



BARINGS

# United Nations Global Compact

COMMUNICATION ON PROGRESS



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## A Message from our CEO & President

I am pleased to confirm that Barings reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption.

Barings is a global financial services firm—with a long-term vision and approach to investing. Sustainability is core to our values and purpose of serving our clients, our communities and each other. We believe that by incorporating information on sustainability into our business practices and investment decisions, we can help create sustainable benefits for the economy, the environment and society.

We integrate the Global Compact Principles into our operations and investment activities, and advocate for and educate about the principles within and outside our business. We recognize that the sustainability of our own business is tied to our approach to the Global Compact Principles: our support of human rights, our global associates and other labor forces, the environment and tackling corruption.

We know we have a role to play in supporting a sustainable future. By acting responsibly, Barings can positively influence the behavior and nature of companies, issuers, assets, policy-makers and our supply chain to promote sustainable practices.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations.



**TOM FINKE**

*Chairman & Chief Executive Officer*



**MIKE FRENO**

*President, Barings LLC*

# Human Rights



**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights

**Principle 2:** Make sure that they are not complicit in human rights abuses

## WE INTEGRATE HUMAN RIGHTS CONSIDERATIONS INTO OPERATIONS

We know the importance of protecting and preserving human rights, both through our own operations and in the way we manage our clients' investments. Our Code of Conduct forms the basis of our guidance on integrating consideration of human rights into every employee's daily work and behavior. It is predicated on the philosophy that operating in accordance with ethical standards is critical to the success of Barings' vision. Leadership at all levels typifies and sustains a culture where ethical conduct is recognized, valued and exemplified by all associates. Associates of Barings not only recognize their responsibility to comply personally with this Associate Ethics and Conduct Guide, but also their responsibility to serve as role models in observance of its spirit.

The Code of Conduct requires that Barings and its employees:

- Operate in accordance with applicable laws and regulations governing its business.
- Operate always to safeguard the ability to fulfill its obligations.
- Conduct business activities and relationships with unquestioned integrity.
- Ensure Barings' transactions, communications and information are accurate, confidential and secure.
- Foster an environment in which fair employment practices extend to every member of Barings diverse community.
- Treat associates consistently, with integrity and fairness in all dealings.
- Maintain a safe and healthy work environment.

Barings is committed to planning for safe and healthy operations within the parameters established by our policies and by occupational health, safety and environmental laws in all countries/jurisdictions that Barings operates in.

Our commitment includes:

- Providing a safe and healthy workplace free of preventable hazards.
- Maintaining reasonable safety rules and practices and effectively communicating these to associates.
- Providing appropriate employee training and information.
- Promoting and protecting employee safety and health.
- Complying with all health, safety and environmental laws and regulations that impact its operations.
- Responding quickly and effectively to environmental incidents.

In our Charlotte headquarters we have:

- Monthly preventative maintenance for diesel fuel piping and generator fuel storage inspections.
- Spill containment supplies and spill prevention kits kept on site.
- Recycling of lights and hazardous waste as needed.
- Licensed third party vendors to handle all refrigerant needs.



In our London office we:

- Have a Health and Safety Committee.
- Ensure that all supplier staff on-site are trained in health and safety.
- Have 15 staff who volunteered to be trained as first aiders and are regularly re-certified, and two dedicated first aid rooms.
- Have had no reportable accidents since moving to the building.
- Undertake regular water quality testing to an extent beyond what is required by regulations.
- Have a kitchen rating of 5 stars, the highest achievable, from the U.K.'s Environmental Health Agency.
- Have over 30 Mental Health First aiders, trained by the charity MIND.
- Maintain a list of higher-risk staff and check on them periodically.

In addition, Barings is committed to acting ethically, with integrity and in compliance with applicable laws and regulations in all countries/jurisdictions that Barings operates in.

We define the requirements that govern conduct in our Global Statement of Respect and Anti-Discrimination and Harassment Policy. This policy is updated and distributed annually. While the policy sets forth our general expectations, local laws may establish more protections with regard to discrimination and harassment.

Barings' various Code of Conducts, Compliance Manuals, Policies, Human Resource policies and the Global Code of Ethics comprise the framework under which Barings and its associates conduct business. Associates are responsible for complying with the terms and spirit of these Barings policies, to report incidents or violations as specifically indicated in the relevant Barings policies and to participate in any subsequent reviews deemed necessary. Barings encourages a culture of 'speaking up' about breaches of legal obligations, policies, procedures, ethics or compliance issues. Associates have an obligation to report incidents and actual or potential violations of policies, procedures or applicable laws.

