2023 LOOMIS SAYLES

UK Stewardship Code Report

Committed to Being an Effective Steward of Our Clients' Capital

This 2023 report has been submitted to the Financial Reporting Council for annual review.

KEVIN P. CHARLESTON

CHAIRMAN & CEO

Introduction from the Chief Executive Officer

Loomis Sayles welcomes the high stewardship standards set by the UK Stewardship Code and is committed to being an effective steward of our clients' capital.

We have long recognised the importance of responsible allocation, management and oversight of investment capital to create long-term value for our clients. We see effective stewardship as key to achieving our goal of delivering superior long-term risk-adjusted returns for our clients.

Throughout this report, we seek to describe and demonstrate how we have continued to apply the Code's 12 Principles in a manner that is aligned with our business model and strategy. The way in which we discharge our stewardship responsibilities is underpinned by our strategy and culture.

We manage a number of different investment strategies for our global clients across various asset classes. Our investment teams are empowered with a range of data, training, research, and other tools and resources to enable effective stewardship in accordance with their own investment philosophy. This approach is supported by a robust governance structure that is committed to providing the strategic direction, resources, risk management and oversight necessary to support our stewardship activities.

We are pleased to have been a signatory to the Code for the past 10 years, and welcome the opportunity it provides to assess our firm-wide stewardship efforts, demonstrate past achievements and reflect on our experiences. This is firmly aligned with Loomis Sayles' commitment to continually assess and advance our approach to stewardship in order to meet our clients' investment needs.

Sincerely,

TABLE OF CONTENTS

PRINCIPLE ONE
PURPOSE, STRATEGY & CULTURE

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Everything we do at Loomis Sayles is borne out of our mission to be a trusted fiduciary partner to our clients, helping them achieve their financial objectives through disciplined investment processes that result in superior long-term performance and exceptional investment solutions.

We strive to be one of the world's premier active managers and believe our distinct culture, which prioritises respect, collaboration and client-centricity, will continue to be the driving force of meeting that objective. We firmly believe in fostering a work environment that is inclusive, supportive and places the needs of our clients at the core of all our actions.

WHAT WE DO

Since 1926, Loomis Sayles has helped fulfil the investment needs of institutional and retail clients worldwide.

Our performance-driven investors integrate deep proprietary research and risk analysis to make informed, judicious decisions. Using foresight and flexibility, our investment teams look far and wide for value — across traditional asset classes and alternative investments — to pursue attractive, risk-adjusted returns for clients.

To deliver on our goals and responsibilities, we focus on three key areas that shape our corporate, investment and individual conduct:

1. OUR FOUNDATIONS FOR INVESTMENT EXCELLENCE AND THE RESPONSIBLE STEWARDSHIP OF CLIENT ASSETS
2. OUR VALUES, OUR CULTURE AND OUR WORKING ENVIRONMENT
3. OUR IMPACT IN OUR COMMUNITY

OUR FOUNDATIONS FOR INVESTMENT EXCELLENCE AND RESPONSIBLE STEWARDSHIP OF CLIENT ASSETS

Delivering sustainable performance demands the ability to understand and synthesise a wealth of global analytical inputs, then act on them with confidence to make informed investment decisions.

Six pillars underpin all of our investment strategies, which we believe provide the foundations of success in delivering superior long-term risk-adjusted returns.

A SOUND PHILOSOPHY.

Every Loomis Sayles strategy starts with a solid foundation or "alpha thesis." This alpha thesis seeks to identify market inefficiencies and the investment process necessary to exploit them.

INCORPORATED ESG FACTORS.

Our investment teams each use a tailored approach to incorporate ESG factors and engage with issuers and companies to meet our clients' objectives. We do not view ESG as an overlay to our investment processes. We view it as an integral component throughout. We describe the integration of ESG factors in our research and investment processes in Principle 7.

PROPRIETARY RESEARCH.

In this information age, being well informed is no longer a competitive advantage. High-conviction, prudent risk taking requires deep insights that can only be generated through proprietary research. Tailored research, distinct to each alpha thesis, is an inextricable part of the investment process.

A RIGOROUS, REPEATABLE PROCESS.

Investment processes must take an exacting, consistent approach to idea generation, portfolio construction, reward-to-risk assessment and decision making in any market environment. But discipline should never mean dogma; each team continually evaluates and refines its investment process in line with the core tenets of their strategy.

INTEGRATED RISK MANAGEMENT.

Risk management is central to alpha generation, not ancillary. Our integrated risk management capabilities are customised to each investment strategy—an approach we believe optimises each team's ability to identify, analyse and utilise risk. We describe our approach to risk management in Principle 4.

DISCIPLINED PORTFOLIO CONSTRUCTION.

Though our strategies have different return patterns and time horizons, they all seek strong risk-adjusted returns. Disciplined portfolio construction requires constant assessment of reward-to-risk at the security and portfolio levels. Investment teams look for asymmetric reward-to-risk opportunities and minimise exposure when information is lacking or insufficient.

LOOMIS SAYLES INVESTMENT PLATFORMS

FIXED INCOME

ALPHA STRATEGIES	DISCIPLINED ALPHA	EMERGING MARKET DEBT	EURO CREDIT	FULL DISCRETION	GLOBAL	MORTGAGE & STRUCTURED FINANCE	MUNICIPAL	PRIVATE CREDIT‡	RELATIVE RETURN
Credit Asset	Core	Corporate	Euro Investment Grade Credit	Core Plus Full Discretion	Global Bond	Agency MBS	Short	Investment Grade Private Credit	Short Duration
Emerging Market Debt Blended	Intermediate	Local Currency	Sustainable Euro Investment Grade Credit	Multisector Full Discretion	Global Credit	Core Securitized	Intermediate	Opportunistic Private Credit	Interm. Duration
World Credit Asset	Corporate	Short Duration	Euro High Yield Credit	Multisector Credit	Global Debt Unconstrained	IG Securitized Credit (ERISA)	Medium		Core
Multi-Asset Income	Intermediate Credit	Asia Credit		Strategic Alpha	Global Disciplined Alpha*	Opportunistic Securitized Credit	Crossover†		Core Plus
Inflation Protected (TIPS)	Long Corporate			Flexible Income	International Bond	Dedicated CLOs			IG Corporate & Credit
Systematic Investing Strategies	Long Gov't Corp			High Yield Full Discretion					IG Interm. Corporate & Credit
	Long Credit			High Yield Conservative					Long Corporate
	Global Disciplined Alpha*			US High Yield					Long Credit
				Global High Yield Full Discretion					Long Gov't/Credit
				Global High Yield					US Active Treasury
				Senior Loan					
				Senior Floating Rate & Fixed Income					

EQUITY

GROWTH EQUITY STRATEGIES	GLOBAL EMERGING MARKETS EQUITY	GLOBAL EQUITY OPPORTUNITIES	SPECIALTY GROWTH STRATEGIES	SMALL CAP VALUE
All Cap Growth	Global Emerging Markets Equity	Global Allocation	Small Cap Growth	Small Cap Value
Global Growth	Global Emerging Markets Equity Long/Short***	Global Equity Opportunities	Small/Mid Cap Growth	Small/Mid Cap Core
International Growth			Mid Cap Growth	
Large Cap Growth				
Long/Short Growth Equity				

As of 31 December 2023.
** Co-managed investment strategy*
*** Assets include seed money from our parent company.*
† Accounts may be co-managed along with other teams as appropriate. ‡ The Private Fixed Income team joined the firm in January 2023.

The launch of Loomis Sayles (Netherlands) B.V. during the reporting period, as described in Principle 6, has expanded our investment platforms available to now include our Euro Credit team and its suite of strategies.

OUR VALUES, OUR CULTURE AND OUR WORKING ENVIRONMENT

We firmly believe in fostering a work environment that is inclusive, supportive and places the needs of our clients at the core of all our actions.

We believe a working culture that prioritises respect, collaboration and client-centricity is a key factor in delivering investment success for our clients as well as providing an enriching working environment for our people.

DEFINING OUR VALUES

The Loomis Sayles IDEALS represent the core characteristics of who we aspire to be as employees, colleagues and trustworthy partners to our clients and global stakeholders. We draw upon them in service of our mission and goals.

i

Inclusive & Diverse.

We value the lived experiences and alternative viewpoints of all colleagues. An inclusive and equitable workplace that reflects the diverse communities in which we work and live fosters innovation, creative thinking and best-in-industry solutions that help us exceed client expectations.

d

Dedicated to Teamwork.

We believe respect, partnership and collaboration across teams and departments makes us better. We support and share success with our teammates and colleagues. We aim to inspire the people around us to be their best.

e

Excellent.

We hold ourselves to the highest standards, both individually and for the sake of our clients. Every employee brings unique expertise and skills to our organisation. Our collective success is dependent on the development and retention of our talented individuals and we respect and honour their contributions to our shared purpose.

a

Accountable.

We honour the commitments we make to our clients, teammates, colleagues and selves. We do not make excuses but instead take responsibility for our actions. We are honest, transparent and are always seeking opportunities to be better.

l

Leaders.

We help ourselves and our colleagues by modelling behaviour that inspires the people around us, including respect, humility, gratitude, empathy and encouragement.

s

Solutions-Oriented.

We are critical thinkers and passionate problem solvers. We assess issues and identify opportunities to deliver innovative solutions to our clients and colleagues.

PROGRESS IN 2023: UPDATES FROM OUR CULTURE STEERING COMMITTEE & IDEALS SUBCOMMITTEES

The four IDEALS subcommittees established in late 2022 launched several new initiatives in 2023. Some highlights include:

IDEALS Week

The week of 24 April 2023 marked the inaugural IDEALS week celebration for all Loomis Sayles employees. Each day included a variety of events and communications aimed at energizing employees to be proactive in incorporating IDEALS into their daily lives. IDEALS will be celebrated firm-wide on an annual basis.

Dan Fuss' 90th Birthday Celebration

Long-time manager and culture carrier, Dan Fuss, celebrated his 90th birthday in September 2023. In recognition of the way Dan embodies the firm's deep commitment to clients, our CEO Kevin Charleston and the IDEALS committees hosted employees across the firm to share reflections on their work with Dan and how he has helped shape life at Loomis Sayles. Over cake and ice cream, Dan spoke about his career, the evolution of the industry over his incredible tenure and how being a trusted partner to our clients is the most important thing we can do.

Tips for integration of IDEALS into year-end reviews

The Visibility & Engagement subcommittee partnered with the Human Resource team to draft IDEALS-related questions to be used by employees in the 2023 year-end review process. Additionally, questions around the IDEALS are also being integrated into the recruitment process.

High Five

In April, the IDEALS Awards & Recognition subcommittee launched an appreciation and recognition app that employees can use to send a colleague a High Five for demonstrating one of the IDEALS. More than 1,000 High Fives were given from April to December.

The IDEALS Newsletter

The IDEALS Communications subcommittee launched a quarterly publication that focuses on IDEALS initiatives, upcoming events and ways employees can get involved. It also features examples of employees from across the firm who have demonstrated the IDEALS over the quarter.

DIVERSITY, EQUITY AND INCLUSION (DEI)

MARQUES BENTON

CHIEF DIVERSITY, EQUITY & INCLUSION OFFICER

At Loomis Sayles, we believe in a workplace culture that acknowledges, supports and invests in the diversity of all its members. This is critical to fulfil the investment needs of our clients worldwide, manage the complexity of our dynamic and global business, and build a community where all employees have an equal opportunity to expand on their potential. We define diversity as spanning all dimensions of identity, including but not limited to race, ethnicity, nationality, gender identity and expression, physical and mental ability, military status, sexual identity and orientation, marital status, religion, socioeconomic background, and age.

We recognise the path toward diversity, equity and inclusion of all persons across all levels of our organisation, and in the financial services industry, will be an ongoing and extensive process. Despite these challenges, we are committed to fostering an environment where all employees are represented, respected and valued.

Marques Benton joined our firm in the newly created role of Chief Diversity, Equity and Inclusion (DEI) Officer in 2021, reporting to the CEO and Head of Human Resources. Marques is responsible for putting our DEI plan into action. In collaboration with senior management, he is focusing on attracting, developing and retaining diverse talent and engaging with all staff to foster a culture of inclusion.

> “
> **We believe inclusion, collaboration, and camaraderie have a direct impact on how well employees and teams` function at the firm.**

Our four multi-year DEI priorities include:

1. Governance and alignment
2. Representation, retention and recruitment
3. Communications and culture
4. Courageous and career conversations

Going forward, Loomis Sayles initiatives will continue to fall into four strategic focus areas:

1. Workforce and management engagement
2. Workplace and staff engagement
3. Marketplace and business leader engagement
4. Community and partnership engagement

We have a DEI strategic framework and focus areas, a DEI committee, a governance model, customised firm-wide diversity training/education, active employee resource groups and industry engagement. Our internship and mentorship programmes also prioritise career development for candidates who are underrepresented in the investment management industry. For example, our Undergraduate Summer Internship Development (USID) programme focuses on first-generation college students. Referenced in more detail later in this principle, the programme provides a diverse talent pipeline for Loomis Sayles, resulting in 26 full time first-generation employees since it began in 2015. Additionally, the firm's Undergraduate Women's Investment Network (UWIN) internship and mentorship programme has introduced hundreds of undergraduates to the investment industry. Since the programme's inception in 2015, over 100 participants have started their careers in financial services and Loomis Sayles has hired 13 UWIN participants into full-time positions. The ADP program is a two-year program that provides rotations within various areas of the organisation.

In late 2022, we hired Susana Rojas into the newly created role of Head of Talent Acquisition. Susana leads the global talent acquisition function and helps the firm hire top talent while promoting diverse hiring practices. In 2023 Susana established new hiring practices that include a structured interview process which also includes panel interviews in some cases. This approach ensures a consistent and equitable hiring process and the team also aims to have a diverse slate of candidates at all levels throughout the recruitment process. The Talent Acquisition team utilizes a multi-pronged approach to the recruitment process and the team maintains and nurtures a number of relationships with external diversity partners/agencies, staffing firms as well as colleges and universities to support the hiring strategy. Additionally, the firm also has a steady stream of temporary workers who often are hired full time as business needs arise. Loomis Sayles also places an emphasis on internal mobility and promoting internal employees into open roles when possible.

SUSANA ROJAS

GLOBAL HEAD TALENT ACQUISITION

In 2023, DEI and HR launched a new Emerging Leaders Program (ELP) designed to address a dearth of ethnic diversity in the manager ranks. The ELP exposed 18 high performing and high potential midcareers professionals, and their respective managers, to an eight-month career and leadership development program. The goal of the ELP program is to accelerate this cohort's pace of advancement and enhance the firm's ability to retain high-potential talent overtime. It is also worth noting, that the mid-level manager tier is an important feeder and pathway to the firm's senior leadership ranks.

EMPLOYEE RESOURCE GROUPS (ERGS)

The firm has established employee resource groups such as:

- Women@Work (an ERG for women employees and their allies)
- MOSAIC (a multi-cultural ERG)
- LS Pride (an ERG for the LGBTQ+ community and their allies)
- VALOR (an ERG for veterans, family and friends of veterans)
- Green Council (an environmental affinity group)

These networks are comprised of employees of every level of the organisation who represent members and allies of specific underrepresented communities within the financial services industry. Senior leaders including Board members serve as executive sponsors and advisors to many of the ERGs.

A STRATEGIC APPROACH TO COMMUNITY INVESTMENT

MELISSA PARTRIDGE

DIRECTOR OF COMMUNITY INVESTMENTS

The community investments team adopts a data-led approach, treating their initiatives as a portfolio with the aim to diversify and establish long-term, multi-year commitments to maximise their effectiveness.

1. Employee-led

We seek to involve the broader employee base in philanthropy, fostering a culture of corporate responsibility and enabling them to contribute positively, beyond a dedicated team's efforts.

2. Material impact

We target opportunities for significant, lasting community benefits, focusing on strategic philanthropic investments.

3. Relationship-driven

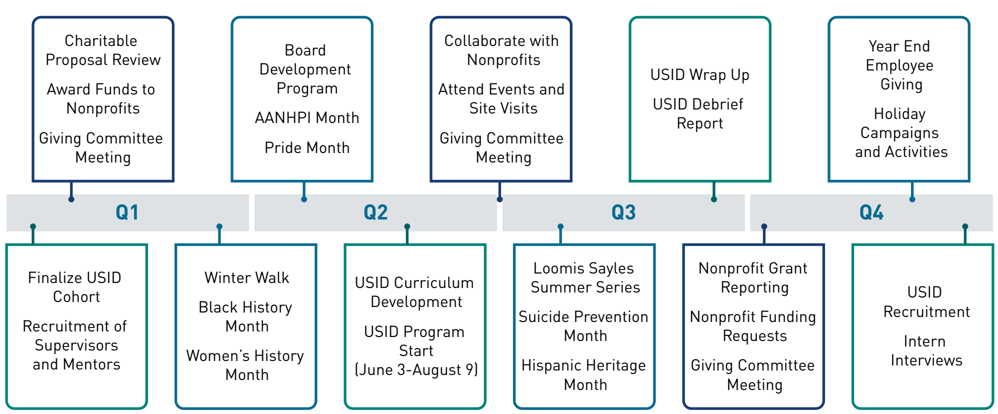
We adopt a trust-based philanthropy model, prioritising building relationships with non-profit organisations and community partners focused on collaboration and shared values.

4. Targeted approach

Our method for sizing donations is tailored and discerning, based on the distinctiveness, needs and characteristics of each non-profit partner.

At Loomis Sayles, community investment is a structured, year-round priority that is woven into the fabric of our corporate culture. We believe in regular, purposeful community support, from celebrations like the Winter Walk and volunteering within local schools in Boston, London and Utrecht, alongside initiatives such as the Board Development programme and Undergraduate Summer Internship Development programme.

ANNUAL PHILANTHROPY AND COMMUNITY INVESTMENT WORKFLOW



Beyond our commitments in the US, our activities have a broad international reach, with key initiatives spanning London, Singapore and Utrecht. Aligned with our trust-based approach and goal for meaningful philanthropy, we grant our global offices the autonomy to directly address the distinctive needs and giving landscapes of their regions.

2023 UPDATES - MULTI-YEAR COMMUNITY PARTNERSHIP EXAMPLES

Collaboration with Franciscan Children's Hospital

A prime example of our enduring partnerships is the collaboration with Franciscan Children's Hospital, which became part of our philanthropic efforts via the Fuss Family Initiative towards the end of 2021.

Loomis Sayles pledged multi-year funding to sponsor a dedicated full-time clinician from the hospital to serve at Jeremiah E. Burke High School in Dorchester—one of the most under-resourced high schools in Boston. The commitment also extends the reach of the Children's Wellness Initiative, which provides the hospital's mental health services in school settings, to an additional nine Boston Public Schools.

Looking ahead, Loomis Sayles anticipates expanding investments to three additional schools: one school each year, over the next three years.

Collaboration with JINC

Our Utrecht office maintains a close collaboration with JINC, a Dutch organisation committed to the ideal that a child's background should not dictate their future prospects. JINC passionately works towards granting every child access to quality education and career opportunities. Serving children aged eight to 16, JINC works with educational institutions and corporate entities to facilitate educational programmes, coaching and mini-internships.

Beyond multi-year financial support for JINC, our Utrecht office has actively participated in the organisation's mission. In 2023, five of our team members were instrumental in delivering digital skills courses at primary schools. These sessions educate children on the fundamentals of computer programming, culminating in a hands-on programming exercise.

FOSTERING DIVERSITY IN FINANCE – USID PROGRAMME

Established in 2015, our Undergraduate Summer Internship Development programme (USID) at Loomis Sayles exemplifies our enduring commitment to diversity and inclusion within the financial services industry.

Developed with the vision to create equitable career pathways, USID proudly continues to champion the advancement of first-generation college students and those traditionally underrepresented in investment management.

Programme participants are provided with a range of benefits, including:

- **Hands-on experience:** Interns are immersed in the financial services sector for 10 weeks, tackling substantive, project-driven tasks.

  Since 2022, participants each year take part in an ESG Integration Project in collaboration with Babson College, offering insights into ESG principles from a client relationship angle, culminating in certificates of Entrepreneurial Leadership and ESG.
- **Professional growth:** 100 hours of focused training impart essential skills for corporate success.
- **Mentorship:** Seasoned employees offer personalised advice, aligning each intern's growth with future career paths.
- **Community engagement:** Participants contribute to environmental projects and support local initiatives like Thompson Island Outward Bound Experiential Education Center and local food pantries and shelters.

We are proud that in 2023 USID was recognised by the publication Vault as one of the best internships in financial services.

Programme growth and 2023 snapshot

Since inception, the programme has engaged 192 students, with a notable 56% increase in applicants for the 2024 cohort, highlighting its success in recruiting diverse talent. In total, 26 USID alumni have transitioned to full-time roles within our firm.

