

Barings Global Bond 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 promotes positive or improving resource intensity, environmental footprint, employee satisfaction and societal impacts of products/services. The Fund will achieve this by investing at least 50% of its Net Asset Value in issuers which exhibit any of these characteristics. The E and S current state score of an asset, (methodology discussed further below), are established by the Investment Manager using a proprietary scoring framework. The Investment Manager's consideration of factors when deriving a score is based on financial materiality and will encompass any number of E or S characteristics. Further information regarding the methodology is outlined below.

The Investment Manager undertakes initial and ongoing due diligence of the corporate governance structure of issuers. This analysis is presented to investment committees and incorporated into the governance component of Barings' ESG scores. The Investment Manager assesses whether the governance structure is commensurate with the ownership structure of the issuer and analyses key governance risk factors on a case-by-case basis. Governance risks assessed can include issuer ownership, the board and management structures, legal and tax compliance, quality of reporting and audits, employee retention and relations, and staff remuneration. 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.

INVESTMENT STRATEGY

The Fund will invest primarily in an actively managed globally diversified portfolio which at least 80% of its Net Asset Value is invested in fixed income instruments. The fixed income instruments in which the Fund invests may include government bonds, covered bonds, global corporate bonds, notes, debentures, government obligations and sovereign issues, commercial paper, asset-backed securities ("ABS"),

commercial and residential-mortgage backed securities (“CMBS” and “RMBS”) and CoCos. No more than 10% of the Fund’s Net Asset Value may be invested in CoCos.

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; up to 25% of its Net Asset Value in collateralised and/or securitised products such as covered bonds, ABS, CMBS and RMBS; 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, 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 Unitholders.

“Sub-Investment Grade” also includes an eligible asset which is not rated by an internationally recognised rating agency, but is determined by the Investment Manager in its own assessment of having credit quality of “BB+” or lower from the ratings agency Standard & Poor’s or Fitch, “Ba1” or lower from Moody’s Investor Services, or the equivalent rating of another internationally recognised rating agency. In the event of split rating, the highest credit rating accredited to the relevant issue will be deemed the reference credit rating.

The Fund will invest at least 50% of the Fund’s Net Asset Value in fixed income instruments of countries that exhibit positive or improving environmental, social and governance (ESG) 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.

The Fund may also invest in collective investment schemes in accordance with the requirements of the Central Bank up to a maximum of 10% of the Net Asset Value of the Fund.

The Fund may engage in transactions in FDI principally for investment purposes or for efficient portfolio management in accordance with the requirements of the Central Bank. When FDIs are used the Fund will be leveraged through the leverage inherent in the use of FDIs.

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.

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

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 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 each asset, the Investment Manager analyses an issuer's ESG profile over time and considers 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 the 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.

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.

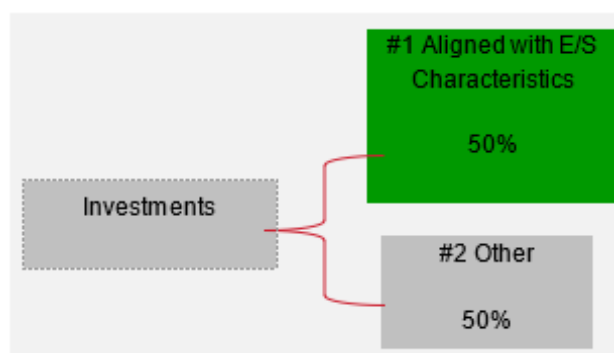
In terms of reviewing the issuers in the portfolio from an ESG perspective on a regular basis, the frequency of update for each country depends on its significance in the portfolio and the Benchmark, but ESG scores are reviewed for all countries under coverage at least twice a year by the Investment 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.

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.

PROPORTION OF INVESTMENTS

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. 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 each business day 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, this will be corrected at the earliest opportunity.

METHODOLOGIES

To ensure the above, issuers that the Fund invests in are classified as either:

Issuers will be classified as having

POSITIVE ESG

if they have an overall ESG Current State score of three or better and a Governance Current State score better than five.