In addition to various Human Resources and Compliance Policies and Procedures, as well as the Barings Code of Conduct, we have also adopted a Speaking Up Policy and a Global Escalation Policy. We believe that speaking up and reporting compliance or ethics issue/concern affords management the opportunity to address the issues/concerns promptly and appropriately. Reporting compliance or ethics issues/concerns can minimize the potential negative impact on Barings and its employees. We offer employees a number of different channels to raise compliance or ethics issues/concerns. Employees are encouraged to use the channel that is the most appropriate under the circumstances or with which they are the most comfortable, starting with their manager. Other channels include our Human Resources, Compliance and Legal teams. If an employee is not comfortable speaking with any of these individuals or if they prefer to raise the issue/concern anonymously, then Barings has implemented a Barings Ethics and Reporting Hotline, which is operated and administered by an independent third-party vendor. The hotline is available twenty-four hours a day, seven days a week or via the web. Reports to the hotline can be made on an identified or anonymous basis. Employees will not be retaliated against for speaking up and raising compliance or ethics issues/concerns in good faith. Anyone who engages in retaliatory conduct against a person, who has in good faith raised compliance or ethics issues/concerns, will face disciplinary action, up to and including termination. If employees suspect retaliation against themselves or someone they know in connection they are asked to immediately report the issue or concern to any of the relevant reporting channels.



## WE ADVOCATE FOR HUMAN RIGHTS

Beyond this basic respect for human rights through our firm policies, we integrate our support of human rights in our business through our efforts to create a diverse and inclusive work force, and in our support of local communities.

## WE ADVOCATE FOR DIVERSITY

As an organization, we believe that diversity of perspectives and skills is essential to meeting the evolving needs of our clients. We are committed to attracting and retaining a talented workforce whose diversity reflects the clients and communities that contribute to our success.

Barings is committed to creating a business environment that identifies, retains and promotes diverse talent, within a supportive culture where all employees can work together to produce the best outcomes. By embracing diversity and working together, in line with our values, we know we can make a difference and cultivate a firm-wide culture where everyone can thrive and achieve their goals.

Here are a few of the ways in which we are working to achieve our goals:

### ATTRACT

- Barings' global internship program is a key source for identifying, attracting and developing diverse future talent for the firm. This program was established in 2018 and expanded to the U.K. in 2019 with a further 12 university students. Barings has a team dedicated to recruiting for internships, and this includes partnering with diversity organizations such as Sponsors for Educational Opportunity (SEO) and INROADS in the U.S., and the Amos Bursary in the U.K. Our global intern group was 35% female and 33% BAME (Black, Asian and Minority Ethnic) in 2019.
- We partner with organizations that aim to educate young women on financial services careers, including Leaders of Tomorrow, a U.K. program working with school-age girls of African and Caribbean heritage, and Smart Women in Securities (SWS), a U.S. non-profit whose mission is to educate undergraduate women on finance and investments through seminars and exposure to successful professionals.
- We host 'See the Possibilities' events in our London office for diverse students from 19 universities, with presentations from prestigious industry speakers, to engage them on careers in asset management.
- Barings partners with Girls Who Invest, a non-profit focused on education, industry outreach, accessibility and career placement to increase the number of women in the asset management industry.
- We also partner with the Toigo Foundation's Women and Diversity initiative. This group helps to prepare underrepresented professionals studying for MBAs for leadership, and in turn helps firms create an environment where those individuals can thrive.
- We partner with the Investment Management Association and Investment 20/20 to offer one-year apprenticeships to young, diverse talent from different backgrounds.

## ENGAGE

- Barings recognizes that women in financial services sector need a supportive environment and mentorship within their careers.
- Building on the success of our U.S. Women’s Network, we launched the Barings Women’s Network in Europe in 2019; here women can engage and network with colleagues of all genders.

## DEVELOP

- Annually, Barings sponsors the Simmons Leadership Conference, a world-class career development and networking conference for women. The conference takes place in both the U.S. and Dublin and Barings sends delegates from its U.S. and Europe offices.
- We annually renew our commitment to our global statement of respect and anti-discrimination policy.