The 2023 cohort reflects the programme's diversity and reach, with 20 interns from 18 colleges spanning 15 departments across offices in seven states.

This programme emphasises a strategic commitment to nurturing diverse talent and contributing to a more inclusive investment management industry.

EXPANDING EMPLOYEE ENGAGEMENT AND TRANSPARENCY

Employee engagement serves as a cornerstone of our commitment to fostering a culture of philanthropy and social responsibility. In 2023, we launched Loomis Serves, an digital engagement platform for US employees, and saw a significant uptick in employee engagement across the organisation.

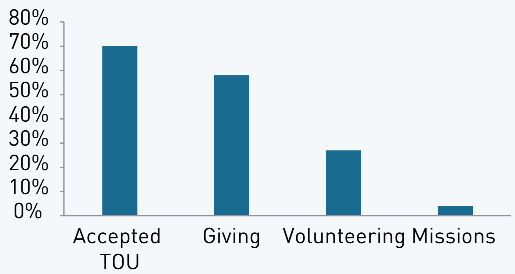
While Loomis Serves is currently only available to employees in the US, we hope to expand this offering to all employees in the next two to three years.

Loomis Serves by the numbers – 2023

This innovative platform is tailored to meet the unique preferences of our workforce and has transformed the ways in which our employees can engage in philanthropy, find matching opportunities and register for volunteer activities.

The platform provides access to nearly two million rigorously vetted nonprofit organisations worldwide,[1] supports 22 languages, and accommodates various currencies. It also offers features such as automatic matching for donations and the convenience of making contributions via payroll deductions in a secure environment.

OVERVIEW OF EMPLOYEE PARTICIPATION IN 2023

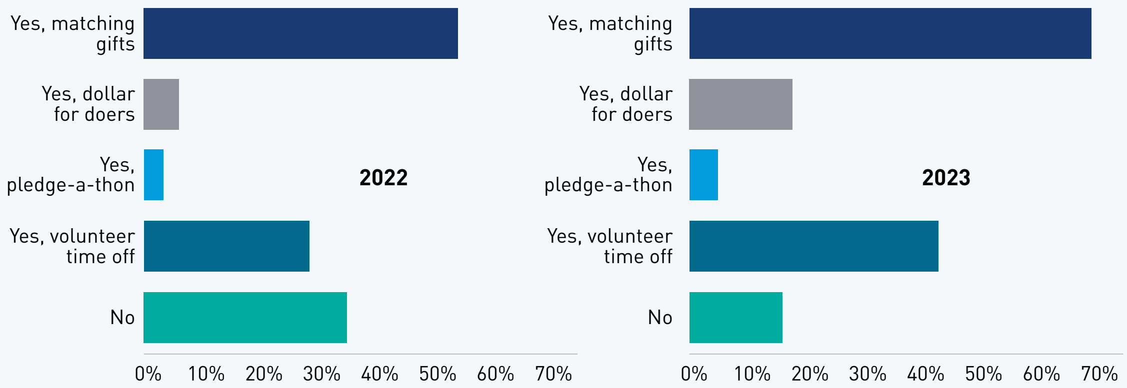


Causes Impacted	528
Volunteer Hours	2,310
Rewards	$11,675
Matching Gifts	$219,265
Dollars for Doers	$64,000
Pledge-a-Thon	$5,175

[1] ***Benevity***, *the company that implements the Loomis Serves platform, "validates and monitors the legitimacy of each of the over two million nonprofits on [the] platform through fiscal, anti-fraud and reporting checks, ensuring each nonprofits legitimacy and compliance to local regulatory requirements."*

The introduction of Loomis Serves led to a significant rise in employee engagement through a range of initiatives, such as matching gifts, our Dollars for Doers programme which offers additional corporate donations to organisations with which Loomis Sayles employees are actively involved, and taking time off to volunteer.

INCREASE IN EMPLOYEE PARTICIPATION IN PHILANTHROPIC ACTIVITY FROM 2022 TO 2023



Transparency and employee feedback

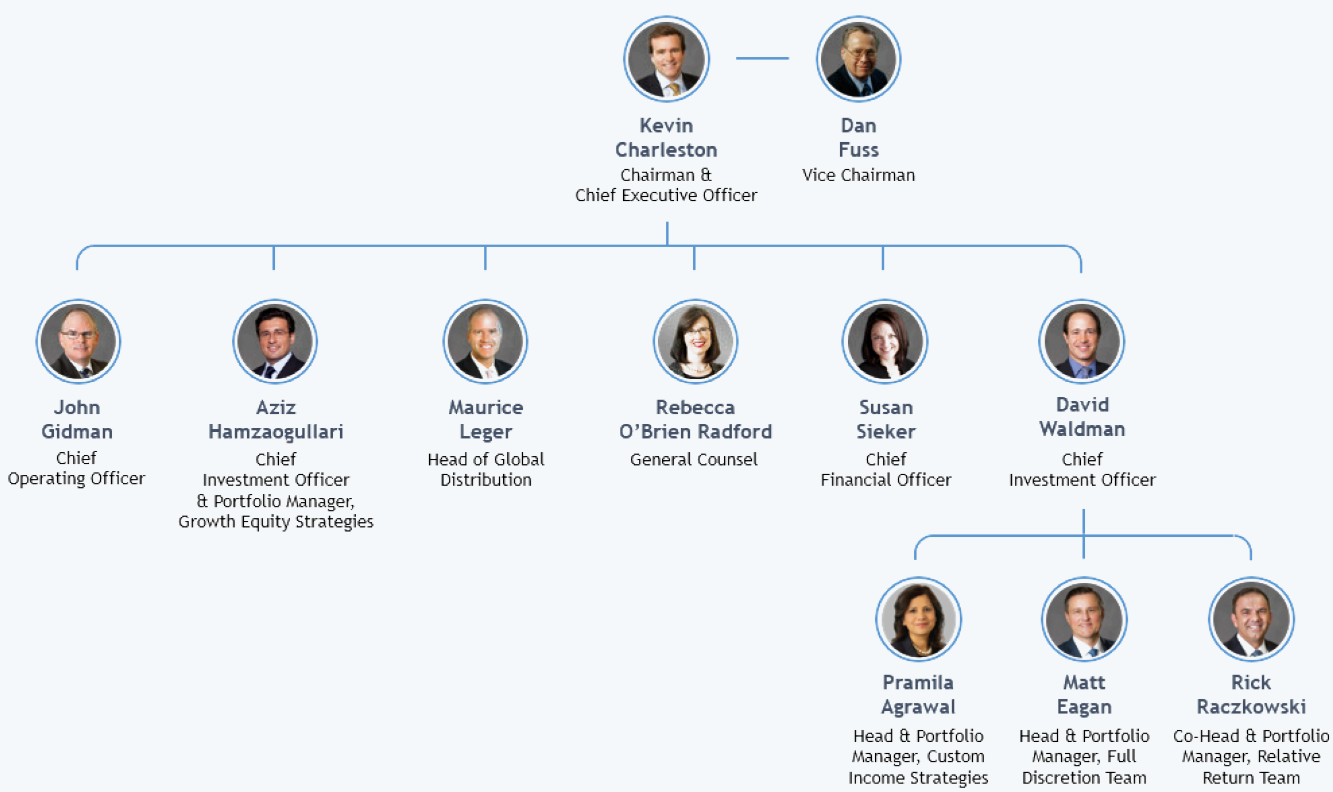
Transparency and feedback in our community investment programmes are priorities to ensure their effectiveness and ongoing alignment with our values. We gather dynamic feedback through annual surveys, quarterly, firm-wide town halls and 'roadshows' with our investment teams, adapting our strategies accordingly. Our transparent reporting includes annual reports on activities, contributions and impacts, which foster stakeholder buy-in and accountability. Additionally, we engage in forums and partnerships, focusing on DEI metrics and sustainability, to stay informed and enhance our impact. Through active engagement of employees and stakeholders within our communities, we continuously strive to improve our programmes and make a meaningful difference in the places we serve.

PRINCIPLE TWO
GOVERNANCE, RESOURCES & INCENTIVES

Signatories' governance, resources and incentives support stewardship.

The Loomis Sayles Management Committee is chaired by the CEO and Chairman of the Loomis Sayles Board of Directors. Its members comprise the Chief Investment Officer (CIO), Chief Financial Officer (CFO), General Counsel, Chief Operating Officer (COO), and the heads of Loomis Sayles' major business units. The Management Committee is responsible for setting policy and strategy for the firm and overseeing the activities of Loomis Sayles' functional committees. It sets the tone at the top by articulating, implementing and overseeing the realisation of the organisation's strategy and values and by maintaining our culture of accountability, transparency and compliance.

LOOMIS SAYLES MANAGEMENT COMMITTEE



As of 31 March 2024.

Loomis Sayles Board of Directors
Chair: Loomis Sayles Chairman

Loomis Sayles Compliance, Risk & Internal Control Committee
Chair: Natixis Investment Managers Chief of Compliance

Loomis Sayles Risk Management Committee (internal)
Chair: Loomis Sayles Chairman & CEO

- Ethics Committee
- Trading Oversight Committee
- New Product Committee
- Data Management Committee
- Counterparty Risk Committee
- Pricing Committee
- Regulatory Development Committee
- Conduct Oversight Committee (Whistleblower Policy)
- Communication Task Force
- Derivative/Unique Security Committee
- ESG Leadership Team

The Risk Management Committee, chaired by our CEO, is the firm's key oversight committee. This committee also includes our Head of Trading, Head of Investment Operations, Director of Quantitative Research & Risk Analysis, Head of ESG, COO, Chief Investment Risk Officer (CIRO), Head of Investment Strategy and Risk Management, Director of Credit Research, Risk Engineer, Head of Global Distribution, Head of Global Product Management, General Counsel, Chief Operating Officer-Growth Equity Strategies, Chief Compliance Officer, Assistant General Counsel, CFO, CIO, Regulatory Compliance Specialist and Risk Officer. It meets quarterly to identify and monitor all areas of firm and investment risk, including stewardship activities. The committee is responsible for reviewing and evaluating reports that assess how effectively governance is supporting all firm risk controls and establishing corrective measures where necessary. The Head of ESG and the CIRO are members of the Committee and they are responsible for reporting on many of the stewardship activities undertaken by the firm and our investment teams.

We believe that our governance structures and processes have been very effective in supporting stewardship. For example, the flexibility of our multi-subcommittees system enables the firm to address a wide range of issues related to stewardship. We are flexible and adapt our structure to meet evolving stewardship needs.

DIVERSITY, EQUITY AND INCLUSION

Loomis Sayles believes in a workplace culture that acknowledges, supports and invests in the diversity of all its members. This is critical to fulfilling the investment needs of our clients worldwide, managing the complexity of our dynamic business and building a community where all employees have an equal opportunity to reach their potential.

Diversity Committee: Led by our Chief DEI Officer, our diversity committee is comprised of representatives from the major departments and includes two Board members. It works to oversee the firm's efforts at expanding and deepening our diversity.

ESG

We made the strategic decision to embed stewardship and ESG throughout the organisation rather than allocating responsibility for all stewardship and ESG matters to a centralised team. By doing so, we believe we have fostered a culture of shared responsibility and alignment with the firm's stewardship activities across the organisation. This is supported by our wider governance arrangements, which ensure effective oversight and reporting of the firm's stewardship activities.

Stewardship at Loomis Sayles is implemented and supervised by a variety of committees, including the Risk Management Committee and the ESG Leadership Team, both of which report to the Board of Directors on stewardship activities and the monitoring thereof.

Our dedicated ESG team is responsible for advancing the firm's ESG initiatives, supporting sustainability efforts as part of Loomis Sayles' own governance, ensuring investment teams have access to ESG data and research, and helping to provide solutions for our clients' growing ESG needs.

ESG TEAM MEMBERS

COLLEEN DENZLER, CFA

HEAD OF ESG

JUSTIN DUTCHER

ASSOCIATE DIRECTOR OF ESG STRATEGY

HOLLY YOUNG

SENIOR CLIMATE ANALYST

JUSTINE GEARIN

SENIOR ESG PROJECT ASSOCIATE

ESG Leadership Team: Throughout 2023, the team met nearly weekly to make decisions regarding the allocation of resources, the implementation of initiatives and the selection of tools to support the ESG initiatives at the firm. The members of this group include, among others, the Head of ESG, CEO, General Counsel, CIO, COO, Director of Global Institutional Services, CIRO, Director of Credit Research, Head of Global Product Management, Head of Global Product Management Growth Equity Strategies and the Director of Gobal Communications. Five of these individuals are also members of the firm's Management Committee and Board of Directors.

ESG Working Committee: This working group met monthly throughout 2023 to help operationalise our ESG strategy and provide direction on specialised topics as they evolved. The Working Committee includes all members of the ESG Team and employees across investment, research, legal, marketing and technology.

ESG WORKING COMMITTEE

Chair: Head of ESG

Purpose: Advisory support for key decisions and initiatives

- Associate Director, ESG Strategy
- Senior Climate Analyst
- Senior ESG Associate
- General Counsel
- Credit Research ESG Integration Manager
- Associate Director, Macro Strategies
- RFP Manager
- Strategy Development Manager
- Head of Global Product Management, GES
- Associate Counsel
- Associate General Counsel
- Investment Director
- Quantitative Analyst
- Senior Marketing Analyst
- Credit Research Senior Analyst

ESG SUB-COMMITTEES & TASKFORCES

CLIENT	CLIMATE	TECH & ANALYTICS	FIXED INCOME BEST PRACTICES
Chair: Assoc. Director, ESG Strategy **Purpose**: Design response to emerging and systemic topics in service of our clients, consultants, and stakeholders **Members**: Client, business development, consultant relationship managers and ESG team	**Chair:** Senior Climate Analyst **Purpose**: Explore decarbonization risks and opportunities in portfolios with asset class and industry experts **Members**: Portfolio managers, research analysts, and ESG team members	**Chair:** Associate Director QRRA **Purpose**: Determine design and specific requirements for ESG technology to support investment teams **Members**: Technology managers, developers and ESG team members	**Chair:** Associate Director, Macro Strategies and Credit Research ESG Integration Manager **Purpose**: Creation and rollout of best-in-class tools and practices for analysts and portfolio managers **Members**: Portfolio managers, research analysts, and ESG team members

Resources

A key objective of the firm is to ensure that our investment teams have the necessary resources and tools to effectively integrate stewardship issues into the investment process. Our ESG Team is responsible for increasing awareness of ESG principles among the firm's investment teams and partnering with them to identify how ESG considerations may be further incorporated into their unique practices.

In recent years, we have increased the resources allocated to ESG to help our teams deliver maximum value to clients. Over time, the increased focus on ESG considerations has led to the incorporation of responsibilities into existing functions across the organisation. We now have individuals in myriad functions that spend a meaningful amount of their time on ESG matters.

Loomis Sayles has also hired people into new ESG-focused roles, invested in technology and data, and provided training and education on new ESG and climate tools. Our proprietary technology application, the ESG Center, acts as a central hub for internal and external ESG data, allowing analysts and portfolio managers to easily assess metrics relative to the investment teams' respective benchmarks during research and portfolio construction.

We are committed to ensuring our investment teams have access to the research, data, systems, training and other resources required to embed stewardship in their activities in a way that delivers maximum value for our clients.

New Fixed Income Resource

JULIAN WELLESLEY, CFA

SENIOR CREDIT RESEARCH ANALYST

In August 2023, Julian transferred to the Credit Research team and was given responsibilities on the Fixed Income ESG Best Practices Taskforce, providing guidance to colleagues in credit research on engagement protocols and feedback to Credit Research leadership regarding ESG matters.

Julian joined Loomis Sayles in 2014 as a senior analyst.

New Dedicated Investment Team Resource

FABIANA FAGUNDES

ESG DATA ANALYST

In November 2023, Fabiana was hired to join the Growth Equity Strategies ("GES") Team as a dedicated ESG Data Analyst. In this role, she supports the Team's enhancement and maintenance of all ESG-related team workflows.

Fabiana joined Loomis Sayles in 2015 as an administrative assistant and was later promoted to equity portfolio assistant.

> "
> **Our in-house research which includes more than 190 research professionals across all asset classes, is core to our investment strategies and is fundamental to delivering on stewardship outcomes.**

DATA AND TECHNOLOGY

We are continuously evaluating the marketplace for data solutions that address client needs, increase our coverage of asset classes and accurately reflect industry and regulatory standards. Additionally, our senior climate analyst conducts an in-depth evaluation of potential providers as each evolving category of ESG analysis unfolds.

The ESG Center, our proprietary technology application, was developed to serve as a central location for external and internal ESG data. This includes internal fixed income ESG scores and climate footprint analysis for all portfolios, both equity and fixed income. Our portfolio managers use the ESG Center to assess ESG metrics within their portfolios and relative to their respective benchmarks. We continually review ESG resources, focusing on providing value to our investment teams and improving their ability to incorporate ESG considerations into their fundamental analysis of issuers.

Our fixed income credit and sovereign analysts have created materiality maps for their areas of coverage. Material issues can include a broad range of metrics that may be environmental, social, or governance related. These materiality maps drive an internal Loomis Sayles ESG score or assessment for each credit covered. These internal materiality maps and ESG scores are housed in a dedicated application that feeds into our fixed income valuation tools (Unified Relative Value, and Emerging Market Relative Value and Regime Tool). The ESG score is not an overlay on the internal Loomis Sayles rating of each credit, but a 'subset' of the credit analysis: it shines a light on the material ESG factors – both risks and opportunities.

The firm has also developed an Engagement Database, discussed further in Principle 9. This proprietary application was developed to systematically collect our discussions with company management teams and sovereign officials. We have been using this database for several years and strive to continuously enhance our ability to track the information we collect.

RESEARCH

Our in-house research expertise, which includes more than 190 research professionals across all asset classes, is core to our investment strategies and fundamental to delivering on stewardship outcomes. While our structure differs by asset class, the common goal is to develop a thorough understanding of an issuer or company's track record, governance, management strength and strategy; its use of, and impact on, human and natural resources as well as regulatory and political risks.

We draw on discussions with company management teams and sovereign officials regarding ESG issues, as well as subscribing to third-party ESG data as part of our research. Analysts develop independent views on material factors impacting fundamentals in their valuation assessments.

FIXED INCOME

The coverage of our centralised research analysts spans the credit spectrum and includes issuers in developed and emerging markets. Credit recommendations include research of material ESG issues and combine rigorous fundamental analysis with comprehensive relative-value assessment. Credit research analysts are integrated into sector teams that offer market and research insight through the collaboration of portfolio managers, strategists, product analysts and traders.

- Credit Research – analyses issuers in the corporate bond, bank loan and US public finance markets, including convertibles and distressed credits, along with agency issuers.
- Sovereign, Commodity and Macroeconomic Research – assesses the global macro investment environment and analyses sovereign issuers and commodity markets.
- Securitised Assets Research – covers the ABS, MBS, RMBS and CMBS markets.
- Quantitative Research – provides quantitative research and risk profile information to the investment teams.

EQUITY

Equity research analysts are dedicated to specific investment teams to enable them to focus on that particular team's investment philosophy and process. Through disciplined and proprietary fundamental analysis, their research includes material ESG and sustainability issues, as well as valuation perspectives applied over various time horizons and opportunity sets. Analysts are charged with developing company, industry and sector expertise, and use this knowledge to identify the companies within their coverage that they believe fit best with their approach to equity investing and can offer the best total-return opportunity over a specified time horizon.

- **Growth Equity Strategies –** The team is an active manager with a long-term, private equity approach to investing. Through its proprietary bottom-up fundamental research framework, the team looks to invest in those few high-quality businesses with sustainable competitive advantages and profitable growth when they trade at a significant discount to its estimate of intrinsic value. For alpha generation, the team believes the pursuit of greater upside potential and managing absolute levels of risk are inextricable goals. The team's alpha thesis can be linked to performance proof points, demonstrating continuity from belief to process to outcome.
- **Global Equity Opportunities –** The team believes investing in companies with the alpha drivers of quality, intrinsic value growth and valuation can help deliver long-term outperformance. The team's primary source of idea generation is through fundamental research. Research analysts seek to identify quality companies globally that are mispriced in the market and have a duration effect (compounding effect of the quality and intrinsic value growth alpha drivers, i.e., they add value to a stock over time), effectively targeting two market inefficiencies.

EQUITY (CONT.)

- **Specialty Growth Strategies –** The team's traditional fundamental research is the driving force behind its decision-making process and they largely rely on internal, proprietary research. The goal is for a lower volatility approach to high growth investing. Idea generation consists of methodologies that help target undiscovered secular growth stocks.
- **Small Cap Value -** The team utilises a disciplined, fundamental, bottom-up active approach to investing. The investment philosophy is rooted in the belief that known and recurring inefficiencies are available in the small cap market causing stock prices to deviate from their intrinsic value. The team uses a repeatable investment process to uncover higher quality businesses and seeks inefficiencies in companies that are misunderstood, underfollowed or in the midst of a special situation.
- **Global Emerging Markets Equity –** The team believes a private equity approach to research and investing requires a long-term, ownership mind-set. The team seeks distinctive insights through deep, fundamental research to identify high quality companies, as well as companies transitioning to become high quality, trading at significant discount to intrinsic value. Deep insight requires going well beyond company management, as the team seeks to exploit the 'quality inefficiency' in global emerging markets through rigorous security selection.

