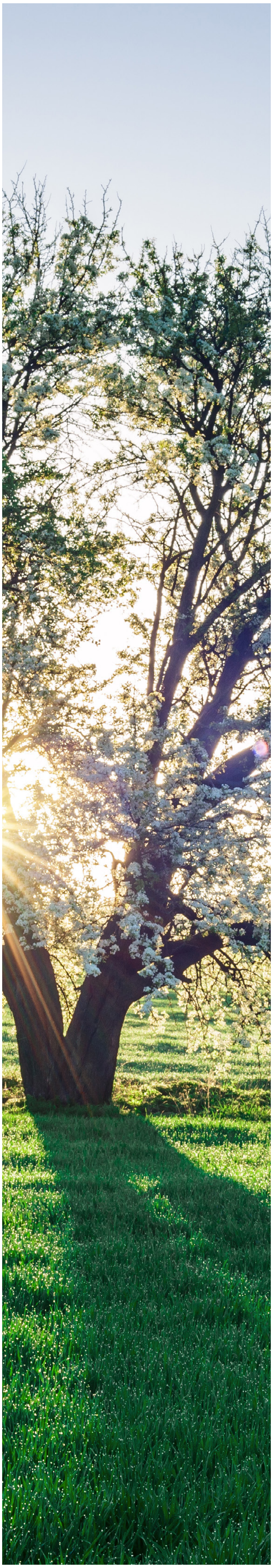
BARINGS

Task Force on Climate-Related Financial Disclosures

REPORT

2023

As of June 2024



Contents

Summary of report contents in line with TCFD recommendations

Our Board's oversight and activities

The Barings LLC Board is responsible for climate-related strategic business decisions relating to risks and opportunities which can impact Barings' business strategy, model and operations. Informed by data and insights provided by specialist workgroups such as the Sustainability Committee and the Climate Risk Taskforce.

Our management's role in assessment of risks and opportunities

The Sustainability Committee reports to the Board and is responsible for day-to-day management decisions including sustainability initiatives, ESG and climate-related activities.

Our climate-related risks and opportunities over the short, medium and long term

Climate scenarios are among the analyses in progress to identify relevant climate-related risks and opportunities over appropriate time frames.

Insights from a client-focused stewardship survey will help inform our consideration of climate-related risks and opportunities over the short, medium and long term.

Impacts of climate-related risks and opportunities

The ongoing use of climate scenario analysis and the integration of climate-related considerations, where deemed material in our investment processes, will inform future work to assess the impacts of climate-related risks and opportunities on our operations and investments.

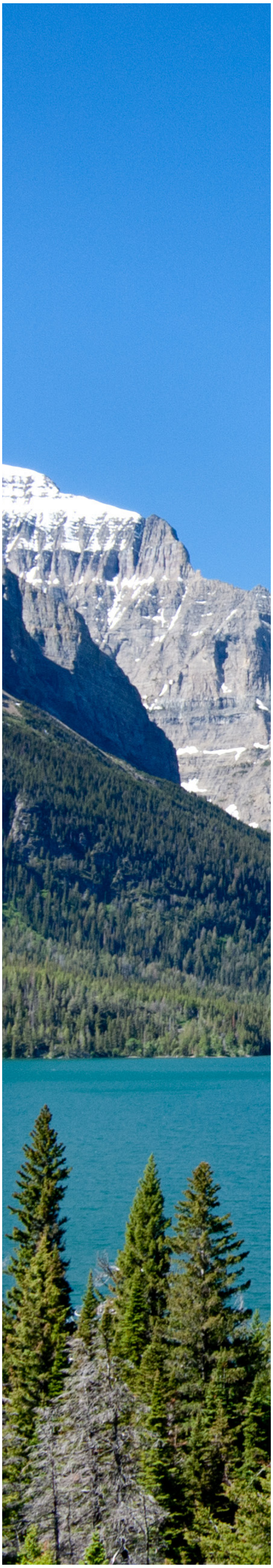
Maintaining engagement activity with issuers and other stakeholders supports the identification and management of financially material climate-related risks and opportunities.

Our strategy's resilience to different climate-related scenario

Third party climate scenario analyses are used to assess the impact of our short- and long-term climate-related physical and transition risk exposures for a number of investment teams.

Further assessment at the business strategy (operational) level will be done after the initial climate scenario analysis described above is completed.

Where ESG and climate data gaps have been identified, methods to bridge those gaps have been considered as part of our ongoing progress.



Contents continued

This report follows on from our inaugural climate report published last year, which has been prepared in alignment with the FCA's Environmental, Social and Governance (ESG) sourcebook; consistent with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Applicable to our entities Baring Asset Management Limited and Barings International Investments Limited, this report explains our governance, strategy, risk management and metrics/targets relevant to climate risk at firm-level across all Barings entities in line with the TCFD framework.

All figures are as of December 31, 2023 unless otherwise indicated. Assets shown are denominated in USD. Percentages may not equal 100 due to rounding.

Message from Our Head of Sustainability & ESG

At Barings, we view climate risks as financially material risks in our commitment to partnering with clients and investees to protect long-term value. Our approach is founded on the belief that minimizing ESG risks and identifying ESG opportunities help us achieve risk-adjusted returns for our clients in line with their time horizons

We continue to focus on our overarching governance of climate risks, their assessment and identification within the processes of our investment teams, our risk management approach pertaining to climate risks and the pursuit of better data and metrics to inform our decisions.

We work with our clients to ensure climate-related information and metrics are made available to them and tailor our investment mandates to suit specific climate requirements where clients request them.

Within an evolving space, we endeavor to improve the robustness of the data we can source and provide in order to base our decisions and actions on hard evidence rather than theory.

This is a long-term ambition requiring diligence and due care. Throughout this report we update on progress made and provide information on our direction of travel. We welcome conversations from all our clients on their preferences related to our climate-related activities.

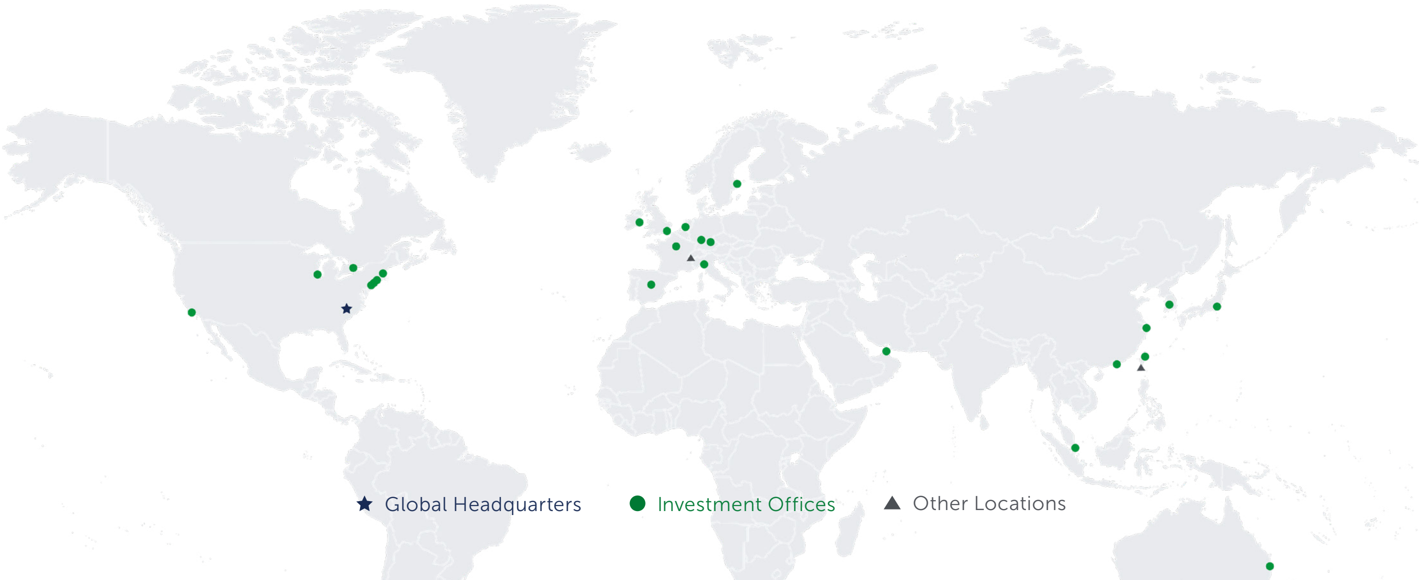
SARAH MUNDAY

Head of Sustainability & ESG

Barings Overview

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

We integrate material ESG topics, alongside other factors, into our investment and operational processes. We strive for sustainable practices across our operations and hope to strengthen the communities in which we live, work and invest.



