

Barings Emerging Markets Debt Blended Total Return Fund

SUMMARY

Cette section présente des informations relatives au Fonds, qui est un produit financier de l'article 8. Le Fonds promeut des caractéristiques environnementales ou sociales telles qu'exposées plus en détail ci-dessous. Le Fonds y parviendra en investissant au moins 50 % de sa valeur liquidative dans des émetteurs qui présentent l'une de ces caractéristiques.

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 and/or social characteristics as represented by proprietary aggregated ESG current state and outlook score. 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.

INVESTMENT STRATEGY

The investment objective of the Fund is to seek maximum total return, consistent with preservation of capital and prudent investment management, through high current income generation and, where appropriate, 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 emerging market government, industry sector or security.

To achieve its investment objective, the Fund will invest under normal circumstances at least 80% of its Net Asset Value in an actively managed diversified portfolio consisting of fixed income instruments that are economically tied to emerging market countries including fixed income instruments that are issued by corporate issuers that are economically tied to emerging market countries. The fixed income instruments in which the Fund invests will primarily be listed or traded on Recognised Markets and may include bonds, notes, US and G10 country treasury obligations, sovereign issues, covered bonds, commercial paper and other fixed and floating rate income securities and are either secured or unsecured, and, either senior or subordinated. Secured debt means that collateral has been pledged as security against default, whilst investors in senior debt instruments are legally entitled to be repaid ahead of investors in subordinated (i.e. non-senior) instruments issued by the same corporation. Exposure to such issuers may be achieved through direct investment or entirely through the use of FDI. The Fund may also invest in mortgage-backed securities, asset-backed securities and unleveraged loan participation securities (including but not limited to trade

finance loan participations). The Fund may engage in transactions in FDI principally for investment and/or for hedging purposes subject to the limits laid down by the Central Bank. Details of the derivatives used by the Fund are set out in the section entitled "Use of Derivatives". Such derivatives will provide exposure to the asset classes detailed in the Fund's investment policy. Such transactions may leverage the Fund and may establish speculative positions. This may result in a higher level of volatility and risk. The Fund's investments may be denominated in USD and non-USD currencies.

A security is economically tied to an emerging market country if the issuer or guarantor of the security has its headquarters or operating companies domiciled in the emerging market country or if the currency of settlement of the security is a currency of the emerging market country.

The Investment Manager has broad discretion to identify countries that it considers to qualify as emerging markets. The Fund emphasises countries with relatively low gross national product per capita and with the potential for rapid economic growth. The Investment Manager will select the Fund's country and currency composition based on its evaluation of relative interest rates, inflation rates, exchange rates, monetary and fiscal policies, trade and current account balances, legal and political developments, and any other specific factors the Investment Manager believes to be relevant. The Fund will likely concentrate its investments in Asia, Africa, the Middle East, Latin America and the developing countries of Europe. The Fund may invest in instruments whose return is based on the return of an emerging market security or a currency of an emerging market country, such as a derivative instrument, rather than investing directly in emerging market securities or currencies. 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 countries and industry sectors.

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 a proprietary aggregated ESG current state and outlook score. Further information about the environmental and social characteristics promoted by the Fund is available in the SFDR Annex appended to the Supplement.

For sovereign sleeve:

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 once per year by the Sovereign ESG Committee which comprises all sovereign analysts on the Investment Manager's team.

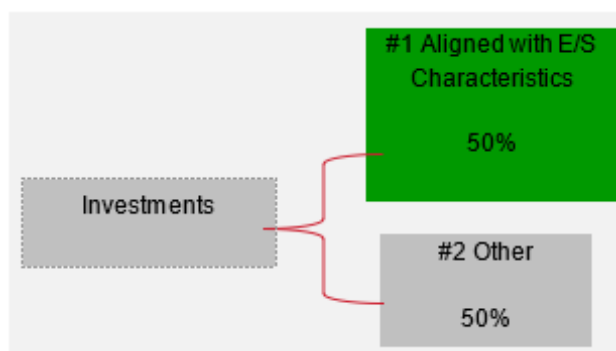
Issuers that exhibit positive or improving ESG characteristics are selected through the Investment Manager's proprietary ESG scoring methodology, which is supported with the use of third-party issuer specific ESG data where coverage allows. When assessing an investment, the Investment Manager will utilise 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 Corporate sleeve: For each asset, the Investment Manager analyses an issuer's ESG profile over time and consider relevant shocks that may impact the scoring. Topics considered include environmental

(resource intensity, environmental footprint) social (societal impacts of products and services, employee satisfaction) and governance (effectiveness of management boards, credibility of auditing arrangements and accountability of management, amongst others) to 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 environmental, social, and governance categories. The ESG current state score assesses 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 expected ESG development in the market. Investee issuers will be considered as being “positive” if they have a better ESG current state score. Investee 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.

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 aggregated ESG current state and outlook score. The "Other" category will comprise 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.



