

Summary of Remuneration Practices in respect of European regulatory requirements (MIFID (IFPR); AIFMD; and UCITS)

Key Points

This document is designed to summarise the key European regulations applicable to the relevant Barings entities as follows:

- **MIFID** requirements (implemented in the UK as IFPR) directly applicable to BAML, BIIL and BUK
- **AIFMD/UCITS** requirements (directly applicable to BFM and BIFMI)
- **AIFMD** requirements, indirectly applicable to BLLC as a delegate of BIFMI (AIFMD Remuneration requirements do not apply at present to Non-EU AIFMs).
- Where remuneration requirements are directly applicable, the relevant Barings entity has a separate policy in place.
- Policies are ultimately approved by the relevant board of each entity with an initial review by the Remuneration Panel where there are delegations from specific boards.

Definitions are noted in Appendix 1.

1. Introduction

Barings is an organisation that operates globally through a number of legal entities to which certain European remuneration-related rules apply (those contained in or made under the Markets in Financial Instrument Directive (MiFID), the Alternative Investment Fund Managers Directive (AIFMD); the Undertakings for Collective Investment in Transferable Securities Directive (UCITS); and implementing regulatory rules in the United Kingdom and in Ireland). UK MiFID Investment Firms are subject to the remuneration requirements contained in the FCA's Investment Firms Prudential Regime (IFPR).

No.	Firm Name(s)	Description
1	BAML BIIL BUK	This is a remuneration consolidation group under BEL to which the MiFID (implemented as IFPR in the UK) apply. BEL has a remuneration policy in place which is reviewed annually.
2	BFM	AIFMD and UCITS requirements apply as implemented by the FCA in its SYSC rules. There is a separate policy in place which follows the BEL policy in that remuneration structures (e.g. LTI and STI for the firm are the same across the board), specific AIFMD and UCITS requirements are referenced within the policy which follow the BEL group approach. The policy applies to 'Code Staff' and is approved by the BFM Board annually.
3	BIFMI	AIFMD and UCITS requirements apply as implemented by the Central Bank of Ireland (CB). There is a separate policy in place which follows the BEL policy in that remuneration structures (e.g. LTI and STI for the firm are the same across the board), specific AIFMD and UCITS requirements are referenced within the policy which follow the BEL group approach. The policy applies to 'Code Staff' and is approved by the BIFMI Board annually. Whilst BIFMI has MIFID top up permissions, the CB has not applied the requirements of the IFD/R (including remuneration) to such companies.
4	BLLC	The AIFMD remuneration rules do not apply to non-EU AIFMs at present, as a result a separate policy is not required.

		However, as BIFMI delegates portfolio management to BLLC, BIFMI is required to apply certain AIFMD remuneration provisions to BLLC to ensure that it has 'equivalent' practices in place.
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2. Organisational Structure and Governance

(a) Background

Each entity listed in sections 1, 2 and 3 of the table is a subsidiary of BEL. BEL is a UK based holding company.

BEL is a subsidiary of BLLC which is a wholly owned subsidiary of Massachusetts Mutual Life Insurance Company (MassMutual).

When setting its remuneration policy generally and before setting total variable remuneration for its employees and determining the amount of any dividend that is proposed to be paid to its parent undertaking in respect of any particular year, the capital base of each of the entities is considered by the appropriate boards (i.e. BEL, BFM and BIFMI).

(b) Proportionality

Under the MIFIDPRU¹, AIFMD and UCITS remuneration codes, each of the entities listed in sections 1-3 of the table have implemented proportionality approaches.

For the entities listed in section 1 of the table this means that the extended remuneration requirements do not apply, and for those entities listed in sections 2 and 3 of the table the payout process rules are disapplied.

Following the proportionality approaches, it has been deemed appropriate and proportionate for all entities to disapply the requirement to appoint a separate remuneration committee. The entities rely on the established governance framework in place whereby BEL delegates aspects of remuneration to the Remuneration Panel.

BLLC more generally follows the same remuneration approach that Barings has in place as a group. Its requirements in relation to European Regulations are as a delegate of BIFMI. BIFMI delegates portfolio management to both BAML and BLLC and is satisfied that BAML and BLLC have appropriate equivalent arrangements in place as appropriate where required.

(c) The Remuneration Panel

The operation of the Remuneration Panel has been determined by reference to the AIFM and UCITS Proportionality Principles and the MIFIDPRU Proportionality Approach.

The Remuneration Panel is responsible for the execution of the Annual Compensation Review.