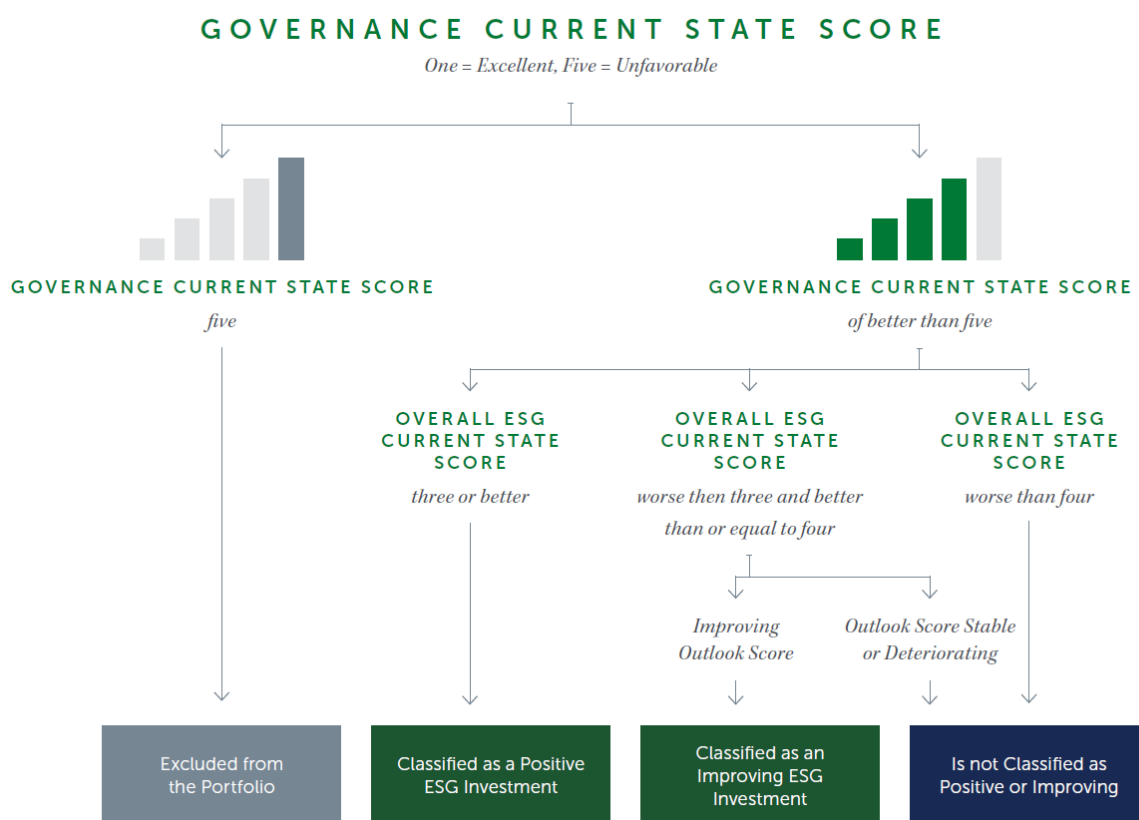
OR

Issuers will be classified as having

IMPROVING ESG

if they have an overall ESG Current State score worse than three, but better than or equal to four, an improving Outlook score and a Governance Current State score better than five.

Investments with an average combined ESG score of worse than four and/or Governance/Management quality score worse than four will not be deemed to have “positive ESG” or “demonstrating improving ESG characteristics”.



The criteria the Investment Manager uses to determine if the issuer of the assets exhibits positive or improving ESG characteristics are described below and is based on the Investment Manager’s proprietary ESG scoring methodology.

When assessing an investment, the Investment Manager will utilise its direct access to senior 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 issuer’s ESG credentials over time and consider relevant shocks that may impact the scoring. Scoring indicators include environmental (may encompass resource intensity, environmental footprint,) social (societal impacts of products and services, and employee satisfaction,) and governance (may encompass ownership structure, effectiveness of management boards, credibility of auditing arrangements and accountability of management,) to assess screen issuers where ESG standards are positive or improving.