TRAINING

Our approach to integrating stewardship and ESG relies on providing effective education, training and support to all of our investment professionals. Over the past several years, we have worked to further develop expertise among our investment teams on a growing suite of climate risk tools. These climate risk analytics and physical and transition scenarios enable us to evaluate the possible impact of future events on our portfolios.

Our employees are supported in pursuing professional development opportunities related to ESG. For example, Loomis Sayles reimburses expenses for study materials and exam costs related to the CFA Certificate in ESG Investing programme. All full-time employees are eligible for this programme, as we believe the organisation as a whole will benefit as more employees are informed about the important issues surrounding ESG. Our CEO announces the list of employees firmwide who have recently earned this certificate as recognition for their effort and achievement. In 2023, three individuals received the certificate.

INCENTIVES

We ensure the firm's remuneration practices promote sound and effective risk management, including ESG risks. The Head of ESG is responsible for increasing awareness of ESG principles among the firm's investment teams and partnering with them to identify how ESG considerations may be further incorporated into their unique investment processes. The Head of ESG's compensation is tied to the continued progress, integration and engagement of ESG across the firm.

In fixed income, centralised investment analysts are responsible for deciding how material ESG factors affect their view of an issuer's overall creditworthiness and valuation, which includes the incorporation of robust ESG materiality maps. The investment analysts on each equity team are responsible for assessing and valuing companies within the context of their investment philosophy and process, which integrates material ESG considerations. Since ESG is integral to our analysts' research, and the analysts are measured on performance, ESG 'performance' is embedded in their evaluation. Portfolio managers decide which securities actually go into portfolios, based on their investment process and input from the research analysts, investment analysts, trading desk and others.

Portfolio managers are rewarded for long-term performance; they naturally consider ESG factors addressed by research analysts and will take into account such matters in the normal course of assessing the risks related to the long-term prospects for securities they are considering purchasing or selling, or those that are already held in their portfolios.

PRINCIPLE THREE CONFLICTS OF INTEREST

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Our Conflicts of Interest Policy sets out the principles and guidelines for identifying, managing, recording and, where relevant, disclosing existing or potential conflicts and protecting the interests of Loomis Sayles' clients.

We regularly review our business to identify potential conflicts of interest and ensure already identified conflicts continue to be managed effectively. When assessing a potential conflict of interest, we consider things such as whether it:

1. is likely to make a financial gain, or avoid financial loss, at the expense of the client;
2. has an interest that is separate and distinct from that of the client in the outcome of the service provided to the client or of a transaction carried out on behalf of the client;
3. has a financial or other incentive to favour the interest of one client or group of clients over the interests of another client or groups of clients; or
4. receives or will receive, from a person other than the client, an inducement in relation to the service provided to the client, in the form of higher fees.

Each Loomis Sayles employee is responsible for:

1. identifying actual or potential conflicts of interest and reporting them to the Chief Compliance Officer (CCO),
2. discussing any questions or concerns about possible conflicts with the CCO, and
3. managing and mitigating conflicts fairly and in accordance with applicable policies and procedures.

In accordance with our Procedures for Maintaining the Loomis, Sayles & Company Compliance Manual, our CCO or his designee reviews the Conflicts of Interest policy on an annual basis. In 2023, the review concluded that no changes needed to be made to the policy. It is also reviewed and approved annually by the Board to ensure it remains accurate and up to date. A summary of the policy is disclosed in the firm's Form ADV under 'Conflicts of Interest' to the US Securities and Exchange Commission (SEC), which is available: **here**

In addition, the firm has several oversight committees that monitor our business practices and risks, including potential conflicts of interest. We take our fiduciary duty to clients seriously and believe we have robust policies and procedures in place to effectively manage conflicts of interest and always act in our clients' best interests.

We have identified specific examples where potential conflicts could arise in relation to our stewardship activities. Many of these conflicts are managed through our Proxy Voting Policies and Procedures, which are designed and implemented in a way to ensure that proxy matters are handled in the best interests of clients.

The Proxy Voting Procedures generally direct the Proxy Committee on how to vote on the most common proxy proposals. Topics include director nominees, proxy contest defences, ratifying auditors, tender offer defences, governance provisions, capital structure, executive and director compensation, incorporation domiciles, mergers, acquisitions, corporate restructurings and ESG matters. The Proxy Committee may use its discretion to vote differently from the default position in pre-determined policies, after taking the following steps: (1) conducting a review for any material conflict of interest Loomis Sayles may have and (2) if any material conflict is found to exist, excluding anyone at the firm who is subject to that conflict of interest from participating in the voting decision in any way. Further details of our Proxy Voting Policies and Procedures are provided under Principle 12. Below we set forth general areas where we expect conflicts to arise in connection with our stewardship and proxy voting matters, as well as actual instances where our policies effectively addressed situations where conflicts may have otherwise occurred in the reporting year.

Examples of Potential Conflicts That Could Arise in Relation to Our Stewardship Activities Include:

CONFLICT	MITIGANT
Different investment teams invested in the same asset may have a different preferred outcome on a particular voting proposal. This could be due to varying investment philosophies or as a result of being invested in different levels of the capital structure. For example, Loomis Sayles' equity and fixed income teams may have divergent interests in a proposal for a merger and acquisition or debt restructuring.	In the event that investments teams have differing views regarding the impact of the proposal on their clients' investment interest, we may cast a split vote, despite the stated policies in our Proxy Voting Policies and Procedures.
We may engage with an investee company whose pension scheme is also a client.	Our proxy voting is not influenced by our client base and thorough checks are undertaken prior to all votes in order to identify any relationships between the investee company and Loomis Sayles that could result in a perceived conflict. In this instance, we would alleviate any potential conflict by voting in accordance with our Proxy Voting Policies and Procedures.
Employees may have a personal interest in the outcome of a voting proposal that conflicts with the interests of a client.	When submitting a voting recommendation, employees must certify the recommendation is made in the client's best interest and they are not aware of any personal conflicts affecting their recommendations. For example the existence of a personal or professional relationship with members of the investee company Board. All employees are subject to our Code of Ethics.
Our engagement and stewardship policies may conflict with those of our clients.	Clients may dictate specific terms with respect to proxy proposals that conflict with the stated policies set out in the Firm's Voting Policy and Procedures. In these situations, we will direct the proxy vote in accordance with our client's wishes.

Below are some examples of conflicts in our proxy voting we encountered during 2023, and how we addressed them:

CASE STUDY 1

VOTES SPLIT AS A RESULT OF INVESTMENT TEAMS PREFERRED OUTCOMES DIFFERING

130 individual proposals where the vote was split.

When multiple investment teams have holdings in the same stock, our policies and practices ensure that votes are cast in alignment with each team's strategy and views on the proposal. These practices ensure that proxy voting is consistent with the strategy in which individual clients are invested.

Over the course of 2023, there were eight different investment teams at Loomis Sayles involved in proxy voting where the votes were split. These proposals included topics such as: director elections, compensation, corporate governance, capitalization matters, shareholder rights, reporting on climate change and human rights. Our investment teams had different views on the preferred outcome of these proposals, and therefore votes were split according to shares held among the teams.

CASE STUDY 2

VOTES SPLIT AS A RESULT OF A CLIENT'S PROXY POLICY DIRECTING VOTES DIFFERENTLY FROM INVESTMENT TEAM'S PREFERRED OUTCOME

INVESTMENT TEAM	**FOR**
CLIENT POLICY	**AGAINST**

One of our small cap equity team's long-standing clients has a policy directing their own proxy voting for shares held in their account. Throughout 2023, this policy directed voting on a number of proposals to differ from the investment team's preferred outcome. For example, this client's policy calls for directors of companies to be considered independent, while the investment team finds that it can often be critical to maintain founding partners of smaller companies to ensure proper governance.

In one specific instance a company that manufactures, markets, and distributes a range of frozen food products in Europe had a proposal for election of board directors. While four of the directors on the proposal were categorised as board insiders or affiliated, the investment team noted that two of these four were founding partners of the firm and both were large shareholders. They each play a key part in governance of this company and they believed the issuer was best served by retaining their services as directors. As such, Loomis Sayles cast a vote for these two directors. In contrast, the client directed their shares in this same strategy to be voted against the proposal.

PRINCIPLE FOUR
PROMOTING WELL-FUNCTIONING MARKETS

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

We believe that successful management of client assets is built on an intelligent assessment and understanding of risk. The identification and management of risk are embedded in each investment team's decision-making process. Client interests come first in everything we do.

The identification and management of risk is a central part of our investment decisions. In their assessment of market-wide and systemic risks, our investment teams may choose to access our Macro Strategies research team, which is responsible for assessing the global macro investment environment, including identifying market-wide systemic risks. Research analysts in our sector and product teams also play a role in identifying asset class and sector specific risks, as well as interpreting how market-wide issues are likely to affect particular sectors, companies and issuers. We use proprietary risk management systems and employ various metrics customised to the needs of each investment team to ensure investment decisions are made following a robust assessment of risk.

The firm's Risk Management Committee is responsible for ensuring that the firm is identifying, monitoring, and managing the primary risks (investment, operational and legal) inherent in the firm's business. This committee meets quarterly and includes board members and senior representatives from various departments, as described in Principle 2.

MANAGING RISK IN EQUITY PORTFOLIOS

The starting point for equity teams is the portfolio manager's alpha thesis, which leads to a proprietary research and portfolio construction process. Some equity teams at Loomis Sayles employ 100% bottom-up, fundamental research. Others employ a top-down approach to investment research or a combination of top-down/bottom-up. Equity teams may choose to incorporate the Macro Strategies team's research and tools as an input into their analysis and management of macro risks. For example, they might find it useful to discuss currency views with our sovereign analysts, or policy and growth rate forecasts with our US yield curve sector team.

Growth Equity Strategies – Active Risk Management

We believe generating alpha requires both active investment management and active risk management. Because we define risk as a permanent loss of capital, we take an absolute-return approach to investing and seek to actively manage our downside risk. More commonly, risk is framed in terms of relative returns and tracking error versus a particular benchmark. While benchmarking investment performance to a specific index began as a tool to help understand and judge portfolio manager performance, this relative-return orientation has morphed into the baseline for acceptable risk and return.

Measuring risk, however, must not be confused with managing risk. What's more, we believe defining risk in relative terms obfuscates the fact that the benchmark itself is a risky asset. This is particularly true with cap-weighted indices because downside risk increases significantly when the stocks of a particular sector experience a run-up in prices that are above (in the case of a bubble, far above) their fundamental intrinsic value. If portfolio managers tie investment decisions to benchmark holdings and risk factors, they must necessarily take on this additional downside risk. Because our strategy is to invest in a stock only when its market price is at a significant discount to our estimate of a company's intrinsic value, we actively pursue both greater upside potential and the possibility of lower downside risk.

We believe portfolio level risk management can only be achieved by first managing risk as the individual security level. At the security level we incorporate an analysis of fundamental risk, financing risk, and valuation risk. Therefore, risk management is an integral part of our investment process, not a separate overlay or optimisation process.

We believe portfolio level management can only be achieved by first managing risk at the individual security level. At the security level, we incorporate:

FUNDAMENTAL RISK	We develop a deep understanding of each business through our proprietary, bottom-up seven-step research framework
FINANCING RISK	Identify profitable growth companies with sustainable cash flows to self-fund business investment needed for future growth
VALUATION RISK	Invest with a margin of safety by not overpaying for a company

As a true fundamental investment manager, we build our portfolios stock by stock. All aspects of our Quality-Growth-Valuation investment thesis must be present simultaneously for us to make an investment in a business. Valuation drives the timing of all investment decisions. Often our research is completed well in advance of the opportunity to invest. Patient asset owners, we maintain our analysis of high-quality growth businesses in order to take advantage of meaningful price dislocations if and when they occur.

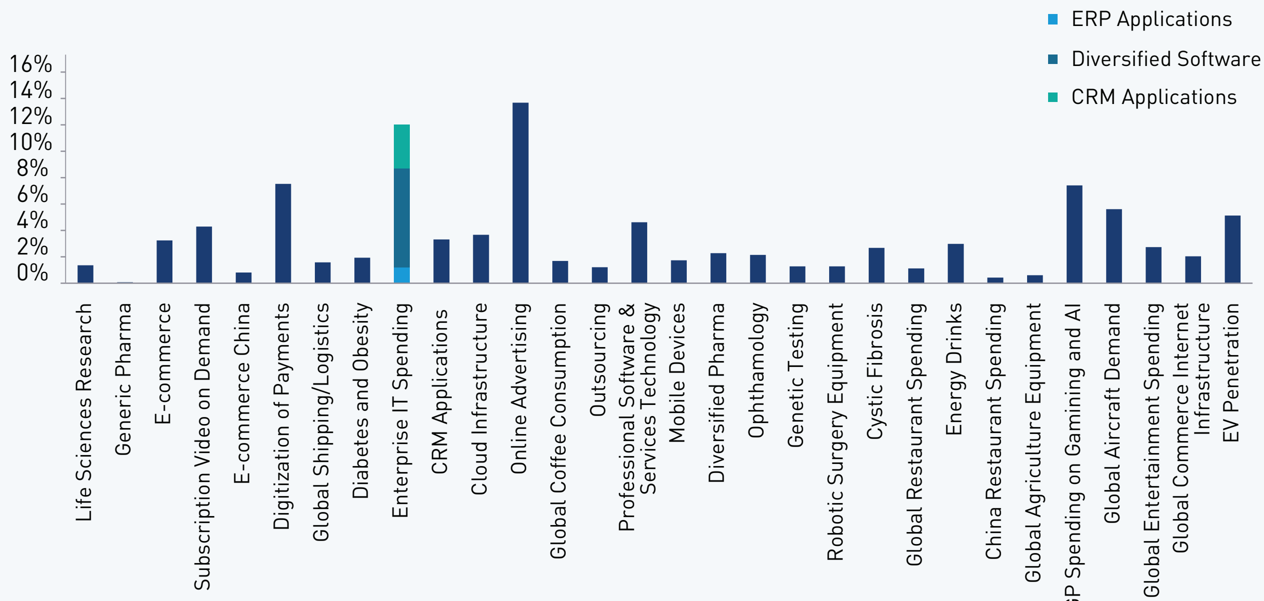
We believe two important anomalies can best explain periodic mispricing: short-termism and allocative inefficiency. Short-termism is a behavioural bias inherited from our early human ancestors. Today, it causes a reflexive response to short-term market variables that, when viewed rationally, have no impact on long-term value. Allocative inefficiency, an example of herding, describes the breakdown in dynamic price discovery that results when widespread investment decision-making is driven by factors other than valuation. Overcoming these natural tendencies is difficult. Consequently, the resultant pricing anomalies persist, creating potential opportunities for active, long-term-oriented, valuation-driven managers like us. Capitalising on these opportunities requires a disciplined process and a patient temperament.

Ultimately, we see our job as an investment manager is to allocate capital to the most compelling reward-to-risk opportunities. Holding all else equal, the larger the discount between market price and our estimate of intrinsic value, the greater we view our margin of safety. When buying a business, we require at least a 2:1 anticipated upside-to-downside, reward-to-risk opportunity. Counter to the buy discipline of many growth equity managers, we believe the risk of investing in a great company is actually lower after its stock price has fallen, assuming our long-term investment thesis remains intact. There is one last essential component to successfully implementing this tenet: it demands the temperament—and concomitant discipline—to be a contrarian who can buy into fear and sell into greed. It is not easy to stand alone, apart from the crowd.

Diversification is another important tool in managing portfolio risk or volatility. Cognisant of this risk, we instead seek to enhance risk management by diversifying the long-term, structural business drivers to which our holdings are exposed. We identify the primary business driver through our bottom-up valuation analysis for each company as the growth driver that has the largest impact on our estimate of intrinsic value. Examples include growth in e-commerce, increased consumer spending in emerging markets, the shift to outsourcing and the aging population. We seek to invest in business drivers that are imperfectly correlated because the positive impact of one may offset the negative impact of another. We believe this fosters more efficient diversification of risk and helps keep our attention focused on searching for those few businesses that meet our disciplined investment criteria.

DIVERSIFICATION OF BUSINESS DRIVERS

Large Cap Growth Representative Account (31 December 2023)



Data Source: Loomis Sayles.
The team has determined the business driver categories. Certain categories are further broken down into sub-categories for additional clarification. Holdings, category titles and exposures are subject to change. Business drivers are shown for a representative account as supplemental information. Due to systems limitations it is difficult to analyze characteristics on a composite basis. This representative account was selected because it closely reflects the Loomis Sayles Large Cap Growth investment strategy. Due to guideline restrictions and other factors, there is some dispersion between the returns of this account and other accounts managed in the Large Cap Growth investment style. Due to active management, characteristics will evolve over time.

We limit our exposure to any one business driver to no more that 15%-20%. Correlation analysis among the business drivers is approximately .33, similar to the correlation among the stocks in the S&P 500.

Our investment process relies 100% on bottom-up, fundamental research. We do not rely on quantitative models, screens, or top-down macroeconomic factors in idea generation, analysis or the security selection process. Rather, we narrow the investment universe through our forward-looking, bottom-up fundamental seven-step research. As a bottom-up fundamental investor, risk management is therefore integrated with our proprietary analysis of business models, competitive advantages, operating efficiency, corporate management strategy and integrity, profitable growth and its intrinsic valuation. In short, our active risk management process is an integral part of its active investment process.

MANAGING MACRO RISK IN FIXED INCOME PORTFOLIOS

Macro-economic risk is a key factor in managing fixed income portfolios. There are many layers and nuances for investment teams to understand in determining the optimal positioning and exposure of client portfolios. Our Macro Strategies team uses a mosaic of financial research and resources to assess the global macroeconomic environment. Over time we have built up a diverse range of tools for identifying, analysing and quantifying risk and opportunities to give our investment teams clear indications of trends and developments and a solid basis for effective management of client portfolios. These tools are built upon active fundamental research and analysis. Example risk tools are highlighted below:

EXAMPLE RISK TOOLS

	Investment Grade Risk Premium
WHAT IS IT?	Regression model estimating projected downgrade loss for US investment grade for comparison to current credit spread
HOW IS IT USED?	To determine value (risk premium) in credit; provides percent chance of positive excess returns
WHAT DOES IT ADD IN OUR INVESTMENT PROCESS?	Helps frame asset allocation decisions

	Loomis Sayles Risk Appetite Index
WHAT IS IT?	Diffusion index describing the economy and financial market risk appetite
HOW IS IT USED?	Signals when risk appetite is increasing, decreasing, above average or below average.
WHAT DOES IT ADD IN OUR INVESTMENT PROCESS?	Provides insights about the risk environment as investment teams think about their risk profile

In addition to those highlighted above we have a number of other tools that cover crucial investment factors such as foreign exchange, corporate health, ESG materiality (as described in Principle 7), relative value, inflation, credit and economic cycles, and correlation.

RECENT ENHANCEMENTS TO OUR MANAGEMENT OF RISK

We dedicated resources to the development of several new tools in 2022, which were designed to aggregate the forward looking views of different research analysts as an investment outlook and tracked over time as an index. Throughout 2023 we focused our efforts on investment team adoption, and informed discussions with investment teams which the tools helped to facilitate.

LOOMIS SAYLES CREDIT ANALYST DIFFUSION INDEX

We introduced our Credit Analyst Diffusion Index (CANDI) in 2022. Based on a quarterly survey of our analysts' outlook, CANDI is designed to capture forward-looking views on the health of US corporate bond issuers and industries at a fundamental level. The process is managed by our Macro Strategies team. They provide a top-down assessment of the US economy to senior analysts in our Credit Research team. The credit analysts then complete a survey comprising a standard set of seven questions each quarter on their six month forward-looking views on the companies and industries they cover. Survey responses are quantified as diffusion indices which indicate the direction for critical fundamentals. The result is a data point indicating strength, weakness or no change.

MACRO STRATEGIES TEAM

Top-down assessment of the US economy

→

CREDIT RESEARCH TEAM

Survey on seven factors for issuers & industries

→

OUTPUT

Strength indicator & diffusion indices

The collaboration between our Macro Strategies and Credit Research teams ensures that the firm is holistically assessing the operating environment for US corporates on an ongoing basis. CANDI helps inform our research and investment teams about corporate behaviour trends and corporate health, enhancing our decision-making on levels of risk in actual client portfolios.

CANDI covers different industry trends in supply side costs, pricing power, leverage, risk, credit outlook and profits margins.

WHAT IS IT?