The Remuneration Panel reviews and approves annual promotions and compensation awards. It exercises oversight over and coordinates any material changes that may be proposed to Barings' compensation structures.

For the avoidance of doubt, the Remuneration Panel is not a formal committee of the boards.

(d) The Barings LLC Human Resources Committee

The Committee amongst other items reviews and approves the overall proposal for compensation awards relating to certain senior employees of Barings LLC and its subsidiaries who fall within specific criteria

¹ MIFIDPRU is the title of the FCA rulebook where the IFPR rules are located.

3. Remuneration Policy Framework

The purpose of each firm's remuneration policy (where they are required to have a policy under European requirements) is to seek to ensure that the remuneration arrangements of the firm and the arrangements it has in place for its identified staff, namely, Material Risk Takers and Code Staff

- i. are consistent with and promote sound and effective risk management; and do not encourage risk-taking which is inconsistent with the risk profile, rules or instruments of incorporation of the firm or any fund/portfolio which the firm is the manager of;
- ii. are consistent with the firm's business strategy, objectives, values and interests and include measures to avoid conflicts of interest; and
- iii. do not impair the firm's compliance with its duty to act in the best interests of clients/funds

4. Applicable Remuneration

The principles set out in each firm's policy apply to fixed and variable remuneration of any type paid by each firm including carried interest (if applicable), discretionary pension benefits and to any transfer of units or shares of the firm or any fund.

Remuneration disclosures are publicised as appropriate in accordance with the applicable regulations noted in the table above.

5. Identified Staff

Each firm is responsible for determining the categories of staff whose professional activities have a material impact on the risk profile of the firm or any of the funds they manage. Each firm is also responsible for complying with the requirements which aim to manage the risks their activities entail ('Identified Staff').

The term "Identified Staff" includes those who are categorised as Material Risk Takers (MRTs) as described within the MIFIDPRU and IFPR requirements and those who are categorised as Code Staff as described within the AIFMD and UCITS Remuneration Codes.

Broadly MRTs and/or Code Staff include (but are not limited to) the following categories of staff:

- i. Senior management
- ii. Board Members
- iii. Control functions
- iv. Risk takers
- v. Employees in the same remuneration bracket, whose professional activities have a material impact on risk profile of the firm or of the funds it manages (AIFMD/UCITS firms only)
- vi. Those with the authority to take decisions approving or vetoing the introduction of new products (MiFID firms only).

6. Identification of Material Risk Takers and Code Staff

Each Remuneration Code has requirements to identify individuals who fall into the following categories:

- MIFIDPRU Remuneration Code – MRTs
- AIFM/ UCITS Remuneration Codes – Code Staff.

Under the MIFIDPRU Code, BEL is responsible for identifying MRT staff members who have a material impact on:

- the risk profile of the FCA investment firm consolidation group (comprising the entities listed in section 1 of the table) as a whole; or
- the risk profile of, or assets managed by, any other entity in the group on an individual basis.

MRTs are identified annually (and as appropriate in respect of new joiners/role changes). Each MRT is notified of their classification and the implications of their status. The Human Resources Department (the "HR Department") is responsible for arranging for this notification to be given and for maintaining the firm's records regarding its MRTs and shall be assisted by the Legal and the Compliance Departments in this regard. Records of MRTs are maintained in the form of a register. Under the AIFMD and UCITS remuneration requirements BIFMI, BFM and as a delegate of BIFMI, BLLC are responsible for identifying Code Staff. Code staff are broadly those categories of staff whose professional activities have a material impact

on the risk profile(s) of the firms and the funds managed. These individuals are notified of their categorisation by the HR Department and shall be assisted by the Legal and the Compliance Departments in this regard. Records of Code Staff are in the form of a table that is either included in the remuneration policy (e.g. for BFM and BIFMI) or maintained as a separate table (e.g. for BLLC).

7. Risk Management and Conflicts of Interest

Each firm's remuneration policy is designed to be consistent with and promote sound and effective risk management and in particular:

- ensure that risk-taking by staff in the course of their business does not exceed the level of risk tolerated by the Barings entities listed in the table above;
- contain measures to avoid conflicts of interest;
- encourage responsible business conduct; and
- promote risk awareness and prudent risk tasking.

The general approach to conflicts of interest is set out in the Global Conflicts of Interest Policy.

The Risk Management function is functionally and hierarchically separate from the operating units, including the portfolio management teams. The remuneration of the members of the Risk and Compliance functions is determined in a manner which is designed to ensure the independence of their respective judgments in performing their duties is not compromised or impaired and, importantly, is not directly linked to the performance of any particular portfolio management teams.

