies in which we invest and maintain conversations as a priority before votes and other escalation practices take place. We believe it is crucial for us to use our voice in supporting collective action on achieving common engagement goals among investors.

PRIVATE CREDIT

As a debt investor, Barings has limited control in influencing portfolio companies on ESG-related risks compared to equity investors, who tends to have controlling rights. We focus on collaborating with reputable agents who will have their own ESG risk management processes and have developed close relationships with sponsors and company management. The benefit of these relationships and the private nature of the asset class is that we can stay in constant communication with both the sponsor and the portfolio company management teams. This allows us to closely monitor any potential ESG-related concerns and the company's controls.

PRIVATE EQUITY/REAL ASSETS (PE/RA)

The due diligence process ahead of potential investment is a key part of the engagement process. If the PE/RA Investment Committee approves a further round of due diligence, the investment team will meet with the corporate management teams, visit operational facilities, and analyse industry competitors to better understand any potential risks, including ESG risks.

ESG risks and opportunities are incorporated into the negotiation of final terms and conditions, and they inform how ESG topics will be prioritised. As an active manager, the Barings PE/RA team generally seeks to be a control investor with board rights that allow for oversight of the investment and decision-making authority. The team also considers the ability to fully control an investment to be both a driver of return and a key risk mitigation.

Ongoing engagement through our controlling position supports our ongoing monitoring of investments. The output of our quarterly monitoring process is a color-coded segmentation of our client portfolios that allows us to create individual watch lists. The PE/RA Investment Committee is ultimately responsible for placing an investment on the watch list, creating an additional level of review and an action plan for that investment. The goal of the watch list is to identify situations where we can, at best, influence outcomes that benefit our client portfolios and, at least, be transparent with our clients on issues and risks.

REAL ESTATE

Equity

As we typically control the properties in which we invest, our stewardship takes the form of direct changes to operations or management (rather than engaging with a third-party). For example, across our portfolios in continental Europe, we encourage 'Green Forum' meetings between our managing agents and occupiers. These collaborative exercises explore ways to reduce carbon output, establish sustainable procurement procedures, and to encourage positive behavioural change.

Where possible, we require our occupiers to enter into 'Green Leases', which contain obligations on the occupier to share energy, waste and water consumption data with the landlord and not to do anything to negatively affect any of the building's environmental performance ratings. In addition, we may commission energy audits for assets in our portfolios to identify measures to reduce energy usage, which we then incorporate into business plans for the assets. For any new property acquisitions into select funds, a sustainability report on the asset is prepared to highlight its credentials and identify measures to reduce energy usage.

Debt

Barings' Global Real Estate Debt engages directly with both the borrower and investor on all important loan-underwriting issues, including ESG factors. Due to the nature of our position as a lender, we cannot direct a borrower to mandate ESG changes, but we can seek to influence and educate borrowers on important issues. Similarly, we seek to understand investors' sensitivities to various ESG issues and ensure that these are considered in the initial underwriting process and our ongoing management of the loan. Where we can, we will endeavour to support our borrowers to implement sustainable initiatives. To improve the efficiency of a building through upgrading M&E or tenant wellbeing, for example, we will help borrowers provide on-site shower, cycle, food and beverage facilities. In some instances, we have extended the loan facility to finance an enhanced capital-expenditure program to support the borrower in funding these initiatives.

CASE STUDY

Real Estate Debt

COMMERCIAL | IRELAND

A loan was made to finance the acquisition of 163 industrial/logistics units in Ireland, with the investment used to increase energy efficiency levels in line with requirements. We engaged the borrower to define ESG requirements and document them in the facility agreement.

Engagement started during initial negotiations when we became aware of the condition of the units. The borrower appointed an ESG consultant, who interacted with Barings and the borrower to agree ESG requirements to be included in the facility agreement, such as:

1. ESG metric reporting at individual property level.
2. ESG metric target setting and monitoring, particularly around energy efficiency.
3. Energy modelling, climate risk assessments and green building certification.
4. Integration of biodiversity net gain and social value (tenant engagement) as part of development proposals and include in quarterly reporting.