$406+ B
Assets Under Management

1,200+
External Clients

1,800+
Professionals Globally

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

PILLAR 1

Governance

a. Describe the board's oversight of climate-related risks and opportunities

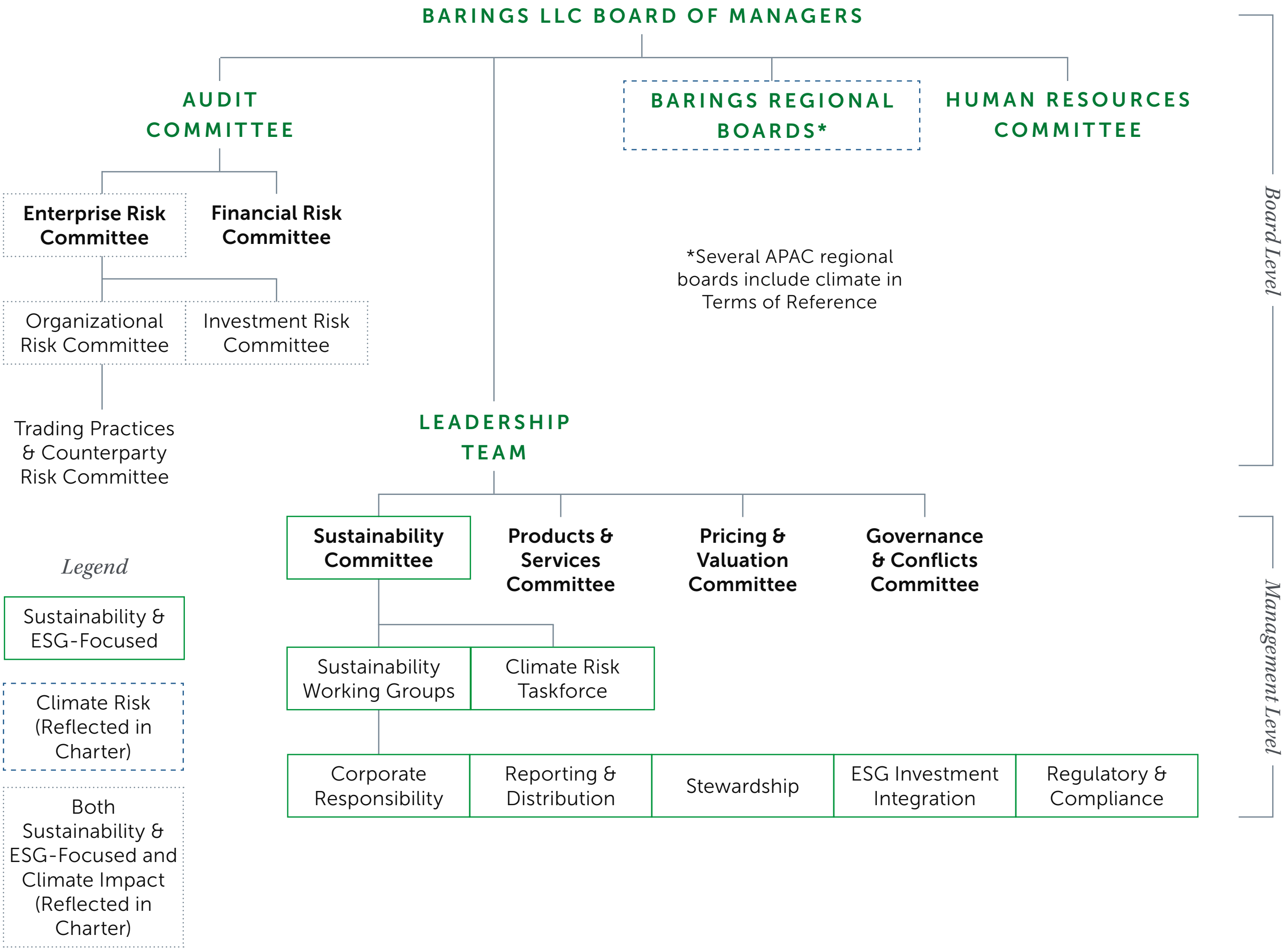
b. Describe management's role in assessing and managing climate-related risks and opportunities

Climate Governance Overview

Barings, as a wholly-owned subsidiary of MassMutual, has a separate Board of Managers ("Barings LLC Board") that is responsible for managing company affairs, while also being subject to the oversight of MassMutual's Board. Board-level committees that report to the Barings LLC Board include the Audit Committee, Human Resources Committee and regional boards, including those for our U.K., Ireland, Luxembourg and Asia-Pacific entities.

Strategic business decisions, including those pertaining to climate-related risks and opportunities, are recommended by the Chairman & Chief Executive Officer (CEO) of Barings and endorsed, amended or declined by the Barings LLC Board. Day-to-day management decisions are approved by the Barings Leadership Team, who report to the Barings LLC Board quarterly.

BARINGS ESG & CLIMATE-RELATED ORGANIZATIONAL STRUCTURE



The Sustainability & ESG team provides annual updates to the Barings LLC Board on sustainability initiatives, including progress toward our ESG and climate-related activities. Additionally, certain regional boards may receive updates that include climate-related risks and opportunities where relevant.

Barings incorporates climate change-specific analysis as part of our broader ESG and sustainability integration efforts. Our Sustainability Committee and Climate Risk Taskforce are foundational to the oversight of these activates and to our ESG, sustainability and climate-related governance.

Barings' Climate Risk Taskforce ("The Taskforce") was established in 2023 to facilitate climate-change-related oversight. The Taskforce brings together members from the Sustainability & ESG, Risk and Portfolio Solutions & Analytics ESG (PSA ESG) teams, in addition to members from various investment teams. The purpose of the Taskforce is to identify, assess and manage ESG and climate-related risks across Barings' operations and within portfolios managed by Barings, and to appropriately represent these efforts to regulators, clients and stakeholders. Updates from the Taskforce are communicated to the Sustainability Committee as appropriate.

Chaired by Barings' Head of Sustainability & ESG, the Sustainability Committee oversees sustainability policies, strategies and programs, and monitors compliance with our sustainability-related memberships and commitments. The Sustainability Committee meets to discuss climate-related and other ESG issues at least quarterly.

Our dedicated risk and investment research professionals and committees view climate risk alongside other material risk to the business, with input from Barings' Risk Management team, (see Risk Management section below).

Our investment teams have discretion over their approaches for integrating ESG and climate-related issues into investment decisions, engagement and escalation procedures. We believe our investment professionals are best positioned to use their industry and sector expertise to understand and identify the material ESG opportunities and risks in their respective investment universes, in line with investors' requirements and the specificities of their asset classes and mandates. Teams conduct these assessments as part of their broader investment analysis, supported by research provided by our Sustainability and ESG team and increasingly look to consult any data available from our Climate Risk Taskforce and PSA ESG team.

Our PSA ESG team provides ESG, sustainability and climate-related metrics for our investment portfolios where data is available and works closely with investment teams to support integration of relevant ESG data into the investment process. TCFD-aligned carbon emissions metrics are included in PSA ESG analytics, as are measures of Implied Temperature Rise (ITR), and Climate Value at Risk (CVaR).

Oversight of climate-related risks and opportunities at the corporate and organizational level, including progress towards Barings' operational net zero GHG emissions target, is provided by the committee structure shown above.

These management structures help senior management and the Barings LLC Board stay informed of climate-related activities.

COMMITTEES & REGIONAL BOARDS

Several committees, at both the Board and management level, in addition to some regional boards, oversee the management and monitoring of material climate-related risks and opportunities, including:

Barings LLC Board Level:

- Audit Committee
- Leadership Team
- Regional Boards

Barings' Management Level:

- Enterprise Risk Committee
- Organizational Risk Committee
- Investment Risk Committee
- Sustainability Committee

In 2023, existing climate-related charter language was reviewed for relevant Barings committees. From this exercise, the Sustainability Committee, Enterprise Risk Committee, Organizational Risk Committee and Investment Risk Committee charters were updated to reflect the specific oversight responsibilities of each.

SUSTAINABILITY WORKING GROUPS

Barings' sustainability-focused working groups support the delivery of long-term sustainability initiatives, including those related to climate, and report to the Sustainability Committee. These consist of representatives from across the business and are tailored to the purpose and goals of each working group. These working groups foster cross-functional collaboration to improve communication and consistency, enabling stakeholders from across the business to contribute to our ESG, sustainability and climate-related strategies and programs.

ESG INVESTMENT INTEGRATION WORKING GROUP

Includes embedded ESG members from Barings' investment teams and meets to discuss ways to enhance ESG integration practices, tools and data. Given Barings' integrated approach to material ESG issues, climate change-specific data, including estimation methodologies and tools to enhance analysis, are included in discussions.

Our dedicated ESG & Sustainability team also organizes and leads training on climate change, covering topics such as data sources, frameworks and evolving best practice to enhance the skills and knowledge of our wider teams.

STEWARDSHIP WORKING GROUP

Oversees ESG, sustainability and climate-related engagement activity, industry participation and policymaker engagement, at both the firm and investment-team level. Also considers client preferences and disclosure requirements related to stewardship. See our latest U.K. Stewardship Code pages 25–26 for a full list of relevant industry participation.

CORPORATE RESPONSIBILITY WORKING GROUP

Supports our corporate and operational efforts on sustainability and climate change, including Barings' environmental impact, developing our net zero operational targets and sharing best practices across the business.

SUSTAINABILITY REGULATORY & COMPLIANCE WORKING GROUP

Monitors and discusses global ESG, sustainability and climate-related regulatory developments.

REPORTING & DISTRIBUTION WORKING GROUP

Oversees the implementation of client preferences and regulatory requirements related to ESG integration practices, stewardship and reporting—including climate-related matters.

CLIMATE RISK TASKFORCE

Following our inaugural climate report and in alignment with the prioritization of climate change, Barings launched our Climate Risk Taskforce in 2023 to ensure oversight and continued progress is made with regards to climate risk governance, integration and disclosure. Co-led by Barings' Sustainability & ESG team and Risk team, and in partnership with key groups from around the firm, including PSA ESG, Compliance, Reporting & Distribution and Technology, the Taskforce has been involved in the following actions:

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

Revolutionizing our Technology Platforms & Monitoring Procedures

To advance further in our identification, assessment and management of climate risks and opportunities Barings recognizes the need for accurate, relevant and connected data.

We have reached the final stages of a multi-year project to implement market-leading portfolio management technology, supported by a best-practice operating model design. Implementing this technology during H2 2024 will allow Barings to improve the consistency, connectivity and accessibility of our data in public and private markets, including scoring and engagement data on climate-related issues, to further support our ability to meet our clients' needs.

We developed a Sustainability & ESG risk appetite framework to better enable monitoring of ESG scoring, engagement recording, operational carbon footprint, participation in industry reporting frameworks and firmwide sustainability awareness. Monitoring became effective in the first quarter of 2024 on year-end 2023 data. The measures are monitored by the Sustainability & ESG team and reported to the Organizational Risk committee on a quarterly basis.

UPDATING & STREAMLINING ESG INTEGRATION (INCLUDING CLIMATE APPROACH) ACROSS THE BUSINESS

We formalized Barings' ESG integration policies across all asset classes, in collaboration with our investment teams and Sustainability Working Groups. These documents serve as a description of our investment approach to the analysis of material E, S and G risks and opportunities across asset classes, enabling more robust governance and oversight of individual investment teams' practices. A summary of approaches across teams is provided in Pillar 2: Strategy.

Remuneration

Barings designs compensation programs to reward for intangible, as well as tangible, contributions to our success, including corporate integrity and reputation, customer loyalty, risk management, the quality of our professionals and how effectively they collaborate. ESG and climate factors are important components of the investment philosophy and process, thus indirectly linked to the compensation of our investment teams.

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

Our Sustainability & ESG team, PSA ESG team, and dedicated ESG resources embedded in investment teams have woven ESG and climate considerations into the goals and objectives upon which individuals are evaluated each year. Investment professionals across a number of investment teams, including Public Equities and Emerging Markets Corporate Debt, have performance development goals that explicitly relate to ESG integration to ESG integration and engagement, including on climate-specific topics.

Additionally, each teammate's individual performance is reviewed and measured against Barings' Core Values (Value Our People, Take Accountability, Foster Collaboration and Deliver Excellence); sustainability is a key element across these four pillars. As we look to the future, we are committed to continuously evaluating ways in which we can incorporate ESG criteria and climate considerations into our compensation strategy and programs.

Reflecting on Our Progress

Barings will continue our efforts to define climate-related roles and responsibilities throughout the business, including at the Barings LLC Board and C-Suite levels. Our goal is to have a governance structure that allows broad-based input into our investment and corporate climate-related risks and opportunities, as well as sufficient oversight of these risks.

