

Barings Global Bond Fund

SUMMARY

The Fund will invest primarily in an actively managed globally diversified portfolio of which at least 80% of its Net Asset Value is invested in fixed income instruments. The fixed income instruments in which the Fund invests include government bonds, covered bonds, global corporate bonds, notes (such as medium term notes and treasury notes), debentures, government obligations and sovereign issues and commercial paper. The Fund may invest in Investment Grade and up to 20% of the Fund's Net Asset Value in Sub-Investment Grade fixed income instruments; and up to 10% of its Net Asset Value in securities issued and/or guaranteed by a single sovereign (including its government, a public or local government of that country) which is rated Sub-Investment Grade. The Fund's weighted-average portfolio duration is expected to be greater than 1 year at all times. The Fund may invest in money market instruments, such as short term commercial paper, bankers' acceptances, bank notes, government securities and certificates of deposit, pending investment of subscription monies or payment of redemption proceeds or for temporary defensive purposes, where the Investment Manager determines that such holdings are in the best interests of Shareholders.

Where an eligible investment is split-rated, the higher quality rating will apply in order to determine eligibility for the Fund. Where an eligible investment is not rated by an internationally recognised rating agency, the Investment Manager may determine its own assessment of credit quality and assign an agency equivalent rating to the asset. In the case of new issuance expected ratings may be used and further issuer level ratings may be applied if available where security issue level ratings are unavailable. Subordinated issuer level ratings may also be used for unrated subordinated instruments. The Fund is categorised as an Article 8 fund under the Sustainable Finance Disclosure Regulation. The Fund will invest at least 50% of its Net Asset Value in assets which exhibit positive or improving environmental and/or social characteristics as represented by proprietary Total ESG current state and outlook scores. The Fund will also invest at least 75% of the Fund's Net Asset Value in countries that exhibit strong or improving human development conditions, as measured by the United Nations Human Development Index (HDI) and calculated as the average of the five year period as of two years prior to the investment period. Further detail of the Investment Manager's ESG policy for the Fund is available on the Manager's website at www.barings.com.

Countries that exhibit positive or improving ESG characteristics are selected through the Investment Manager's proprietary research which is supported with the use of third party issuer-specific ESG data where data collection allows; the approach consists of a threefold analysis determining a government's capacity and willingness to provide for its population, its resilience to shocks and its ability to grow sustainably, using both a standard set of indicators and qualitative analysis. For each asset, the Investment Manager examines the scores of the indicators to determine a country's sustainability over time and considers relevant shocks that may have impacted the scoring. These indicators, as well as the Investment Manager's specialised country expertise, are placed into the capacity and willingness framework to determine the country's current sustainability as well as potential trends that should be considered from an ESG perspective. The frequency of update for each country depends on its significance in the portfolio and the benchmark, but ESG scores are reviewed for all countries under coverage at least twice a year by the Sovereign ESG Committee which comprises all sovereign analysts on the Investment Manager's team. HDI

scoring is calculated at least quarterly, where improvement is defined as having improved by more than five percentage points in the last ten years.

Issuers that exhibit positive or improving ESG characteristics are selected through the Investment Managers' proprietary ESG scoring methodology, which is supported with the use of third party issuer-specific ESG data where coverage allows. When assessing an investment, the Investment Manager will utilise its access to management and financial sponsors in addition to information published by issuers and through access to third party ESG research providers, where coverage allows. This information and interaction enable due diligence to be undertaken on the ESG risk profile of an issuer. For each asset, the Investment Manager analyses an issuer's ESG credentials over time and consider relevant shocks that may impact the scoring. Topics considered include environmental (may encompass resource intensity, environmental footprint, traceability) social (societal impacts of products and services, business ethics, employee satisfaction, amongst others) and governance (may encompass effectiveness of management boards, credibility of auditing arrangements and accountability of management) to assess and screen issuers where ESG standards are positive or improving. The Investment Manager undertakes ESG scoring of issuers that are owned or being monitored. ESG scores are compiled based on an analyst assessment and presented in investment underwriting memos. Issuers are assigned both an ESG current state score and an ESG outlook score for ESG categories. The ESG current state score assess the current sustainability profile of the issuer relative to the investment universe. ESG outlook scores analyse momentum of the issuer on ESG topics in comparison to sector ESG development. Issuers will be considered as being "positive" if they have a better ESG current state score. Issuers will be considered as being "improving" if they have a moderate ESG current state score and an improving outlook score.