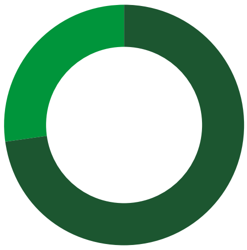
Through engagement with the borrower and their consultant we ensured that the ESG credentials of the portfolio we are lending on are improved over time.

The engagement with the sponsor on ESG will continue through the life of the loan as we monitor and discuss their progress and consider any requests.

ACTIVITY

During 2021, we initiated more than 900 engagements, with the majority of these remaining active into 2022. The ESG topics of these engagements can be found on our website. The status of engagements are updated by our investment teams as interactions progress and are used to identify opportunities for escalation (Principle 11).

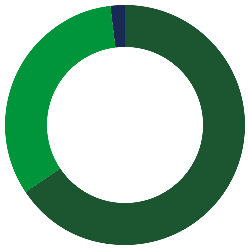
ENGAGEMENT OBJECTIVE



Improve Disclosure | 666, 73%

Change Behavior | 246, 27%

2021 ENGAGEMENT: CURRENT STATUS



Ongoing | 598, 65%

Closed—Successful | 298, 33%

Closed—Unsuccessful | 16, 2%

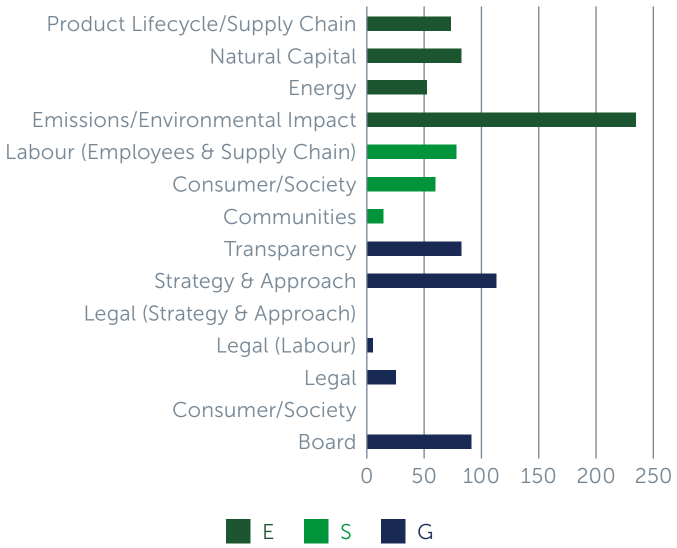
ENGAGEMENTS INITIATED

E | 442, 48%

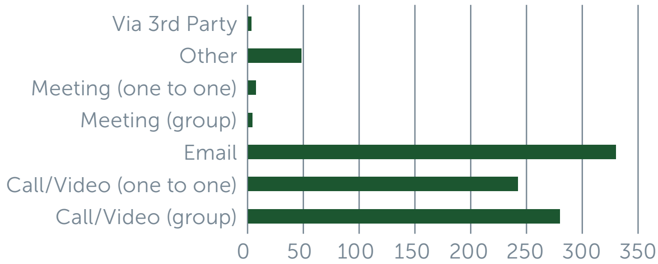
S | 152, 17%

G| 318, 35%

ENGAGEMENT CATEGORY



ENGAGEMENT FORMAT



ENGAGED COMPANIES

486

REFLECTING ON OUR PROGRESS

Informed by our robust ESG integration frameworks, our investment teams across asset classes engage with issuers. We can strengthen engagement approaches across asset classes by tracking the progress made against engagement objectives and milestones set, as well as enabling best practice sharing across investment teams. The Stewardship Working Group will look to take this forward through the engagement training programme in place (Principle 2).

PRINCIPLE 10

Participating In Collaborative Engagement

CONTEXT

Alongside engaging individually with investee companies and other entities, we believe collaborative engagements can be an effective stewardship tool to help drive prioritised ESG objectives and outcomes, driven by an attempt to consolidate efforts and streamline engagement goals. However, we are aware of the "free-rider" behaviour that can arise from participation in collaborative initiatives, and we aim to ensure that our contributions are active and meaningful.