Barings continuously seeks to reassess our resourcing and governance structure to ensure we are effectively and efficiently assessing sustainability-related issues. We have coordinated our approach to incorporating material ESG factors, including climate, into our investment processes across investment teams and supported investment analysts to undertake strengthened engagement activities. These, where deemed material, seek to establish clear objectives related to improved climate-related disclosure and behavior, as well as supporting timelines to monitor progress towards such objectives being met.

In 2023, Barings liaised with a number of providers on the potential scope and focus of climate-related board training and engaged with MassMutual to understand its ongoing approach to increase access to climate-related expertise across the firm.

In 2024, we will look to select a provider and arrange for climate-related training at board level to be undertaken.

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

PILLAR 2

Strategy

a. Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term
b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning
c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Barings' Strategic Approach

Barings partners with clients on their unique preferences, including those on climate-related issues, and recognizes this can be crucial to achieving their risk and return objectives. Therefore, we incorporate these issues into our investment strategies. We take a holistic approach that includes the consideration of material ESG topics alongside more traditional financial metrics, aiming to capture risks and opportunities in whatever form they appear in our investment analysis and decisions. As a result, it is in our clients' best interest to integrate such risks, where they are deemed material, into our fundamental investment analysis.

In addition, Barings recognizes the ways in which our corporate operations contribute to addressing climate change risk. We continue to evaluate the ways in which the organization can drive mitigation and adaptation efforts, including working toward our 2030 operational net zero commitment, detailed further below.

Risks & Opportunities

IDENTIFYING RISKS & OPPORTUNITIES

Barings utilizes several approaches to identify risks and opportunities related to climate change. This includes consideration of how climate-related risks could impact our investments over the long term as we maintain our fiduciary duty as stewards of our clients' capital, as well as how such risks could impact our operations as a global business. As an asset manager, Barings also recognizes that our largest climate impact is that of our investments.

For more detail on our approach to identifying climate-related risks alongside our formal risk management structures, see Pillar 3: Risk Management. For data on our operational and financed emissions, see Pillar 4: Metrics & Targets.

Risks & Opportunities in Investment-related Activities

To help identify climate-related risks and opportunities that could impact our investments, we undertook the following activities in 2023:

- Conducted a client-focused stewardship survey to understand key client prioritizations and preferences related to ESG, sustainability and climate change
- Explored the use of top-down scenario analysis to consider which countries and sectors may be most susceptible to climate risk
- Continued to leverage ESG data, including related to climate change, and considered opportunities to bridge data gaps identified
- Continued to integrate climate-related considerations where deemed material in our investment process across asset classes, as well as in our products and services where appropriate
- Maintained engagement activity with issuers to identify and manage financially material climate-related risks

STEWARDSHIP SURVEY

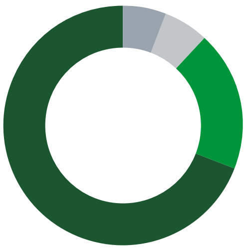
In a time of emerging and diverging perspectives on the use of stewardship tools, Barings sought to capture data-driven evidence on preferences to help inform our stewardship strategy and messaging going forward. We did this using a targeted stewardship survey, supplemented by one-to-one dialogue between our clients and Sustainability & ESG team.

The survey was developed by the Stewardship Working Group and reviewed by a third-party consultant, two question sets were developed (one for institutional investors and one for investment consultants) to ascertain details on preferences related to engagement approaches, product allocation, reporting requirements and stewardship topics.

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

The findings have helped Barings understand how a number of our clients are prioritizing the topic of climate change and considering increased allocation to net zero investments as shown in the charts below.

We asked respondents the extent to which they were prioritizing specific ESG issues.



6% | We do not prioritize ESG issues

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

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

69% | Yes, we prioritize specific ESG issues

A majority of respondents prioritize issues We identified the most frequently cited as:

1

CLIMATE CHANGE
(including energy transition)

2

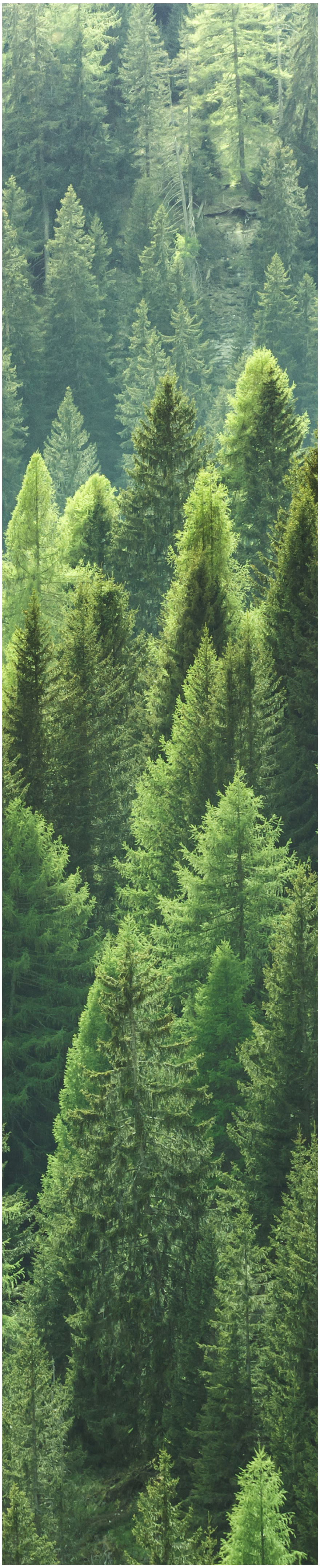
DECENT WORK & ECONOMIC GROWTH
(including labor automation)

3

BIODIVERSITY
(including nature loss, deforestation and sustainable agriculture)

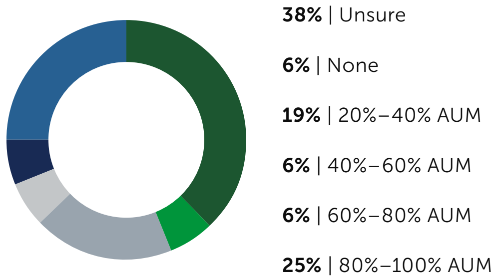
4

HUMAN RIGHTS, SOCIAL INEQUALITY & MODERN SLAVERY

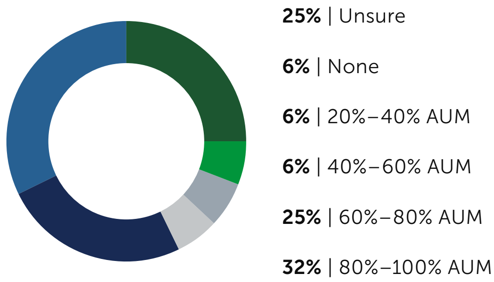


Respondents were also asked to compare their current allocation to investments pursuing net zero by 2050 vs expected allocation in three years' time.

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



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



These findings, alongside the broader set of survey responses, were shared with the Sustainability Committee and the Reporting & Distribution, Stewardship, and ESG Integration Working Groups. The responses helped inform the Sustainability & ESG team strategy for 2024, which includes a focus on developing a framework to support the prioritization of climate-related engagements, as well as partnering with clients interested in the development of products with a climate-related focus. Further information about our approach, and insights from our targeted outreach, are captured in our latest U.K. Stewardship Code Report.

CLIMATE SCENARIO ANALYSIS

In 2023 we established the foundation from which to build useful and relevant scenario analyses for our investment teams. With a developing firm-level perspective on which asset classes may be more exposed to climate-related risks, our aim is to help ensure investment teams receive sufficient guidance and resources as part of climate-risk integration and stewardship efforts. To support these efforts, the Climate Risk Taskforce liaised with several providers to understand services that could support top-down scenario analysis to help identify and determine high-level climate-related risk exposure at country—and sector within country—level for investment teams. Based on these interactions, we chose a supplier whose methodology, scope, offering of scenarios and data sets (70 countries and 70 sectors) were the most appropriate for us.

As a starting point, we identified 2030 and 2050 as the appropriate short- and long-term timeframes. The choice of 2030 was driven by our desire to first identify any immediate material climate-related risks that align with a typical investment horizon. We chose 2050 as the long-term timeframe to align with the IPCC (Intergovernmental Panel on Climate Change) assessment that the world will need to have achieved net zero CO_2 emissions by the early 2050s in order for global warming to be limited to 1.5°C vs pre-industrial levels.

We worked with our chosen partner to identify a range of plausible climate-related scenarios. The selection of specific scenarios was informed by global regulatory guidelines, such as those issued by the Monetary Authority of Singapore and the Hong Kong Securities and Futures Commission, as well as by the TCFD recommendations themselves. Out of seven possible scenarios available—ranging from low physical and transition risk scenarios, to those with high physical and transition risks—we selected the following four:

1

BASELINE

This scenario reflects existing commitments that have been made and are supported by policy measures believed to be sufficiently detailed.

2

NET ZERO TRANSFORMATION

The transition to net zero eliminates prevailing market failures and inefficiencies. As a result, the global economy moves up to a new equilibrium growth rate.

3

DELAYED TRANSITION

Climate policies to limit global warming are pursued relatively late. Efforts to reach ambitious climate goals therefore require stronger policy action.

4

CLIMATE CATASTROPHE

Governments fail to meet their policy pledges and the concentration of greenhouse gases in the atmosphere intensifies. Global temperatures warm by 2.2°C by 2050, resulting in severe physical damages that accelerate over time.

To ascertain the impact of transition and physical risks from climate change on individual countries and sectors we took the approach of comparing the economic outcomes of countries and sectors under the latter three scenarios vs the same under the "Baseline" scenario.

Upon review of the initial results, we questioned the usefulness of the "Net Zero Transformation" scenario. After discussion with our provider, we identified that the 2030 implications included in this scenario do not seem to be transpiring. To meet the TCFD guideline to choose scenarios which are plausible, we opted to drop this scenario from further analysis.

Having run the analysis for the chosen scenarios using 2023 data, we plan to refine our approach to using the findings—surfacing the data in a way that is useful and readily applicable through our existing processes and platforms wherever possible. We have already received feedback from our investment teams that context is key to ensure that climate scenario-related data is meaningful for investment analysis. This is particularly pertinent given discrepancies in sector categorization between the research provider we used to run the scenarios and the sector categories utilized by the finance industry more broadly.

At this pilot stage, we will work with investment teams to refine our approach, before looking to roll it out more broadly as the availability and integration of data improves. Any key findings from this project will also be shared more widely internally, including with the Barings Economic and Thematic Research (BETR) team, the role of which is detailed further in Pillar 3: Risk Management.