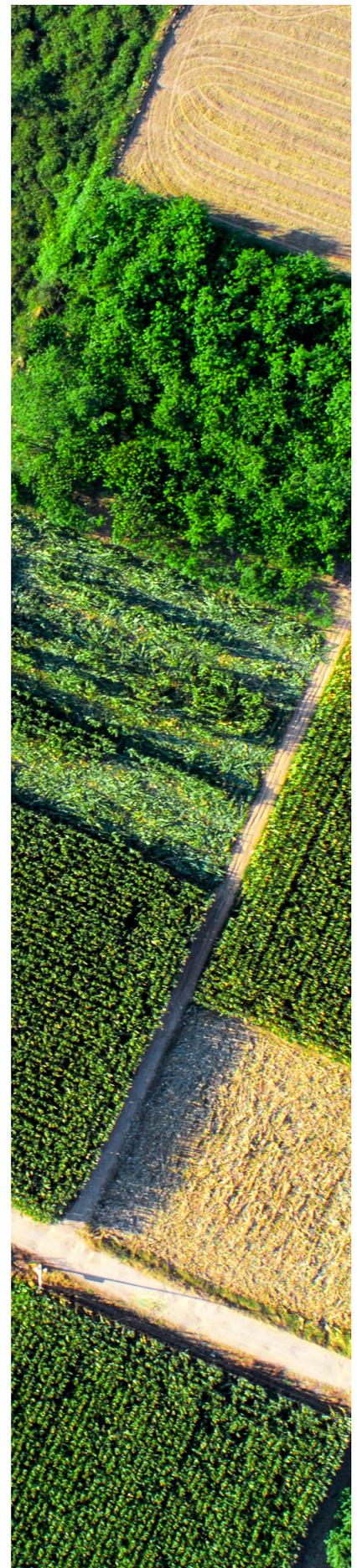
## RETAIN

- Our employee benefits are designed to be competitive and support the diverse needs of our associates. Examples of this include improved parental benefit and flexible working, which have been enthusiastically taken up by associates in all regions.
- Our two-year analyst program places and trains junior professionals in several of our investment teams. At the end of the two-year period, based on the firm’s need, some high performing analysts may be offered a full time opportunity from the respective group, or another group with a need for junior talent. Five alumni have taken up full time positions with Barings since the program began in 2014, and 2019 saw 13 analysts starting the program with a 50:50 gender split.

Race/Ethnicity Statistics—U.S. Only		Global Gender Statistics	
<b>Executive Management</b>		<b>Executive Management</b>	
African American	17%	Female	29%
White	83%	Male	71%
<b>Full Firm</b>		<b>Full Firm</b>	
Asian	7%	Female	39%
African American	7%	Male	61%
Hispanic or Latino	5%		
Not Specified	4%		
Two or More Races	2%		
White	74%		

*As of December 31, 2019.*

We publicly report on our U.K. gender pay gap annually, and publish this on our website.





## **WE ADVOCATE FOR OUR COMMUNITIES**

Barings is dedicated to making a difference in the communities where its employees live and work through our support of civic, philanthropic and non-profit initiatives. Barings supports numerous charitable organizations worldwide, through monetary donations, employee matching and volunteerism. Based on Barings' long history of community giving and engagement, the firm launched Barings Social Impact in early 2019 to further expand our global philanthropic reach. Barings commits to advancing economic and social mobility within our under served communities by focusing on four key pillars: Diversity, Equity and Inclusion, Empowering Communities, Education and Financial Literacy and Improving Health and Wellness.

Additionally, Barings employees are encouraged to give back to their local communities by leveraging the company's volunteer time off and dollar-for-dollar matching benefits. Each employee is granted three working days of paid volunteer time off per calendar year.

We have supported a variety of charities over the years through programmatic grant support, event sponsorships and volunteerism. The charities we supported in 2019 include Change Please, Inspiring Tomorrows Leaders, Y Readers, Classroom Central, Vision to Learn, Cardboard Citizens, the Amos Bursary, Child Fund Korea, Heart Tutoring, New Haven Land Trust, Girls on the Run and the Young Black Leadership Alliance.

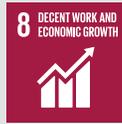
Barings is thinking beyond financial giving, and taking a strategic approach focused on the needs of individuals and families. In 2019, 859 employees across 16 offices in 7 countries volunteered 3,389 hours and participated in 97 charitable events. Through corporate giving and company matching, the firm also donated over 1.8 million dollars in 2019.

## **WE ADVOCATE FOR HUMAN RIGHTS THROUGH OUR INVESTMENTS**

We also support human rights through our investment activities.

Our Public Equity team engaged with a U.S. bank on boardroom gender diversity. We learned that women were well-represented in senior roles and made up 52% of the senior management team. In our Public Equity investments the cost of equity discount rate calculation is impacted by the ESG score that we have assigned the company. Following this engagement, no change was made to the cost of equity. If we had been disappointed during this engagement we would have adjusted their ESG score down, and the discount rate increased, which would have changed the price target and potentially the investment decision.

# Labor



**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

**Principle 4:** The elimination of all forms of forced and compulsory labor

**Principle 5:** The effective abolition of child labor

**Principle 6:** The elimination of discrimination in respect of employment and occupation

## OUR POLICIES TARGET FAIR COMPENSATION

Barings compensation and incentive structure is developed to attract, motivate and retain high-performing individuals. Our culture is one that attracts and retains exceptional people who possess shared values. We pride ourselves on valuing, recognizing and rewarding the contributions of each associate. The key principles of our compensation philosophy include:

- Strong performance-oriented environment while maintaining high ethical and integrity standards
- Goals established for short and long-term strategic plans
- Company performance measured against both internal goals and external benchmarks
- Differentiated pay for individuals based on performance

In addition, the Human Resources (HR) team partners with a leading global compensation consulting firm, participating annually in surveys focused on ensuring our compensation practices are competitive with industry peers. Annually, the HR team compares every individual to the appropriate roles/positions for parity in terms of internal equity amongst teams, similar roles and functions to ensure that all individuals are paid fairly in comparison to other individuals for the same position. Policies and benefits are also reviewed and enhanced regularly to ensure that Barings is among best-in-class.

## WE UPHOLD THE RIGHTS OF BARINGS ASSOCIATES

We integrate our respect for our associates and their rights to a decent and safe working environment, as well as to professional development, in our policies.