Quarterly survey-based framework capturing forward looking views on corporate health fundamentals

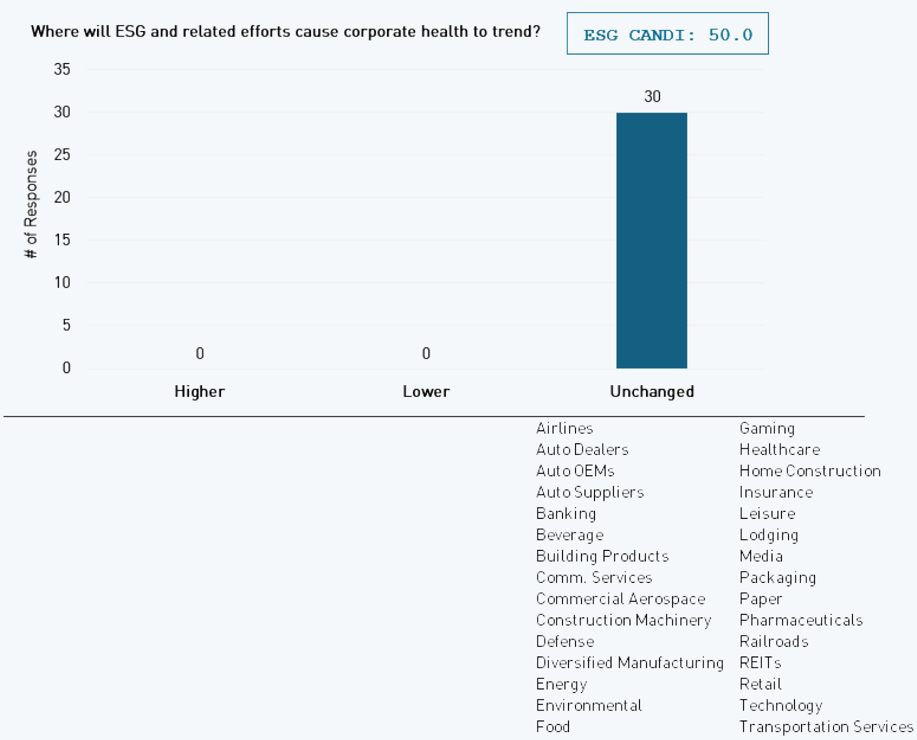
HOW IS IT USED?

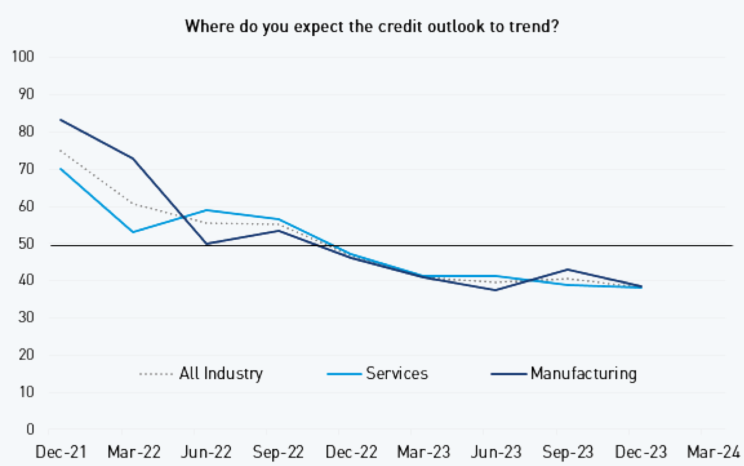
Ties together the top-down macro views with the bottom-up views from credit analysts, helping to identify investment themes, sectoral opportunities, etc.

WHAT DOES IT ADD IN OUR INVESTMENT PROCESS?

Provides strong insights to investment teams thinking about asset allocation and security selection

CANDI ANALYSIS IN ACTION





The CANDI index on corporate health (shown in the chart on the previous page) indicates that our analysts do not expect any ESG transition or related efforts to impact corporate fundamentals in a meaningful way. Our analysts acknowledge that costs associated with ESG compliance were on the rise in previous quarters. However, they have now largely stabilised — and at levels that are unlikely to erode bottom-line profitability.

In our most recent CANDI survey all 30 industry responses to the ESG impact question selected "unchanged." What that signals is that ESG costs are unlikely to rise from current levels over the next six months. We believe this is positive for overall corporate health for two reasons. First, corporate profitability is not likely to be dragged down by ESG. Second, improvement to environmental, social and governance policies is beneficial for the longer term outlook for corporates.

The line chart indicating the direction of credit outlook change has stabilised after coming off very strong levels. When surveyed in December 2021 our analysts signalled that credit upgrades were highly likely. That was largely a function of the US economy emerging from the pandemic-driven recession. Now that the economy has recovered, our analysts believe most of the upgrades to credit outlook have already occurred.

INVESTMENT DECISIONS DRIVEN BY CANDI INSIGHTS IN 2023

CANDI insights had investment implications throughout 2023 from a top-down and bottom-up perspective. The CANDIs helped inform the Macro Strategies team of a major change in the credit cycle's trajectory.

When we entered 2023 the Macro Strategies team was anticipating a high likelihood of a US recession, particularly while US corporate profits were in decline. However, when surveyed in June 2023, our credit analyst team started to signal that profit margins were set to improve over the next six months. The expected upturn in margins helped inform the top-down macro view that the cycle was less likely to enter a recession. Therefore, our investment teams had more confidence to maintain credit risk in client portfolios than they otherwise would have.

The CANDIs identified that leverage was trending lower in aggregate and the odds of a "crisis" remained benign. We define crisis as a systemic event that could trigger credit spreads widening across all industries. Most industry responses indicated an expectation for improvement in profit margins and pricing power, except the media industry where margin pressure was prevalent throughout 2023, because competition for content remained a critical factor. The bottom-up fundamental message was that corporate health was likely to improve.

LOOMIS SAYLES SOVEREIGN ANALYST DIFFUSION INDEX (SANDI)

Similar to CANDI, SANDI tracks the cyclical views our sovereign analysts have on macroeconomic fundamentals, markets and ESG on a monthly basis. The survey captures our analysts' six-month outlook for 29 developed and emerging countries (not including the US). The index serves to distil team views on the global economy and provide a rationale for sovereign analysts' investment recommendations, together with other key factors such as structural views, valuations and technical considerations.

THE FOCUS is on country fundamentals (whereas CANDI focuses on corporates). The goal is to assess changes in the trajectory of economic variables in terms of whether things are improving, stable or deteriorating. There are 15 questions per country:

- **8 macro fundamental questions**
- **3 "strategy" questions**
- **1 ESG question**

THE GOAL of SANDI is to assess whether country fundamentals are getting better or worse. Some of the fundamentals looked at are growth, inflation, trajectory for monetary policy, fiscal policy and other key variables.

SANDI provides our analysts with clear signalling of outlook and sentiment that enhances traditional macro forecasting and conveys analyst bias relative to current consensus.

The Loomis Sayles Sovereign Analyst Diffusion Index saw significant overall improvement, led by a recovery in both developed and emerging markets. We saw broad-based improvements in inflation globally that led to significant expectations of monetary policy loosening. SANDI growth prospects improved throughout 2023, the steady improvement diverged in the autumn when the recovery in emerging market (EM) countries outpaced developed markets. We saw a global recovery in SANDI external accounts, with EM again leading the improvement. The one deteriorating variable throughout 2023 was in political stability, with EM countries driving almost all of the deterioration.

WHAT IS IT?	Index tracking sovereign analysts' cyclical views on macroeconomic fundamentals, markets, and ESG
HOW IS IT USED?	To inform and communicate both bottom-up and top-down macro views
WHAT DOES IT ADD IN OUR INVESTMENT PROCESS?	Provides a framework for assessing global sovereign fundamentals and a simple way of conveying analyst/team views to product teams

Market-wide and systemic risks during the reporting period

THEMATIC/GEOPOLITICAL UPDATE

Recent events in the Middle East have significant implications well beyond the immediate focus of conflict in Israel/Gaza. Several key features of the geopolitical landscape today differ from previous periods of hostilities, notably in 2021, 2014, 2006 and as far back as 1982. On balance, from a thematic and historical perspective, we fear geopolitical risks at present may be higher than in the past.

Outside the region, Ukraine has been a clear net loser from recent developments.
President Zelensky's masterful PR campaign and its ability to force a more hawkish Western response was one of the biggest surprises to us in 2022. Notwithstanding Western promises to maintain Ukrainian aid, the shift in focus from Ukraine to Israel is clearly not to Kyiv's benefit. The election of Mike Johnson — a prominent Ukraine aid sceptic — as US Speaker of the House only adds to such pressures on Kyiv.

Russia is conversely an incremental beneficiary.
With another western ally now drawing on the same depleted arsenals, the Kremlin will likely benefit to the extent that weapons shipments to Kyiv are in decline. More broadly, post-Soviet Russia — and Putin in particular — have had good relations with Israel and especially Netanyahu, much to Zelensky's chagrin in 2022, but remain sufficiently removed politically and geographically from the region to avoid being forced into difficult diplomatic or military entanglements. The upshot is that Russia is able to play the spoiler by increasing pressure on the US and its regional allies through proxies including Syria and Iran, with minimal cost.

China, too, is placed to benefit in purely strategic terms.
Recent events have further diverted US attention and resources – including two carrier groups — to a region other than the Pacific in yet another delay to the much-discussed "pivot to Asia". As is the case with Russia, Beijing maintains good and indeed improving relations with key regional players including Iran and Saudi Arabia, without being on the hook for expensive and draining security entanglements.

While the unfolding situation has involved significant and tragic loss of life, some investors may be tempted to draw parallels with previous conflicts in Gaza and Lebanon in 2021, 2014, 2006 and even 1982, and conclude that the implications for financial markets will be limited and geographically contained. We are sceptical of such a view, conscious that the current environment is dramatically different to that which prevailed in the past, with potentially pernicious consequences for the global risk environment.

The media landscape itself is materially different.

The exponential rise of both social media and internet access has only inflamed outrage even before considering the impact of AI. People across the region and the world are seeing a steady stream of unfiltered – and in some cases deliberately doctored – images and videos. The net impact of such media developments has only been to increase the PR pressure on leaders in the various camps to extremes. The interplay between jingoistic media narratives, politics and markets is not historically healthy.

The domestic environment and reaction function in Israel are materially different than in the past.

We have spoken at length about the hawkish turn in Israeli domestic politics even before 7 October 2023. The date is widely seen domestically as an Israeli 9/11, with attendant calls for a forceful response.

Tehran has little incentive to de-escalate.

Trump's abrogation of the Obama-era JCPOA, the Abraham Accords, the (intensified) Russo-Ukrainian war, and the looming US presidential election are all major differences in the current diplomatic environment compared to that prevailing in previous iterations of Arab-Israeli conflict. There are few incentives for Tehran to deescalate. Meanwhile, with Israel facing the prospect of a two-front war, the US juggling Ukraine, Israel and simmering tensions with China, and Iran enjoying immense influence in Iraq, Syria and Lebanon, talk of strikes and especially invasions of Iran appears delusional. If anything, the risk that Tehran stirs the pot with Hezbollah appears high.

Comparisons with 1982 give us particular pause.

The prospective Israeli ground assault of the Gaza strip would arguably be the first such operation since the 1982 Israeli invasion of Southern Lebanon. The global and regional environments were markedly different. The Soviet Union — a major backer of the Arab states — was in advanced stages of decline, the US was economically and militarily ascendant, and Iran was in a particularly weakened state, caught between the hangover from the 1979 revolution and in the early stages of a devastating war with Iraq.

Today, 40 years after the bombing of the American embassy in Beirut, an Israeli ground invasion of Gaza would take place in the context of diminished American power, a resurgent Russia and Iran enjoying a de facto land bridge to the Israeli border with little incentive to de-escalate.

Beware the fragility of the status quo, in both politics and markets.

Tensions in both the halls of power and in the public sphere are elevated, with the main Israeli thrust yet to come.

GLOBAL SUPPLY CHAIN DISRUPTIONS

Supply chain disruptions created a unique inflationary impact that we have not seen in recent history. For our investment teams who employ top-down macroeconomic forecasting, we found that these effects were not being picked up in more traditional fixed income forecasting techniques, such as our US economic forecasting process or our Inflation Impulse model, given novel and specific causes of supply chain issues in the aftermath of the COVID-19 pandemic.

BOTTLENECK BAROMETER - A NEW INPUT TO DURATION AND YIELD CURVE POSITIONING

Since these effects and the ensuing inflation could have a significant impact on companies, industries, and ultimately on our clients' investments, it was imperative to build a better way of analysing and monitoring global supply chains for these teams. Our Macro Strategies team built a "Bottleneck Barometer" (launched in January 2022) in order to track supply chain congestion with the best available and most relevant data.

The Bottleneck Barometer collects data on 56 variables, organised into five independent categories listed in the boxes below. We standardise the variables and create indices for each of the five categories. From there, each category's index is given a one-fifth weight in our "headline" Bottleneck Barometer. Collectively they measure the current and expected level of disruption in the supply chain. This is critical for understanding inflation, as standard inflation models generally do not account for supply chain stress.

BOTTLENECK FRAMEWORK

SEMICONDUCTOR MARKET	TRANSPORTATION	ENERGY/ COMMODITIES	INVENTORIES	LABOUR MARKET

The headline index has proved to be useful as an input to understanding the macro environment. It peaked in October 2021, experienced a resurgence in February 2022 at the beginning of the Russia-Ukraine war, and has since fallen to "normalised" levels. Most recently, it has alerted us to rising China/US freight shipping costs, likely as a result of the Red Sea conflicts. However, both shipping costs and the Bottleneck Index are nowhere near their 2021 highs. It is also comforting that the shipping costs are beginning to show signs of topping out. Going forward, we will continue to use the Bottleneck Barometer to monitor the global economy for supply chain disruptions, which have impacts on inflation and ultimately on optimal portfolio positioning.

CLIMATE RISK

At Loomis Sayles, we believe that climate change is one of the most important global issues of our time and recognise the market-wide and systemic risks resulting from a changing climate. We are happy to see that governments, businesses and civilians around the world are mobilising to change course and address it. This response has impacted, and will continue to impact, global financial markets.

OUR CLIMATE CHANGE GUIDING PRINCIPLES

1. WE AGREE WITH THE OVERWHELMING SCIENTIFIC DATA THAT SHOW HUMAN ACTIVITY IS CONTRIBUTING TO CLIMATE CHANGE AND WE SEE THE NEED FOR BOLD ACTION ON A GLOBAL SCALE.

Governments, corporations and individuals must respond to this growing threat. The need to meet the real and serious challenge inherent to climate change presents critical risks and investment opportunities across all asset classes. At this point in history, we anticipate a time of sweeping change.

2. MATERIAL CLIMATE CHANGE CONSIDERATIONS ARE INHERENTLY PART OF OUR INVESTMENT DECISION-MAKING.

Each investment team considers climate change integration according to its investment philosophy. To support our investment teams, we are committed to providing education on a growing set of climate data and transition scenario analysis tools.

3. DIRECT ENGAGEMENT IS AN INTEGRAL PART OF OUR FUNDAMENTAL ANALYSIS ACROSS ALL ASSET CLASSES.

As fiduciaries, we prioritise comprehensive risk management through regular engagement with issuers. This focus ensures that environmental considerations are embedded in our analysis across all asset classes, underpinning our commitment to climate change mitigation and risk management as key components of our stewardship responsibilities.

OUR STRATEGY

Our climate change principles help guide our research and investment approaches. We believe, in order to achieve authentic ESG integration, it must be considered by each investment team according to its own investment process. Therefore, each team is responsible for identifying material climate risks and opportunities as aligned with their investment philosophies and/or client-specific mandates. The ESG team, particularly our Senior Climate Analyst, provides additional guidance and expertise.

Our investment processes, including security selection, portfolio construction and proxy voting, aim to effectively navigate and leverage climate-related risks and opportunities. Through our own research and climate risk assessments, we make informed investment choices that comply with our clients' evolving guidelines. These guidelines are increasingly encompassing climate change directives, such as net-zero objectives, and may specify exclusions and emphasize climate solutions and net-zero ambitions. Consequently, we are continuously enhancing our capabilities by acquiring new datasets and developing advanced systems to address complex climate change factors in our investment strategies.

Each investment team is responsible for managing risk at the security and portfolio levels and for continuous monitoring of portfolio companies, including assessment of climate-related risks and opportunities. In addition, each investment team is overseen by its Chief Investment Officer and the Chief Investment Risk Officer.

Growth Equity Strategies
Climate Risk: A Fundamental and Long-Term Approach to ESG

Because we approach investing as if we are buying into a private business, a long investment horizon is central to our philosophy. We believe the opportunities and risks associated with ESG matters, including climate risk, are integral to management's long-term strategic focus and are thereby structural to our analysis of a company's business models, competitive advantages, operating efficiency, management strategy and integrity, profitable growth, and our estimate of intrinsic value. What's more, we believe company management must necessarily weigh and manage the interests of various stakeholders including employees, customers, supply chain partners, and local communities, as well as steward resources. Therefore, ESG considerations can be structural to each step of the Growth Equity Strategies ("GES") Team bottom-up, fundamental research framework.

In addition to our deep fundamental research, our long-term constructive relationships with management teams are important to our assessment of long-term opportunities and risks — including climate risk. We typically develop these relationships through years of regular and recurring dialogue regarding key decision-making criteria. We believe a long-term orientation is fundamental to a strategic decision-making framework. Conversely, we believe that management teams focused on short-term objectives cannot realize long-term results. Therefore, we seek to invest with management teams who share our long-term perspective. This is no less important when considering climate risks because a company's strategy for climate change mitigation can take years if not decades to shape and implement.

To this end, we look for management teams who view ESG integration as a launch pad for innovation, competitive differentiation, and continuous improvement, not merely a check-the-box exercise. For example, we want to see management investing in R&D to innovate products and solutions that drive better environmental or social outcomes. It is also important that management advance sustainable supply chains by stewarding local resources, production, and communities. A company's brand can be a key competitive advantage. Building and sustaining brand strength is tied not only to effective marketing and responsiveness to changing consumer product preferences. It is also tied to a company's overall reputation—the sum total of all customer perceptions and the public's opinion of all corporate actions. We believe consumers increasingly want to understand the environmental impact of the companies and brands they support. Assessing and understanding climate change opportunities and risks are important and relevant to us as long-term asset owners. Ultimately, we are evaluating management's ability to allocate capital to investments creating long-term shareholder value.

"We look for company management teams who view ESG integration as a launch pad for innovation, competitive differentiation, and continuous improvement, not merely a check-the-box exercise."

We also engage with companies about managing the risks — and opportunities — of climate change to their operations over time. We independently track and measure carbon intensity, carbon emissions in scope 1, 2 and 3 as well as climate transition pathways with third-party tools such as MSCI Carbon Footprint and ISS Climate Scenario Analysis. We note, however, that measurement of risks is not the same as management of risks.

Can a commitment to reducing greenhouse gas (GHG) emissions align with secular growth and creating long-term shareholder value? Each company must address these questions within the context of its business model and industry. Successful outcomes, we believe, require visionary leaders who act with integrity and who think in terms of decades. We believe a company's ability to generate shareholder value over our investment time horizon is linked to the sustainability of its quality characteristics and growth opportunities. Not only can integral ESG considerations strengthen the virtuous cycle of quality characteristics that help sustain and extend competitive advantages and secular growth opportunities, it can also help manage downside risks.

GES PORTFOLIOS: CARBON INTENSITY AND CLIMATE TRANSITION METRICS AS OF 31 DECEMBER 2023

Portfolio climate characteristics are an outcome of our alpha thesis and investment process. Table reflects the consistency of our process outcomes.

GROWTH EQUITY STRATEGIES TEAM PORTFOLIOS	PORTFOLIO TURNOVER	PORTFOLIO TEMPERATURE	% HOLDINGS ALIGNED TO PARIS AGREEMENT	PORTFOLIO CARBON INTENSITY	PORTFOLIO CARBON INTENSITY AS A % OF BENCHMARK CARBON INTENSITY	INCEPTION DATE
Large Cap	12.2%	1.5"C	76.6%	17.5	36.3% of Russell 1000 Growth Index	1 July 2006
All Cap Growth	14.3%	1.5"C	73.0%	21.3	40.4% of Russell 3000 Growth Index	1 July 2006
Global Growth	10.0%	1.5"C	63.1%	24.4	14.9% of MSCI All Country World Index	1 July 2016
International Growth	6.2%	1.5"C	59.6%	26.7	13.5% of MSCI All Country World Index ex US	1 January 2020

CASE STUDY

GROWTH EQUITY STRATEGIES
INSPIRING SUSTAINABLE DESIGN AND INNOVATION

GLOBAL LEADER IN DESIGN SOFTWARE AND SERVICES

The company is a global leader in 3-D design software and services providing state-of-the-art solutions to customers in the architecture, engineering, construction, manufacturing, digital media and entertainment industries. Its design software allows clients to design, visualize, and simulate real world performance and document their ideas through the creation of digital prototypes. The company's competitive advantages include its brand, scale, global business network and ecosystem, distribution structure, and the high switching cost for its installed user base.