The remuneration of the senior officers in the Risk and Compliance functions is directly overseen by the Remuneration Panel.

As part of the annual compensation awards and promotions process, the Remuneration Panel will consider any relevant information received in respect of risk or compliance behaviour (e.g. complaints, conduct breaches etc.).

Variable remuneration is not paid to any board members who do not perform an executive function.

8. Preventing Avoidance of the Codes

The entities will not pay variable remuneration through vehicles or methods that have the effect of avoiding the provisions of the relevant remuneration code that are binding on it or its staff (or enter into arrangements with third parties to facilitate the same). Employees shall not use personal hedging strategies or take out remuneration or liability related insurance contracts to undermine the risk alignment mechanisms forming part of the entities' remuneration structures. MRTs and Code Staff are informed of this requirement in their notification letters. Any staff member proposing to implement any arrangement that might be expected to have such an effect (whether directly or indirectly) must discuss it with a member of the Legal or Compliance functions and obtain written confirmation that it does not violate this policy before implementing it.

9. Sustainability Risk (applicable to BIFMI only)

The Sustainable Finance Disclosure Regulation ("SFDR") requires firms that are classified as a financial market participant ("FMP") to include information on the management of sustainability risks within their remuneration policy. Noting that BIFMI is an FMP, BIFMI delegates portfolio management, and therefore relies on its Affiliates to implement processes that require them to consider the management of sustainability risks.

Each firm is subject to the Barings' global Sustainability Policy: the policy describes how investment teams integrate ESG into their investment process and consider sustainability risk as part of their investment decision making.

BIFMI's Remuneration Code Staffs compensation is consistent with the integration of sustainability risk and is satisfied that BIFMI's Affiliates have' compensation structures that are consistent with the integration of sustainability risk

10. Remuneration Structures

The remuneration structures in place within Barings are designed to support and further the firm's business strategy, objectives, values and long-term interests. Compensation packages aim to facilitate the retention of existing employees and attract high calibre new employees in order to achieve the best results for the entities and their clients. They are also designed to ensure sound and effective risk management consistent with the risk profile of the entities and funds/portfolios they manage.

Remuneration arrangements for employees of the entities currently comprise some or all of the following components:

- (a) fixed salary (fixed remuneration);
- (b) benefits – e.g. private medical insurance cover, life assurance cover, personal accident insurance cover, pensions etc. (fixed remuneration);
- (b) awards under the short-term incentive scheme (“**STI**”) (variable remuneration);
- (c) awards under the long-term incentive scheme (“**LTI**”) (variable remuneration); and/or
- (d) share of carried interest in certain funds (“**Carried Interest**”) variable remuneration.

Each of the entities ensure that:

- the fixed and variable components of total remuneration are appropriately balanced; and
- the fixed component represents a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration, including the possibility of paying no variable remuneration component.

In addition, for those entities listed in section 1 of the table, an appropriate ratio between the variable and fixed components of total remuneration for their MRTs. This is documented internally and confidentially, pursuant to the FCA's confirmation that firms will not be required to disclose the ratios they set.

Guaranteed Variable Remuneration

The general policy of Barings is not to offer any form of guaranteed minimum variable remuneration to its staff. The principal exception to this is in the context of the hiring of a new employee. In such circumstances, it may be justifiable to provide a guarantee limited to the first year of that new employee's service. Any proposed offer of guaranteed minimum variable remuneration must be submitted to the Remuneration Panel for its consideration and approval, prior to any offer being made. Any such arrangement will be approved only after consideration of the business rationale and the relevant rules and guidance on guaranteed bonuses.

Severance pay

Severance pay (other than for contractually mandated notice periods) for MRTs and Code Staff will only be made at the absolute discretion of the Remuneration Panel who will seek any additional approvals required as reflected in its Remuneration Panel Charter document.

Appendix 1 – Glossary

AIFMD	Alternative Investment Fund Managers Directive
BAML	Baring Asset Management Limited
BEL	Barings Europe Limited
BFM	Baring Fund Managers Limited
BIFMI	Baring International Fund Managers (Ireland) Limited
BIIL	Baring International Investment Limited
BLLC	Barings LLC
BUK	Barings (U.K) Limited
IFD/R	Investment Firms Directive/ Regulation
IFPR	Investment Firms Prudential Regime
MiFID	Markets in Financial Instruments Directive
MIFIDPRU	MiFID prudential rules as implemented by the FCA in its MiFIDPRU sourcebook
UCITS	Undertakings for the Collective Investment in Transferable Securities

For further information please contact BCAP_ComplianceEurope@barings.com