## WE DO NOT TOLERATE DISCRIMINATION

Our Global Statement of Respect and Anti-Discrimination Policy outlines Barings commitment to a discrimination and harassment free work environment, including all employment decisions (i.e. hiring, promotion or compensation).

If incidents of or concerns about discrimination or harassment are identified or witnessed, our Speaking Up Policy outlines the various channels for reporting these incidents or concerns, both on an identified and anonymous basis. Employees will not be retaliated against for speaking up and raising compliance or ethics issues or concerns in good faith; anyone engaging in retaliatory conduct would be subject to disciplinary action, up to and including termination.

## **WE KNOW THE IMPORTANCE OF EDUCATION**

We encourage our employees in their professional development. Amongst the training that our Human Resources (HR) department coordinates, whether for associate development plan-related training, for unique needs identified by management, or otherwise is:

- Global securities industry training and consulting
- Tailored credit training
- Speech consulting
- Executive coaching and leadership development
- AMA seminars
- Skill Path/National/Fred Pryor
- New Horizons Computer Learning Centers
- "Hands-on" or "on-the-job" experience
- Day-to-day contact with or mentoring from senior level associates

Additionally, in 2019 we started to offer Linked-In Learning to all associates globally. This initiative is part of the firm's effort to promote and support opportunities for continued education, and allows you to enhance existing skill sets or develop new ones. This tool provides access to more than 6,000 online training modules spanning dozens of subjects, software systems and programs, and spans numerous across business, tech and creative skills and abilities.

Our Barings Investment Institute also hosts monthly calls with outside speakers on a variety of topics which all global associates are encouraged to attend.

Barings host external speakers that are experts in ESG and Sustainability, include sustainability-related credentials as part of our continuing education incentives program, and our investment teams receive regular training from third-party providers. The Barings Sustainability Team regularly attends team meetings across the firm—including investment team meetings; risk, compliance and legal meetings; and executive management and leadership committees—in order to educate and engage on sustainability. We are also developing a training program on ESG and Sustainability for all employees.





## HIGHLIGHTS IN THE U.S.

- **Education Assistance:** Barings provides reimbursement of eligible expenses for certain educational courses, degree programs and professional designations that provide a foreseeable benefit to Barings. All courses, degrees or professional designations must be from an accredited college/university or institution and meet other program requirements.
- **CFA, FRM and CAIA Programs:** Barings recognizes and encourages these three specific professional designation programs that enrich and enlarge the knowledge-base of disciplines used in the analysis of investment opportunities. These programs include study time, payment for study materials and the potential for 100% reimbursement of study seminars, plus a bonus at the time the designation is achieved.

## WE ADVOCATE FOR LABOR RIGHTS IN OUR VALUE CHAIN

We support labor rights through our investment activities. Our High Yield team identified that a North American provider of security services had a high turnover of their workforce, with minimal retention efforts and a lack of personal development program. The security services company was also considering acquiring a company linked to human rights violations. On this basis, the deal was declined for investment.

Our Public Equity investment team also engaged with multiple Chinese express delivery companies on the pay and benefits that they offer to employees, focusing especially on those more likely to be exposed to unfavorable conditions like delivery people. We also discussed their responses to recent regulation on employee insurance and benefits.

# Environment



**Principle 7:** Businesses should support a precautionary approach to environmental challenges

**Principle 8:** Undertake initiatives to promote greater environmental responsibility

**Principle 9:** Encourage the development and diffusion of environmentally friendly technologies

## WE WORK TOWARDS A SUSTAINABLE FUTURE

Barings is committed to the pursuit of a sustainable future through integrating environmental awareness into our business activities, and by acting as educators on and advocates for the environment inside and outside the business. We wish to continuously improve our environmental performance and to integrate recognized environmental management best practice into our business operations.

### WE COMMIT TO

**INTEGRATE** the management of the environmental impact of our global business operations in our decision-making

**ADVOCATE** for sustainable practices in our business, communities and world

**EDUCATE** our communities and each other about the importance of our efforts to create a more sustainable future

### OUR KEY FOCUS AREAS

**RECORD** the environmental impact of our global business operations. This includes:

- Our consumption of resources
- Our emissions

**REDUCE** the adverse environmental impact of our global business operations. This includes:

- Reducing, and improving the efficiency of, our consumption of resources
- Reducing our carbon footprint in order to lower our impact on climate change
- Managing our business operations to prevent pollution
- Reducing the waste that we send to landfill, and increasing re-usage and recycling
- Factoring environmental issues into business decisions

**REGENERATE** the environment through our global business operations. This includes:

- Supporting environmental projects in our communities
- Encouraging practices that renew, rather than deplete, our environment
- Encouraging and supporting sustainable behavior in our suppliers. Supporting our partnership with the United Nations Global Compact in support of the Sustainable Development Goals

## TO MEET OUR COMMITMENTS, WE WILL:

- Allocate resources to environmental project and activities
- Educate our associates on the importance of environmental issues to our associates
- Ensure appropriate governance of environmental policies and performance
- Monitor key objectives and targets for managing our environmental performance at least annually
- Communicate with stakeholders on our environmental policy and performance on a regular basis
- Work together with our stakeholders and communities to promote improved environmental performance
- Review our environmental policy regularly