PURSUING ESG & CLIMATE-RELATED DATA

Barings has continued the development of ESG data analysis across asset classes on topics including the decarbonization plans and carbon emissions trajectory of issuers. Where data coverage remains low for certain assets, particularly in loans, emerging markets and private markets, we continue to engage with our service providers as their modeling and datasets are refined to encourage enhanced coverage. We will also continue to engage directly with companies to improve disclosure and transparency across these asset classes. More information on data sources can be found in Pillar 4: Metrics & Targets.

PERSPECTIVE

Seeking Increased Climate-related Data

GLOBAL PRIVATE FINANCE

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

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

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

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

*DRIVING DISCLOSURE WITH ESG QUESTIONNAIRE

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

PERSPECTIVE

Seeking Greater Visibility Into the Carbon Footprint of a Commercial Loan Portfolio

REAL ESTATE DEBT (EUROPE AND U.S.)

WHAT BARINGS DID

In 2023, a taskforce was formed comprising individuals in the U.S. and Europe across the Barings Real Estate Debt team, including representation from Asset Management, Underwriting, Portfolio Management and ESG. Together, this team was charged with creating the mechanisms and processes to estimate the carbon footprint of a commercial loan portfolio.

Over the course of the year, the cross-border team developed a new Barings ESG Loan Questionnaire designed to be completed by existing and prospective borrowers. This questionnaire evaluates the sustainability, resilience and social characteristics of the underlying collateral. A part of the questionnaire aims to collect actual building performance data, such as energy, emissions, water and waste. In the absence of such actual data, the team has an estimation model to fill the gaps.

OUTCOME & NEXT STEPS

The hope is to move towards more actual emission data covering a larger proportion of the loan book over time to be able to evaluate how the loan book is tracking against a decarbonization curve.

The questionnaire also seeks to collect information about the underlying strategies that are planned for a given property and how the loan is participating in the decarbonization or resilience building of the built environment. The questionnaire is designed to be annual. We concluded 2023 using the questionnaire in pilot phase. At the time of writing this report in 2024, the questionnaire is a part of all loan underwriting and we have started engaging with existing clients to evaluate building performance data availability.

ESG INTEGRATION—SAFEGUARDING LONG-TERM VALUE

During 2023, we saw a continuation of emerging and diverging expectations on sustainability and climate themes. We remained committed to seeking and delivering superior risk-adjusted returns for clients through a process that included analyzing material ESG factors and engaging in associated activity where deemed appropriate by our investment analysts.

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

Our intentional and considered approach to ESG integration is grounded in obtaining relevant data and is expressed through our commitment to partnering with clients and investees to protect long-term value.

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

While evaluating material ESG risks and/or opportunities, investment professionals assign proprietary ESG scores to investments and record these in Barings' platforms. These scores provide an overall assessment of the current state and outlook of the investment on ESG topics and allow for material ESG factors that could have an impact to be fully integrated into the investment process through respective governing bodies. Typically, investments are assigned a one (excellent) to five (unfavorable) ESG Current State Score and an improving, stable or deteriorating ESG Outlook Score for each of the E, S and G categories.

ESG scores may be presented to the relevant investment committee(s) (IC), where such committees are in place, in investment/underwriting memorandums, and/or in earnings notes. The ESG risks are assessed and discussed by the IC/s. The IC/s will formally decline an investment if it is not satisfied with its ESG risks and profile.

For the Public Equities team, where an IC does not exist, portfolio managers fully consider investment professionals' assessment of growth, quality and valuation, all of which reflect material climate-related risks and opportunities. Once invested, portfolio managers and analysts continue to monitor each issuer to ensure that the investment thesis remains intact and that an investment's risk and return profile remains attractive relative to other opportunities available in the market.

Investment professionals review ESG scores periodically and/or as material ESG developments occur. Investment teams have the option of overweighting certain E, S or G factors in the calculation of an aggregate ESG score. For example, an analyst may overweight the E score for investments that may have significant transition challenges, such as in the energy, utilities, industrials and materials sectors, among others. In accordance with the investment team level ESG Integration and Stewardship policies, key aspects of our approach are described as follows[1]:

1. All AUM figures as of December 31, 2023

GLOBAL PUBLIC EQUITIES

3%

of Assets Under Management

Given more widely available data on the public companies in the team's investment universe, the Barings Public Equities team is generally able to incorporate ESG and sustainability considerations, including transition and physical risks from climate change, into their investment decisions.

The team uses a proprietary standardized ESG assessment framework which helps in understanding risks not already included in traditional financial models to capture ESG fundamentals, including those related to climate, of current and potential portfolio companies. This assessment is dynamic and forward looking and has an impact on both the valuation of the investment, through the use of the Barings Cost of Equity demonstrated in the chart below, and the qualitative assessment of the company.

		Systematic		*Idiosyncratic*		
COST OF EQUITY (DISCOUNT RATE)	=	RISK FREE RATE	+ EQUITY RISK PREMIUM	+ STOCK SPECIFIC RISK	+ ESG	+ CARBON
Impact to CoE		**5Y IMF CPI Forecast** **+2.25%** Average Risk Free Rate of the five-year forecasting period	**4% Developed** **5% Emerging** **6% Frontiers** Economic Classification Political Risk Social Risk Credit Risk	**(0 to 2%)** Sector Risk Regulatory Risk Business Cyclicality Earnings Volatility Balance Sheet	**(-1% to 2%)** Barings Assessment of ESG	**(0 to 2%)** Emissions Mitigation Carbon Taxes

The CoE is specific to each company and is used within the company valuation model. Better and improving ESG practices lead to a lower CoE and therefore higher valuation, while poor and deteriorating practices will result in a higher CoE and lower valuation.

As part of this analysis, both material physical and transition risks are considered, and the team supplements their proprietary research with the use of third-party climate scenario analyses to assess such risks. Where climate risks are material, the assessment is reflected in the team's proprietary ESG scorecard. Where an investment falls in a sector and jurisdiction which imposes carbon costs on companies, an additional Carbon Cost template is completed. Sectors that may be subject to additional carbon adjustments include: electricity and heat generation; oil refineries; steel works; production of iron; aluminum; metals; cement; lime; glass; ceramics; pulp; paper; cardboard; acids; bulk organic chemicals; commercial aviation; and maritime.

For a more detailed disclosure on the team's ESG practices, please see the Public Equities—ESG Integration and Active Ownership policy.

PUBLIC FIXED INCOME

50%

of Assets Under Management

PUBLIC CORPORATE & SECURITIZED FIXED INCOME

The Public Corporate & Securitized Fixed Income teams undertake an assessment of the ESG profile of issuers, alongside financial and market analysis. Research focuses on ESG factors, including climate change; where deemed material to credit risk over the lifecycle of an investment that could impact cash flow; valuation of the business or the general ability of the issuer to meet its debt obligations.

Analysts use external and third-party data sources, where available, to supplement in-house ESG analysis and to flag ESG topics for further diligence or engagement. This enables continued monitoring of the ESG profiles of issuers over. Ongoing monitoring includes periodic assessment of key ESG risks in line with reporting cycles of issuers or ensuring when material credit events or news flow occurs. Portfolio managers have access to emissions data, where available, that includes aggregated carbon emissions and carbon intensity at portfolio level. This includes officially available data and is supplemented by in-house estimations using peer comparisons. These data sets allow fund managers to consider emissions profiles of portfolios over time and in comparison to benchmarks, if applicable.

SOVEREIGN & SUB-SOVEREIGN DEBT (PART OF PUBLIC FIXED INCOME)

Sovereign Debt investment decisions are based on internal research, which encompasses both proprietary financial underwriting methodology as well as ESG assessments, including climate change where deemed material. As each country in the investment universe may be in a different developmental stage, the team's sovereign ESG evaluation considers variations in each country's ESG policies and practices, including how to improve on material ESG factors.

The team may interact with government representatives and/or other stakeholders (such as representatives of multilateral institutions) in many of the countries in which the team seeks to invest as it carries out credit, sustainability and ESG underwriting for the country. The investment professional responsible for evaluating and underwriting each country is also responsible for its ESG assessment which is subject to team review; this is an integral part of the underwriting process. The team has a standardized ESG diagnostics framework based on certain external data inputs from the UN, World Bank, and from third-party academic sources such as the University of Notre Dame and the Bertelsmann Transformation Index, which the team has assessed for quality and availability.

Availability of data on ESG topics including climate is expected to continue to improve; this may enable analytical processes to be enhanced over time. The team uses external and third-party data sources (noted above) to supplement in-house ESG analysis and to flag ESG topics for further diligence or engagement, where coverage allows.

STRUCTURED CREDIT (PART OF PUBLIC FIXED INCOME)

As part of initial and ongoing investment analysis, the team's investment professionals work to analyze both the CLO manager and the underlying collateral. Such analysis may involve periodic dialogue with CLO management to better understand potential risks and opportunities, including those related to ESG and climate. As part of the due diligence process, the team may engage in conversations with CLO managers to gain an understanding of material ESG risks and opportunities, including those related to climate change. The team also aims to determine if a CLO manager has a formalized and adequate ESG policy in place, the extent to which the policy processes are incorporated into the credit underwriting process, and the commitment to and trajectory for ESG processes over time, among other factors.

A standard questionnaire is sent to all approved managers that addresses ESG policy, governance, investment process and monitoring. The team utilizes the Principle for Responsible Investment's (PRI) "Responsible Investment Due Diligence Questionnaire For Private Debt Investors" supplemented with additional proprietary generated questions such as:

1. If and how the manager systematically assesses and manages exposure to environmental risks such as climate risks and nature risks (risks related to biodiversity loss, deforestation, pollution to land and water) in their CLOs?
2. If and how the manager systematically assesses and manages exposure to social (human rights, labor rights) and societal (impact of products and services, community engagement) risks in their CLOs?
3. Planned improvements to manager incorporation of ESG in the investment process and their overall commitment to sustainable investing.

Ongoing monitoring of investments, including ESG considerations, includes periodic assessment of each collateral manager and the underlying deals. Assessments of the overall commitments and abilities of the CLO managers with whom the team invests is also taken into consideration during the valuation process.

REAL ESTATE

11%

of Assets Under Management

Both the Equity and Debt Real Estate platforms score underlying investments against ESG factors, including related to climate change, that may have significant economic, environmental and social impacts on real estate investments. These factors inform real estate due diligence and acquisition processes, as well as business plans, ongoing monitoring and reporting. In Real Estate, integrating ESG into decision-making involves managing both transition and physical climate risk, as well as promoting health and wellbeing of building occupants, amongst other things. These practices are designed to promote value preservation as well as value creation, hence maximizing risk-adjusted returns. Lowering energy use, water, carbon emissions and waste are central tenets of ESG integration in real estate. Additionally, evaluating physical risk is a priority. While the groups have long evaluated acute and/or chronic perils at the asset level and are evaluating resilience measures needed to protect assets against identified risks, the teams are now building out the capabilities to evaluate fund-level peril exposure.