The company's architecture design tools can help clients create net-zero energy buildings, develop smart cities, and streamline more efficient green manufacturing. Three key principles guide its green building design: energy efficiency, materials productivity, and reducing embodied carbon. Embodied carbon is the sum of all the GHG emissions resulting from the manufacturing, transportation, and installation of building materials. While a building's emitted carbon can be reduced through the use of renewable energy, the building's embodied carbon is locked in place. Because the built environment is expected to double by 2060, and that about half of the carbon footprint of new buildings will be embodied carbon, helping to reduce this footprint requires careful selection of building materials: the carbon footprint of an item from a factory fueled by renewable energy is radically different than one manufactured in a coal-fueled one.

Working in collaboration with nearly 50 partners, the company has been the lead sponsor in the development of an embodied carbon tool, which enables the building industry to readily assess the carbon emissions data of specific building materials. At no extra cost to its clients, the company has integrated the tool with its architecture design software with the goal of making carbon reduction easier, accessible and scalable to the building industry. Quantifying and reducing embodied carbon is critical to reaching milestones in phasing out GHG emissions. Reducing operational energy consumption and embodied carbon emissions is a high priority for the company, demonstrated by its significant investments in innovative products and solutions that drive better environmental outcomes.

We believe the company is well positioned for secular growth in the adoption of design software and services with an addressable global market we estimate exceeds $60 billion in annual expenditures. Based on our long-term fundamental analysis of the company we believe today's valuation does not reflect the structural growth opportunity of the business. As a result, we believe the company is selling at a significant discount to our estimate of its intrinsic value and offers a compelling reward-to-risk opportunity.

2023 CLIMATE TRAINING INITIATIVES AND THOUGHT LEADERSHIP

In 2023, the ESG Team delivered various informal training opportunities to select investment teams and analysts. This included training on our climate scenarios, as well as on general themes related to climate investing. In addition, our Senior Climate Analyst launched an internal thought leadership series for our research teams to leverage in their own explorations of the topics.

Our Senior Climate Analyst also leads our Climate Change Subcommittee, which is made up of portfolio managers, research analysts and ESG team members. The subcommittee met regularly throughout 2023 to explore decarbonisation risks and opportunities in portfolios with asset class and industry experts.

DATA, TOOLS, PROPRIETARY SYSTEMS AND INTEGRATION

We work collaboratively to identify datasets that can support our proprietary research and systems.

We leverage climate data from multiple vendors to help our investment teams conduct in-depth analyses of the potential impacts and financial implications of physical and transition risks on our portfolios.

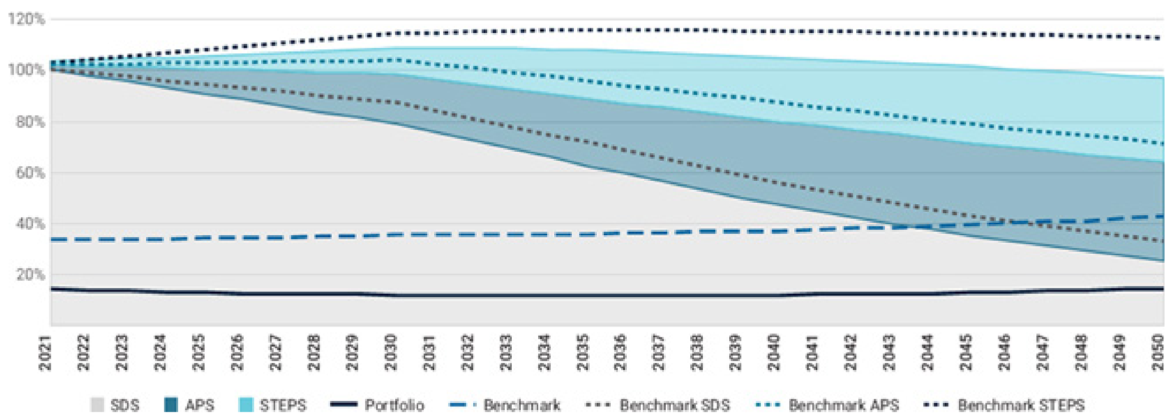
METRICS

Some of the metrics available to our investment professionals include the below:

METRIC CATEGORY	DETAILS
GHG emission metrics	• Absolute and benchmark-relative measurement (total carbon emissions, carbon emissions to value invested, carbon intensity, weighted average carbon intensity) • Companies reporting emissions and the quality of reported emissions • Comparison of company-level emissions intensity to industry peers and historical performance
Transition risk metrics	• Portfolio exposure to coal, oil, gas-reserve-owning assets and controversial practices • Portfolio exposure to current and future power generation ratios to meet the IEA's Paris-aligned scenario • Carbon risk rating for issuers and portfolio; percentage of top/bottom climate performers • Percentage of portfolio value with Paris-aligned climate targets or no target • Paris-aligned overshoot/undershoot by sector • Portfolio level scenario alignment trajectory • "Hot Spots" and "Cooling Off" areas
Physical risk metrics	• Aggregate and specific physical risk scores • Physical risk management scores of holdings
Climate solutions and opportunities	• Green bond datasets • Climate change mitigation score • Exposure to green revenues (alternative energy, efficiency, green buildings, pollution prevention) • Green patents

Below is an updated 2023 portfolio emissions pathway chart (example for one of our portfolios), reflecting the latest data from the ISS Climate Impact Report. The chart shows the extent to which a portfolio is aligned with current IEA climate scenarios.

Portfolio Emission Pathway vs. Cimate Scenarios Budgets



Stated Policiy Scenarios (STEPS)	Announced Pledges Scenarios (APS)
'Current country commitment to Paris Agreement ' (1.8-2.1° C by 2050), (2.4-2.8° C by 2100)	'Reflects mid 2021 global commitments' (1.7-2.0° C by 2050), (1.9-2.3° C by 2100)

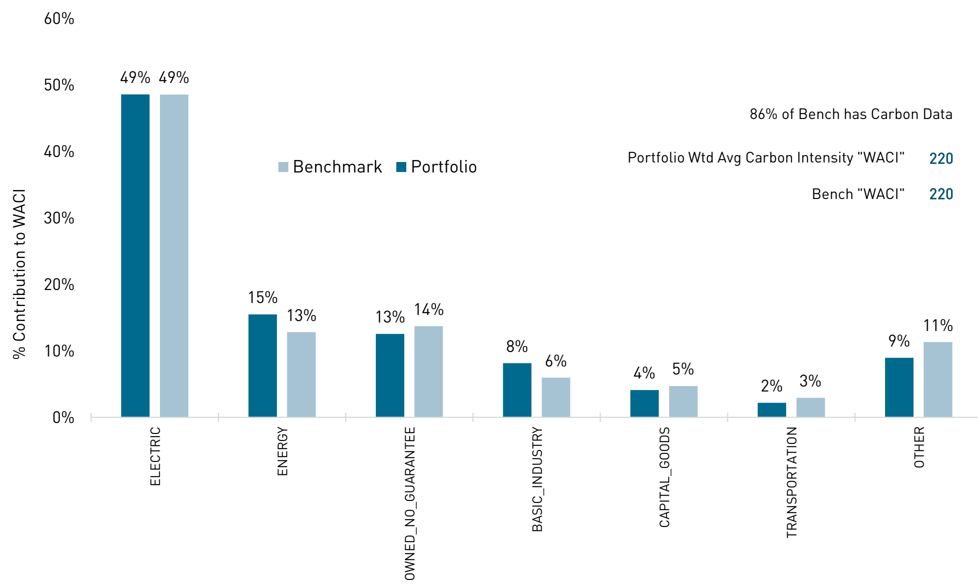
Sustainable Devlepoment Scenario (SDS) 'Paris Aligned Scenario'	Net Zero Emissions (NZE) 'Net zero scenario'
(1.5-1.8° C by 2050), (1.4-1.47° C by 200) where Developed Markets reach net zero in 2050. China in 2060 and other nations by 2070	(1.4-1.7° C by 2050), (1.3-1.5° C by 2100) It satisfies the Paris Agreement 2° C target and uses emissions reduction policies that align with sustainable development and efforts to eradicate poverty

OUR CONTINUED DEVELOPMENT OF NEW TOOLS FOR THE ASSESSMENT OF CLIMATE RISKS

Our ESG awareness packet was first introduced to several fixed income teams in 2022. The packet curates several vendor datasets as inputs (including scenarios, projected emissions and carbon budgets) to support portfolio construction decisions. The goal is to connect climate risks and opportunities with valuation so that our teams can understand a portfolio's current positioning, support client-specific requirements, determine how a portfolio is compensated for the risks and identify engagement opportunities — for example with companies that have steep emissions reductions to achieve. Over the course of 2023, this new resource was shared more broadly, and we have worked to customise the packet to the needs of several investment teams.

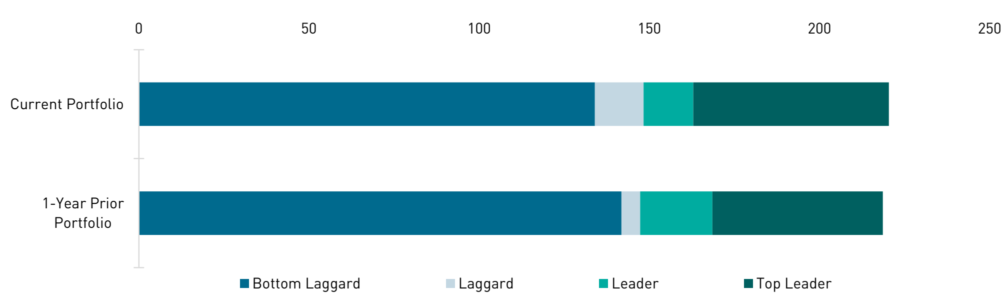
Driving and measuring improvement in a portfolio's carbon intensity

Where is the portfolio's carbon intensity concentrated?



Weighted Average Carbon Intensity (WACI)

What is the portfolio's progress on carbon intensity? Is it improving?



MANAGEMENT COMMITTEE OVERSIGHT OF CLIMATE RISKS

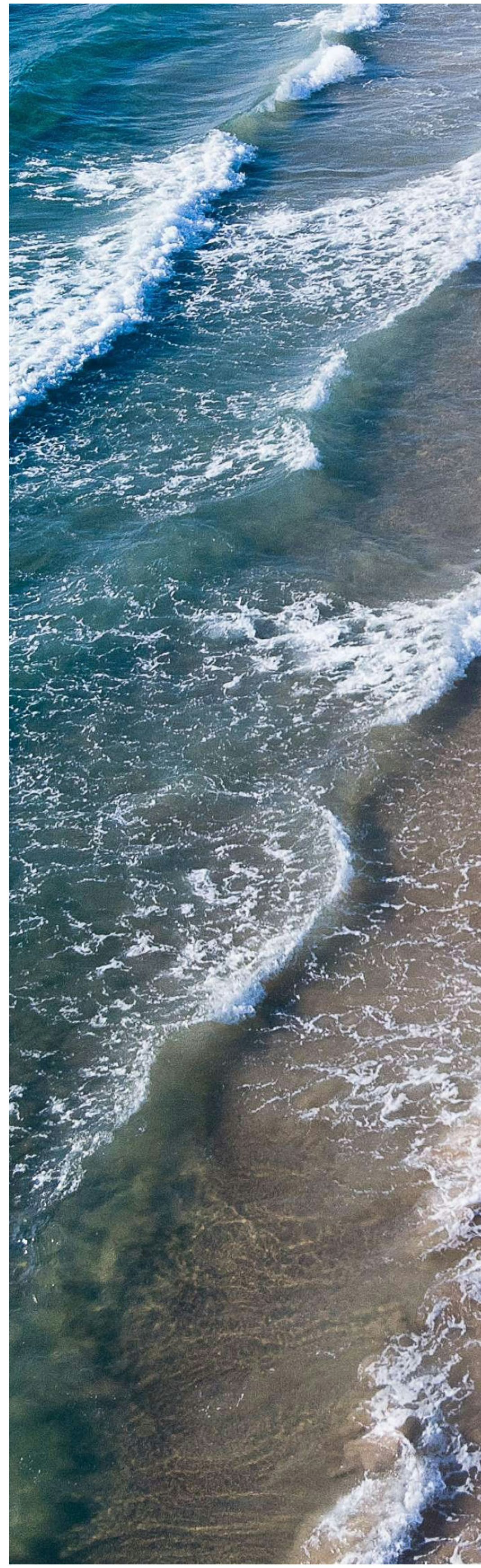
Since 2020, ESG has been an agenda item for the Risk Management Committee. See further details about this subcommittee of the Loomis Sayles Management Committee in Principle 2.

To better identify and monitor potential risks from climate change, over the past few years we have added new metrics to the quarterly Risk Management Committee meeting reports.

These include:

- **Carbon footprint and carbon intensity of all strategies (versus the benchmark)**
- **UN Global Compact alignment**
- **Exposure to companies with revenue from thermal coal**
- **Portfolio Paris-alignment and temperature scores**

Further detail on the management of climate risk and other ESG factors in our investment approach is provided in Principle 7.



PROMOTING A WELL-FUNCTIONING FINANCIAL SYSTEM

In addition to individual investment team processes and tools which help promote a well-functioning financial market, our senior leadership team plays an active role in industry-wide initiatives to respond to market-wide issues and systemic risks. For example, our Director of Credit Research is currently a member of the Board and served for many years as Chair of the Credit Roundtable, which attempts to address market wide and systemic risks of particular relevance to bondholders. More details on this can be found below. Similarly, our COO is president of the Association of Institutional Investors, which represents the interests of investors and aims to promote fair and efficient financial markets through open engagement with policymakers and others. We describe our work with other market participants to engage with investee companies and issuers under Principle 10.

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Although we are not market makers we feel our input provides guidance on the market, which in turn helps to promote efficient, well-functioning markets.

We are continually assessing the functioning of the markets in which we invest, the relationships we have with investee companies and other counter-parties, our clients and their stakeholders, and other related parties. We will seek and engage in collective endeavours that we believe can improve the functioning of capital markets and the management of client assets without undue cost or unintended impact. For example, we are committed to increasing diversity throughout the financial services industry, and aim to advance this work through our UWIN program, which is described in Principle 1.

CREDIT ROUNDTABLE

The Credit Roundtable believes that enhancing and enforcing bondholder protections benefits issuers, underwriters and investors alike by laying the foundation for a fair and efficient corporate bond market. Through education, outreach and advocacy, and with the oversight of anti-trust counsel, the group maintains constant vigilance against slippage in covenant language and terms of corporate actions, such as coercive or “abusive” behaviour that unfairly transfers value from creditors to equity owner.

The Credit Roundtable was formed in 2007 in association with the Fixed Income Forum to respond to a number of corporate actions that were adverse to bondholders. The result of those initial efforts is a document that is now widely known as the Covenant Whitepaper. This is a living document that sets forth model covenant provisions which may be tailored to the circumstances of particular issuers and particular market conditions. In the past decade, the Credit Roundtable has grown to 39 members who have more than $4 trillion of fixed income assets under management.

The Credit Roundtable regularly organises bondholder groups and special task forces to support its major initiatives around:

- Bondholder covenant protections
- New issue underwriting and distribution
- Tender/exchange and consent
- Transparency and market liquidity

Focus and activities in 2023

- Raising standards of the level and timeliness of disclosure for new issues.
- Raising awareness of controversial and objectionable ways that certain issuers and their bankers are using aggressive and questionable tactics to play one set of creditors off against another within a given issuer's capital structure, such as by moving assets from one subsidiary to another, or from an operating subsidiary to the parent. This has the effect of harming one creditor for the benefit of another, or transferring value from a given bondholder group to the equity owner, often done in a coercive manner.
- Ensuring appropriate and timely disclosures regarding tender and consent.
- Loomis Sayles also participated in Credit Roundtable efforts to convince New York State lawmakers to not pass legislation that would weaken creditor rights regarding sovereign debt. This proposed legislation failed to make it out of Committee in 2023, however, it's being proposed again in 2024 so we will remain vigilant on this ill-advised proposal.
- Green bonds/sustainable finance remains a key focus area for the Credit Roundtable. At the in-person fall meeting, a panel that was assembled and moderated by our Loomis Sayles representative to the Credit Roundtable — a founding member, past Chair, and current Board member — discussed the state of the sustainable finance market and how it might be improved and thus grow faster. Suggestions included: a more robust and consistent framework around issuance (e.g., better disclosure of use of proceeds), as well as both improved ongoing communication regarding progress on the sustainable projects associated with the debt issuance, and stronger incentives around enforcement. At Loomis Sayles, we continue to engage in dialogue with other participants in the Sustainable Finance market, such as bankers, rating agencies and other industry groups. The Credit Roundtable also engaged with the US Securities and Exchange Commission (SEC) on its plans to change the disclosure and reporting requirements for outstanding 144a securities in a way that the Credit Roundtable — and many other market participants — felt would severely damage the liquidity of that debt. Through these efforts and that of many others, the SEC announced they would delay the rollout of its rule (15c2-11) until early 2025. Update: late 2023, the SEC announced it was granting indefinite exemptive relief regarding disclosure and reporting requirements for 144a.

ADDITIONAL INITIATIVES

Other industry initiatives and associations in which we participate that promote a well-functioning financial system include:

- Structured Finance Association
- Association of Institutional Investors
- International Securities Association for Institutional Trade Communication (ISITC)

We are continually assessing the functioning of the markets in which we invest, the relationships we have with investee companies and other counter-parties, our clients and their stakeholders, and other related parties. We will seek and engage in collective endeavours that we believe can improve the functioning of capital markets and the management of client assets without undue cost or unintended impact.

PRINCIPLE FIVE
REVIEW AND ASSURANCE

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Loomis Sayles believes that a multi-layered approach to the review and assurance of its policies and procedures is necessary to ensure that our activities are effective. At 'ground level,' our CCO designates a 'policy owner' in the Legal and Compliance Department to oversee and ensure the accuracy and relevance of each policy. The CCO or his designee reviews each policy on a regular basis, generally annually unless prompted by a change in circumstances such as a regulatory update, to ensure it is current, accurate and effective. As additional layers of review and assurance, we rely on internal audits and several internal oversight bodies and processes to ensure that our policies and procedures are effective. This multi-layered approach provides a framework for ensuring clear ownership of policies alongside independent oversight and assurance. Our key oversight activities are set out below.

REVIEW OF POLICIES AND PRACTICES

The CCO requires that all policies be reviewed internally by the policy owner. The policy owner, in turn, is required to verify annually that these policies remain accurate, reflect regulatory requirements and that the associated procedures are consistent with the policy. In 2023, we reviewed the policies that we believe are most pertinent to stewardship, specifically the Conflicts of Interest Policy and the Proxy Voting Policy. No changes to the Conflicts of Interest Policy were deemed necessary at that time. Similarly, the Proxy Voting Policy did not require any updates during the reporting period.

INVESTMENT RISK REVIEW PROCESS

Loomis Sayles' investment teams regularly participate in an investment review process conducted by its CIO and the CIRO. They are intended to examine the investment philosophies and activities of each investment team, including those related to environmental, social and governance decisions, to determine if those activities are consistent with the investment styles of the products and firm policies established regarding risk or other parameters placed on the teams' investment activities.

The effectiveness of stewardship activities forms an important part of this investment risk review process. For example, it highlights whether investments pose sustainability risks, whether engagement with companies and issuers is being effectively fed back into portfolio management decisions and whether material risks identified as part of engagement activities have been adequately accounted for by portfolio managers.

The CIO and CIRO are members of the Loomis Sayles Risk Management Committee (RMC) and our ESG Leadership Team, both of which report to our Board of Directors. Information on the findings of the CIO Investment Risk Review Committee and the CIRO Investment Risk Review Committee, including meeting minutes and summary pages of key data are included in each quarterly RMC

Investment Report. Areas of concern, including those specific to stewardship, are highlighted to the RMC Committee. The RMC is comprised of many of the Board members and senior representatives of all departments and the CEO conveys matters of importance regarding the Investment Report at the Loomis Sayles Board of Directors meetings.

ESG LEADERSHIP TEAM

The ESG Leadership team, which is described in detail in Principle 2, meets nearly weekly to discuss firmwide efforts. It plays an oversight and co-ordination role in respect of our ESG activities and monitors progress of ESG initiatives. It is responsible for making decisions regarding allocation of resources, the implementation of initiatives and the selection of tools to support the ESG initiatives at the firm.

CASE STUDY

In 2022, we began a project to develop a Modern Slavery Statement, setting forth our commitment to identifying, assessing, addressing and ultimately combatting the risks of modern slavery in the operation of our business and within our supply chain. This effort was completed during the first quarter of 2023 and approved by our ESG Leadership team. Our statement was published in April of 2023 and can be accessed: **here**.