## HIGHLIGHTS

### RECORD

- Our Sydney office is located in a building that was awarded five out of six possible stars for its energy base by the National Australian Built Environment Rating System.
- Our Shanghai office is located in a building with Gold Leadership in Energy and Environmental Design (LEED) accreditation for its core and shell; they hope to increase this to Platinum LEED accreditation.
- Our London office received a BREEAM Excellent rating for both the pre-design and fit-out stages of the construction process. It fell within the top 10% of U.K. new non-domestic buildings and an environmentally-recognised best practice leader.
- Our Springfield office is both an Energy Star Building and a BOMA 360 Performance Building.
- Our Boston office building has voluntarily instituted an Environmental Monitoring Program whereby the environment is proactively monitored every six months by a licensed hygienist. The building received LEED Gold Accreditation in 2015.
- 71% of our U.S. offices benchmark their energy consumption in Energy Star Portfolio Manager and have earned a Green Building Certification.

### REDUCE

- **Plastic:** We are making efforts to reduce our use of single-use plastic. Our London office cafeteria is now nearly plastic-free, and our Charlotte office has reduced their reliance on single-use plastics through targeting plastic bottle use reduction. Our 2019 London office's Christmas tree was made by a social enterprise out of waste material.
- **Waste:** We are reducing the amount of waste we send to land-fill, with several streams targeted, through recycling and composting. Our Charlotte cafeteria now has a compost centre installed, and our London office has compost facilities on each floor and in its cafeteria. Our London office has also gone 'bin-free'—with individual bins removed in favor of larger composting, recycling and general waste centers. 67% of our European offices implement consumables recycling.
- **Waste Paper:** Printing in our London office has been reduced by around 25%. 67% of our European offices only purchase paper with a minimum of 30% recycled content.
- **Harmful Chemicals:** Barings London cleaning process is chemical-free.
- **Emissions:** As of October 1, 2019, all electricity used in our London office will come from 100% renewable sources.
- **Energy:** 100% of our European offices implement energy-saving behaviors, including turning off lights (automatically or otherwise), powering-down computers, and utilizing direct sunlight.

### REGENERATE

- **Biodiversity.** We have installed two hives on the roof of our London office, currently holding 20,000 bees but with capacity to grow to 120–160,000 bees. We grow pollinator-friendly plants on our London roof terrace.
- **Collaboration.** In our London office, as well as influencing our suppliers, we work with local businesses to help them to reduce their negative environmental impact and increase their regeneration of the natural environment.



## WE INTEGRATE ANALYSIS OF FORECAST CLIMATE CHANGE

We understand that the rise in temperatures analyzed and forecast by many different scientists and agencies would have widespread consequences. The consequences of this climate change may already be impacting our clients, our communities, and our world, and these impacts may escalate further.

### WE COMMIT TO

- Reduce our adverse impacts on our communities and world
- Apply circular economy principles in our operations wherever possible
- Analyze, and where possible mitigate, the potential risks arising from climate change to protect value for clients.

Barings wants to protect its clients from any emerging risks. In assessing the risks to our business of forecast climate change, as well as the opportunities from working to help mitigate this temperature rise, we try to analyze all parameters of potential impact. This should help us to protect our clients, communities and the world from adverse impacts through taking action to avoid the physical, regulatory and transition risks of climate change, as well as to capitalize on the investment potential of a future net zero carbon world. As signatories to the UN's Principles for Responsible Investing (PRI), we support the PRI's ambition to keep the global temperature increase below 1.5 degrees Celsius by the end of this century in order to prevent widespread adverse consequences.

In our investment activities, we integrate analysis of ESG topics, including climate change, across our asset classes in order to better understand the risks and opportunities associated with a changing world. We also employ active ownership practices in order to, where material and practical, guide our investments towards more responsible and sustainable behavior with regards to climate change.

Barings also believes in contributing to a sustainable future through its own operations and outputs. We seek to employ circular economy principles in our offices globally, where feasible, in our efforts to reduce the emissions and waste that contribute to climate change, and have many measures in place to try to mitigate our impact on the environment.

## WE ADVOCATE FOR OUR ENVIRONMENT

We have signed a statement to the governments of the G7 and G20 in support of the Paris Climate Agreement, urging these governments to continue to uphold the Agreement's principles aimed at combatting climate change. The Paris Agreement entered into force on November 4, 2016, and was ratified by 55 nations. The Paris Agreement's aim is to strengthen the global response to the threat of climate change by keeping global temperature rise well below 2 degrees Celsius above pre-industrial levels in this century, and to reduce cost and risk further ideally below 1.5 degrees Celsius.