Our involvement in collaborative engagement initiatives is summarised below:

Initiative Name	Role(s)
Climate Action 100+	Leading and collaborating investor
The Investor Forum	Collaborating investor
FAIRR	*Plans for a lead investor role*

We actively participate in Climate Action 100+ as we believe it has led to the most investor action on addressing climate risk. The initiative has led to engagement with more than 160 of the world's largest emitters, accounting for more than 80 percent of corporate industrial greenhouse-gas emissions.

We are also the lead investor for a diversified-mining company, where we have sought to gain a better understanding of their approach to addressing climate-change risk. This has been achieved through increased transparency and evidence of action to reduce greenhouse-gas emissions, aligned with the Paris Agreement. During the engagement process, we were clear regarding our expectations and we will continue to liaise closely with the management team as relevant goals and targets are set, as we track future progress. Other collaborations include two oil and gas companies, one paper company, one chemicals company, and one consumer goods and services companies.

We are also a member of the Investor Forum, which aims to contribute to the long-term success of U.K.-listed companies by enabling effective engagement on material ESG issues. Through this initiative, we have participated in a collaborative engagement with a global e-commerce business.

We have recently joined FAIRR, an initiative helping to drive change in the animal-agriculture sector through leading ESG research and coordinating collaborative engagements. The aim of the initiative is to help shape the future of both the finance and global food systems. FAIRR produces and analyses data from the world's largest protein producers and manufacturers to help minimise risks and maximise profits. Research and collaborative engagement topics include climate change, deforestation and water scarcity.

ACTIVITY

Examples of our engagement efforts in collaborative initiatives are provided in the case studies on the following page.

CASE STUDIES

Fixed Income

INVESTOR FORUM

During initial due diligence on a global e-commerce business, Barings identified a potential governance risk due to the company founder serving as the current CEO & Chairman, and remaining a major shareholder. Following a public-market listing, additional disclosures became available and scrutiny of the shareholder control structure and inter-company relationships of the owner presented additional governance concerns.

In October 2021, we collaborated with other equity and fixed income market participants in an engagement organised by Investor Forum. The aims of the engagement were to improve the shareholder voting structure, make independent board appointments, and obtain additional details in divisional disclosure.

Outcomes of the Collaborative Engagement
We reduced our holdings in the company on a relative-value basis, preferring to wait for corporate governance improvements before increasing exposure once more.

The collaborative engagement remains ongoing and has been partially successful to date following announced improvements to the shareholder-voting structure. We are awaiting updates on further Board appointments and better financial transparency.

CLIMATE ACTION 100+

Over the past 18 months, Barings has been participating in group engagement with a Columbian oil and gas company led by the Climate Action 100+ initiative.

The group of investors held several video calls with the company's senior management (including the CEO and CFO) and discussed a range of climate risks and issues. Specifically, the group requested that the company completes a benchmark assessment scorecard. In a follow up meeting, the company's replies were discussed and missing data was included.

In addition, the group requested the company provide full disclosure of share of capital investment directed to climate change—this was provided and discussed. Another group meeting with the company's management focused on upstream business emissions, water usage, biodiversity and carbon pricing, and further meetings are scheduled for later in 2022.

Outcomes of the Collaborative Engagement
The company now has a Net Zero 2050 commitment in place and the group intends to focus on understanding the timeline and medium-term targets and accountability mechanisms that are being put in place.

CASE STUDY

Public Equities

CLIMATE ACTION 100+

We have engaged with an oil and gas company alongside other investors to encourage it to strengthen its commitments to lowering its carbon emissions. As a major oil producer, the company's business activities have a material effect on the environment and we felt that, while they were taking steps to reduce their carbon emissions, there was scope for management to strengthen its commitments on decarbonisation.

We recognise that conversations around lowering oil production ahead of 2030 may be challenging; however, we sought to change the behaviour of the company to their 'no' carbon business, such as renewables, hydrogen and biofuels, as they are spending less than 5% of capital expenditure.

While there are short-to-medium targets in place, there has been a lack of disclosure on a long-term target beyond 2030, even though the company reportedly has emissions scenarios mapped out to 2080. Over the past 12 months, we initially met with fellow investors to discuss the questions we were going to put forward. We then had two meetings with the company where we raised several issues related to its decarbonisation strategy. During the meetings, the company indicated their preference to be conservative regarding their scope 1–3 targets. Management stressed that its efforts had followed had been best practice in the industry over the past ten years and the company has strong targets over the short and mid-term, and these are re-assessed annually.