With the development of this important new statement, a Vendor Oversight Taskforce was established to formalise the firm's approach to addressing the risks of modern slavery in the operation of our business and supply chain. This group reports to the ESG Leadership Team and is currently made up of the following members; CFO, Head of ESG, Chief DEI Officer, Assistant General Counsel, Associate Director of ESG Strategy, Director of Corporate Technology and Accounting Manager.

The following initial steps were taken by the Taskforce during 2023:

- Training was identified for business areas involved in sourcing and oversight of vendors
- Data sources were assessed to aid in our identification of risks within key vendors
- Leading industry expertise was consulted with regard to best practices of engagement with vendors
- Annual due diligence questionnaire for key vendors adjusted to include more detailed questions
- Preliminary research was performed on select key vendors that were highlighted by our assessment of data

As we head into 2024, the Taskforce has rolled out training for business areas involved. New data sources will be assessed to identify risks and our research and necessary engagement with vendors will be ongoing, as an outcome of our annual due diligence. We recognise these are preliminary steps in addressing these risks, and are committed to making continued progress in our effort to address modern slavery risks.

PROXY VOTING

Loomis Sayles' Proxy Voting Committee is responsible for, among other things:

- Annually reviewing the Proxy Voting Procedures to ensure consistency with regulatory and internal policies, including confirming that they are reasonable and effective, and designed to ensure that votes are cast in clients' best interests
- Annually reviewing existing voting guidelines and developing additional guidelines to assist in the review of proxy proposals
- Annually reviewing the proxy voting process and addressing any general issues that relate to it

We also regularly review our votes to verify that they have been cast in accordance with our policies and procedures. To that end, Loomis Sayles has engaged Ernst & Young to perform an annual Type II SOC 1 audit (formerly SSAE 16 and SAS 70), which includes a review of our votes cast against our policies and procedures We also discuss our proxy voting policies and procedures further under Principles 3 and 12.

STEWARDSHIP REPORTING & BENCHMARKING

The Risk Management Committee (described in Principle 2), which meets quarterly, includes ESG as an agenda item. 2023 reporting included engagement activity for the period.

Over the past several years we have added new information to the quarterly risk management materials, to better identify and monitor risks related to climate change (as described in Principle 4) as well as other issues, such as the following:

1. **Climate data** - For representative accounts across the firm, we provide account, benchmark and relative weighted average carbon intensity (WACI), relative-WACI trend over recent three quarters, and percent of portfolio with Paris-Aligned targets. We identify retail mutual fund and UCITS exposure to companies that earn more than 5% of revenue from thermal coal in addition to firm-wide exposure to thermal coal at the following thresholds: any tie, revenue generated greater than 0% and greater than 5%.
2. **Reputational risks** - We continue to report on retail mutual fund and UCITs exposure to issuers failing UN Global Compact principles. For each name, we identify the controversy cited by MSCI.
3. **Sustainable Finance Disclosure Regulation (SFDR) commitment tracking** - SFDR KPIs – We review promotional fund commitments with each of our Article 8 funds. We also track percent of portfolio held in sustainable investments where applicable.
4. **Annual engagement update** - We provide an annual firm-wide update on engagement. The report includes summary statistics of engagements per year, broken down by asset class, ESG topics, level of seniority and outcomes.

Externally, Loomis Sayles seeks to be transparent in our reporting on stewardship activities. In addition to reporting on the UK Stewardship Code, we have developed a comprehensive sustainability report, which includes climate disclosure that is aligned with the recommendations of the TCFD. In the development of our reporting, we have engaged independent, external advisors to ensure we are following best practice in the industry. We also include stewardship information in client reporting. As described in Principle 6, the contents of this reporting are based on individual client requirements or regulations, and specific to the mandate. Our client reporting has been well received, and our ongoing dialogue with clients as described in Principle 6, helps us to ensure it is fair, balanced and understandable.

OTHER MEANS OF ASSESSMENT

As a signatory to the PRI we are required to report on responsible investment integration activities aligned with the six principles of the initiative. In the fourth quarter of 2023, we received our latest assessment from the PRI. We were pleased to receive four or five star scores for all of the 2022 period reporting provided.

We engage with clients concerning their stewardship objectives and expectations, and we use their feedback as a gauge of how fair and balanced our communications are, as well as the clarity of the information we provide. This information is provided in a variety of ways, including responses to due diligence questionnaires, reports created pursuant to client requests, client meetings, and individual inquiries addressed to clients' specific interests and concerns.

Marketing communications are reviewed by the Associate Director of ESG Strategy as well as other subject matter experts depending on the materials. The review is required in order to ensure that stewardship and ESG dialogue is presented in a fair and balanced manner, is easy to understand and is accurate.

Loomis Sayles' parent company, Natixis Investment Managers, performed an ESG transversal audit across a number of its affiliates in 2022, including Loomis Sayles. The audit was conducted by Natixis' Internal Audit team based in Paris with the assistance of Ernst & Young. The audit scope period was June 2021 to November 2022 and the audit fieldwork was conducted from June 2022 to December 2022. The objective was to conduct a review of the ESG framework in place within Loomis Sayles in order to review the consistency between the operational practices and the contractual commitments made by the firm, in order to reduce the risk of controversy related to "greenwashing."

The audit covered the following topics

1. Global ESG framework (comitology, human resources, policies and procedures, internal control)
2. ESG aspects of the investment processes and their adequacy with the legal and commercial documentation
3. Implementation and monitoring of ESG guidelines and exclusions
4. Identification and control of controversy risk
5. ESG data providers
6. Shareholder engagement and proxy voting

2023 enhancements following audit recommendations

Over the course of 2023, we implemented a number of enhancements to our policies or procedures consistent with the recommendations of the audit, such as:

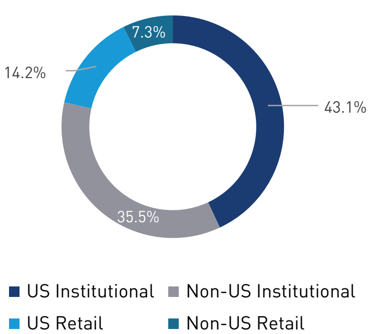
- Broad distribution of our firm-wide ESG philosophy
- Updates to our public documents regarding current governance structure for ESG
- Updates to our UCITS fund SFDR disclosures
- Agreement with Natixis regarding communication procedures for controversy management
- Reporting enhancements for our engagement activity

PRINCIPLE SIX
CLIENT & BENEFICIARY NEEDS

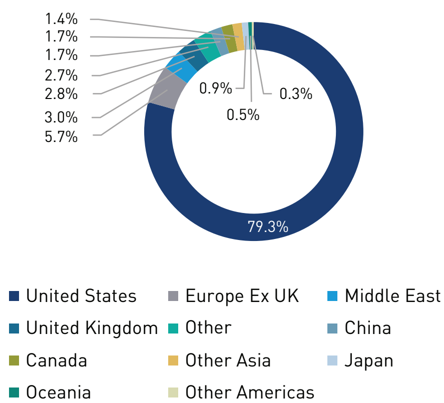
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Loomis Sayles provides investment management services to a wide variety of institutional clients, including public funds, endowments, pension plans, corporations, foundations and insurance companies. As of 31 December 2023, our firm had assets under management totalling **£263bn:**

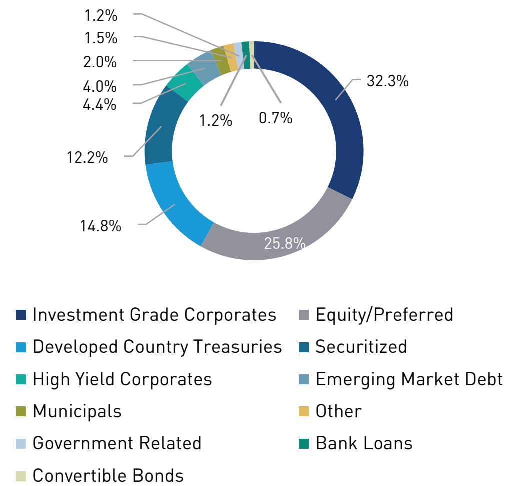
Loomis Sayles AUM by Client Base



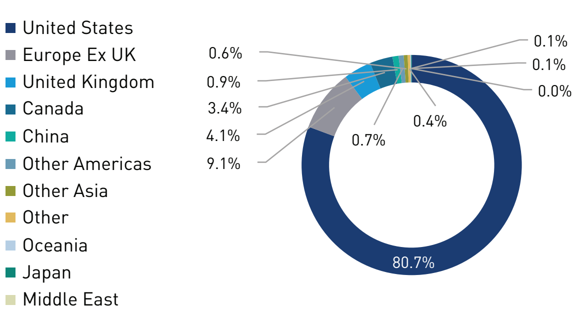
Loomis Sayles AUM by Domicile of Account



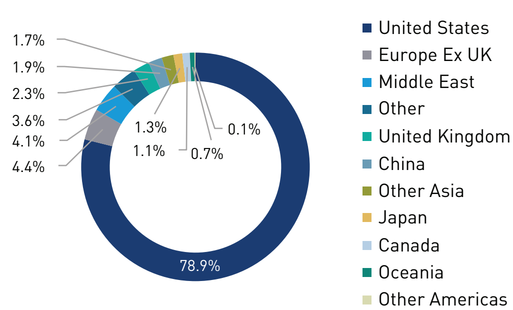
Loomis Sayles AUM Across Asset Classes



Equity AUM by Country



Fixed AUM by Country



As of 31 December 2023. The Utrecht office opened on 1 November 2023. Due to rounding, pie chart total may not equal 100%. Other includes cash & equivalents and derivatives. Total AUM includes the assets of both Loomis, Sayles & Co., LP, and Loomis Sayles Trust Company, LLC. ($40.2 billion for the Loomis Sayles Trust Company). Loomis Sayles Trust Company is wholly owned subsidiary of Loomis, Sayles & Company, L.P.

Our goal is to deliver superior long-term risk-adjusted returns and effective investment solutions to meet our fiduciary duty to our clients. We offer a wide array of traditional and alternative investments to meet the needs of institutional and retail investors. Although we do not subscribe to a single investment process, a shared set of investment pillars and values, including ESG considerations, underpins each investment team's philosophy and process. We build our client-focused investment capabilities on a foundation of diverse, proprietary expertise in global credit, equity, macroeconomic and quantitative research.

Generally, our clients have long-term investment horizons. However, time horizon can vary greatly from clients with near-term liquidity objectives to foundations and endowments with perpetual investment horizons. Though our strategies have different return patterns and time horizons, they all seek strong risk-adjusted returns.

The majority of our business involves managing segregated portfolios on behalf of institutional investors. Business development activities typically require several years of engagement with prospective clients before being hired and then investing on their behalf. During this time, we seek to understand their investment objectives as well as provide analysis, information, and education directly to the prospective client as well via third-party consultants and databases. This process helps identify appropriate investment solutions — and investment time horizons — for each potential investor. We have found that direct engagement with our clients allows us to effectively educate them on our investment capabilities and understand how we can best address their varied needs.

Throughout 2023, our ESG Client Subcommittee met on a monthly basis to discuss additional ways Loomis Sayles can respond to emerging and systemic ESG topics in service of our clients.
This subcommittee is chaired by the Associate Director of ESG Strategy and is composed of client and consultant relationship managers, product managers, investment directors, and marketing managers.

Every Loomis Sayles strategy starts with a solid foundation or "alpha thesis", which seeks to identify market inefficiencies and the investment process necessary to capitalise on them. An investment time horizon can be core to an alpha thesis.

The appropriate investment solution may be an existing proprietary Loomis Sayles strategy or it may be customised to meet bespoke client objectives. For portfolios with client-defined investment objectives, the approach taken by each investment team reflects the appropriate client-specific investment time horizon. Often, these clients require particular portfolio restrictions and reporting in connection with stewardship matters. As a result, in support of our fiduciary duty, we must comply with client directives and/or requests in our stewardship activities and reporting in those instances. Please see Principle 7 for more detail.

At Loomis Sayles, we also offer a wide array of commingled investment vehicles, such as '40-Act mutual funds in the US as well as Luxembourg- or Dublin-registered UCITS funds for investors outside the US. Distribution of these vehicles is primarily through large retail institutions where the decision to make our strategies available to end investors resides primarily with gatekeeper analysts for institutions. The needs-based selling process here is similar to the institutional process described above. Given the investment time horizon is pre-established for these commingled investment vehicles, the focus is on matching investor objectives to an appropriate fund. If one of our strategies is selected, ongoing support, analysis, information and education is provided for the gatekeeper analyst as well as client-facing teams.

In November 2023, we launched Loomis Sayles (Netherlands) B.V. following approval by the Dutch financial regulator Autoriteit Financiële Markten (AFM) of the office's Alternative Investment Fund Manager (AIFM) licence with MiFID top up permissions. This broadens Loomis Sayles' capabilities to offer investment solutions within the EMEA market, helping to meet the distinct needs of clients and the consultant community in the region. The Loomis Sayles Euro Credit team anchors the Netherlands office and offers several strategies to our European clients.

SUSTAINABLE FINANCE DISCLOSURE REGULATION ('SFDR')

"

Several Funds making Sustainable Investments aligned with the Sustainable Development Goals.

SUSTAINABLE DEVELOPMENT GOALS

The European Union's SFDR regulation has prompted Loomis Sayles to continue to think about how we incorporate ESG factors into the investment processes of our various products and how we describe sustainability characteristics in our disclosure.

We have 13 UCITS funds that are designated to be consistent with Article 8 requirements of this regulation. During 2023 our ESG and legal departments met with the investment teams of four of these funds to examine the integration of sustainable investments into their processes. Together with outside counsel, Loomis Sayles reviewed each investment team's threshold of portfolio investments that meet objectives aligned with Sustainable Development Goals. In the course of these discussions, Loomis Sayles determined that a significant portion of the Funds' investments were sustainable investments and these fund disclosures were subsequently updated to cover their sustainable investment approach.

Ongoing reporting and compliance efforts

Loomis Sayles continues to prepare the necessary reports for both the European ESG Template (EET) and SFDR periodic reporting. The KPIs and other ESG criteria are monitored to ensure compliance with SFDR reporting going forward.

SFDR's disclosure and reporting requirements continue to help us glean insights and perspectives about our work that can be helpful in other regions, even if regulations are different.

Tailoring ESG strategies and reporting to meet evolving client needs

In addition to robust ESG integration across asset classes, as described in Principle 7, we can tailor each strategy to a degree according to the needs of the client. This may involve overlaying one of our strategies with a bespoke ESG-based exclusion list in accordance with client requests, such as excluding companies with revenue derived from munitions, alcohol, gambling and tobacco. Moreover, Loomis Sayles will accept screens as requested by our clients in order to meet their evolving ESG goals throughout the life of the client relationship.

> “
> **We work closely with our clients to meet their investment needs, including the unique ESG guidelines or values they may have.**

In recent years the number of client mandates with unique ESG guidelines has increased and the requirements of our parent company, Natixis, as well as industry associations and consultants to report our assets under management with such guidelines have grown with it.

We generally provide written reports to separately managed account clients on either a monthly or a quarterly basis. Standard reports include a complete list of account holdings and performance information. These reports and related account information are also available on the Loomis Sayles website through our e-service platform. Certain clients may receive additional information if specifically requested and required by their advisory agreement. We work closely with our clients to meet their investment needs, including the unique ESG guidelines or values they may have. We are increasingly seeing additional information requests and requirements relating to ESG issues and we are happy to respond to such requests as required.

From the outset, each of our clients is provided with a relationship management contact, whose role is to facilitate engagement with the client to determine their needs and expectations, including those related to stewardship. The relationship manager, alongside a specialised group of individuals focused on client intake, works with these clients during the on-boarding process to outline these requirements in the written agreements. This relationship manager remains the client's ongoing contact at Loomis Sayles, and they ensure that portfolio managers and other parties are apprised of any evolving client needs. In 2023, the processes for capturing unique ESG requirements in our system when onboarding new institutional clients were enhanced. A new checklist was developed to identify the exclusions and other requirements that each client requires, so that our accounting system is properly coded at inception of new accounts.

The discussions we have with clients on ESG issues vary across clients, investment strategies and geographies. Our clients' needs and preferences on ESG issues span a broad spectrum and we often accommodate client specifications. For example, we have clients who request detailed reporting on ESG and stewardship issues and others for whom receiving this information is not a priority. For clients who are engaged on ESG issues, each investment team develops customised data and reporting schedules catered to their individual requirements. Our client-focused approach is also reflected in our Proxy Voting Procedures and Reporting. The level of client engagement on the matter of exercising proxy votes varies and we cater to individual needs as required. For example, clients may provide Loomis Sayles with their own proxy voting guidelines to follow, we can also provide a tailored analysis of the proxy votes and the rationale at the client's request.

> “ We are continually evaluating the effectiveness of our client-focused method to meeting clients' distinct ESG and Stewardship reporting, in the everyday course of our client interactions.

Evolving client reporting requirements

While we are seeing an increase in client demand for specific ESG and stewardship reporting, it is not provided as a matter of course but rather in response to client-specific needs.

For certain clients, TCFD reporting became a requirement in 2023, and in anticipation we developed portfolio level reporting capabilities for their mandates. We have a number of metrics for portfolio holdings available in our systems that align with the TCFD reporting requirements and have effectively addressed these additional portfolio reporting needs.

We are continually evaluating how we effectively meet our clients' distinct ESG and stewardship reporting needs, in the everyday course of our client interactions. For example, as investment teams provide quarterly updates to clients, it is natural to discuss whether the reporting is meeting an appropriate for that particular client. These ongoing connections and conversations offer continuous opportunities to help ensure our approach meets their evolving needs, including sustainability requirements.

CASE STUDY

GROWTH EQUITY STRATEGIES

ENHANCE AUTOMATED CLIENT-SPECIFIC ESG DATA REPORTING FOR GROWTH EQUITY STRATEGIES TEAM

The Growth Equity Strategies Team has a long history of managing client-directed values-driven portfolios. As investor demand increased for portfolios integrating unique ESG considerations, our ESG and values-driven client base has expanded meaningfully. Our clients now include large public pension plans in Europe and Latin America, smaller institutional separate accounts in Asia, Europe, and the US, as well as our own and sub-advised SFDR Article 8 mutual funds. In 2020, we created automated internal data reports for these client accounts to enhance our awareness of the client-specific ESG criteria and to improve our ability to track and monitor account-level ESG outcomes. As client demand and regulatory reporting requirements have expanded, in 2023 we began to customize these once internal-use-only reports for use with clients. We continue to evolve and improve the automation, formatting, and content to enhance awareness of these client-driven ESG criteria. This initiative contributes to our client reporting commitments.

PRINCIPLE SEVEN
STEWARDSHIP, INVESTMENT & ESG INTEGRATION

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Everything we do at Loomis Sayles is borne out of our commitment to achieving our clients' specific and distinct goals through active management. Delivering superior, long-term performance and exceptional solutions relies on proprietary, leading research that identifies the current and future risks and opportunities of every investment. This includes assessing financially material environmental, social and governance risks as an integral component of the investment process, not an overlay.

OUR ESG PHILOSOPHY

We believe risks and opportunities associated with material ESG factors are inherent to investment decision-making and our clients' long-term financial success. In service of our fiduciary duty, we believe the best way to consider ESG is through integration that aims to identify the financial materiality of ESG factors. Integration contributes to our ability to seek value and deliver superior, long-term results.

Our integration model focuses on four key facets:

- **Research:** We believe a proprietary research framework is the best mechanism for identifying and understanding material ESG considerations. Forward-looking ESG analysis, customised data capabilities, curated ESG information and proprietary technology platforms are all critical tools that aid this understanding.
- **Valuation:** As active managers responsible for enhancing returns and mitigating risks, we believe that integrating financially material ESG factors is necessary to fully value securities and understand opportunities and risks. Disciplined portfolio construction requires constant assessment of these considerations at the security and portfolio levels.
- **Engagement:** Engagement is an essential component of our proprietary analysis across all asset classes. Financially material ESG factors are an inextricable part of our engagement. We believe direct engagement promotes transparency, raises awareness of risks and opportunities, and can unlock investment value. Active engagement enhances our ability to analyse risk and reward potential and informs our forward-looking views. Exercising our proxy voting responsibility is an important component of engagement for our equity strategies.
- **Client Focus:** We believe it is important to meet clients where they are and to offer ideas and tools to help them realise their unique ESG objectives. As client ESG preferences evolve, we will continue to be nimble and flexible in providing customised solutions that reflect client-specified goals and values. Our goal is to be a trusted, rational advisor to our clients.

Each of the investment teams at Loomis Sayles, with guidance and support available from the ESG team, implements its ESG practices in a manner consistent with its specific investment thesis, client mandates, and regulatory requirements.