The Investment Manager adopts an active management policy in relation to ESG topics and has a preference to focus on engagement to improve material issuer transparency and behaviour. Engagement activity may be focused on key ESG credit risk areas.

The Fund seeks diversification by market sector, industry and issuer. The Investment Manager will select individual investments based on an analysis of the value of the relevant investments as compared to other similar investments within the identified industry sectors and geographies which offer the best risk to reward opportunities. The Investment Manager determines where favourable value exists based on fundamental, bottom-up analysis and assesses this value on a relative basis to other investment alternatives.

Although the Net Asset Value of the Fund is expressed in USD, the relative attraction of investments denominated in other currencies is a major consideration of the Investment Manager.

Engagements are undertaken to influence (or identify the need to influence) ESG practices and/or improve ESG disclosure. Through engagement, the Investment Manager aims to enhance the performance of its investments, for the benefit of its clients in line with its stewardship responsibility. The Investment Manager does not, however, attempt to impose an inflexible approach that ignores local norms and contexts. The Investment Manager believes that value is derived from transparent communication with the issuers in which it invests, coupled with the expertise and discretion of its experienced analysts and portfolio managers, and that a one-size-fits-all approach should not and cannot be applied across the wide range of assets that it manages across the globe.

NO SUSTAINABLE INVESTMENT OBJECTIVE

This Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT

The Fund will invest at least 50% of its Net Asset Value in assets which exhibit positive or improving environmental ("E") and/or social ("S") characteristics, as represented by proprietary Total ESG current state and outlook scores. The E and S Current State Score of an asset, (methodology discussed further below), are established by the Investment Manager using a proprietary industry-based scoring technique. The Investment Manager's consideration of factors when deriving a score is based on financial materiality and will encompass a number of E or S characteristics. More detail regarding the methodology is outlined below.

The Fund will also invest at least 75% of its Net Asset Value in countries that exhibit strong or improving human development conditions, as measured by the United Nations Human Development Index ("HDI") and calculated as an average of the five year period as of two years prior to the investment period. With quantitative approaches to measuring E and S resilience and performance from sources such as the UN, World Bank, academic institutions. More detail regarding the methodology is outlined below.

INVESTMENT STRATEGY

The investment objective of the Fund is to seek a maximum total return, through current income generation and capital appreciation.

The "total return" sought by the Fund consists of income and capital appreciation, if any, which generally arises from decreases in interest rates or improving credit fundamentals for a particular government, industry sector or security.

To achieve its objective, the Fund will invest primarily in an actively managed globally diversified portfolio of which at least 80% of its Net Asset Value is invested in fixed income instruments. The fixed income instruments in which the Fund invests include government bonds, covered bonds, global corporate bonds, notes (such as medium term notes and treasury notes), debentures, government obligations and sovereign issues and commercial paper. The Fund may invest in Investment Grade and up to 20% of the Fund's Net Asset Value in Sub-Investment Grade fixed income instruments; and up to 10% of its Net Asset Value in securities issued and/or guaranteed by a single sovereign (including its government, a public or local government of that country) which is rated Sub-Investment Grade. The Fund's weighted-average portfolio duration is expected to be greater than 1 year at all times. The Fund may invest in money market instruments, such as short term commercial paper, bankers' acceptances, bank notes, government securities and certificates of deposit, pending investment of subscription monies or payment of redemption proceeds or for temporary defensive purposes, where the Investment Manager determines that such holdings are in the best interests of Shareholders.

Where an eligible investment is split-rated, the higher quality rating will apply in order to determine eligibility for the Fund. Where an eligible investment is not rated by an internationally recognised rating agency, the

Investment Manager may determine its own assessment of credit quality and assign an agency equivalent rating to the asset. In the case of new issuance expected ratings may be used and further issuer level ratings may be applied if available where security issue level ratings are unavailable. Subordinated issuer level ratings may also be used for unrated subordinated instruments. The Fund is categorised as an Article 8 fund under the Sustainable Finance Disclosure Regulation. The Fund will invest at least 50% of its Net Asset Value in assets which exhibit positive or improving environmental and/or social characteristics. The Fund will also invest at least 75% of the Fund's Net Asset Value in countries that exhibit strong or improving human development conditions, as measured by the United Nations Human Development Index (HDI) and calculated as the average of the five year period as of two years prior to the investment period. Further detail of the Investment Manager's ESG policy for the Fund is available on the Manager's website at www.barings.com.