We also act as advocates for our environment in our investment activities. One example comes from our Emerging Markets Debt investment team who engaged with an Indian diversified mining company, as one of the company's production facilities—a copper smelter—was closed by authorities following local community protests about its environmental impact. The company was then delisted and taken private—this meant that we had concerns about the quality of reporting and disclosure on the smelter and other issues. We requested more disclosure regarding the closed copper smelter and the remedial actions required by the local communities. We also requested that the company maintains its previous levels of transparency. Management seemed more focused on ESG in comparison to other meetings, and has so far maintained its disclosure standards; we are monitoring any slippages closely. The information flow around copper smelter has improved, as has business practice, and we will continue to push for improvements.

Another example comes from our High Yield investment team, who decided against investing in a supplier of wood pellets for biomass generators. We had doubts over the sustainability of their tree harvesting, alongside the regulatory risk of the carbon emissions of the product, and could not invest on this basis.

Additionally, our Public Equity investment team have invested in several resources companies who are benefiting greatly from the strong demand shift towards renewable fuels and power. These companies are typically world-leaders in their field, with innovative technology and distribution networks. One company increased their share of feedstock from waste and other unwanted residues to make fuel, while another company continued to push boundaries in the efficiency of their wind turbines. These businesses' innovations have helped to increase the efficiency of their products and industries; this drives demand and the increased uptake of renewables globally. Such businesses therefore help to reduce global emissions of carbon, nitrogen and sulphur oxides which has a positive impact on the environment and society.

We collaborate to advocate for our environment in our investment activities. As of 2020 we are a proud and active participant in the Climate Action 100+, an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The companies that participants engage with include 100 'systemically important emitters,' accounting for two-thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive the clean energy transition. We are currently lead investor on a collaborative engagement with a large multinational metals and mining company based in South America. We will also participate in three other collaborative engagements with resource companies.



# Anti-Corruption



**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery

We integrate consideration of Anti-Corruption into our business activities. Barings had adopted several policies and procedures related to corruption, bribery and conflicts of interest that establish the ethical behavior that Barings expects from its employees, including when executing personal securities transactions.

## POLICIES & PROCEDURES TO PREVENT CONFLICTS OF INTEREST

As an investment adviser, Barings' primary business is that of rendering investment advice for its advisory clients. To the extent that Barings becomes involved in a new line of business or offers a new product (including those related to rendering investment advice), Barings has adopted a Global Conflict of Interest policy that establishes a framework for:

- Identifying circumstances and relationships that are or could potentially be deemed a conflict of interest between a Barings entity and its investment advisory clients and/or associates.
- Assessing the impact of such potential conflicts of interest on clients.
- Ensuring policies and associated procedures are established by each Barings entity to address any potential conflicts of interest in a manner that is fair and equitable to clients and does not disadvantage a client relative to a Barings entity.
- Making the appropriate disclosure of those potential conflicts of interest to clients as required by local rules and regulations.

Each Barings entity has adopted a corporate governance structure (i.e. committees, a board of directors or similar body) which assist in the oversight of its investment management and business activities. Under this corporate governance structure each Barings entity may identify potential conflicts of interest and is responsible for the ongoing management and/or resolution of any conflicts of interest for those activities.

Barings' Compliance Department conducts various types of testing and monitoring to ensure that the outcome of operational, investment compliance and risk activities, including those related to conflicts of interest, over time are consistent with expectations and Barings' Investment Adviser Compliance Manual. These tests focus around risks or conflicts of interest specific to Barings and its fiduciary obligations to its clients. The types of testing can be summarized as follows:

- **Quality Controls:** Barings has implemented day to day controls or testing to ensure compliance with the policies and procedures, applicable regulations and/or other operational procedures that support Barings' compliance program. Many of these are found in Barings' Investment Adviser Compliance Manual.
- **Assurance Testing:** Barings conducts testing that confirms that a particular item, record, policy, procedure or process exists. Barings developed various tools detailing items, records, controls or requirements within various policies and procedures and performs assurance testing on these items to ensure that policy requirements are met and any changes to policies and procedures are working effectively and that no further revisions are warranted.

- **Forensic Testing:** Barings' also conducts testing that reviews activity over a period of time and/or across portfolios managed by Barings to identify unusual trends or patterns. This testing is also used to determine whether quality controls or assurance testing are effective, and to determine whether all conflicts of interest have been addressed and appropriately mitigated. Information related to certain areas of testing is provided to the relevant Governance Committees throughout the year.

Testing is both automated and manual depending on the area of review and the type of review being conducted.