Outcomes of the Collaborative Engagement

In a recently published five-year plan, the company has announced target spending of US$2.8 billion on decarbonisation (scope 1, 2 and also scope 3 progress too), which compares to US$1 billion under their previous five-year plan. the company also has an extra US$0.25 billion in the five-year plan not allocated to any specific project as yet. Positive progress has been seen; however, we will continue to engage the company with a focus on understanding target setting beyond 2030 as we believe more progress can be made relative to peers.

REFLECTING ON OUR PROGRESS

We have participated in active and meaningful collaborative engagement efforts in a number of industries and across multiple asset classes to pursue action on addressing key ESG and systemic risks. However, we recognise the opportunity to increase and strengthen our efforts.

We review the PRI's Collaboration Platform to consider participating in further collaborative initiatives, which are identified and discussed as part of the Stewardship Working Group. In Q4 2021, this resulted in engagement with the FAIRR initiative to discuss opportunities to collaborate and participate in collaborative engagements, as we identified the ESG research and collaborative-engagement capabilities of the organisation to attempt to meaningfully address ESG issues in the agriculture and protein industries. We formally joined the initiative in January 2022 and seek to be a lead investor this year on the topic of aquaculture.

We will remain active participants in Climate Action 100+ and will use the new Net Zero Company Benchmark as part of our engagement conversations. We will also continue to monitor our involvement in the Investor Forum and identify opportunities to lead or collaborate on company engagements.

As mentioned in Principle 4, we will also consider opportunities to actively collaborate on the topic of human rights and we have registered our interest in the PRI's Collaborative stewardship initiative on social issues and human rights.

PRINCIPLE 11

Escalating Our Stewardship Activities Where Necessary

CONTEXT

During engagement meetings with investee companies, analysts consider progress against engagement objectives.

In addition to regular meetings with companies (and key stakeholders) to discuss strategy and ESG dynamics, our investment professionals will closely monitor progress on the specific ESG issues we have engaged with a company on. The frequency of monitoring and targeted end date of the engagement is defined and included in the engagement plan.

As engagements develop over time, the investment analyst will continue to meet with company management to monitor progress and to raise any concerns. Any significant ESG issues identified are discussed as part of our investment meetings and further action is considered.

CONSIDERATIONS FOR PUBLIC EQUITIES

Our Public Equities team has developed an escalation policy.

Escalation begins with the review of the investment thesis by the covering investment professional. Utilising our dynamic ESG approach, we actively monitor trends in ESG performance. If ESG credentials are not improving or are deteriorating then this is likely to have an impact on our evaluation, and ultimately, valuation, of the company.

Possible forms of escalation include:

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

The review of investment thesis following unsuccessful engagement, could increase the Cost of Equity and/or lead to deterioration of the quality score to such levels that will, as mentioned in Principle 7, result in divestment from the company at the earliest opportunity. However, it is important to highlight that divestment decisions by the investment manager can be taken far earlier than the trigger described in Principle 7, if we believe that the company is not responding to our engagement requests.

We will escalate any issues that arise that are not aligned with our ESG philosophy and approach as they occur.

Our escalation process is driven by articulating our ESG concerns through private meetings with management teams, as we believe that change is usually facilitated by positive working relationships and respectful exchanges of opinion and information. The lead analyst or portfolio manager responsible for the company manages the escalation process, which is overseen by their team head. The process of escalation also depends on local market practice and regulatory options.

There may be instances when one of our investment professionals determine that it is in a client’s interest to engage on a particular issue of concern in collaboration with other investors/asset managers. We may also vote against management on ESG issues as part of our active-ownership responsibilities.

CONSIDERATIONS ACROSS ASSET CLASSES:

While our investment teams do not have a formal escalation policy in place, 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' boards to communicate our concerns where engagement is 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 (see case study below).
- 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.