Countries that exhibit positive or improving ESG characteristics are selected through the Investment Manager's proprietary research which is supported with the use of third party issuer specific ESG data; the approach consists of a threefold analysis determining a government's capacity and willingness to provide for its population, its resilience to shocks and its ability to grow sustainably, using both a standard set of indicators and qualitative analysis. For each asset, the Investment Manager examines the scores of the indicators to determine a country's sustainability over time and considers relevant shocks that may have impacted the scoring. These indicators, as well as the Investment Manager's specialised country expertise, are placed into the capacity and willingness framework to determine the country's current sustainability as well as potential trends that should be considered from an ESG perspective. The frequency of update for each country depends on its significance in the portfolio and the benchmark, but ESG scores are reviewed for all countries under coverage at least twice a year by the Sovereign ESG Committee which comprises all sovereign analysts on the Investment Manager's team. HDI scoring is calculated at least quarterly, where improvement is defined as having improved by more than five percentage points in the last ten years.

Issuers that exhibit positive or improving ESG characteristics are selected through the Investment Managers' proprietary ESG scoring methodology, which is supported with the use of third party issuer specific ESG data where coverage allows. When assessing an investment, the Investment Managers will utilise their access to management and financial sponsors in addition to information published by issuers and through access to third party ESG research providers, where coverage allows. This information and interaction enable due diligence to be undertaken on the ESG risk profile of an issuer. For each asset, the Investment Managers analyse an issuer's ESG credentials over time and consider relevant shocks that may impact the scoring. Topics considered include environmental (may encompass resource intensity, environmental footprint, traceability) social (societal impacts of products and services, business ethics, employee satisfaction, amongst others) and governance (may encompass effectiveness of management boards, credibility of auditing arrangements and accountability of management) to assess and screen issuers where ESG standards are positive or improving. The Investment Manager undertakes ESG scoring of issuers that are owned or being monitored. ESG scores are compiled based on an analyst assessment and presented to investment committees in investment underwriting memos. Issuers are assigned both an ESG current state score and an ESG outlook score for ESG for environmental, social, and governance categories. The ESG current state score assess the current sustainability profile of the issuer relative to the investment universe. ESG outlook scores analyse momentum of the issuer on ESG topics in comparison to sector ESG development. Issuers will be considered as being "positive" if they have an overall ESG current state score that is average or better on the scoring scale. Issuers will be considered as being "positive" if they have a better ESG current state score. Issuers will be considered as being "improving" if they have a moderate ESG current state score and an improving outlook score.

The Investment Managers adopt an active management policy in relation to ESG topics and have a preference to focus on engagement to improve material issuer transparency and behaviour. Engagement activity may be focused on key ESG credit risk areas.

The Fund also promotes ESG by investing or seeking to positively influence practices to improve ESG characteristics described in further detail below. In particular, countries that exhibit positive or improving ESG characteristics are selected through the Investment Manager's proprietary research which is supported with the use of third party country and issuer-specific ESG data such as MSCI ESG, Sustainalytics and Bloomberg ESG, United Nations Human Development Index, Haver Analytics, the World Bank and the International Monetary Fund. In addition, the Investment Manager meets with the relevant issuers in the countries in which it seeks to invest to discuss a range of topics, including ESG issues, and may also carry out a thorough risk assessment of the relevant country.

For each asset, the Investment Manager examines the scores of the indicators to determine a country's sustainability over time and considers relevant shocks that may have impacted the scoring. Scoring indicators are used to determine whether investee countries exhibit positive or improving ESG characteristics and focus on government policies including environmental (carbon footprint, ecological footprint, waste management) social (guaranteed minimum income, poverty indices, education spending) and governance (government effectiveness, fragile states index, statistical capacity) assessments to screen countries where ESG standards are positive or improving. The approach consists of a threefold analysis determining a government's capacity and willingness to provide for:

- its population which is measured through the assessment of public opinions and surveys (such as the OECD satisfaction data, the World Values survey), the effective redistribution of resources (such as guaranteed minimum incomes thresholds, a commitment on educational spending) and whether a population's basic needs are met (examining data from the Global Multidimensional Poverty Index, the poverty headcount ratio);
- its resilience to shocks which is measured through the attainment of decreasing sensitivity to international shocks (such as the implementation of disaster risk reductions), participating in international efforts (i.e. a signatory to international conventions and protection of the environment to try and eliminate potential environmental disasters) and the domestic efforts at preserving the environment (through the assessment of internal policies and the execution of such policies); and
- its ability to grow sustainably which is measured by its stability to grow (examining data from the Fragile States Index, the Armed Conflict Location & Event Data project (ACLED)) and the assessment of governing with growth oriented policies.