GLOBAL PRIVATE FINANCE

10%

of Assets Under Management

When underwriting and monitoring investments, analysts and deal teams analyze the ESG profile of an investment. During the initial due diligence phase, deal teams may engage with the sponsor and/or management team on material ESG risks, including climate change, and considerations through an ESG diligence questionnaire. Responses to this questionnaire help generate ESG commentary in memos and help to determine our proprietary ESG scores, which in turn contribute to the team's investment decision making.

Following the completion of the ESG analysis and due diligence on each investment opportunity, analysts and deal teams document their findings within the screening and underwriting investment memos that are presented to the IC. Additionally, each borrower's ESG scores are documented in the investment memos. ESG scores are evaluated in conjunction with other investment risks when a deal is considered for approval at IC. The team may also offer sustainability-linked loans or ESG-linked margin ratchet loans to private equity sponsors and borrowers, which provide an economic incentive (a five to 15 basis point reduction in borrowing cost) in exchange for material improvements in ESG factors, generally identified in the underwriting process. Material improvements may include actions such as, but not limited to, improved board oversight, internal sustainability professional oversight, carbon emissions reduction and measured positive change through ESG and sustainability Key Performance Indicators (KPIs). Please see Pillar 4: Metrics & Targets for a case study on the application of KPIs.

GLOBAL PRIVATE DEBT GROUP

13%

of Assets Under Management

Similarly to our Global Private Finance team, our Infrastructure and Private Placements teams within our Private Debt Group may interact with borrowers on material ESG risks, including climate change where relevant, during the due diligence phase and throughout the life of the investment. At times when deal documents or borrowers reports provided to PDG are not informative enough on the issuer's ESG profile, a questionnaire may be distributed to help determine ESG scores, which in turn contributes to the team's investment decision-making where ESG risk and opportunities, including climate change are deemed material to the investment case.

DIVERSIFIED ALTERNATIVE EQUITY (DAE)

1.5%

of Assets Under Management

The DAE team undertakes an assessment of the ESG profile of investments alongside financial and market analysis. Research focuses on identifying, alongside financial sponsors, material ESG risks, including climate change, over the lifecycle of an investment that could impact an investment's ability to generate value.

Ongoing monitoring of investments includes periodic assessment of key ESG risks and updates to ESG scores in line with reporting cycles of investments or when material events or news flow occurs. As with non-ESG issues, the DAE Investment Committee reassesses investment approval decisions on an event-driven basis when material new ESG risks arise.

A materiality survey is sent to financial sponsors in connection with Barings' fund commitments in advance of the applicable monitoring meeting. Analysts will address ESG topics for co-investments and financial sponsor-led secondaries with single-assets directly with the related sponsors and update models accordingly.

GLOBAL CAPITAL SOLUTIONS (GCS)

1%

of Assets Under Management

The GCS team completes an assessment of the ESG profile of potential investments alongside financial and market analysis. Research focuses on material ESG credit risks over the lifecycle of an investment that could impact cash flow, valuation of the business, or the ability of the investment to meet its debt obligations. As part of its in-house ESG research for each potential investment, the GCS team typically has access to an information memorandum, an indenture and/or third-party due diligence. GCS analysts often also have direct access to senior management and/or financial sponsors and can discuss and engage on key ESG risks, including climate change where deemed material. This information and interaction facilitate ESG due diligence. In addition, the GCS analyst teams may have access to company earnings reports, earnings calls and may, if necessary, have direct discussions with management teams and sponsors on an ongoing basis. This enables the GCS team to continue to monitor the ESG profiles of portfolio investments over the life of an investment.

Availability of corporate data on ESG topics is expected to continue to improve in the asset classes the team considers for investment; this may enable analytical processes to be enhanced over time. The GCS analyst team uses external and third-party data sources to supplement in-house ESG analysis and to flag ESG topics for further due diligence or engagement, where coverage allows.

MULTI ASSET (MA)

0.5%

of Assets Under Management

The MA team is primarily responsible for the MA ESG integration process. The investment team's knowledge and ongoing research enable ESG analysis that identifies both risks and opportunities. Additionally, the MA team leverages the resources from the wider Barings capabilities, including the MA team's key research pillar, the Strategic Policy Group ("SPG"), as well as the Portfolio Solutions & Analytics ("PSA") team, which supplies ESG risk analytics. The SPG is a firmwide research group that integrates the investment expertise from across the firm.

The SPG Equity group conducts research at the country, sector and style levels, and its equity allocation preferences are included in the SPG allocation matrix. Climate-related data is considered at the country and sector levels, e.g. region and sector contribution to the MSCI All Country World Index carbon footprint. As part of the broader equity research, ESG analysis is one of the factors that contributes to the SPG Equity allocation recommendation.

The MA portfolio management team identifies thematic investment opportunities that benefit from ESG megatrends, such as clean energy and smart grid, and studies these opportunities with a similar set of considerations that apply to other investment themes, including fundamental or technical catalysts, valuation and risk metrics, liquidity and others. The recommendations will then be presented at the weekly MA investment meeting where portfolio managers discuss and assess the suitability of such trade ideas.

The MA team monitors ESG characteristics of each portfolio, including the ESG risk profile and carbon emission profile. Portfolio ESG scores across the MA portfolios are reviewed and compared with reference to historical levels and the corresponding benchmark. The process monitors the portfolios' active position on ESG-related risks and fund managers integrate this in their portfolio management decision making with a view of maximizing risk-adjusted returns.

PRODUCTS & SERVICES

Barings partners with clients on their unique goals and preferences for sustainability and climate-related investments. This approach presents opportunities for Barings to develop new products to serve a wide range of investment needs, including those specific to ESG and climate-related objectives. We currently operate 42 funds classified as Article 8 under the European Union's Sustainable Finance Disclosure Regulation (SFDR). Barings also offers separate accounts with client-determined sustainability and ESG goals across a variety of preferences, including client-directed exclusion screens, and climate-related goals. Examples of partnering with our clients on their climate-related preferences have been provided in Pillar 4: Metrics & Targets.

STEWARDSHIP & ENGAGEMENT

Our stewardship approach is founded on the belief that minimizing ESG risks and unlocking ESG opportunities, including those relating to climate change, helps to protect long-term value for our clients.

We believe that partnership and engagement, over exclusion, remain central to good stewardship and risk management and mitigation. Our preference is to engage with investee firms rather than divest from them so we can work with them to address the material ESG risks and opportunities identified through our ESG integration approach. We believe this allows us to consider a fuller investment universe, so potential investment opportunities have the chance to improve their ESG performance alongside their financial performance. We recognize the PRI's latest definition of engagement[2] which reflects

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

interactions with investment entities as well as service providers or non-issuer stakeholders to improve disclosure, improve practice on an ESG factor, or make progress on sustainability outcomes.

Barings' investment professionals are responsible for undertaking engagement with entities in which we invest. Depending on the investment team, our investment professionals may also liaise with investment managers, consultants, sponsors, tenants and servicers as part of the engagement process.

Our engagement approach typically involves the following:

- ESG engagements are initiated at the discretion of investment analysts based on material ESG topics typically identified through the ESG integration process and ongoing monitoring
- We often engage with C-Suite level for corporates and senior governmental representatives for sovereign entities
- Objectives, milestones, likelihood of success and timelines are established at the outset of engagement and progress is recorded in our proprietary system
- Insights gained through engagements feed back into our fundamental ESG analysis
- As a signatory of the UN Global Compact, we are guided by its principles and incorporate them into our engagement activities related to fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption
- As part of our firm-level approach, our investment teams have access to join collaborative engagement groups.
- Any concerns identified through ongoing monitoring and engagement interactions may lead to escalation

The engagements recorded in our proprietary system are based on objectives to encourage issuers to improve disclosures or change behavior across a broad range of ESG topics. We also publicly disclose Barings' engagement activity on our website.

Where we engage with industry bodies and regulators, this is typically undertaken by representatives from our Sustainability & ESG or Compliance teams.

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

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

As indicated earlier, the prioritization of ESG issues is identified bottom-up through our investment analysts' ESG integration process. This typically acts as the source of prioritization of engagement topics. The initiation of engagements is typically prioritized by the materiality of the issue on financial performance or creditworthiness of an investment. It may also be influenced by the likelihood of success and the relative size of the investment, among other matters.

The nature of engagement objectives often seeks improved disclosure to further strengthen our ESG analysis, although analysts may also seek to change behavior where this is seen to materially address risk. Engagement objectives may vary depending on the sector, location and size of an issuer. For example, we have found that when engaging with smaller companies, we may focus on prioritizing the disclosure of key environmental metrics that are currently unavailable and partnering with these issuers in understanding the resources required to help support them in providing this information. Conversely, ongoing engagements with larger companies may focus more on how activities and operations will be planned to fulfill targets disclosed.

PERSPECTIVE FROM GLOBAL PRIVATE FINANCE (GPF)

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

The team continues to recognize that the use of loan documentation to include an ESG margin ratchet process acts as an important framework on which to build engagement activity with borrowers. Not only does an ESG margin ratchet benefit issuers by incentivising good ESG behaviors and outcomes, it also acts as a mechanism to specify expected progress to be made over time by monitoring progress against Key Performance Indicators (KPIs). The GPF team recognizes that the establishment of the loan agreement requires ongoing engagement to ensure these provisions convert at scale into the formalized selection of meaningful KPIs. As of December 231, 023, the European GPF team had reached agreement with 61 borrowers to incorporate an ESG ratchet in their loan documents (>50% of the full portfolio), of which 15 of those deals have activated KPIs (i.e. ESG-linked or sustainability-linked loans).

To demonstrate our engagement activity across asset classes, a number of case studies have been provided below.

CASE STUDY

Enhancing ESG Credentials at The Brewery, U.K.

REAL ESTATE DEBT

WHY BARINGS ENGAGED

Barings Real Estate Debt team had invested in the acquisition and renovation of a retail and leisure park in Romford, with the loan being used to improve the ESG credentials of the scheme without ceasing day-to-day operations. This included retrofitting existing buildings to improve asset Energy Performance Certificate (EPC) ratings and maintaining BREEAM ‘Excellent’ certification.

THE ENGAGEMENT

Barings has been monitoring the borrower’s performance against the established ESG targets on an ongoing basis.

OUTCOME

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

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

CASE STUDY

Encouraging Sustainability-Linked Bond (SLB) Issuance with the Government of Paraguay

WHY BARINGS ENGAGED

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

THE ENGAGEMENT

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

Also discussed were policy challenges related to climate, including:

1. enhancing progress on greening the energy mix, where Paraguay was already a strong leader
2. extending legislation around protected forest areas and committing an equitable level of resources to the protection of forests, using satellite image mapping

OUTCOME

Further conversations included advisory around enhancing government capacity and communications among agencies. The Emerging Markets Sovereign team then connected the DMO with a working group on Sovereign SLBs for further capacity development. Moving forward, the Emerging Markets Sovereign Debt team will continue to engage with the Paraguay DMO as it embarks on its journey toward issuing ESG debt in line with the feedback provided. The team will continue to discuss the topic more deeply with officials and continue climate-oriented engagement in Paraguay with the Emerging Markets Investors Alliance.