In 2023, to better communicate ESG-related investment practices across the organization, we created a common framework for each investment team to articulate how they integrate ESG throughout their investment process. Creating the framework was an iterative, cross-functional effort that spanned several months of 2023 and required multiple inputs from our ESG Team, portfolio managers, and investment directors from each investment team, as well as members of strategic marketing. Structured around a series of uniform questions, the framework allows us to capture each investment teams approach to ESG integration in a format aligned with the firm-wide philosophy and areas of practice.

APPROACH	INTEGRATION	DATA & TOOLS
• **Investment process** • **Impact on decisions** • **Targeted factors**	• **Research/Valuation** • **Portfolio construction** • **Client-driven requirements** • **Who is involved**	• **Sources** • **Aggregation** • **Metrics/tracking** • **Use case**

The final output of this framework was delivered to our ESG Leadership Team, as well as the Chief Investment Risk Officer and our Risk Management Committee. The excerpts below provide insights into how several different investment teams implement ESG integration within their investment process.

EXTRACTS FROM INVESTMENT TEAM ESG STATEMENTS

> **We often look at our internal ESG scores when buying new issues, entering into swaps, and buying issuers for long-term spread compression. We look for ESG opportunities where there are strong or improving ESG credits as potential buys or overweights; alternatively, we look for ESG risks where there are weak or deteriorating ESG credits as potential sales or underweights.**

> **Material ESG factors can influence our decisions to buy or sell securities. We may exploit a value opportunity driven by a poor ESG factor if we believe it will be improved by the issuer.**

> **The structural opportunities and risks associated with ESG matters are linked to business activities, which include management's long-term strategic focus. They are integral to our analysis of business models, competitive advantages, operating efficiency, corporate management strategy and integrity, profitable growth, and our intrinsic valuation.**

> **We review holdings based on their ESG ratings/scores on a regular basis; in our weekly investment team meetings, we monitor third party ESG ratings, proprietary ESG scores for fixed income issuers, and carbon intensity.**

Each investment team prioritises different ESG issues in portfolio management decisions depending on its alpha thesis in relation to the specific company, sector, geography and asset class in question. Analysts develop independent views of material factors impacting fundamentals in their valuation assessments of equity, credit, sovereign, municipal and securitised assets. Consideration of these factors is integral to our engagement with companies and issuers, our proprietary fixed income ESG scores and, ultimately, portfolio management decisions. In addition, as indicated under Principle 6, where our clients have specific ESG requirements in connection with their portfolio, we are happy to incorporate these into their mandate. Common requirements include overlaying our template guidelines with negative ESG screens to exclude particular sectors or 'worst-in-class' issuers and companies that are not aligned with the client's values. Recognising our deep fundamental research skills, some clients who prefer engagement to divestment allow for an 'exclude or explain' process for companies that are screened out by client guidelines.

Each equity investment team integrates ESG research according to its investment philosophy and process. Through proprietary fundamental analysis, equity analysts assess material ESG and sustainability issues, as well as valuation perspectives over various time horizons and opportunity sets. Equity analysts are charged with identifying the companies within their coverage that they believe fit best with their team's approach.

Materiality Mapping

In fixed income, one of the tools we use is our sectoral materiality maps to identify the sustainability issues most likely to affect the financial performance of an issuer in a given sector. The diagram below is an illustrative example of how our materiality maps are used to produce an in-house ESG score for a metals and mining issuer. This is done by first identifying relevant sector-specific ESG factors and metrics, then assigning an appropriate weighting to each ESG factor, and finally benchmarking the issuer against the industry as a whole.

FIXED INCOME MATERIALITY MAP

ENVIRONMENTAL

Factors	Weight	Indicators	Examples	Score
Energy Management	xx%	Primarily Energy Consumption Concerns	Green/Renewable Energy For Data Centers	2.0
			ENVIRONMENTAL PILLAR SCORE	**2.0**

SOCIAL

Factors	Weight	Indicators	Examples	Score
Human Capital	xx%	Employee Development Programs or Labor/Restructuring Concerns	Training, Recruitment Practices and Layoffs	2.0
Cybersecurity/ General Data Protection	xx%	Magnitude of Sensitive Data Collected & Encryption Standard	History and Risk of Data Breaches and Privacy Policies	2.0
			SOCIAL PILLAR SCORE	**2.6**

GOVERNANCE

Factors	Weight	Indicators	Examples	Score
Board Structure & Concentrated Ownership	xx%	Primarily Controlling Stakeholders/Founders	Independence and Dual Shareclass Structures	2.5
Corporate Conduct, Ethics & Litigation	xx%	Anti-corruption Behavior, Regulatory Involvement/Interest	Litigation or Past Fines	2.5
			GOVERNANCE PILLAR SCORE	**2.5**

TOTAL ESG SCORE 2.5

Source: Loomis Sayles.

Examples above are provided to illustrate the investment process for the strategy used by Loomis Sayles and should not be considered recommendations for action by investors. They may not be representative of the strategy's current or future investments and they have not been selected based on performance. Loomis Sayles makes no representation that they have had a positive or negative return during the holding period. Commodity, interest and derivative trading involves substantial risk of loss. This is not an offer of, or a solicitation of an offer for, any investment strategy or product. Any investment that has the possibility for profits also has the possibility of losses.

Materiality maps provide the foundation for analyst-led engagements, supporting analysts in their efforts to identify issues with the potential to move credit spreads. We continually review our materiality maps and ESG scores to ensure they fully encapsulate forward-looking financial materiality. The focus for our ESG Team and our credit research analysts in 2023 was the refinement of our approach to current financial materiality at the sector level.

Led by our Head of ESG and Senior ESG Associate, a project to review sectoral material maps began in 2022 and continued through 2023. We researched multiple sources to identify additional issues related to environmental, social and governance factors that can materially affect each industry covered in our Credit Research Group. The ESG Team collaborated with our Credit Research Analysts to incorporate what we found to be financially material as well as remove any factors from the maps that were no longer considered material to their forward-looking ESG analysis.

As part of this process we met with all analyst teams at least once in our Boston and London offices, totalling 24 initial conversations. Following this, we continued many conversations to provide additional support when needed.

We believe this process will be ongoing, and improves our ability to determine which companies within sectors and industries are best prepared for the secular trend of climate transition and which are not.

VARIATION ACROSS ASSET CLASSES AND INVESTMENT TEAMS

EQUITY ISSUERS

ESG materiality is determined by each investment team. The starting point for equity teams is the portfolio manager's alpha thesis, which leads to a proprietary research, security selection and portfolio construction process.

GROWTH EQUITY STRATEGIES TEAM
A Fundamental and Long-Term Approach to ESG

Our alpha thesis encapsulates a deeply held system of persistent beliefs, a rigorous, repeatable investment process, and substantive proof points. In our view, investors and other stakeholders can benefit when long-term, structural, strategic and financially material ESG considerations are an integral part of an active, long-term, research-driven investment process. We believe the short-termism, so prevalent in today's market, is detrimental to sustainability and value creation. An active manager, with a long-term private equity approach to investing, the GES Team has consistently executed the same investment philosophy, research framework, and investment process since 1 July 2006. With an owner's mindset, we seek a deep understanding of the drivers, opportunities and limits, including ESG criteria, for each company over our long investment horizon. We assess long-term structural, strategic, and financially material ESG considerations integral to a company's decision-making, which can include:

- Linking management compensation to long-term drivers of shareholder value creation such as longer-term vesting periods and metrics such as free cash flow growth (Governance);
- Establishing policies for and complying with high business ethics standards (Governance);
- Investing in R&D to innovate products and solutions that drive better environmental or social outcomes (Environmental, Social);
- Aligning its business to enable it to meet or exceed the 2050 Paris Agreement (Governance, Environmental);
- Developing sustainable manufacturing techniques, inputs, and sourcing (Environmental);
- Advancing sustainable supply chains by stewarding local resources, production, and communities (Environmental, Social);
- Fostering a corporate culture and values, including diversity, to attract and retain talent (Social)

CASE STUDY

GROWTH EQUITY STRATEGIES ETHICAL SOURCING

LEADING GLOBAL RETAILER AND ROASTER OF SPECIALTY COFFEE

The company is the world's leading retailer and roaster of specialty coffees with more than 38,000 coffee shops in over 80 markets. The company's difficult-to-replicate competitive advantages include its brand, scale, culture and early digital engagement with customers. The company recognises that its future is directly linked to the livelihood of its farmers, their families and their communities. As such, the company has had a longstanding and unwavering dedication to invest in an environmentally sound supply chain and greener operations. In 2004, the company was a leader in establishing the coffee industry's first sustainability standards, verified by third-party experts. Today, more than 450,000 farms participate in the verification programme. Research shows that these sustainable practices has more than halved the carbon emissions compared to the what the company's carbon footprint would have otherwise been. As of 2023, 99.7% of the company's coffee is verified as ethically sourced. To date, the company has invested more than $100 million to support collaborative coffee farmer programmes, farmer support centers, farmer loans, agronomy research, and forest carbon projects. Additionally, the company has deployed more than $80 million of its $100 million commitment to support the business financing need of famers by 2025. These commitments have translated to economic development and the elevation of corporate standards of family farms and partners in developing markets. These actions, in turn, deepen the company's ties to customer and government stakeholders, thereby strengthening the company's position within the industry, as we view it through the lens of the Porter competitive analysis.

In 2023, the company opened its first scaled vertical integration 'from bean-to-cup' facility, which is designed to be the most energy efficient and sustainable coffee manufacturing and distribution center in the world. Other environment-friendly achievements for 2023 include powering 77% of global operations with renewable energy, and setting specific 2030 targets for its customer-facing packaging to be 100% reusable, recyclable or compostable; sourced from 50% recycled materials; and made using 50% less virgin fossil fuel derived sources. These achievements not only contribute to the resource-positive agenda, but also contributes to the company's brand elevation.

We believe the company is well positioned for secular growth in away-from-home coffee consumption in the US and China, and growth in the company's profitable consumer packaged goods business. We believe the current market price embeds expectations that underestimate the structural drivers of long-term growth and the sustainability of margins and free cash flow growth given the company's operating leverage, scale, and geographic revenue mix. As a result, we believe the company is selling at a discount to our estimate of intrinsic value and offers an attractive reward-to-risk opportunity.

LOOMIS SAYLES GLOBAL EMERGING MARKET EQUITY TEAM ESG INTEGRATION EXAMPLE

Financial sustainability is organic to the Global Emerging Markets (GEMs) equity team's deep, independent and iterative research-driven process. Through disciplined, bottom-up fundamental analysis, their private equity style research includes material sustainability issues, alongside traditional valuation assessments of the holdings within their core portfolio. The investment team's proprietary assessments are ingrained in their bottom-up research that drives their allocation decisions. Given the teams' focus on forward-looking fundamental analysis, potential risks from climate change are inherently integrated into the quality assessments of each company the team invests in, as well as the countries and industries they operate within.

The role of emerging markets in a green transition, and a physical world adapting to the impacts of warming climate are unique. Our GEMs investment team captures these nuances through their research process and ongoing dialogues with company management, and across industry supply chains. Their research involves meetings with several layers of management, as well as various entities, such as company management, suppliers, customers, distributors, competitors, banks, experts, private and public equity investors, debt holders, rating agencies, regulators, former employees, short sellers and policymakers, as the team seeks to exploit the 'quality inefficiency' in global emerging markets. Decades of collective experience in combination with their research style leads them to be long-term owners of the companies in which they invest. The investment team is focused on key decision-making criteria, including ESG matters that are integral and financially material to their long-term investment thesis for each company, and leads to an independent ESG assessment of the companies in their portfolio. Their focus on materiality is driven by their understanding that engagement on material issues helps them achieve strong long-term investment results. Therefore, businesses in which the team invests often tend to align with supporting an increase in the standard of living, and of a greener and cleaner environment.

The team's integration approach includes ongoing engagement with management to understand how their business strategies related to sustainability and governance issues are progressing. In one recent case regarding a Latin American logistics company, this engagement revealed how one company had recently fallen behind the investment team's expectations.

The company was one of the main transitioning (from low to high quality) stocks in the GEMs portfolio, and one of the key elements of that quality transition was the company's effort to reduce greenhouse gas emissions. For the past year, ESG metrics focused on emissions and green bond issuance had become the first topic of discussion on every earnings call hosted by the company.

Since 2020, we have consistently indicated, through our regular interactions with the company, for sustained reduction in CO_2 per TKU (versus 2019 levels) as a primary benchmark for success, and this has become a relevant factor in executive variable compensation. We have also pushed for the addition of independent directors in all of our meetings with management. However, beginning in 2023, the investment team saw a shift in the company's overall stance regarding capital expenditures and investment plans, as they began to emphasize greenfield expansion projects with the potential of passing near land of Amazonian tribes. Additionally, expanding extended car locomotives, with improved fuel economy per cycle, began to fall behind our expectations.

While the GEMs investment team did voice their concerns with management in several one-on-one meetings, ultimately, they decided to divest from the company in 2023. This was due to the realization that this company was now pursuing a different growth objective compared to our desired investment outcome for the business.

FIXED INCOME

The structural differences between the equity and fixed income markets are well known; however, we also recognise that there are vagaries even among the various fixed income asset classes, such as corporates, sovereigns and bank loans. There are also differences stemming from the geographic location of issuers, especially for emerging versus developed markets. Our central Credit Research and Macro Strategies teams have analysts located on three continents, North America, Europe and Asia, who all adhere to our consistent approach of reviewing each asset class regardless of the issuers' location. This approach allows us to compare each issuer within a particular asset class regardless of its location or analytical assignment.

Our central Credit Research and Macro Strategies teams cover all fixed income asset classes (corporates, sovereigns, bank loans, and public finance) with the notable exception of securitised instruments, which are the responsibility of our Mortgage and Structured Finance Team. Our approach to incorporating ESG analysis through these asset classes and geographies is consistent with our longstanding, successful approach of conducting fundamental analysis – meaning our analysts are predominantly assigned by industry/sector or country. All are considered experts in their fields, with our most seasoned analysts having decades of experience.

Our fixed income analysts focus on material ESG factors, which have direct impacts on the scope and depth of their analysis and engagement. As previously noted, we have created our own proprietary materiality maps and an ESG Scoring System that are integrated into our proprietary fixed income portfolio construction tools. These are available to all of our fixed income investment professionals. Each fixed income investment team has ready access to the central research teams' ESG, fundamental and relative value view of the holdings in their respective portfolios. The decision whether to include a particular asset class, geography, or issuer ultimately rests with each team's investment strategy and those of their individual investment mandates/accounts.

Corporate debt issuers

Analysts develop independent views of material ESG factors impacting fundamentals in their valuation assessments of corporate debt issuers. For example, environmental risks may be critical for the automotive, energy and utility industries. Therefore, our analysts assess a company's policy to reduce its carbon footprint, including their progress versus competitors. Social factors may be material for apparel producers and the retail industry, for example, as they relate to the sourcing of products throughout the supply chain. As it relates to governance, our analysts may assess a company's ownership structure qualifications, tenure, and diversity of the board of directors.

ENVIRONMENTAL CONCERNS IN THE METALS & MINING INDUSTRY

CASE STUDY

NAVIGATING ESG CHALLENGES IN THE GLOBAL METALS & MINING INDUSTRY

In a global context, the metals and mining sector is dealing with environmental and governance challenges, exemplified by a Canadian mining company and issuer in the high-yield credit market.

The issuer currently faces ESG risks including: significant carbon emissions, outdated technologies in tailings dam management, and increasing jurisdictional risks, particularly in emerging markets.

While the company has made strides in reducing emissions, its efforts in tailings dam management and addressing jurisdictional risks are lagging. Notably, a November 2023 Supreme Court ruling in the host country, which deemed the mining concession unconstitutional following significant protests, has led to a suspension of operations at its largest mine. This example underscores the interplay between environmental governance and local regulatory frameworks.

In addition, the operation of a coal-fired power plant at one of its mining sites, a legacy of an acquisition, further complicates its effort to match the Scope 1 emissions reduction achievements of its competitors. The company's adherence to certain local tailings management standards does not extend to the adoption of broader industry norms, as evidenced by its hesitance to join the International Council on Mining & Metals or to adopt the newly introduced ICMM guidelines for tailings management.

Our analysts view the company as having slightly above average ESG risk compared to the industry. As part of their engagement strategy, the analysts have published several research notes documenting the volatility and complexities of the situation while maintaining an ongoing dialogue with the company. This approach is designed to foster transparency and guide portfolio managers with a nuanced understanding of the issues at hand.

Despite the identified areas for improvement, particularly in tailings management and jurisdictional risks, the company's overall ESG evaluation remains largely unchanged. The analysts' balanced assessment acknowledges that the risks associated with copper tailings management are lower than other commodities. While tailings risk incidents can potentially have a major impact on bond spreads, their probability is low, and they are therefore given a lower weighting in the analyst's assessment. The analysis also considers the company's adherence to local regulations.

The Loomis Sayles analysts are focused on the enhancement of the company's tailings management practices to meet international standards, addressing the heightened jurisdictional risks that affect its operations, and fostering greater transparency to bolster investor confidence. Through ongoing analysis and monitoring of the company's ESG profile and the evolving market conditions, they will adjust ratings as necessary to reflect any significant changes.

SOCIAL AND GOVERNANCE CONCERNS IN THE AUTO INDUSTRY

CASE STUDY

THE TRANSITION TO SUSTAINABILITY IN THE AUTOMOTIVE OEM LANDSCAPE

The automotive industry in the United States is navigating a shift towards sustainability, manifesting in the accelerated adoption of electric vehicles (EVs) and alternative fuels. Additionally, this sector is contending with the integration challenges of autonomous driving technologies. This period of transformation is further complicated by critical social and governance issues, notably with regard to labour relations and the potential for increased labour costs due to union negotiations.

Loomis Sayles' engagement strategy with automotive Original Equipment Manufacturers (OEMs) has been grounded in direct dialogue and collaboration, highlighting the critical need for OEMs to develop clear strategies that optimise current cash flows to fund expansive electrification initiatives. Our analysts also supported the formation of joint ventures and partnerships as strategic avenues to spread the costs and risks associated with transitioning to EVs. The investment analysis has been thorough, focusing on the materiality of ESG issues, especially examining the UAW (United Auto Workers Union) negotiations with the Detroit 3 (Ford, GM, Stellantis) to gather insights into labour relations and corporate conduct within the industry.

In a research note in August 2023, our analyst noted that negotiations were already contentious. Considering the high profitability of OEMs, inflationary pressures for workers and consumers, a positive recent union environment, and the EV threat for lower labour requirements, the risk of a strike was high. The analysts put Event Risk designations on the impacted names, but did not predict negative ratings actions as a result.

When strikes then started in September, our analysts noted a limited impact on bond spreads, which were expected to widen at that point. As the strike progressed, our analysts monitored and published updates on the risks related to the affected credits. They considered various outcomes and ramifications for each while providing context to their investment theses. These notes included updates from the trading desk to reflect market changes and volatility in the space.

Ultimately, given the financial materiality of labour relations and strong corporate conduct, the labour strike in 2023 was a prime example of the importance of ESG integration in the automotive space. Given the significance of the industry as a whole, the issue was one that our analysts followed closely. Frequent updates for investment teams helped to continuously inform investment decisions for portfolio teams.

The automotive sector's ability to adapt to the EV transition has exceeded initial expectations. However, it is clear that the market has yet to fully account for the risks associated with such rapid changes and the potential redundancy of internal combustion engine-related assets. Our engagements have underlined the importance of governance and the resilience of business models as automakers adapt to these changes. The UAW negotiations have highlighted the dynamics between labour costs and corporate strategies, illustrating their combined effect on the industry's long-term profitability and competitive edge as it moves towards greater sustainability.

Moving forward, our commitment is to monitor the progress and implementation of OEMs adopting EVs and alternative fuels, ensuring their strategies are in line with sustainable business practices and adaptable governance frameworks. We will continue our assessment of the social impacts stemming from the industry's transformation, with a particular focus on labour relations and safety standards, to ensure these factors are comprehensively integrated into our investment decisions. Moreover, we will keenly observe the emergence of new technologies and market entrants poised to accelerate the automotive industry's evolution, adapting our investment strategies to navigate the associated risks and capitalise on potential opportunities. Our proactive approach aims both to mitigate risks and to harness the transformative potential of the automotive industry's journey towards sustainability.

Sovereign debt

Our sovereign debt analysts are members of the Macro Strategies Team and focus on fundamental factors that drive the credit quality, as well as ESG factors, affecting the sovereign. We utilise our proprietary ratings models and ESG materiality maps to determine the credit quality and ESG scores which underpin our analysts' investment recommendations. Our analysts have developed a materiality framework based upon their extensive knowledge of both developed and emerging markets. We use data from government websites and independent sources to evaluate environment, social, and governance factors that the analysts feel are material. Our ESG process is a three-pronged approach; including data, trend analysis and analyst expertise. All of these factors are inputs into our materiality maps. Our analysts' ESG views and trends are discussed during country reviews with investment teams.