ACTIVITY

Examples of our escalation efforts are provided in the case studies below:

CASE STUDY

Fixed Income

LEVERAGING COLLABORATIVE EFFORTS

Barings holds an investment in a branded olive oil producer. In previous years, the company has had product quality issues, resulting in product recalls and government investigations. As part of its engagement process, senior management was encouraged by Barings to undertake a new sustainability strategy, including highlighting health benefits of its products, improved product quality and a strategy to assess packaging waste.

To help progress the engagement, Barings asked to participate in a collaborative ESG working group with senior management and other investors and shareholders to provide views and direction for the company's sustainability strategy. The collaborative engagement with the company has been partially successful to date. The company has been awarded an EcoVadis Gold Medal for taking action and proposing a new strategy on sustainability. The company is also planning a marketing push around this topic in the coming months. However, we will be looking for further progress beyond the development and communication of its strategy to see practical implementation; for example, changes to packaging, raw material sourcing and improved quality consistency.

CASE STUDY

Public Equities

VOTING AGAINST MANAGEMENT

We engaged with a retail-mall developer and operator based in India to discuss our concerns regarding the independence of the company's board.

The company currently has three independent directors who have been on the board for periods greater than 10 years. This has led to accusations of entrenchment and concerns over the independence of the members. We wanted to engage with the company to understand what it is doing to hire new board members and restore independence.

Following our engagement with the company, the Chief Financial Officer explained that rules surrounding independent board members of tenures greater than 10 years came into existence in 2014, and hence the company has taken an interpretation of this rule from this date, rather than from the appointment date. The company has been receptive to our concerns and assured us that new independent directors will come on board in the months ahead. We were also assured that there would be no extensions to existing tenures. However, we considered this interpretation to be ambiguous and voted against management for appointment/re-election of directors until board independence is restored. We will continue to monitor the progress of this engagement and communicate our expectations for progress.

Although this resolution was voted down, approximately 25% of institutional owners voted in favour of it. This is a significant result as such activism is in its early stages In India. Indian businesses are mostly family owned and founder stake is close to majority in many cases—in this case it is approximately 46%. In addition, retail investors tend to either abstain on votes or vote in favour, meaning it is difficult to defeat a proposal in India. We believe management will consider a 25% rejection by institutional voters to be significant.

REFLECTING ON OUR PROGRESS

We have seen examples across a number of investment teams where escalation tactics have been enabled, however we recognise the opportunity to strengthen internal procedures to help standardise practices across a number of our engagement teams.

We recognise that effective escalation remains challenging across a number of our asset classes. However, through the stewardship training across investment teams, we have a process in place that allows analysts to liaise with the Stewardship Associate Director to discuss what tools may be available to escalate an engagement.

We will review existing escalation policies and processes across our investment teams to identify any opportunities to further streamline our activities. This will be captured by the Stewardship Working Group to strengthen the monitoring process across engagements to help identify and prioritise where escalation may be needed based on progress made by companies against the engagement objective and associated timescale set.

Exercising Rights & Responsibilities

We understand that proxy voting is an integral part of our investment management responsibilities and believe, as a general principle, that proxies should be acted upon (voted or abstained) solely in the best interests of clients (i.e., in a manner believed by Barings to best pursue clients' investment objectives).

We also recognise the opportunity for ESG considerations to be integrated into the exercising our rights and responsibilities in other asset classes, including fixed income.

PRINCIPLE 12

Exercising Our Rights & Responsibilities

CONTEXT

Our approach to proxy voting is defined in the Barings' Global Proxy Voting Policy. This policy applies to all our applicable funds and, as such, we have no fund-specific voting policies. However, there are instances where we can apply client policies to segregated mandates instead of our own policy.

We generally vote all client proxies for which we have proxy voting discretion in accordance with the recommendations or guidelines (in absence of a recommendation) of our third-party proxy voting research provider, integrating ESG research. In circumstances where the research provider has not provided a recommendation nor has contemplated an issue within its guidelines, the proxy will be analysed on a case-by-case basis.

To monitor shares and voting rights, Barings employs a third party who is responsible for receiving ballots from our custodians and notifying us of any meetings. Barings also reconciles these ballots with our holding positions, which are also sent to our provider. In addition, we conduct service reviews with our proxy service provider (see Principle 8).