These indicators, as well as the Investment Manager's specialised country expertise, are placed into the Barings sovereign ESG capacity and willingness framework (the "Framework") to determine the country's current sustainability as well as potential trends that should be considered from an ESG perspective. The Framework's focus is on ESG analysis specific to sovereign credits and forms the basis for analyst conversations around ESG ratings, as well as more in-depth case studies for particularly complex or timely credit decisions. Using the Framework, countries are assigned a current state ESG score assessing the current sustainability profile of the issuer and a trend score analysing momentum of a country's performance on environmental, social, and governance categories. Investee countries will be considered as being "positive" if they have a higher current state rating. Investee countries will be considered as being "improving" if they have a moderate current state rating and a higher trend score. Countries with the lowest

current state rating cannot be purchased. The HDI measures the average achievement in key dimensions of human development. Countries with strong human development conditions represent countries with more developed governance, education, and healthcare resulting in higher overall human development scores. Countries with improving human development conditions represent countries with HDI scores which are trending upwards over time.

The Investment Manager also believes that it can use its influence to effect positive change and improve ESG disclosure through active engagement with issuers and has adopted an active management policy in relation to ESG topics. The Investment Manager has a preference to focus on engagement to improve issuer behaviour through arranging meetings with the issuers in which it is seeking to invest. The engagement process is built on robust analyst knowledge around the ESG challenges specific to each issuer covered. Each analyst is active in the ESG ratings strategy and aware of the steps necessary for sustainable growth paths in their respective covered countries. Engagement is therefore based on country specificities and analysts will conduct one-on-one calls with issuers in which they ask specific ESG-related questions around, for example, climate resilience, employment growth strategies and data availability and transparency. In addition, the Investment Manager has spearheaded more formal engagement with the Emerging Markets Investors Alliance with the goal of these individual and joint engagements to encourage issuers to consider policy improvements that are beneficial to long-term sustainability and resilience for the economy and the population.

In terms of reviewing the issuers in the portfolio from an ESG perspective on a regular basis, the frequency of update for each country depends on its significance in the portfolio and the Benchmark, but ESG scores are reviewed for all countries under coverage at least twice a year by the Investment Manager's Sovereign ESG Committee, which comprises all sovereign analysts within the Investment Manager. HDI scoring is calculated at least quarterly, where improvement is defined as having improved by more than five percentage points in the last ten years.

The Fund may invest in units and/or shares in collective investment schemes (subject to a limit of 10% of Net Asset Value) where such investment is consistent with the investment objective of the Fund.

The Fund may engage in transactions in FDI principally for investment, efficient portfolio management and/or for hedging purposes and subject to the limits laid down by the Central Bank. The Fund may use futures, options, warrants, currency forward contracts and swap agreements, including total return swaps. Such FDI will provide exposure to the asset classes detailed in the Fund's investment policy. The Fund seeks to attain its underlying exposure for investment purposes principally via direct asset purchases as opposed to via FDI. Such transactions may leverage the Fund and may establish speculative positions. This may result in a higher level of volatility and risk.

The Fund seeks diversification by market sector, industry and issuer. The Investment Manager will select individual investments based on an analysis of the value of the relevant investments as compared to other similar investments within the identified industry sectors and geographies which offer the best risk to reward opportunities. The Investment Manager determines where favourable value exists based on fundamental, bottom-up analysis and assesses this value on a relative basis to other investment alternatives. The Investment Manager reviews country risk through macroeconomic health and political stability or unrest. In identifying and implementing trade ideas based on the preferred allocations, the Investment Manager takes into consideration investment guidelines, benchmark and risk budget criteria. The Investment Manager will only buy a security if it satisfies the Fund portfolio's return objectives and risk parameters, and if a relative value assessment deems the security to be appropriately priced. Once a position is added, it is monitored daily for its fit in the Fund's portfolio. A decision to sell a security is typically prompted by one or more of the following:

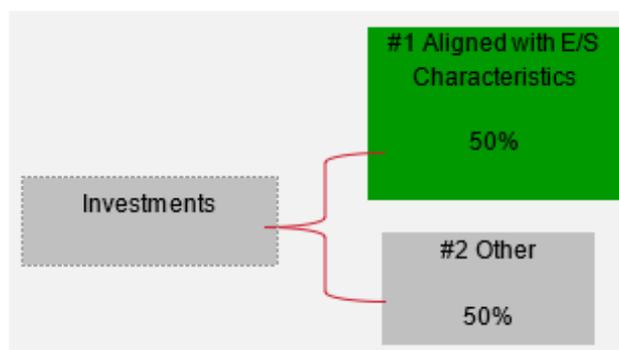
- the original thesis has either changed materially or simply has not worked out as expected;
- valuations on a particular issue have improved or deteriorated to a level where trading into another issue improves the risk and / or return profile; or
- macro conditions dictate either adding or reducing exposure to certain sectors or issuers within the portfolio to express a broader market view.

Although the Net Asset Value of the Fund is expressed in USD, the relative attraction of investments denominated in other currencies is a major consideration of the Investment Manager.

PROPORTION OF INVESTMENTS

The Fund will invest at least 50% of its Net Asset Value in assets which exhibit positive or improving environmental and/or social characteristics, as represented by proprietary Total ESG current state and outlook scores. The "Other" category will comprise of assets (including cash, cash equivalents, hedging instruments and other assets) which do not have an ESG Current State Score, which are not aligned with the Fund's E and /or S characteristics and / or have no minimum environmental or social safeguards.

The Investment Manager will also invest at least 75% of the Fund's Net Asset Value in countries that exhibit strong or improving human development conditions, as measured by the United Nations Human Development Index (HDI) and calculated as the average of the five year period as of two years prior to the investment period.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristic, have no minimum environmental or social safeguards, nor are qualified as sustainable investments.

MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

The Fund is monitored to ensure it continues to meet the minimum 50% threshold. Where the Fund falls below this threshold, due to market movements or because the fixed income instruments it holds no longer meet the criteria of a "Positive ESG" investment, the passive breach will be corrected at the earliest opportunity.

In addition, prior to each trade, the Investment Manager ensures that the trade will not lead to the Fund falling below the 50% threshold and if so, the trade will be stopped and the fund manager notified.

METHODOLOGIES

The sustainability indicators used to measure the attainment of the environmental and social characteristics promoted by the Fund will be:

1. The percentage of the Fund's Net Asset Value invested in fixed income instruments of countries that exhibit positive or improving ESG characteristics; and
2. The percentage of the Fund's total assets in countries that exhibit strong or improving human development conditions, as measured by the United Nations HDI and calculated as an average of the five year period as of two years prior to the investment period.

This is approached in both a quantitative and qualitative manner.

Quantitative:

The Investment Manager uses and analyses a proprietary and diverse selection of indicators of a country's institutional, social and environmental resilience and performance, and value ones that indicate future trends.

The Investment Manager does this by:

- Gathering various selected indicators pertaining to different ESG dimensions from reliable international sources (UN, World Bank, academic institutions).
- Carefully shortlisting the most catered, unique and robust indicators.
- Assessing how the country performs relative to peers and itself over time.

Qualitative:

The Investment Manager assesses the policy framework (i.e., country management, and predictability of policies for sustainable financial performance) by:

- Visiting countries to take stock of important aspects of political, social and environmental evolution, and macroeconomic factors. These are often material in driving a country's creditworthiness.
- Regularly informing its country analysis based on latest data release and policy changes in the ESG space.
- Conducting semi-annual ESG country rating discussions, informed both by indicators and qualitative assessments. These rating decisions are based on in-depth debates around governance, institutional, social and environmental developments. The diversity of the team's background, and its collective personal and historical knowledge of political systems across the world, provides the Investment Manager with a unique perspective.