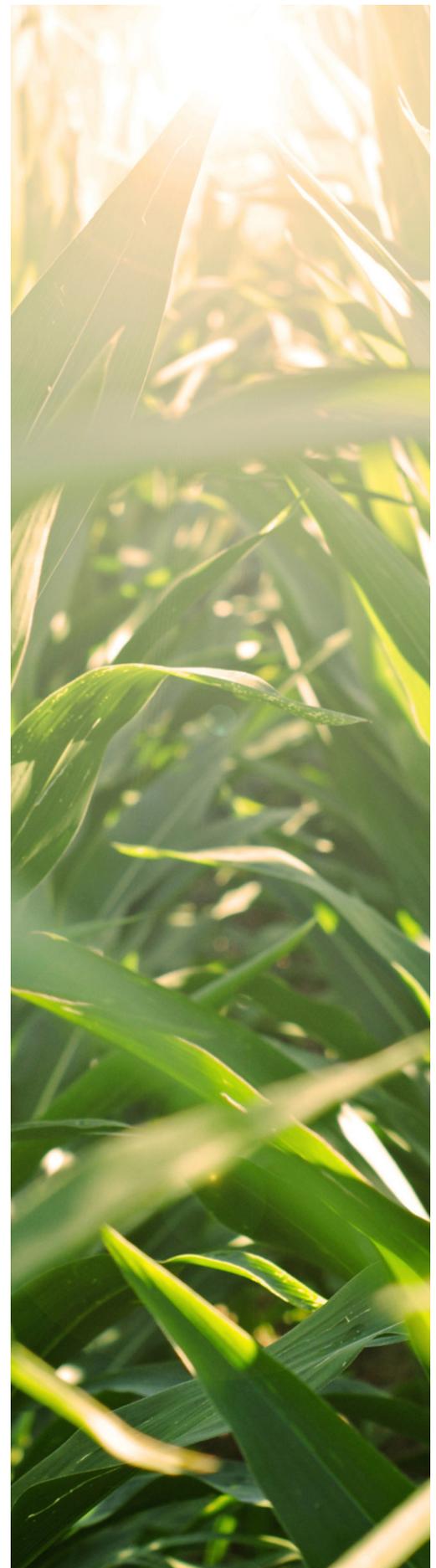
Barings discloses the various conflicts identified through the processes outlined above in its Form ADV. Additionally, Barings' Compliance Department conducts an annual conflicts review that is designed to review existing conflicts, ensure that primary and mitigating controls have been implemented to address, monitor or mitigate such conflicts and identify any new conflicts that may exist that were not previously addressed under its various policies and procedures. This review is presented to Barings' Conflicts Committee upon completion. The Conflicts Committee helps to ensure that appropriate resources or policies are identified and implemented as well as assisting the firm in setting the appropriate "tone at the top" with regard to any conflicts of interest.

## WE PROHIBIT CORRUPTION IN OUR BUSINESS & THIRD PARTIES

Barings has established a Global Anti-Bribery and Anti-Corruption Policy which generally prohibits any Barings entity, associate or third party from corruptly offering, promising, paying or authorizing the payment of, directly or indirectly, money or anything of value, including but not limited to cash, travel, gifts, entertainment, employment and directed charitable donations, in order to influence a person so that a Barings entity may obtain or retain business or gain any other improper business advantage. This includes attempts to:

- Influence any act or decision by any person;
- Induce any person to do or refrain from taking action in violation of his or her lawful duty;
- Induce any person to use his or her influence to affect or influence any act or decision.

In addition, Barings has adopted a Global Gifts, Entertainment and Hospitality Policy which sets forth the standards Barings has adopted for giving or receiving gifts, favors, presents, gratuities or hospitalities to or from another person or firm, with whom Barings has an existing business relationship or is seeking to establish a business relationship. This policy addresses potential conflicts of interest, actual or apparent, that may arise when giving or receiving gifts, entertainment and hospitality and provides guidelines to help Barings associates conduct business ethically and in compliance with applicable laws, rules and regulations. This policy provides guidance on acceptable gifts, entertainment and hospitalities (include any relevant monetary limits) and outlines when pre-approval is required by the Compliance Department.



## OUR PROCEDURES ADDRESS INSIDER TRADING

Barings has implemented insider trading and firewall policies and procedures. The purpose of the Insider Trading and Firewall Policy is to:

- Establish policies and procedures that are reasonably designed to detect and prevent insider trading.
- Establish effective information barriers (firewall/s) to prevent unauthorized access to or flow of inside information between and among different investment groups that operate within Barings. The firewalls also exist to ensure, to the extent practicable, that the voting and investment powers over securities held or managed by Barings on behalf of itself and its advisory clients are exercised independently from Barings' parent company, MassMutual and their respective subsidiaries and affiliates.

Barings currently maintains several restricted lists to administer and monitor activity under its policy including restricted lists applicable to various investment groups, a firm restricted list which applies to all individuals and investment groups and other restricted lists Barings deems appropriate. Each investment group is responsible for ensuring that appropriate procedures are adopted so that the names of all required issuers are timely communicated to the Compliance Department and added to or removed from the applicable restricted list.

The policy prohibits Barings associates from communicating inside information or the content of any restricted list to persons outside of the associates investment group who do not have a clear need to know (except as otherwise permitted by the policy). Additionally, any associate having inside information as the result of a fiduciary relationship he or she might have by reason of a position they hold at Barings or as an officer or director of another corporation or entity, is prohibited from disclosing such inside information to anyone, except as otherwise permitted by the policy or without prior consent from the Compliance Department.

