

Barings Global Bond Fund

Environmental and Social Characteristics

(1) The fund will invest at least 50% of its total assets in fixed income instruments in countries that exhibit **positive or improving** environmental, social and governance (“ESG”) characteristics.

(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.

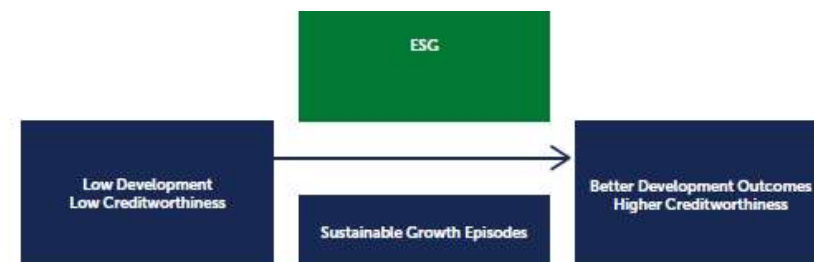
Screening Criteria

Barings’ goal is to deliver competitive risk-adjusted returns for our clients. We consider ESG-related issues an important part of this commitment, as these issues may impact an investment’s risks and return over time. Once invested, portfolio managers and analysts continue to monitor each issuer to ensure that our thesis remains intact and that an investment’s risk and return profile remains attractive relative to other opportunities available in the market. The Developed Markets Sovereign Debt Team (DMSD Team) monitors ESG related issues and gauges ESG trends and characteristics of developed market countries. In addition to monitoring ESG related issues for each country, the team focuses on variety of ESG-related indicators including RTI (Right to information ranking), Fragile States Index, Global Innovation Index, political stability, Voice & Accountability, Ease of Doing Business Index, Social Readiness: Education and other factors which are part of our country and trend analysis.

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Principles

- Sustainability is the key
 - Sustained economic growth is the driver of both improving creditworthiness and improving ESG indicators



- Causes not outcomes
 - We focus 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 normalising and aggregating them into a single score would lead to significant loss of information and consistency
 - ESG single scores prevents us 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

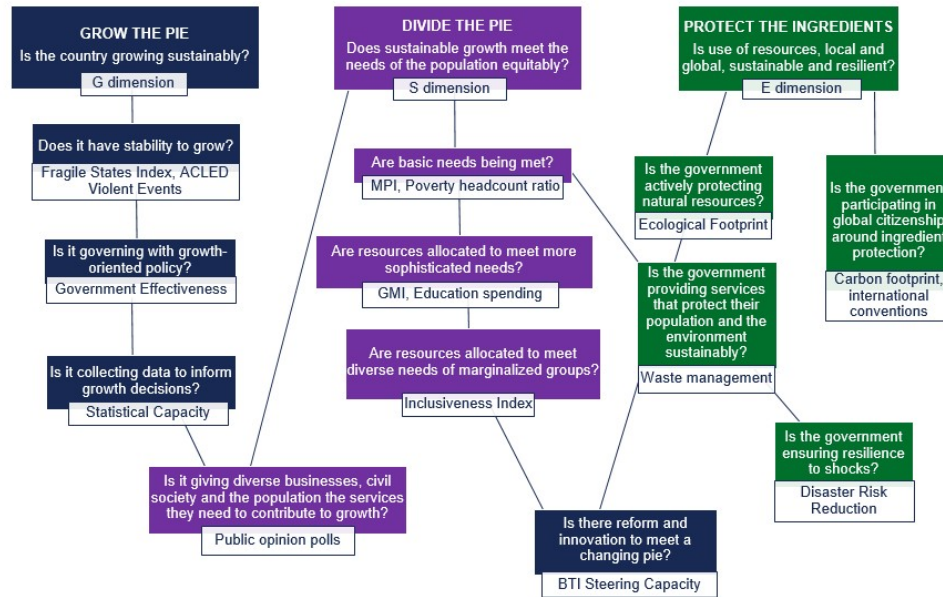
Tools

- Sovereign ESG indicator database

FIGURE 1: Our ESG Indicators

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	2 Legs: <ul style="list-style-type: none"> • Growth Accelerations • Stability 	2 legs: <ul style="list-style-type: none"> • Multidimensional Poverty • Capabilities 	3 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 redistributive 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 conventns, protection of intl envt as a public good • Domestic Effort: Internal policy, execution of those policies

- ESG diagnostics and country analysis
 - Each sovereign analyst performs an ESG assessment of the countries under their coverage and identifies the most pressing ESG issues to monitor, and potentially engage on



- Sovereign ESG research committee
 - The sovereign ESG research committee gathers country analysts and portfolio managers, along with other team members to review country ESG assessments using qualitative and quantitative ESG criteria

Output

- ESG assessment including proprietary stock and trend scores
 - Each analysts rate each country's current performance on ESG (Strong, Neutral or Weak on a scale 1 to 5, 1 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:
 - (a) stock scores that are 3 or better, or
 - (b) trend scores of 1, where the stock score is also not worse than 4
 - This rating is reviewed by Barings Sovereign ESG research committee and rating is given to each country

Frequency of update of the ESG assessment

- Sovereign analysts review the ESG assessment in-line with assigned country updates
- The ESG research committee gathers twice a year to formerly review country scores, however changes can be made at any time

Investment implications

- 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 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, we believe we are contributing to the Human Development of these countries. Our investment process 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.

Guideline Monitoring

The fund is monitored on a daily basis to ensure it continues to meet the minimum threshold of 50%. Where the fund falls below this threshold, due to market movements or because sovereigns it holds no longer meet the criteria of a “green” investment, then the passive breach will be corrected at the earliest opportunity.

In addition, prior to each trade, we ensure 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.

The Human Development scores will be reported and measured quarterly using the above methodology/framework and should there be a downgrade or upgrade it will be reflected in the scoring for that country and any sells will be executed to bring the Fund back in-line with guidelines. Should the Fund need to sell positions due to an internal downgrade to a black list, we will sell down that position at the earliest opportunity.

Data Sources

Our investment decisions are based on internal research, which encompass both our proprietary financial underwriting and ESG assessment. We aim to meet with all countries in which we seek to invest and or carry out a thorough underwriting of the country and discuss a range of topics including ESG issues. The investment professional responsible for evaluating and underwriting each country is also responsible for its ESG assessment which is subject to a team review: this is an integral part of our underwriting process.

Use of external sources of research remains limited and are utilised to mainly understand market consensus and as one way to gather data. To supplement our own ESG research, our team also has access to third-party resources such as Bloomberg ESG, MSCI ESG and Sustainalytics, United Nations Human Development Index, Haver Analytics, the World Bank and International Monetary Fund which provide institutional investors with country -specific ESG data.

Sustainability Indicators

The percentage of the fund invested in countries that exhibit positive or improving ESG characteristics.

Reference Benchmark

The Fund is not managed to a benchmark, however the Manager uses the FTSE World Government Bond Index(WGBI) Index to assess the Fund's performance.