Barings recognises that there may be times when it is in the best interests of clients to vote proxies (i) against the research provider's recommendations or (ii) in instances where the research provider has not provided a recommendation to vote against the guidelines. Barings can vote, in whole or in part, against the research provider's recommendations or guidelines as it deems appropriate.

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

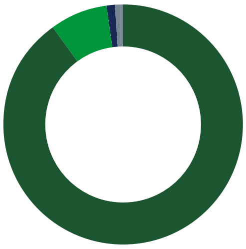
Procedures are designed to ensure that votes against the research provider's recommendations or guidelines are made in the best interests of clients and are not the result of any material conflict of interest. There may also be situations in which Barings will not vote proxies, including, but not limited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

ACTIVITY—PROXY VOTING ACTIVITY 2021

In 2021, Barings voted in 2,114 meetings, including casting votes on 96.49% of eligible proposals. We attempt to vote on all proposals; however, we do not cast votes where there are instances of share blocking.

Below is a summary of our proxy voting records in 2021, with all voting records available on our website here, which is updated monthly.

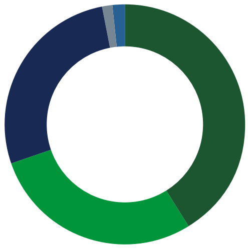
VOTES CAST



For | 90.83%
Against | 8.21%
Abstain | 0.53%
Other* | 0.43%

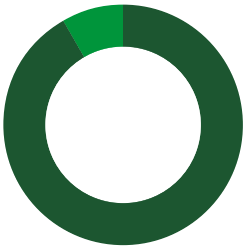
**includes withheld, backed out, and directors slate votes*

VOTES BY GEOGRAPHIC REGION



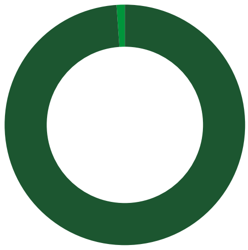
Europe | 41.36%
North America | 28.43%
Asia Pacific | 27.29%
Central & South America | 1.46%
Middle East & Africa | 1.46%