CASE STUDY

Engaging on Physical Climate Risk

PUBLIC EQUITIES | PHILIPPINES

WHY BARINGS ENGAGED

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

THE ENGAGEMENT

Based of the analysis, the team had a one-to-one call with the company's Investor Relations team to request that the company disclose these details.

OUTCOME

To date, the company has acknowledged the team's request and is working toward enhancing disclosure in the areas specified. Barings will continue to monitor progress and will follow up with the company in due course.

COLLABORATIVE ENGAGEMENTS ON CLIMATE-RELATED ISSUES

Barings recognizes that participating in collaborative engagements can be an effective stewardship tool to consolidate engagement efforts and streamline investor requests of issuers. However, we recognize the importance for this activity to be appropriate and that those involved should ensure their contributions are active and meaningful. We believe collaborative initiatives should be focused on material ESG topics and be constructive as it relates to supporting companies in better disclosure or outcomes related to these material topics. We will only participate in collaborative engagements that remain aligned with this philosophy. In 2023, we were part of the following collaborative engagement initiatives:

Initiative	Role(s)	Company sectors
Climate Action 100+	Lead and collaborating investor	Diversified mining (lead and collaborator) Oil & gas Chemicals Paper
FAIRR	Collaborating investor	Agriculture
Emerging Markets Investors Alliance (EMIA)	Lead and collaborating investor	Financial (lead) Agriculture & consumer Mining

Please see examples below of relevant activity.

CLIMATE ACTION 100+, VALE, PUBLIC EQUITIES

In 2023, Barings held a number of in-person and virtual meetings with Vale representatives to discuss its progress on climate-related practices and disclosures. We identified three priority topics for the engagement based on the CA100+ Company Assessment and our own internal research. These topics included Vale's progress towards achieving its stated 2030 and 2050 decarbonization targets, understanding ongoing developments regarding Scope 3 emissions measurement and target setting, and making an initial plan to contribute to a Just Transition.

OUTCOME

Vale has commented on the positive and constructive nature of our dialogue in 2023. We have found that approaching this engagement in partnership with other collaborating investors, the CA100+ team, and Vale representatives has led to greater transparency and synergy between the various stakeholders.

We note progress made on Scope 1 and 2 target setting and decarbonization plans, as well as efforts undertaken to participate with International Council on Mining and Metals (ICMM) and collaborate with customers on the topic of Scope 3 emissions and target setting.

Moving forward Barings will continue to look for increased disclosure and progress on the three priority topics. We have communicated with Vale that we will be seeking more transparency around evidence of decarbonization plans against their set targets, details on outcomes from their dialogue with the ICMM and value chain engagement for Scope 3 emissions, and their progress on articulating specific project plans for a Just Transition.

EMIA, MULTIPLE BANKS, EMERGING MARKETS CORPORATE DEBT

In 2023, the collaborative group engaged five financial institutions—Standard Bank, Isbank, Bradesco, Itau and HDFC—about their Scope 3-financed GHG emissions measuring and reporting, net zero targets and third-party validation, deforestation policies and sustainable initiatives reporting.

The collaborative engagement group facilitated six webinars for members: one about the Science-Based Targets Initiative (SBTi) framework for financial institutions, two about nature and biodiversity, one about financial funding for net zero, and two about financial inclusion. Most of the webinars included emerging markets issuers.

We had ten working group meetings with Standard Bank, Isbank, Bradesco, Itau, and HDFC. Two meetings included policy experts from World Wide Fund for Nature (WWF) Brasil and SBTi. We also had three working group meetings to develop a financial inclusion questionnaire.

OUTCOME

Although there has not been enough time to confirm whether the advocacy campaigns are having a real-world impact, we have seen a change in attitude from issuers who now look to hear more from investors about what is considered best practice and a greater willingness to engage on these topics. Most of the issuers above have informed us about the actions that they have taken, which will be reflected in their sustainability and climate reports in 2024.

PROXY VOTING

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

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

its guidelines, the proxy will be analyzed on a case-by-case basis. To monitor shares and voting rights, Barings employs a third party which is responsible for receiving ballots from our custodians and notifying us of any meetings. Barings also reconciles these ballots with our holding positions, which are also sent to our provider. In addition, we conduct periodic service reviews with our proxy service provider.

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

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

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

See Pillar 4: Metrics & Targets for a proxy voting case study.

Risks & Opportunities in Our Operations

NET ZERO OPERATIONAL GHG

Barings has committed to achieving net zero GHG in its operations by 2030. To this end, Barings set both short-term and long-term operational GHG emission reduction targets in July 2021. More detail on how we calculate our carbon footprint, targets and progress to date can be found in Pillar 4: Metrics & Targets.

To achieve our short-term goal of operational GHG neutrality, we purchased voluntary carbon offsets for our total 2019–2022 operational GHG emissions, and will purchase carbon offsets for our 2023 operational GHG emissions. However, we understand that offsetting our emissions is only a short-term solution. Achieving our long-term goal of net zero GHG operations requires emissions reductions and behavior changes within our organization.

Progress toward our GHG reduction targets is tracked and communicated through annual public reporting, informed by global reporting standards in coordination with our parent company MassMutual. MassMutual has its own 2030 and 2050 net zero commitments covering its operations and general investment account, respectively. Barings is actively supporting MassMutual in working toward its climate commitments. See Pillar 4: Metrics & Targets for more information on how Barings support MassMutual.

Reflecting on Our Progress

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

With the finalization of the investment strategy-level ESG Integration and Stewardship policies, we established a strong foundation for standardizing the effectiveness of our approach to ESG integration and consideration of climate factors. In turn, this supports our internal audit capabilities for maintaining and improving our ESG processes. We plan to review and update policies for each investment strategy at least annually, or as material changes occur, to maintain formal processes and procedures related to sustainability and ESG integration. The Sustainability & ESG team will continue to monitor the practices of individual teams through regular meetings and through relevant sustainability working groups. This allows us to identify opportunities for enhancing practices and improving consistency among teams, including the refining of specific scenarios based on asset class nuances and ongoing climate risk integration, accounting for challenges unique to each asset class.

In the coming year, we will also seek to issue guidance to investment teams on issuer engagement with regards to climate risk with a particular focus on the just transition, including training on core topics from external experts.

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

PILLAR 3

Risk Management

a. Describe the organization's processes for identifying and assessing climate-related risks
b. Describe the organization's processes for managing climate-related risks
c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management

Barings' Approach to Risk

Barings' Enterprise Risk Management Framework supports the effective identification and management of risks, potential events and trends that may significantly impact the firm's ability to achieve its strategic goals, manage client assets or maintain operations. This includes any identified climate-related risks from both an operational and investment management perspective, which are surfaced and communicated by the Climate Risk Taskforce in partnership with other key groups around the firm. Barings' key risks are reviewed and overseen at the quarterly risk committees and can be described as falling under three categories—strategic, business and operational.

Any material climate-related risks that are identified are escalated by the Climate Risk Taskforce through our enterprise-wide risk framework and committee structure. As mentioned in the Pillar 2: Strategy section, we have been running scenario analyses for climate-related risks with the intention of considering these more holistically into our risk management process. Investment teams can identify bottom-up climate risks through a range of ESG data and analysis tools developed by and in conjunction with the PSA ESG team.

To further strengthen our risk management framework, we have formalized the incorporation of a Sustainability & ESG-focused risk appetite statement into the broader framework, which was approved inQ4 2023. Monitoring became effective in Q1 2024 on year-end 2023 data. It includes measures across our ESG scoring, engagement recording, operational greenhouse gas emissions and firmwide sustainability awareness. The measures are monitored by the Sustainability & ESG team and reported to the Organizational Risk committee on a quarterly basis.

We are working towards integrating climate measures into the risk appetite monitoring framework and existing risk appetite dashboards, which include our firm-wide key risks owned by risk owners from across the business. The responsibility of managing climate risk is considered a business-wide initiative, not limited to the Climate Risk Taskforce or Sustainability & ESG team.

OUR RISK PROCESSES & PROCEDURES

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

Barings outlines roles and responsibilities, risk management processes and exposure guidelines in our Risk Management Policies and Procedures. We utilize the three lines of defense model for managing strategic, business and operational risks, including those risks related to climate.

The first line of defense consists of the business functions themselves and the line managers across investment and operations who take the lead in identifying potential risks and implementing and maintaining mitigating controls. This includes the PSA ESG team, which through ongoing dialogue with our primary data providers in 2023 has enhanced our climate analytics for Public Equities and Public Fixed Income portfolios where data is available (see Pillar 4: Metrics & Targets for more detail).

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

1ST LINE

Portfolio Management, Trading, Product, Client Services & Operations

2ND LINE

Risk Management, Compliance & Legal

3RD LINE

Internal Audit

RISK GOVERNANCE; COMMITTEES & POLICIES

BARINGS LEADERSHIP TEAM

AUDIT COMMITTEE OF THE BOARD

MANAGING INVESTMENT RISK

The Investment Risk Management function is conducted by both the Regulatory and Non-Regulatory investment risk teams. The Non-Regulatory Investment Risk Management team at Barings provides oversight of such areas as the market, liquidity, leverage and valuation components of investment risk. While managing investment risk is primarily the responsibility of our portfolio managers, the investment risk function provides independent oversight in line with industry best practices to meet client and regulatory expectations. Independent oversight is undertaken by the Investment Risk function through ongoing monitoring of agreed upon internally established fund and portfolio-level risk limits, including stress tests, as well as review of performance outliers.

The attributes monitored by investment risk tend to be more quantitative across public market groups, while the nature of attributes across our private groups are more qualitative in nature. In addition, the Investment Risk team assesses the impact of market and macro events on the asset classes we manage. Significant findings from our oversight and monitoring process are brought to and discussed by the Barings Investment Risk Committee, which is chaired by the Head of Investment Risk and includes our asset class investment team leaders.

RISK IDENTIFICATION

Barings' first line of defense is responsible for identifying risks. Generally, when risks are identified across the organization, the risk owners work in collaboration with the Risk team to define and document these risks. In Pillar 2: Strategy we describe our ESG integration and engagement approach relevant to identifying and managing climate-related risks at the issuer level; as well as considering the use of top-down scenario analysis to identify climate-related risks at a country and sector level. Any key findings from the scenario analysis will be shared internally, including with the BETR team, see below.