The policy also covers capital structure conflicts. A capital structure conflict can occur where clients of Barings are holding differing interests in the capital structure of the same company. Under the policy, if a company becomes "distressed", a member of the investment team covering the credit must make a determination of coverage assignment after discussions with the Legal and Compliance Department in an effort to ensure that the interests of all Barings clients are appropriately represented. When a distressed determination is made, the following applies:

- Any company determined to be distressed is added to the relevant investment teams' Restricted List.
- All direct written and verbal communications related to the company between investment teams is prohibited. Any interactions between the teams relating to the company must be conducted through the senior loan agent, transaction sponsor, operating company and/or legal counsel (either internal or external, as appropriate) (noting that in situations where an investment team is the sole senior lender or acting as the senior loan agent, interactions between investment teams are only permitted in the presence of a member of the Legal Department and with the prior approval from the Compliance Department).

All Barings management and supervisory personnel are responsible for the reasonable supervision of their staff to prevent and detect violations of the insider trading and Firewall Policies and Procedures. Supervisors are responsible for ensuring associates and/or consultants joining their departments are reported to the Barings Compliance Department and are adequately trained with respect to the requirements under the Insider Trading and Firewall Policy.

The Compliance Department is responsible for ensuring that issuers on a restricted list are restricted in the various Barings trading systems as appropriate to prevent or limit client or personal trading activity. The Compliance Department also conducts back end testing and reviews reports periodically to identify transactions made by investment groups or individuals that are inconsistent with this Policy. Any exceptions noted will be handled by the Compliance Department and, if needed, brought to the attention of Barings' General Counsel or designee.

All Barings associates are responsible for immediately reporting any breach or potential breach of the Policy to the Compliance Department. In addition, all employees certify annually that they have complied with the firm's Insider Trading and Firewall Policies and Procedures.

## BARINGS' CODES OF ETHICS & CONDUCT TARGETS CORRUPTION

Barings has adopted a written Global Code of Ethics that applies to all employees. Barings employees are permitted to buy, sell or hold securities for their personal and household accounts subject to the restrictions set forth in the code<sup>1</sup>. Among other things, the code restrictions are designed to avoid apparent and actual conflicts of interest with clients and inadvertent violations of the securities laws as they relate to personal trading. Under the code, employees carrying out personal securities transactions must generally ensure that they are not (i) benefiting from their personal investments at the expense of any Barings client or (ii) taking advantage of or "trading on" knowledge of the market impact of client transactions. Barings has implemented policies and procedures which it believes are reasonably designed to prevent or detect violations of its Code. Barings has implemented an automated system called Personal Trading Assistant (PTA) which employees are required to use to pre-clear their personal securities transactions. PTA is programmed to apply the various restrictions of the code to the different categories of employees as appropriate and that enables Compliance to run various reports to perform the oversight and monitoring functions necessary to ensure that Barings employees' personal securities transactions comply with the applicable requirements of the code.

Among the activities covered by the Code of Conduct is that of outside employment, family and personal relationships, directorships and other activities that do not specifically relate to an associates position at Barings. Generally, such activities must be reported to Human Resources and Compliance Departments to ensure that any conflicts of interest are appropriately addressed.

## WE ADVOCATE AGAINST CORRUPTION THROUGH OUR INVESTMENTS

One example of this advocacy against corruption comes from our High Yield investment team, who declined to invest in a North American business due partly to their exposure to high-risk geopolitical areas with limited measures to combat bribery. Our High Yield team also engaged with a higher education company during their due diligence process, because several of this issuer's schools were stripped of key licenses due to concerns about the quality of education provided and tenuous visa issuance. Worrying inconsistencies in communications with management were uncovered during this engagement. Due to this, the deal was declined. A second example stems from our Public Equity team, who decided against investing in a U.K.-listed diversified mining company due to concerns about their governance of corruption. We felt that there had been a slow deterioration of their management's interaction with shareholders, and there were increasing concerns around the management of its operational base. We saw this manifest in an irregularity in the reporting of accounts at an African-based subsidiary, as well as ongoing investigations from the U.S.' Department of Justice and the U.K.'s Serious Fraud Office into payments made to operations in Africa. These concerns meant that we declined to invest, as the risks of the governance and corruption concerns manifesting in poor performance were simply too high.

A third example of our investment teams' stance against corruption comes from our Global Private Finance investment team, where we declined an opportunity to invest in a private contractor. The contractor allegedly worked closely with some governments that had a negative track record with regards to corruption. We declined the opportunity given the company's potentially questionable stance on corruption.

*1. Includes the requirements of Section 206 and Rule 204A-1 of the Investment Advisers Act of 1940, Rule 17j-1 of the Investment Company Act of 1940 and many of the recommendations of the ICI's Blue Ribbon Panel on Personal Investing.*

*Barings is a \$338+ billion\* global financial services firm dedicated to meeting the evolving investment and capital needs of our clients and customers. Through active asset management and direct origination, we provide innovative solutions and access to differentiated opportunities across public and private capital markets. A subsidiary of MassMutual, Barings maintains a strong global presence with business and investment professionals located across North America, Europe and Asia Pacific.*

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*\*As of December 31, 2019*

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