FOR/AGAINST MANAGEMENT RECOMMENDATION



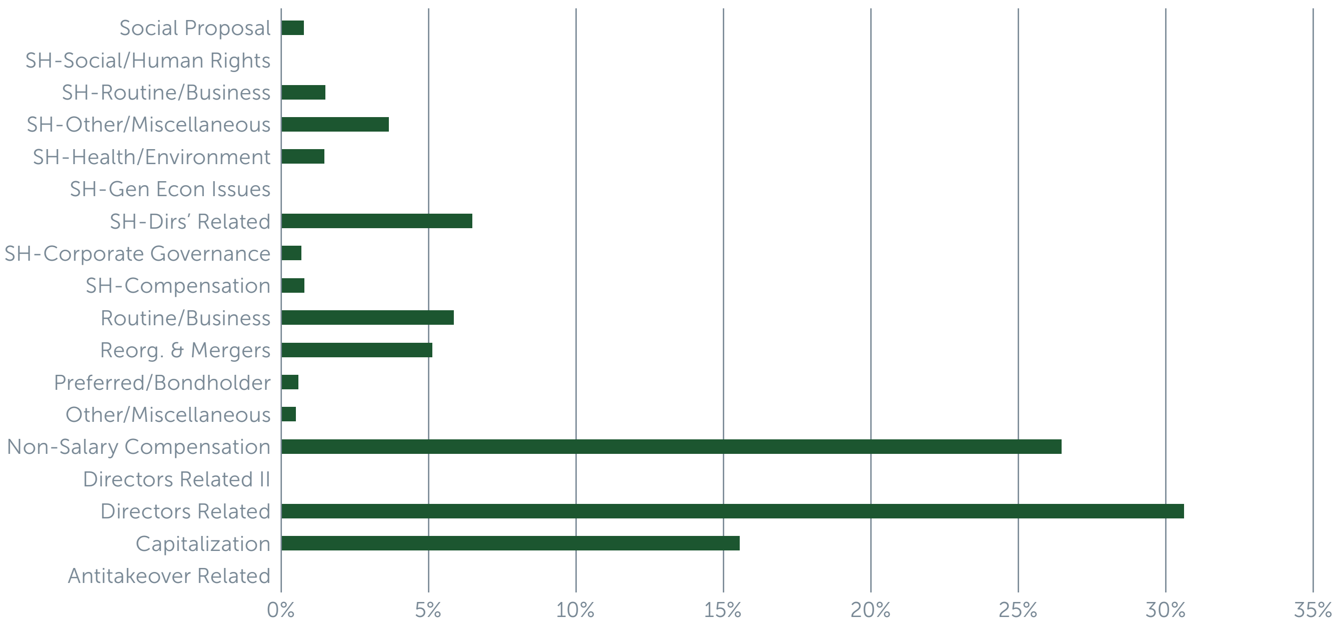
For | 91.68%
Against | 8.32%

FOR/AGAINST PROVIDER RECOMMENDATION



For | 99.80%
Against | 0.20%

VOTES AGAINST MANAGEMENT BY CATEGORY



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

Meeting Date	Company Name	Proposal	Recommendations: Mgmnt	Recommendations: Provider	Vote	Outcome	Barings Rationale
27 April 2021	Charter Communications, Inc.	4. Require Independent Board Chair	Against	For	For	Rejected 75.17% (24.82% For)	Lead directors' duties are not considered robust, with a concern regarding the lack of a fully independent key board committee, as well as regarding certain executive compensation decisions in financial year 2020.
27 April 2021	Charter Communications, Inc.	5. Publish Annually a Report Assessing Diversity, Equity, and Inclusion Efforts	Against	For	For	Rejected 58.58% (41.41% For)	Quantitative and comparable diversity data would allow for better assessment of the effectiveness of diversity, equity and inclusion efforts, and management of related risks.
27 April 2021	Charter Communications, Inc.	6. Report on Greenhouse Gas Emissions Disclosure	Against	For	For	Rejected 61.04% (38.95% For)	Additional information on the company's GHG emissions and reduction plans and an annual advisory vote on these plans is warranted to better assess the climate risk management practices of the company.
18 May 2021	Royal Dutch Shell Plc	20. Approve the Shell Energy Transition Strategy	For	For	For	For 88.73%	The Company has communicated its net-zero commitment by 2050 and has set short, medium and long-term intensity-based GHG targets. It is also the first energy company to commit to an annual shareholder vote on its climate reporting.
26 May 2021	Amazon.com, Inc.	8. Report on the Impacts of Plastic Packaging	Against	For	For	Rejected 64.46% (35.53% For)	Shareholders would benefit from additional information on how the company is managing risks related to the creation of plastic waste.
26 May 2021	Amazon.com, Inc.	9. Oversee and Report on a Civil Rights, Equity, Diversity and Inclusion Audit	Against	For	For	Rejected 55.81% (44.18 For)	Independent racial equity audit would help shareholders better assess the effectiveness of Amazon's efforts to address the issue of racial inequality and its management of related risks, particularly considering recent discrimination lawsuits.
16 November 2021	Moura Dubeux Engenharia SA	6. Approve long-term incentive plan	For	Against	For	For 99.6%	Long-term compensation plan based on shares with a long-term vesting period aligns management with all shareholders.
18 November 2021	Close Brothers Group Plc	3. Approve Remuneration Policy	For	Against	For	For 84.21%	Approve Remuneration Policy: In our view, the overall level of executive compensation does not look excessive relative to history or to appropriate peers. The shift to greater base salary and lower variable compensation is appropriate and it brings Close Brothers' executive compensation in compliance with the EU's CRD V provisions.

CONSIDERATIONS FROM FIXED INCOME

Many primary-loan agreements—across public fixed income and private credit—now include sustainability-linked margin ratchets that increase or reduce the margin of a term loan by +/- 5–10bps based on the achievement of certain sustainability KPIs.

This development in the loan market is viewed as positive overall, if ratchets appropriately align company strategy with sector sustainability risks on case-by-case analysis. During the primary syndication process, Barings is active in trying to ensure that sustainability KPIs are meaningful and relevant to the key sustainability risks that a company faces.