Investment teams identify and evaluate material ESG risks for investment portfolios during their due diligence and investment research processes. Once identified and evaluated as financially material for an individual investment portfolio, sustainability risks and mitigations are directly integrated in the related investment and risk analysis. Investment teams will also utilize stress testing through RiskMetrics with an aim of identifying extreme events that could trigger very significant losses to portfolios.

Benefits of Barings Economic & Thematic Research Team (BETR)

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

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

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

1

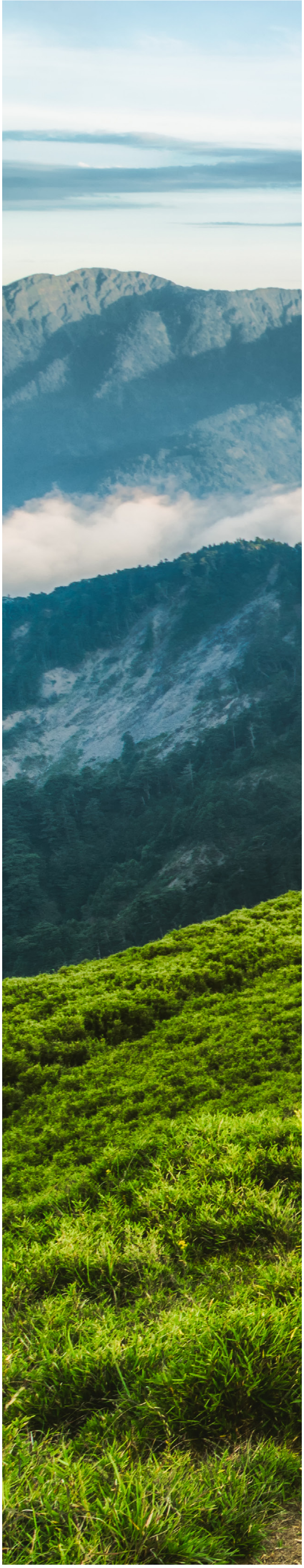
The team strives to identify key short-term risks arising from macroeconomic factors such as misplaced expectations on benign economic developments, misalignment between market prices and macroeconomic fundamentals, and financial instability. The results of this monitoring exercise are presented and discussed with investment teams.

2

The team identifies long-term, systemic trends that present investment risks and opportunities. These include ongoing challenges related to climate transition, population aging, public debt, new technologies and changes in globalization patterns. By monitoring these trends, the BETR team helps Barings stay ahead of potential risks and identify new investment opportunities. In-depth reports on these topics are published and discussed with investment teams.

3

The team undertakes economic research focusing on topics of particular relevance to specific investment teams. Cognizant of the need to tailor economic analysis to the different dimensions of risk relevant for different asset classes (e.g. public vs private assets), the BETR team leverages its expertise to zoom in on these asset-specific topics, helping investment teams better understand the economic and market factors that impact their investments. These asset-class specific analyses help identify macroeconomic and geopolitical risks, aligning with Barings' commitment to stewardship.



BROADER RISK MANAGEMENT

Barings' risk management program includes a risk appetite framework covering the key risks faced by our organization. The Climate Risk Taskforce has been working on an initial register to include key climate-related risks within this framework. To develop this further we will look to conduct impact analysis on this list, enabling formal integration into the broader risk register.

The Barings Risk Team, in collaboration with risk owners, identifies quantitative metrics and tolerance thresholds for defined risks to be used for monitoring on an ongoing basis. When metrics approach the predefined threshold levels, the risks are flagged for possible intervention from the business units and risk teams, and steps are taken to identify reasons for a metric approaching a threshold and the measures needed to address and mitigate the risks.

These risk appetite statements are refreshed periodically, and the metrics used for this ongoing monitoring are reviewed and assessed on a quarterly basis. The scenario analysis conducted at the sector and country level will be considered alongside our risk register and related risk appetite statements in the future. At this stage, the scenario analysis used is most relevant for informing and assessing risks at the investment level, rather than firmwide or operational level.

Investment teams identify and evaluate potential sustainability risks at the asset class/portfolio level. Then, sustainability risks and mitigation efforts, including but not limited to engagement/active ownership, are documented and integrated in the related asset allocation and risk analysis for an individual investment portfolio, where applicable or appropriate.

Additionally, Barings' Legal and Compliance teams monitor climate-related regulatory developments across the jurisdictions in which we operate. We track any new climate-related legislation that could be enacted, or new interpretations, rulings or regulations that could be adopted, including those governing the types of investments we are permitted to make.

Identification & Management of Operational Risks

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

BUSINESS CONTINUITY PLAN

Barings' Enterprise Risk team maintains a business resiliency plan to provide guidelines for maintaining business critical operations in the event of a disruptive incident or unforeseen event by enabling the firm to anticipate, prepare, respond and adapt to incremental change and sudden disruption. The Business Resiliency plan encompasses both business and operational resilience and is aligned to the Business Continuity Institute's 'Best Practice Guidelines'. The plan includes considerations for various disruptive events, including extreme weather events. The operational resilience program encompasses the identification of important business services, mapping of key processes and dependencies, setting impact tolerances, ongoing self-assessment and governance. A series of testing and validation exercises are undertaken globally on an annual basis to validate the effectiveness of the business resiliency program.

We have started to explore options to obtain a more granular assessment of where risks to the business could arise on a location specific basis by understanding service provider offerings in this space This includes identifying which indices are representative of indicating physical climate-related risk to our operations over various timeframes.

Reflecting on Our Progress

Barings continuously seeks to reassess our business and investment strategies and expand our focus on climate-related issues. We will continue to assess our own product lineup, investment process and corporate strategy based on the risks and opportunities identified. We will continue advocating for corporate transparency on material ESG risks and opportunities through engagements with our portfolio companies via our first line of defense, as detailed further in Pillar 2: Strategy.

Alongside maintaining our bottom-up approach to identifying and managing ESG-related risks, we have continued to develop the identification and management of risks from a top-down perspective. We believe that climate scenario analysis can be an important input to strategic decisions and we intend to further develop our capabilities in this area from both a top-down and bottom-up perspective, building on the initial work done in 2023. Investment teams will continue to analyze portfolios for climate impacts through scenario analysis and emissions monitoring, where tool and data coverage allows. We also intend to conduct impact analysis on the initial list of material topics identified to assess potential impact over time and enable formal integration into the broader risk register.

From an operational perspective we would like to carry out more granular analysis on regional business risks and have started to explore options to further this ambition. We will continue to progress toward our operational net zero target by improving our operational footprint through our existing and developing initiatives, as detailed in Pillar 4: Metrics & Targets, as well as supporting our clients to meet their own goals.

PILLAR 4

Metrics & Targets

a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

ESG Integration

As described in Pillar 2: Strategy, we integrate ESG information (among several other material factors) into investment analysis across each asset class, investment strategy, fund and/or portfolio; addressing the ESG factors we have determined are most relevant for each. At present, we have proprietary ESG scores for over 90%[3] of our investable assets. Where material and feasible, Barings' investment teams also incorporate climate-related data into the environmental component of our ESG scores, including the metrics described below.

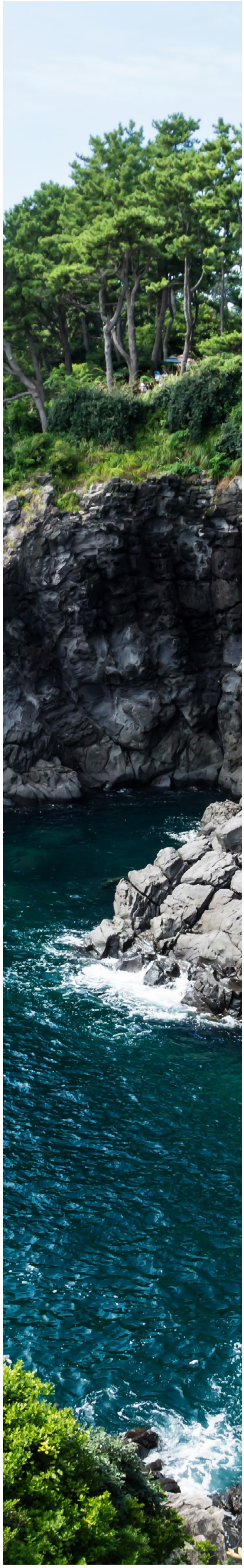
ENHANCING OUR CLIMATE ANALYTICS FOR PUBLIC PORTFOLIOS

To facilitate climate-related and broader ESG analysis, Barings' PSA ESG team compiles metrics such as Scope 1, 2, and 3 emission data, Weighted Average Carbon Intensity (WACI) and Climate Value at Risk (CVaR) from our primary data provider. The metrics are made available within Barings' portfolio management systems, where data coverage allows, for our Public Equities and Public Corporate Fixed Income platforms.

In 2023, through ongoing dialogue with our primary data provider, the PSA ESG team has enhanced our climate analytics for our Public Equities and Public Fixed Income portfolios where data is available. To support portfolio managers' awareness of carbon performance, as well as to supplement client reporting, the following data points have been aggregated comparing the portfolio to the nominated benchmark, including respective data coverage:

- Carbon emissions Scope 1, 2 and 3 (including financed emissions and WACI
- Implied Temperature Rise (ITR)
- CVaR scenario analysis covering 1.5° C, 2° C and 3° C global temperature rise
- Projected decarbonization rate for Scope 1 and 2 emissions based on company targets
- Revenue exposures to carbon intensive or renewable activities
- Carbon attribution between sector allocation and security selection
- Carbon contribution by sector

3. As of December 31, 2023



A number of aggregated metrics relevant to this data have been provided further below in this section.

Stewardship

In line with our engagement approach described in the Pillar 2: Strategy, firm-level activity is primarily comprised of engagements from our Public Equities and Public Fixed Income investment platforms; however, our GPF and Capital Solutions teams have recently started to record engagements. Engagement topics in 2023 included climate-related dialogue, to encourage improved disclosure or practice.

Below is a summary of the engagement activity recorded in our proprietary platform at firm level for 2023[4]. The ESG topics of these engagements can be found on our website.