DATA SOURCES AND PROCESSING

The Investment Manager's investment decisions are based on internal research, which encompass both its proprietary financial forecasts and ESG assessment. The Investment Manager aims to meet with all issuers in which it seeks to invest at least annually and discuss a range of topics including ESG issues with management. The investment professional within the Investment Manager responsible for evaluating the issuer is also responsible for its ESG assessment: this is an integral part of its analysis. In addition to the Investment Manager's in-house evaluation of ESG risks, it also has access to third party resources that provide ESG information.

The Investment Manager does not rely on third party research providers' conclusions to make investment decisions. The Investment Manager merely uses their research as one way to access data and as a challenge mechanism to our own views.

The Investment Manager look to gather information from multiple sources, which include direct interactions with issuers and utilising multiple third-party research datasets. This allows the Investment Manager to create a full picture of a issuers ESG dynamics, gain insight on its practices and ensure data quality and consistency. The Investment Manager regularly conducts data checks, looking to see how ESG indicators change over time and whether methodologies change. This determines which indicators are kept in the internal ESG database and regularly incorporated into ESG integration practices.

The investment professional responsible for evaluating and valuing the issuer is also responsible for the ESG assessment: this is an integral part of the Investment Manager's analysis. The specific ESG Analyst on the team ensures updated data is readily available for all credits.

No data is estimated.

LIMITATIONS TO METHODOLOGIES AND DATA

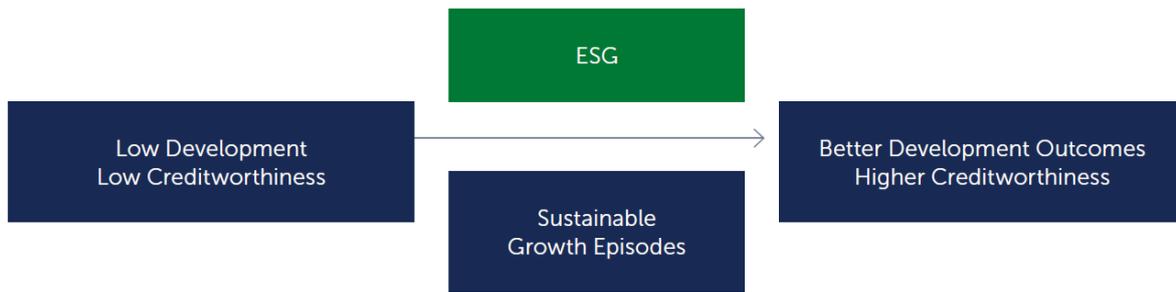
In evaluating an investment, the Investment Manager is dependent upon information and data, which may be incomplete, inaccurate or unavailable.

To supplement the Investment Manager's own ESG research, the Investment Manager also has access to third-party resources such as Bloomberg ESG, MSCI ESG and Sustainalytics, which provide institutional investors with issuer-specific ESG data. Many ESG considerations are challenging to assess quantitatively, making the judgement of our investment professional's key. This is evidenced by the different ratings the main ESG data providers arrive at when evaluating the ESG credentials of the same issuer. Consistent with traditional financial analysis, the Investment Manager does not rely on third party research providers' conclusions to make investment decisions. The Investment Manager merely uses their research as one way to access data and as a challenge mechanism to its own views. In the case of an issuer with inadequate data to properly score the position, it would be classified as other and not count towards the 50% objective. As data is updated and information becomes available the scores can be revised.

DUE DILIGENCE

- 1. The Fund will invest at least 50% of its Net Asset Value in assets which exhibit positive or improving environmental ("E") and/or social ("S") characteristics** as represented by proprietary Total ESG current state and outlook scores.

Sustained economic growth is the driver of both improving creditworthiness and improving ESG indicators.



CAUSES NOT OUTCOMES

The Investment Manager's focuses on government policies and their efficiency at improving ESG metrics.

MULTI-DIMENSIONAL COUNTRY SCORES

- Environmental, social and governance indicators have different nature, coverage and scale, therefore normalizing and aggregating them into a single score would lead to significant loss of information and consistency.
- ESG single scores prevents the Investment Manager from identifying the most pressing ESG issues for each country, spotting improving trends by area and focus on relevant engagement opportunities.