#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:

The percentage of the Fund’s Net Asset Value invested in assets that exhibit positive or improving ESG characteristics.

For Sovereign Debt 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 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 at least 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.

For Corporate Debt the sustainability indicators used to measure the attainment of the E and S characteristics promoted by the Fund will be the percentage of the Fund’s Net Asset Value invested in issuers that exhibit positive or improving resource intensity, environmental footprint, employee satisfaction or societal impacts of its products/services.

Issuers will be considered as being “positive” if they have an ESG current state score of three or better; and issuers will be considered as “improving” if they have an ESG current state score worse than three, but better than or equal to four score between three and four and an improving outlook score.

Issuers are assessed through the Investment Manager’s proprietary ESG scoring framework. This is supported by internal sustainability analysis with the use of third-party issuer specific ESG data, where available, through the Investment Manager’s independent research and direct dialogue with issuer’s management teams. The assessment considers an issuer’s current ESG profile and outlook trajectory with a focus on the most material sources of ESG risks and opportunities of each issuer, reflecting their specific business activities. As an example, the below table demonstrates how materiality of ESG factors

varies between two industry sectors and how materiality influences the overall scoring. However, it should be noted that an issuer may fall within more than one industry, which can result in a deviation from these weights to reflect the E, S and G factors affecting the issuer more accurately.

| Industry Sector | Environmental | Social | Governance |
|-----------------|---------------|--------|------------|
| Energy | 55% | 15% | 30% |
| Healthcare | 17% | 50% | 33% |

When making the assessment for the resource intensity and environmental footprint of an issuer, the Investment Manager considers industry specific indicators, which include the issuer's carbon emissions, carbon intensity, exposure to high carbon industries, as well as water and land usage and waste management. The assessment for employee satisfaction and societal impacts of the issuer's products or services considers industry specific indicators, which include involves consideration of the issuer's relations with its employees, remuneration of staff, health and safety aspects and organisational diversity.

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 issuers in which it seeks to invest when possible and discuss a range of topics including ESG issues with management. The investment professionals within the Investment Manager responsible for evaluating the issuers are also responsible for their ESG assessment: this is an integral part of the Investment Manager's 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 uses their research as one way to access data and as a challenge mechanism to its own views.

The Investment Manager looks 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 an issuer's 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

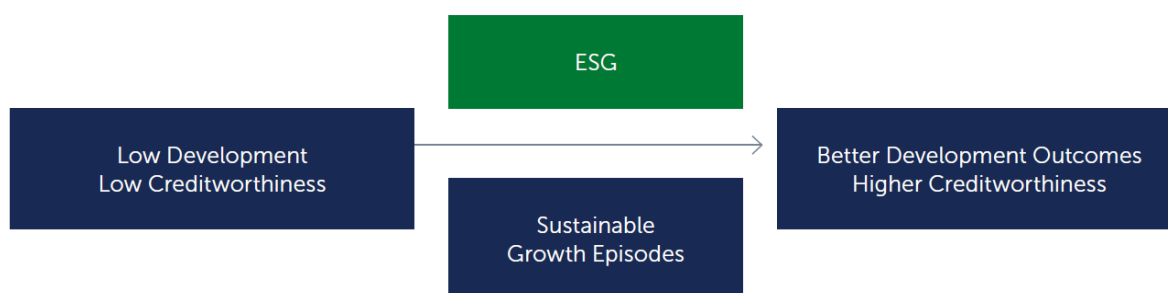
In evaluating an investment, the Investment Manager is dependent upon information and data, which may be incomplete, inaccurate or unavailable.

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 multilateral institutions, which provide institutional investors with issuer-specific ESG data. Many ESG considerations are challenging to assess quantitatively, making the judgement of our investment professionals 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 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 minimum 50% threshold. As data is updated and information becomes available the scores are revised.

DUE DILIGENCE

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 aggregated ESG current state and outlook score. For sovereign debt sustained economic growth is the driver of both improving creditworthiness and improving ESG indicators.

The Investment Manager undertakes initial and ongoing due diligence of the governance structure of issuers. This analysis is presented to investment committees and incorporated into the governance component of the ESG scores. The Investment Manager analyses key governance risk factors on a case-by- case basis. Governance risks assessed can include institutional strength and openness, rule of law, transparency, and government capacity. If an issuer is rated 5 (unfavourable) under Barings' ESG current state score for governance, it will be formally excluded for investment. The Investment Manager tracks and monitors governance controversies and can take engagement action when they occur. An issuer with a low (but acceptable) governance score would also be tracked for commitments towards improvement over time as part of the internal ESG scoring process. Where the Investment Manager determines that a holding in the Fund's portfolio does not meet its good governance thresholds, the Investment Manager will engage with the relevant issuer in order to seek to bring it into compliance. If engagement with the relevant issuer is not deemed appropriate or engagement subsequently proves unsuccessful, the Investment Manager will consider its position and shall, if necessary and to the extent possible based upon market conditions and any specific investment considerations, attempt to divest the holding from the Fund.