307

ENGAGEMENTS INITIATED

with 209 issuers

539

ENGAGEMENTS INITIATED OR UPDATED

with 355 issuers, 17% of which were on climate-related topics[5]

633

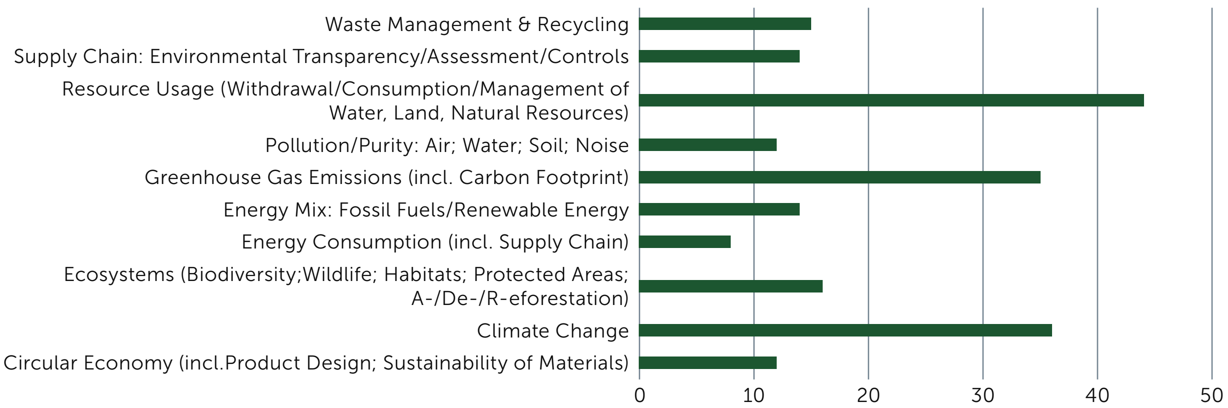
INTERACTIONS

or updates made

Further detail on our engagement activity in 2023 can be found on page 50 of our latest U.K. Stewardship Code report.

A breakdown of environmental-related engagements, including climate change, is provided below.

ENVIRONMENTAL TOPICS ENGAGED ON IN 2023



4. Please note that Barings' engagement figures are subject to subsequent updates based on data entered into our proprietary tracking system.
5. 93 engagements were updated or initiated based on the following topics: Climate change; Energy consumption; Greenhouse Gas Emissions; Energy Mix

PROXY VOTING

Our approach to proxy voting is detailed in the Pillar 2: Strategy section of this report. Here we provide metrics for proxy voting related to environmental proposals:

IN 2023, BARINGS VOTED ON

157

ENVIRONMENTAL PROPOSALS

on these proposals 74.8% of the time (119 proposals). Of these proposals,

87

WERE CLIMATE-RELATED

with Barings voting in line with management 66.66% (58 proposals) and against management 33.3% (29 proposals).

A full overview of Barings' proxy voting activity can be found here.

CASE STUDY

Example of Voting Decision on Climate-Related Matter

Meeting date	18 July 2023
Company Name	Constellation Brands, Inc.
Proposal	Disclose GHG Emissions Reductions Targets
Management Rec	Against
Provider Rec	For
Vote	For
Outcome	Rejected (68.28% Against)
Barings Rationale	Aligned with the proxy provider, a vote FOR this proposal was warranted, as additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low-carbon economy and climate change-related risks.

Financed Emissions & Scenario Analysis Reporting

We are currently tracking our financed emissions where reliable data is available. At present, we have metrics available on financed emissions as shown below[6].

Asset Class	Scope 1 & 2		Scope 3	
	Financed Emissions (Tons CO_2e)	% Coverage	Financed Emissions (Tons CO_2e)[7]	% Coverage
Global Public Equities[8]	995,828.9	98.5%	4,921,846.3	98.5%
Public Corporate Fixed Income	4,511,257.3	78.3%	22,750,867.1	78.0%

In comparison to coverage in 2022, Global Public Equities has remained stable for Scopes 1 and 2 emissions, with a slight increase in coverage of Scope 3 emissions from 97.9%. For Public Corporate Fixed Income, coverage slightly increased for Scopes 1 and 2 emissions from 77.1%, and from 76.9% for Scope 3 emissions.

CLIMATE SCENARIO ANALYSIS METRICS

At present, Barings primarily utilizes MSCI CVaR for bottom-up climate scenario analysis. Coverage for each asset class is as follows:

GLOBAL PUBLIC EQUITIES

95.6%

of investments with climate scenario data

PUBLIC CORPORATE FIXED INCOME

65.5%

of investments with climate scenario data

Following a change in the risk model provided by MSCI in 2023, data coverage for Global Public Equities slightly increased from 94.8% in 2022; however, coverage for Public Corporate Fixed Income reduced from 72.9%. Barings continues to engage with data providers to enhance coverage, however this is not an insignificant challenge given the breadth of asset classes and range of products covered by Barings.

WEIGHTED AVERAGE CARBON INTENSITY (WACI)

The extent of the data received through MSCI now includes Weighed Average Carbon Intensity for Scope 1, 2 and 3 in 2023.

Asset Class	Scope 1 & 2		Scope 3	
	Weighted Average Carbon Intensity (tons CO_2e/$M sales)	% Coverage	Weighted Average Carbon Intensity (tons CO_2e/$M sales)	% Coverage
Global Public Equities	149.8	98.5%	776.2	98.5%
Public Corporate Fixed Income	349.3	89.4%	720.1	88.5%

6. As of December 31, 2023
7. Data based on estimates generated by MSCI's Scope 3 estimation model
8. Public equities excludes Korean holdings

Products & Services

Barings partners with our clients to progress their individual climate and sustainability-related preferences, where these are stipulated.

Barings does not have firmwide targets to manage climate-related risks and opportunities across all investments. We take a client-led approach to integrating sustainability and climate-related requests into our investment strategies where appropriate.

Please see below three case studies representative of these efforts:

CASE STUDY

Continuing to Support Our Parent, MassMutual

CLIENT REQUEST

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

WHAT BARINGS DID

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

OUTCOME

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

CASE STUDY

Perspective from Global High Yield

WHAT BARINGS DID

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

OUTCOME

We incorporated feedback from clients, including in relation to their reporting preferences, and utilized the basis of the framework to develop two separately managed account strategies for clients in Q4 2023.

CASE STUDY

Example Engagement with European Financial Data Provider on Emissions (GPF)

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

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

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

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

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

Operational Net Zero Target

As mentioned in the Strategy section of this report, Barings has committed to achieving net zero GHG in its operations by 2030.

Since 2019, we have engaged a third-party carbon services company to collect data and calculate our operational carbon footprint, in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

In 2023, Barings' business operations generated a total of 11,906 tons CO_2e, a reduction of 1,096t CO_2e compared to 2022 and 45% lower than the 2019 base year. This includes Barings' Scope 1, 2 and material operational Scope 3 categories (1, 3, 5, 6 and 7).

Please note, in last year's report 2022 emissions were reported as 12,987t CO_2e. Following an adjustment to the EMEA electricity calculation, this figure has been revised to 13,002t CO_2e.

Emissions Sources	Emissions (Tons CO_2)	Share (%)
Scope 1	232	2.0%
Scope 2	1,236	10.4%
Scope 3	10,436	87.7%
Total	**11,905**	**100%**

Last year we reported an increase in emissions between 2021 to 2022, a rebound expected and experienced by many other organizations and driven largely by our return-to-office, growing headcount and an increase in business travel to meet client needs and expectations. In 2023, we worked hard to achieve a reduction in operational emissions year-on-year in addition to posting a 45% reduction versus our baseline year of 2019.

HOW WE ARE WORKING TOWARDS NET ZERO

Barings reviews our office GHG footprint during normal financial planning and assesses the efficiency of our office locations, including looking at waste reduction opportunities, in these locations. For example, in 2023, 90% of decommissioned office space items were diverted from landfill to help facilitate a more circular economy. Additionally, 3.28 tons of e-waste was recycled via our partner Powerhouse Recycling, avoiding a potential 9,143 tons of GHG emissions.

Barings has also taken steps to make our employees more aware of their carbon footprint through Sustainability and ESG 101 training, our Sustainability & ESG newsletter and sustainability-focused volunteer opportunities.

We also promote environmentally compatible mobility for employees through several programs:

- Since 2012, we have provided Season Ticket Loans for use of public transport from home to work
- In 2020, Barings also launched a cycle-to-work program, which incentivizes employees to buy a bicycle for commuting purposes through a tax-free loan
- In 2021, Barings launched an e-vehicle leasing arrangement to all U.K. benefit-eligible employees. The e-vehicle arrangement incentivizes employees to lease new ultra-low emission vehicles (ULEVs) through Personal Contract Hire savings via corporate discounts, and further tax savings through gross salary reduction. The arrangement gives employees access to all electric and hybrid vehicles in the market

Reflecting on Our Progress

Dialogue with services providers in 2023 was key to our approach in continuing to pursue high-quality ESG data and metrics where available, supplementing our investment teams' own analysis. Furthermore, as we made progress on the finalization of our technological transformation for go-live in 2024, we had extensive dialogue with our existing data providers to ensure that ESG data effectively flows through our new infrastructure.

As mentioned earlier in this report, following the launch of the Climate Risk Taskforce, we liaised with several providers to understand services that could support top-down scenario analysis (considering our investments against country and sector) to help identify and determine high-level climate-related risk exposure for investment teams as we consider prioritization of our approach going forward. Further work is required before we consider relevant disclosure based on our findings and discussions with our investment teams.

Whilst we identify and report on financed emissions for our Public Equities and Public Fixed Income platforms where data is available, we will continue to review our existing and potential new providers to broaden the scope of data coverage and ensure our access to such data is efficient, effective and as reliable as possible. Where data is unavailable, we will continue to liaise with providers on the ongoing use of estimation data as a first step, ahead of pursuing bottom-up data from issuers.

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

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

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

At an operational level, we are aiming for 100% renewable energy sources in Barings' U.S. offices by the end of calendar year 2024 and 100% renewable sources in Barings' global offices by 2025. We intend to keep executing our sustainability initiatives around our own operations, as outlined in our annual Sustainability Report, to further reduce these emissions in line with our 2030 target.

Conclusion—Continuing to Develop Our Approach to Managing Climate Risk

This report aims to provide transparency on our approach to managing climate-related risks and opportunities across our business, as well as on behalf of our clients, communities and other stakeholders. Seeking superior risk-adjusted returns for our clients over the long term is central to our consideration of climate risk.

Against each pillar of the TCFD recommendations, we have reflected on the progress made, including:

- The Climate Risk Taskforce has provided direction on maintaining and improving our governance and developing our broader risk management framework
- We have made progress in identifying solutions for addressing data gaps in private markets and enhancing climate analytics (particularly for our Public Equities and Fixed Income platforms)
- The onboarding of a climate modeling service has enabled initial firm-level scenario analysis to support the prioritization of assessing climate risk across asset classes
- More detail on our efforts undertaken in 2023 to strengthen our overarching approach to identifying and managing ESG risks can be found in our latest UK Stewardship Code report

Going forward our priorities include:

- Considering the formalization of a climate risk register as part of our broader framework to drive medium- to long-term mitigation actions
- The centralization of, and increased access to, meaningful climate-related metrics to facilitate the ESG integration process across investment teams, with a particular focus on private markets
- Developing a client-informed stewardship framework that supports the prioritization of engagement activity that drives financially material outcomes for key topics, including climate

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

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**As of March 31, 2024*

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