ESG scores are compiled based on an analyst assessment and reviewed by investment committees within the Investment Manager when applicable. ESG ratings are reassessed as material ESG developments occur and updated in line with the issuers reporting cycles. A review process ensures ratings are accurately maintained.

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 of three or better on the scoring scale. Issuers will be considered as being “improving” if they have an overall ESG Current State Score that is worse than three, but better than or equal to four 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. This includes areas such as the provision of emissions data and reduction targets. Escalation on unsuccessful engagements can take the form of adjustments to ESG scores, removal of the issuer from the approved buy list by investment committees and divestment. At present, divestment is more likely to occur when the engagement topic is related to a fundamental credit risk as opposed to improved ESG data disclosure that continues to lag some asset classes.

DATA SOURCES AND PROCESSING

The Investment Manager's investment decisions are based on internal research, which encompass both its proprietary fundamental underwriting and ESG assessment. Furthermore, the investment professionals responsible for evaluating and valuing fixed income instruments are also responsible for its ESG assessment and forms an integral part of the Investment Manager's analysis. External sources of research/data typically from the issuer are utilized to understand market consensus and gather data but often research availability can be limited. To supplement its ESG research, the Investment Manager's team also has access to third-party resources, which provide institutional investors with issuer-specific ESG data.

The Investment Manager reviews ESG ratings. The Investment Manager will re-affirm ESG ratings based on its proprietary, fundamental underwriting and ESG assessments. Any usual engagements may also contribute to an update to scores and are reviewed to ensure proper alignment with ESG ratings.

The Investment Manager processes/captures each issuer's underwriting conclusion into a database together with the proprietary ESG scores based on its internal methodology. Whilst there may be instances where the data which the Investment Manager receives from third party providers is estimated, when assessing an investment, the Investment Manager will utilise its direct access to senior management and financial sponsors in addition to information published by issuers and through access to third party ESG research providers. This information and interaction allows thorough due diligence to be undertaken on the ESG risk profile of an issuer, rather than exclusively relying on quantitative data.

LIMITATIONS TO METHODOLOGIES AND DATA

The ESG approach is integrated into the investment process. Scoring methodology is based on internal proprietary methodology around several factors relevant for corporate issuers; the ensuing scores are derived from issuer data, issuer engagements and third party data which may or may not be complete. Data source limitations may exist if Barings is investing in companies where third party vendors do not provide data or issuer data is not frequent or up to date.

The Investment Manager's investment decisions are based on internal research, which encompass both our 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 professionals responsible for evaluating issuers are also responsible for its ESG assessment: this is an integral part of the Investment Manager's analysis.

DUE DILIGENCE

Issuers are selected for the ESG profile according to the Investment Manager's proprietary ESG scoring methodology. When assessing an investment, the Investment Manager will utilise their direct access to management, banking group and financial sponsors in addition to information published by issuers. The team also seeks to understand market consensus on ESG profile of each issuer, through its access to third party ESG research providers. This information and interaction allow thorough due diligence to be undertaken on the ESG risk profile of an issuer. For each asset, the Investment Manager examines the scores of the indicators to determine an issuer's ESG credentials and also considers a momentum indicator scoring which captures relevant shocks that may impact the scoring in the future. Scoring indicators 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) assessments to screen companies where ESG standards are positive or improving. The Investment Manager undertakes ESG scoring of issuers that are owned or being monitored. ESG ratings are compiled based on an analyst assessment.

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 disclosure or behaviour. Engagement activity is focused on key environmental and social risk areas for issuers and provision of relevant information. This includes areas such as the provision of emissions data, use of science-based targets and adherence to targets. Escalation on unsuccessful engagements can take the form of adjustments to environmental or social ratings, removal of the issuer from the approved buy list by investment committees and divestment. The Investment Manager does track accountability of issuer engagement and records these engagements in a proprietary system.

DESIGNATED REFERENCE BENCHMARK

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