ONE SIZE DOES NOT FIT ALL

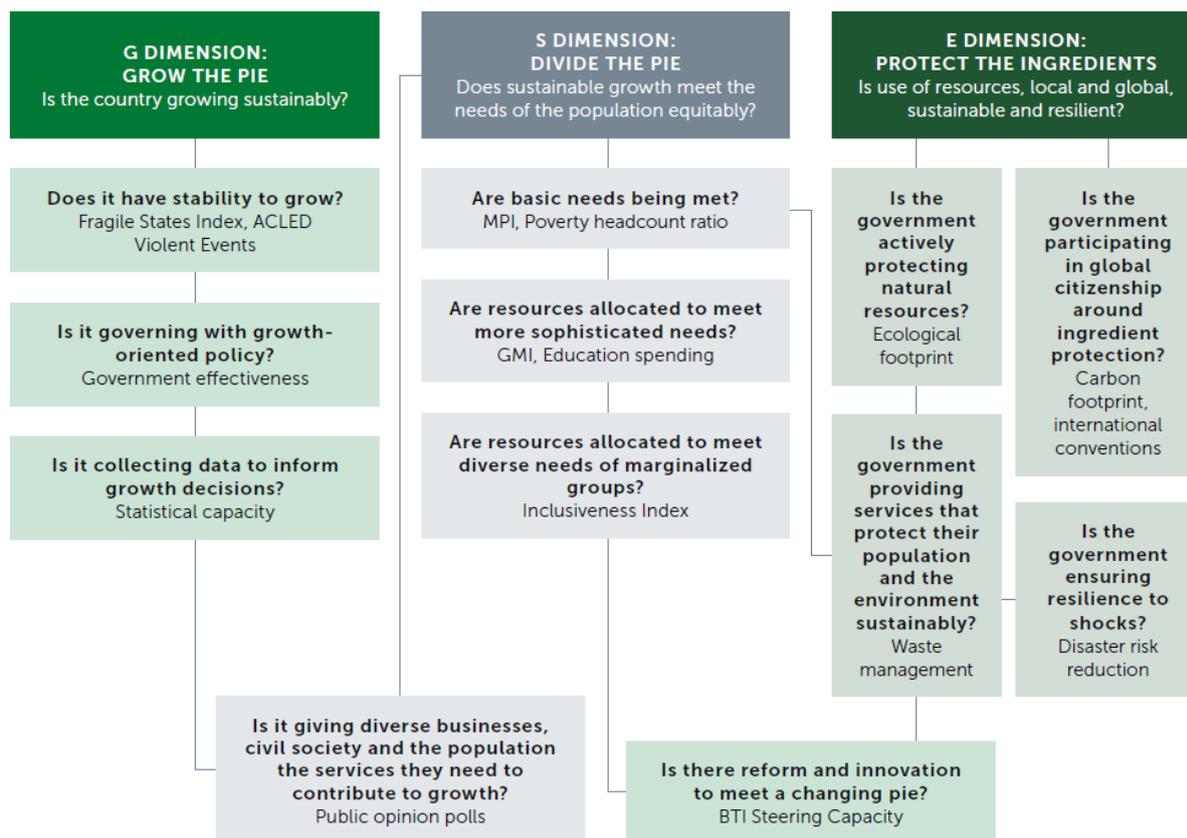
Each country is in a different developmental stage, requiring different set of optimal policies, including on how to most efficiently improve on the ESG dimensions; ESG sovereign evaluation should take that into account.

SOVEREIGN ESG INDICATOR DATABASE

| Dimension | G: Grow the Pie | S: Divide the Pie | E: Preserve the Ingredients |
|---------------------|---|---|--|
| Objective | Sustainable Growth | Comprehensive Poverty Reduction | Preserve the natural resources in the country and participate in protecting the global environment |
| Measurable Outcomes | Two Legs: <ul style="list-style-type: none"> • Growth Accelerations • Stability | Two Legs: <ul style="list-style-type: none"> • Multidimensional Poverty • Capabilities | Three Legs: <ul style="list-style-type: none"> • Decrease sensitivity to international shocks • Participate to international effort • Domestic effort at preserving the environment |
| Indicators | <ul style="list-style-type: none"> • Growth: Experimental policies, conducive political settlements, anticipation/coordination • Stability: W/S, state fragility indicators | <ul style="list-style-type: none"> • Capabilities Approach: Difficult unless through subjective surveys (WVS, OECD social satisfaction data) otherwise measures outcomes more than policies • Poverty Reduction: Effective distributive policies: fiscal data quality, social spending efficiency WB, milex | <ul style="list-style-type: none"> • Increase Resilience: Disaster risk reduction • International Effort: Signatory of intl conventions, protection of intl envt as a public good • Domestic Effort: International policy, execution of those policies |

ESG DIAGNOSTICS & COUNTRY ANALYSIS

Each sovereign analyst within the Investment Manager performs an ESG assessment of the countries under their coverage and identifies the most pressing ESG issues to monitor, and potentially engage on.