From our Emerging Markets Corporate Debt team, we have not yet directly sought changes in terms and conditions related to ESG. However, we had extensive discussions with issuers and underwriting banks/syndicates on Sustainability Linked Bonds (SLBs) where we believed: targets were not ambitious enough, coupon step ups were inadequate, and/or use of proceeds were not specific enough. We have not invested in several SLBs for the above reasons, and we have provided feedback to the banks and issuers that we believe should help in the evolution of this asset class.

CASE STUDY

Fixed Income

In September 2021, Barings was approached to look at a new transaction for a health care company providing rehabilitation and mental health services. Our due diligence process had highlighted previous care quality issues at certain health facilities within the group. As such, the company had been rated poorly in the social category under Barings' internal ESG Ratings criteria.

During the debt syndication process, the company intended to include sustainability KPIs in its finance terms to reduce interest costs on achievement of targets, including reduced carbon emissions at facilities. Barings actively engaged with arrangers, senior management and the financial sponsor to push for the addition of KPIs linked to quality-of-patient-care metrics, given this was viewed as a key sustainability risk area. Ultimately, Barings was successful in achieving the addition of the requirement for independent third-party quality ratings on medical facilities to meet certain predetermined thresholds. A failure to meet targets would result in higher interest costs for the company.

CASE STUDY

Private Credit

U.S. MANAGED SERVICE PROVIDER FOR WASTE & RECYCLING SERVICES.

After the initial ESG-linked deal was closed in Europe, the North American Private Finance investment team completed their first ESG-linked loan in Q4 2021. Like the European example, certain criteria are embedded in the loan documentation for this new investment, which would promote positive ESG practices and policies. This criteria encourages the portfolio company to undertake initiatives such as employing personnel dedicated to managing the firm's ESG practices and policies, undertaking additional analysis, including measuring the company's greenhouse gas footprint and reporting on the firm's actions.

Since the end of 2021, the assigned deal team has been in constant communication with the Private Equity Sponsor and Company Management Team with regards to trading updates, forecasts, current situations, and the aforementioned ESG criteria tracking.

Given the deal closed recently, the aforementioned criteria have not yet been met, but the company is working towards achieving the required deliverables and progress has been positive to date.

REFLECTING ON OUR PROGRESS

We have actively incorporated stewardship into our rights and responsibilities across asset classes to continue to drive progress on engagement objectives. From a public equities perspective, we worked closely with our proxy voting provider to ensure voting behaviour remained consistent with our ESG and Stewardship policies. We will, however, review our voting guidelines to ensure ongoing effectiveness.

We have strengthened our approach in cases across our public fixed income and private credit teams to incentivise improved ESG performance of issuers. That being said, we recognise the opportunity to increase the use of this further and ensure that the framework is used in ongoing monitoring of issuers to encourage progress against engagement objectives.

Strengthening Our Stewardship

As indicated across all 12 Principles, we have undertaken a number of activities across asset classes to improve our stewardship approach. We have laid the foundations for ongoing improvements through our revised framework and resourcing.

Future plans include:

- Ongoing roll-out of our stewardship training across investment teams and relevant business units, and the development and roll out of supplementary training (e.g., ESG integration).
- Reviewing our proprietary system for ESG integration and engagement reporting to ensure effectiveness across all asset classes.
- Increasing and improving stewardship-practices communications on our website.
- Strengthening engagement recording on a wider range of asset classes.
- Ongoing review of systemic risks and opportunities to incorporate into our stewardship strategy, with a particular focus on climate change and human rights.
- Ongoing identification of collaborative engagement opportunities with an aim to take on meaningful involvement.
- Ongoing identification of engagement opportunities with policymakers to support the progression of responsible investment across markets.
- Ongoing identification of frameworks and resources to strengthen investment teams' approaches to effective engagement objective setting, tracking and escalation.
- Ongoing review of Barings own sustainability practices to ensure alignment with our stewardship approach for our investments.

We plan to use the format of this report to update on the improvements we've made year on year to clearly demonstrate our progress.

For any questions on our stewardship activities, please email Stewardship@barings.com.

Barings is a $371+ 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 March 31, 2022*

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