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

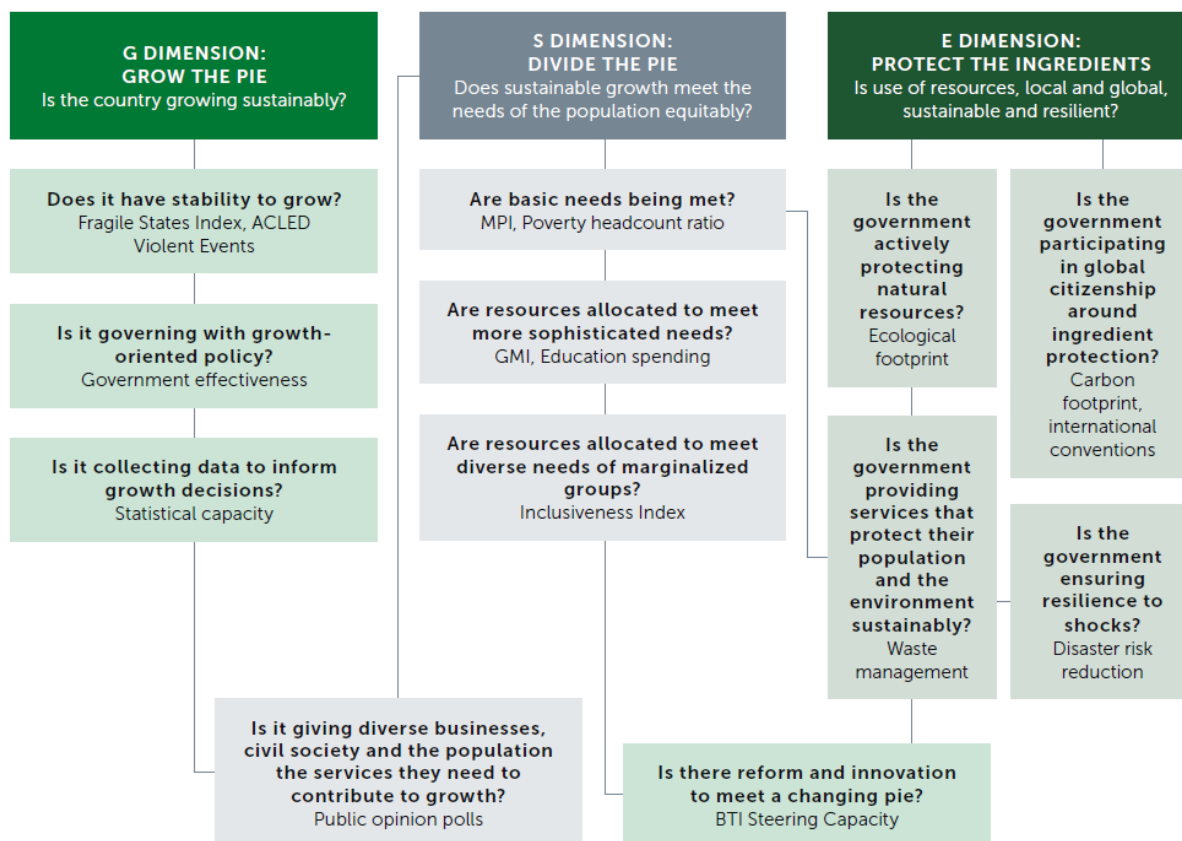
Each country is in a different developmental stage, requiring different set of optimal policies, including on how to most efficiently improve on the ESG dimensions; ESG sovereign evaluation should take that into account.

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 annually.

The 1–5 ESG current state scores are consolidated based on qualitative assessment of the sub-components and their materiality 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 (3/5 to 1/5) 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 (4/5) and an improving Outlook Score (1/3).

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:
 - Current status scores that are three or better, or
 - Outlook 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 at least once per 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.

The Investment Manager undertakes ESG scoring of corporate issuers that are owned or being monitored. Proprietary ESG scores are compiled based on an analyst assessment and reviewed by investment committees when applicable. When reviewing E characteristics to derive a score, the Investment Manager's consideration of factors uses a framework of scoring the resource intensity and environmental footprint of issuers. When reviewing S characteristics to derive a score, the Investment Manager's consideration of factors uses a framework of scoring the employee satisfaction and societal impacts of the products/services of the issuer. 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 annually.

The 1–5 ESG current state scores are aggregated based on sector weightings to give an overall 1-5 ESG current state score. Issuers will be considered as being “positive” if they have an overall ESG current state score that is three or better on the scoring scale. Issuers will be considered as being “improving” if they have an overall ESG current state score worse than three, but better than or equal to four and an improving Outlook Score.

The Fund will not invest in:

- issuers with business involvement in controversial weapons pursuant to the Barings exclusion policy
- issuers with a Current State Governance Score of 5

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*”.

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.