The sovereign ESG research committee within the Investment Manager gathers country analysts and portfolio managers, along with other team members to review country ESG assessments using qualitative and quantitative ESG criteria.

The Investment Manager undertakes ESG scoring of issuers that are owned or being monitored. Proprietary ESG scores are compiled based on an analyst assessment and presented in investment underwriting memos and reviewed by investment committees. Issuers are assigned both an ESG current state score and an ESG outlook score. ESG scores are reassessed as material ESG developments occur, updated in line with issuer reporting cycles and updated/verified at least semi-annually.

The 1–5 ESG current state scores are aggregated based on sector weightings to give an overall 1-5 ESG current state score. Investee issuers will be considered as being “positive” if they have an overall ESG current state score that is average or better on the scoring scale. Investee issuers will be considered as being “improving” if they have an overall ESG current state score that is below average and an improving Outlook Score.

The Investment Manager excludes issuers that are not approved by the Investment Committee due to ESG risks identified through investment due diligence and/or the in-house ESG scoring process.

- Each analysts rate each country’s current performance on ESG (strong, neutral or weak on a scale one to five, one being best score) and whether the trend is improving (1), neutral/steady state (2) or deteriorating (3); a rationale for the rating is written for each country.
- ESG scores that are considered positive or improving consist of:
 - Stock scores that are three or better, or
 - Trend scores of one, where the stock score is also not worse than four.
- This rating is reviewed by Barings Sovereign ESG research committee within the Investment Manager and rating is given to each country.
- Sovereign analysts review the ESG assessment in-line with assigned country updates.
- The ESG research committee within the Investment Manager gathers twice a year to formerly review country scores, however changes can be made at any time.

- Countries with the lowest ratings are put on an exclusion list and new positions cannot be initiated across sovereign accounts.
 - If a country is on the exclusion list, it must be upgraded and reviewed by the Sovereign ESG Committee within the Investment Manager prior to being eligible for purchase.
- 2. The Fund will have an additional requirement of allocating to investments, for which at least 75% of the Fund is held in countries that show strong and/or improving human development conditions.**

Additionally, the Fund will invest at least 75% of assets in countries that show strong and/or improving human development conditions. By helping countries develop their local financial infrastructures, i.e. providing financial resources, the Investment Manager believes that they are contributing to the human development of these countries. The Investment Manager's investment processes favors countries with more developed governance, education and healthcare resulting in higher overall human development scores.

The United Nations Human Development Index (HDI) was created to emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone. The HDI can also be used to question national policy choices, asking how two countries with the same level of Gross National Income (GNI) per capita can end up with different human development outcomes. These contrasts can stimulate debate about government policy priorities. The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions.

ENGAGEMENT POLICIES

The Investment Manager adopts an active management policy in relation to ESG topics and has a preference to focus on engagement to improve issuer behaviour. Engagement activity is focused on key ESG credit risk areas for issuers and provision of relevant information. The Investment Manager applies the PRI's definition of engagement, which is "...Interactions between an investor (or an engagement service provider) and current or potential issuers (e.g., companies, countries), conducted with the purpose of improving practice on an ESG issue, changing a sustainability outcome, or improving public disclosure. Engagements can also be carried out with non-issuer stakeholders, such as policymakers or standard setters".

Engagements are undertaken to influence (or identify the need to influence) ESG practices and/or improve ESG disclosure. Through engagement, the Investment Manager aims to enhance the performance of its investments, for the benefit of its clients in line with its stewardship responsibility. The Investment Manager does not, however, attempt to impose an inflexible approach that ignores local norms and contexts. The Investment Manager believes that value is derived from transparent communication with the issuers in which it invests, coupled with the expertise and discretion of its experienced analysts and portfolio managers, and that a one-size-fits-all approach should not and cannot be applied across the wide range of assets that it manages across the globe.

DESIGNATED REFERENCE BENCHMARK

The Fund does not use a reference benchmark to measure the attainment of its environmental and social characteristics.