Engagement is an important part of our understanding and analysis of ESG factors. Our Sovereign team engages with government officials whenever possible to assess overall creditworthiness and evaluate material ESG factors informing our ESG scores. Our engagement occurs during roadshows, investor meetings and other group meetings.

CASE STUDY

ENVIRONMENTAL AND GOVERNANCE ISSUES IN BRAZIL

Deforestation in the Amazon has generated intense international criticism of Brazil's environmental policies. During the term of former president Jair Bolsonaro, deforestation rates increased about 60% (according to the INPE, a government research body that monitors deforestation). This was driven by looser environmental regulations, limited enforcement, and increased agricultural commodity production. Approximately 20% of the forest cover in the Amazon has been lost since the 1970s. The consequences are significant, both for Brazil and global efforts to address climate change, given the Amazon rainforest's critical role in the global carbon cycle, absorbing large amounts of carbon dioxide and releasing back into the atmosphere an estimated 6% of the world's oxygen. Fires in the Amazon, often set illegally, contribute to air pollution and impact local public health.

Until recently, the government was ineffective in slowing deforestation, creating the perception that it was not a priority. Amazon deforestation is a reputational risk for the sovereign and could materially harm foreign investment and trade flows, while raising financing costs. Under President Luiz Inacio Lula da Silva, who was elected in October 2022, environmental and climate policy is moving in a more positive direction. Deforestation slowed significantly in 2023: through November 2023, estimated deforestation declined 50% versus the previous year.

Within our ESG framework, Brazil's environmental starting point is relatively strong, driven by the country's high share of renewable electricity generation, relatively low measured pollution, and abundant water resources. However, to account for the impact of Amazon deforestation, we make qualitative adjustments to our environment score by penalising Brazil in the areas of water resources and vulnerability to environmental events. We will continue to monitor the rate of deforestation and will consider removing this negative bias if it continues to moderate. We acknowledge the positive change in tone on environmental and climate policy under President Lula and believe there is scope for stabilisation or improvement in our assessment. Brazil's overall ESG score is supported by relatively strong governance scores for civil liberties and budget transparency.

Structured finance

Governance is an important factor in the analysis of securitisations. We evaluate governance primarily as it relates to the alignment of interest between the sponsor and the investor. More specifically, we look at whether the sponsor is using securitisation simply as a method of exit or risk transfer, or as a funding source in which they will continue to participate. We seek structures where there is strong alignment of interests.

With respect to social factors, we identify and avoid structures and programmes that could be viewed as predatory toward consumers. For example, consumer finance companies often access the securitisation market to finance their consumer loans. Our investment process includes a thorough analysis of the loans and the overall business models to gain insight into the loan origination and servicing practices of the finance companies. In general, we favour businesses that employ fair risk-adjusted pricing, aim to provide needed goods and services, and/or help rebuild the credit history of the consumer. We shun business models that systematically engage in predatory lending activities or overly aggressive loan collection practices.

Throughout 2023, the ESG Team and Mortgage and Structured Finance Team discussed opportunities to advance the integration of ESG. This work is ongoing and we expect to have more detail to report in future.

Bank loans

The ESG process employed by our Bank Loan Team continues to evolve. Systematic ESG comparisons are generally lacking for loans, given typical borrower size and limited ESG-factor disclosure. Our team has assigned an ESG score to all portfolio issuers, and the centralised research analysts are tasked with analysing ESG factors with every quarterly bank loan update. The ESG score we have assigned reflects general industry perception regarding environmental factors, adjustments for unusual factors related to social and governance considerations, as well as the analyst scores to the extent they reflect the reality of the loan market versus the public market. For example, private equity (PE) ownership is common in the loan market but not in the public market, so we do not downgrade loans for that factor as is often the case. In our view, PE ownership often improves governance risk versus the prior private control. As an overarching theme, our scores attempt to distinguish between factors we believe may jeopardise performance over the three-year average life of our loans due to fundamentals and/or technical factors, including evolving market views on ESG factors. While most loans get an average rating at this point, we expect increased dispersion as both data and company efforts improve. Sensitivity to lender liability will further guide our ESG engagement going forward.

SERVICE PROVIDERS

The integration of our stewardship and ESG practices are directed by each investment team and primarily handled in-house at Loomis Sayles. To the limited extent we use service providers to fulfil any activities on our behalf related to the integration of stewardship and ESG issues, we provide them with clear written instruction. For example, as detailed under Principle 12, Loomis Sayles uses the services of Glass Lewis to provide research and recommendations, and Institutional Services Inc. ('ISS') to provide proxy voting agent services for those accounts and funds for which Loomis Sayles has voting authority. We provide both of these vendors with written instructions on our proxy voting policies and procedures.

We do not rely on ESG scoring, frameworks, methodologies or optimisation processes from external vendors to inform portfolio construction. Each analysts' assessment of an issuer combines many factors, including vendor ratings and other climate related data, which are ingrained in the bottom up research that teams use to drive portfolio allocation decisions. Given our focus on forward-looking fundamental analysis, potential risks from climate change are inherently integrated into our proprietary assessments of each issuer we consider, as well as the industry they operate within.

"

As the Growth Equity Strategies Team explains it:

We believe the materiality and relevance of ESG considerations cannot be identified and understood by fixed rules and quantitative screens, which in our experience tend to be backward looking. This is also true evaluating any forward-looking aspect of our fundamental analysis. Instead, we believe ESG issues must be viewed in the context of specific companies and industries and in relation to any potential impact on a company's long-term competitive advantages, intrinsic value, and ultimately long-term investment performance. Rather than applying quantitative screens, we narrow the investment universe through our bottom-up, fundamental seven-step research. Loomis Sayles provides third-party ESG research which we evaluate independently. Ultimately, we rely upon our independent, proprietary analysis to determine the materiality of ESG issues on company-by-company basis. As a result, ours are high-conviction, low turnover portfolios where ESG considerations are integral to our philosophy and process.

Loomis Sayles is committed to continually advancing our approach to ESG and integrating ESG considerations into the work we do every day. We collaborate with our clients to meet their investment needs, including the unique ESG guidelines or values they may have. These discussions provide important perspective and help focus our internal efforts on building expertise in key sustainability areas and developing custom tools and client solutions.

PRINCIPLE EIGHT
MONITORING MANAGERS AND SERVICE PROVIDERS

Signatories monitor and hold to account managers and/or service providers.

At Loomis Sayles, we engage with third-party vendors ("suppliers") to meet the needs of our operations. We engage a vendor (the 'oversight vendor') to assist in our vendor due diligence and oversight responsibilities. We have leveraged the oversight vendor's library of due diligence questionnaires through the 'Know Your Third Party' vendor oversight programme ('KY3P questionnaire') to aid our evaluation of a vendor's controls and procedures across all relevant areas of operations. In addition, the Risk Management Committee is charged with identifying, monitoring and managing the primary risks inherent in the firm's business, including risks presented by vendors. If necessary, the Risk Management Committee will recommend necessary steps to be taken to mitigate any risks presented by a vendor's failure to satisfactorily perform its obligations.

Our ESG Team is responsible for sourcing and overseeing external ESG research, tools and training. We undertake a rigorous assessment of vendors and service providers prior to engagement and on an ongoing basis.

We also actively encourage high-quality and transparent third-party ESG services. For example, we attend many of the ESG conferences held by the sell-side and industry organisations and we communicated with many vendors over the reporting period to provide feedback, ideas for enhancement, and to ask questions about conflicting methodologies across vendors, in order to contribute towards efforts encouraging quality, standardisation and transparency of data and related research.

CASE STUDY

DEVELOPMENT OF A CODE OF CONDUCT FOR OUR SUPPLIERS

We are committed to ethical operations in all facets of our business. We work with a number of vendors to support our business operations, and in seeking, developing, and maintaining these relationships, we pay attention to a supplier's level of integrity and ethical actions. It is important to establish common expectations with our business partners around what this means.

In 2023, we finalised a Supplier Code of Conduct which sets forth our expectations for our suppliers with respect to human rights, fair labour practices, sound environmental practices, and anti-corruption measures. The code was developed by senior members of our ESG, legal, and finance teams and was reviewed by our ESG Leadership Team and Risk Management Committee.

We will share this important document with our existing and new business partners at the outset of our engagement with them. The Supplier Code of Conduct is also publicly available on the Loomis Sayles website: **here**

DATA VENDORS

We may depend on external data for certain elements of our investment decision-making and client reporting. This data may be used in proprietary models to generate both valuation insight and to produce performance attribution critical to investment decision-making. The proper data to deploy and which models will be incorporated in both investment team and client reporting requires oversight. The firm's Data Management Committee is responsible for reviewing how external data and proprietary valuation models are deployed, particularly as they relate to external reporting and creating policies to ensure fair presentation.

Our ESG Team is responsible for sourcing appropriate ESG data for our investment teams to utilise as described in Principle 7. Our Senior Climate Analyst has deep and ongoing engagements with our vendors regarding their developing methodologies and offerings in this area. This engagement has led to these service providers seeking input from her in an advisory capacity.

PROXY ADVISORS

In respect of our proxy voting procedures, the Proxy Committee is tasked with engaging with and overseeing third-party vendors in relation to proxy voting, including, but not limited to:

- Determining and periodically reassessing whether the service provider has the capacity and competency to adequately analyse proxy issues. This assessment involves consideration of, amongst other matters, the adequacy and quality of the service provider's staffing, personnel and technology.
- Providing ongoing oversight to ensure that proxies continue to be voted in the best interests of clients and in accordance with our policies and procedures. For example, the Proxy Committee regularly reviews cast votes in order to verify votes have been cast in accordance with our policies.
- In the event that the Proxy Committee becomes aware that a recommendation of the Proxy Voting Service was based on a material factual error (including materially inaccurate or incomplete information), it will investigate the error, consider the nature of the error and the related recommendation, and determine whether the Proxy Voting Service has taken reasonable steps to reduce the likelihood of similar errors in the future.

We have categorised one of our proxy advisors as a key vendor, and as such this proxy advisor is subject to the highest level of due diligence and ongoing monitoring that we apply to service providers. Each key vendor is assigned a Loomis Sayles employee as relationship owner, who is responsible for completing appropriate due diligence and ongoing oversight. These relationships are reviewed and the list of key vendors is presented to the Risk Management and Audit Committees at least annually. This reflects the importance we place in exercising our proxy voting rights in a way that enhances the long-term value of our investee companies and protects the interests of our clients.

CASE STUDY

PARTICIPATION IN FACTSET CLIENT ADVISORY PANEL

Factset is a financial data and software company, headquartered in the United States. Our Senior Climate Analyst is a member of a group of industry experts who advise Factset regarding client requirements. During 2023, the panel met on several occasions to discuss platform developments and ensure alignment with asset managers' needs.

PRINCIPLE NINE ENGAGEMENT

Signatories engage with issuers to maintain or enhance the value of assets.

As a fiduciary and a good steward of our clients' capital, we are unequivocally focused on all investment risks and opportunities. This means that, whether investing in equity or fixed income securities, monitoring and engaging with investee companies is integral to Loomis Sayles' investment processes. Our stewardship activities include engagement with current and prospective investee companies prior to investment and during the holding period. We consider this to be an essential component both in the research process we use to evaluate companies and in our ongoing efforts to ensure investee companies are creating value for their investors. As described in Principle 7, engagement is a key part of our ESG integration approach.

WHY WE ENGAGE

Engagement is core to our rigorous investment research and to our duty of care in the responsible allocation of client assets. Direct engagement by our fixed income and equity investment professionals allows us, as active managers, to have an ongoing dialogue with management on all areas of strategic or material significance. Strong, long-term relationships and robust discussions with company management give us the opportunity to ensure alignment and influence strategy and behaviour that will benefit our clients' investments (as well as helping educate and inform ourselves).

WHEN WE ENGAGE

Materiality is the key factor in prioritising our engagement activities. As a long-term investor, we are particularly apt to engage on topics that affect issuers over the long term. We believe value for our clients can be realised by engaging with companies to align and enhance companies' strategic direction and to drive continuing improvement in performance (focusing on areas we have identified from the vast external and internal data sources Loomis Sayles has at our disposal).

Our focus on materiality is driven by our understanding that engagement on material issues helps us achieve superior long-term investment results. Our engagement activities are generally not driven by client input, but rather by our fundamental research identifying areas of strategic and material significance.

The relevant issues vary from company to company, from one industry to another, and from investment team to investment team. For example, when issues such as climate transition plans, incentive structures, and factors that could pose a reputational risk to consumer-facing businesses are deemed material, we look to engage.

Additional information regarding specific criteria for engagement in different asset classes are defined further in Principle 9.

THE MAIN AREAS OF FOCUS IN OUR ENGAGEMENT

In our engagement meetings with companies or issuers, discussions that are determined to be financially material could range from an aspect of a company's strategy (e.g. business strategy, environmental strategy, social strategy etc.), to performance, to the management of the company's risks. Because these meetings occur regularly over time, they form an ongoing conversation, and facilitate follow-up on previously discussed items.

During 2023, Loomis Sayles analysts engaged with investee companies on a range of ESG issues, including climate hange, human and labour rights and capital allocation.

HOW WE ENGAGE

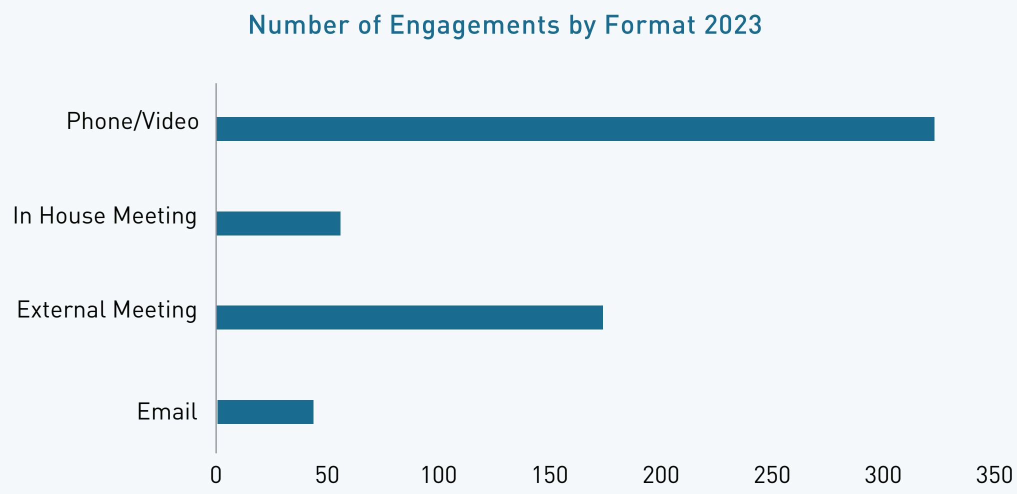
Primary responsibility for engaging with investee companies and issuers lies with our research analysts, for both fixed income and equity, although they also maintain a close dialogue with portfolio managers. With respect to our fixed income strategies, we have a centralised fixed income research function. For equity-based strategies, analysts are dedicated to each investment team. In calls and meetings with investee companies and issuers, our analysts may discuss business strategy, performance, governance and risk management, among other topics determined by each investment team to be financially material.

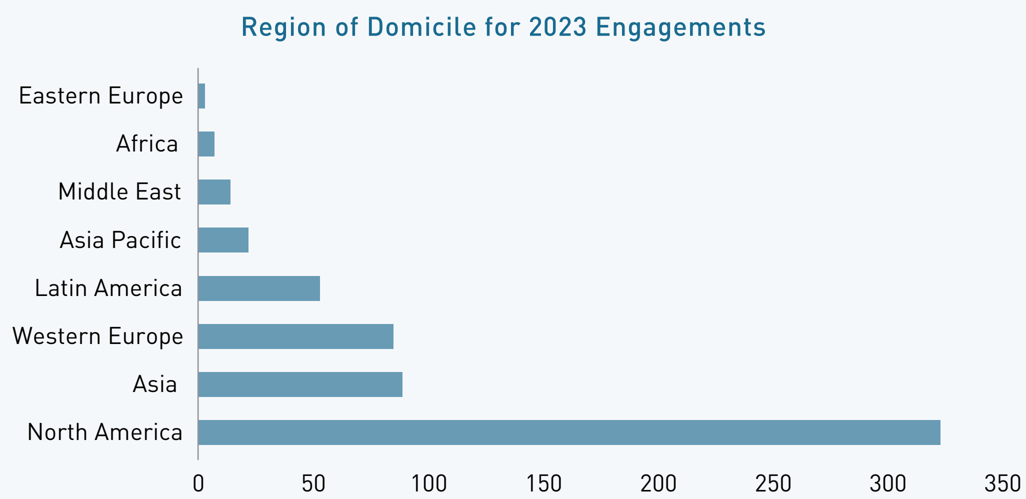
Typically, we engage with companies in several ways. The choice of which method to pursue sits with our analysts, based on their judgement of the best path to success, ease of access and the severity of the issue. The process for engagement varies depending on asset class and/or investment team. For fixed income, our centralised analysts have a common process they use to identify and prioritise opportunities for engagement. For equity strategies, the engagement process is unique to each investment team in accordance with their philosophy, process and investment universe.

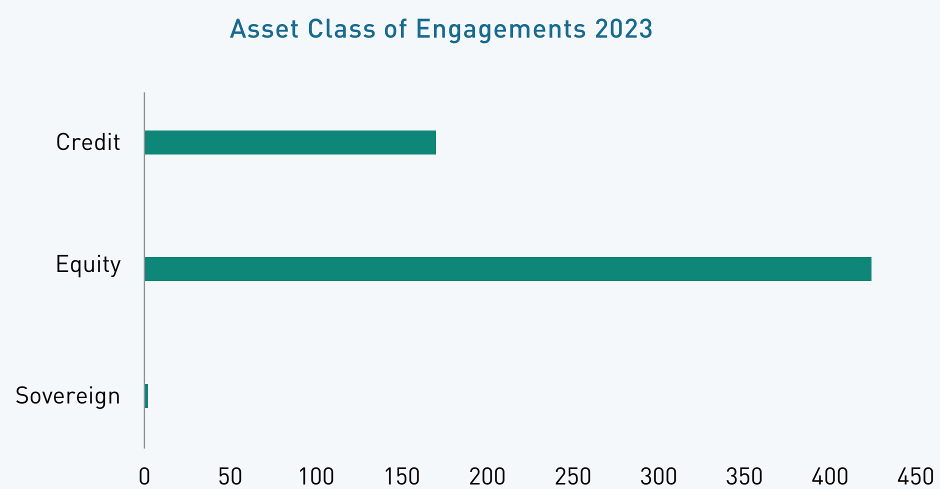
The preferred method of engagement will therefore align with the investment process and access for that team. Additionally, all of our equity teams use our proxy voting rights to express our concerns or support of management or shareholder resolutions.

We monitor our engagement activity and outcomes through our proprietary Engagement Database. The majority of our engagement throughout 2023 was conducted via regular one-to-one discussions with company management.

2023 TOTAL ENGAGEMENTS







Regional variations in engagement

While we generally do not vary our engagement practices across geographic regions, we do note some variation with respect to equity engagement with companies in emerging markets. While the environmental, social and governance topics in emerging markets are mostly consistent with developed markets, our Global Emerging Markets Equity Team tends to encounter cultural differences that might be unacceptable in western society, especially in the context of certain state and family-run entities. Examples include:

- Family-run businesses in India can function quite well, surviving decades of political cycles with resilience, even though looked down upon from a western point of view.
- Saudi Arabian companies typically will not have diversity of gender on their boards.

ENGAGEMENT WITH CORPORATE BOND ISSUERS

Our centralised credit analysts lead a three-step process to set the goals and expected timings for our engagement with corporate bond issuers, and potential steps for escalation if required.

ENGAGEMENT FRAMEWORK

1. OBJECTIVE

What is the goal of the engagement? Why are we engaging and, specifically, what do we hope to accomplish? What would it take for the company to achieve a better ESG score?

2. TIMELINE

Setting realistic timelines that we can monitor to ensure we circle back both internally and externally with management to assess if progress toward the goal has been achieved.

3. ESCALATION

What is the escalation policy if there is no progress towards the objective within the timeline?

We believe it is important to create objectives that are achievable through time and effort. Essentially, we want realistic objectives that are a step within a longer process of engagement towards a bigger goal. We take the view that we are on a journey with companies and sovereigns — an understanding that allows for much deeper relationships and the possibility of better outcomes.

For fixed income teams, the decision to engage on ESG topics is informed by our credit analysts' fixed income materiality mapping of issues, described under Principle 7, as well as the broader research our analysts produce.

We are working with the Credit Roundtable, an industry body formerly chaired by our Director of Credit Research, to enhance the rights available to bondholders and make improvements to the market, particularly in connection with covenants and disclosures for new issues.

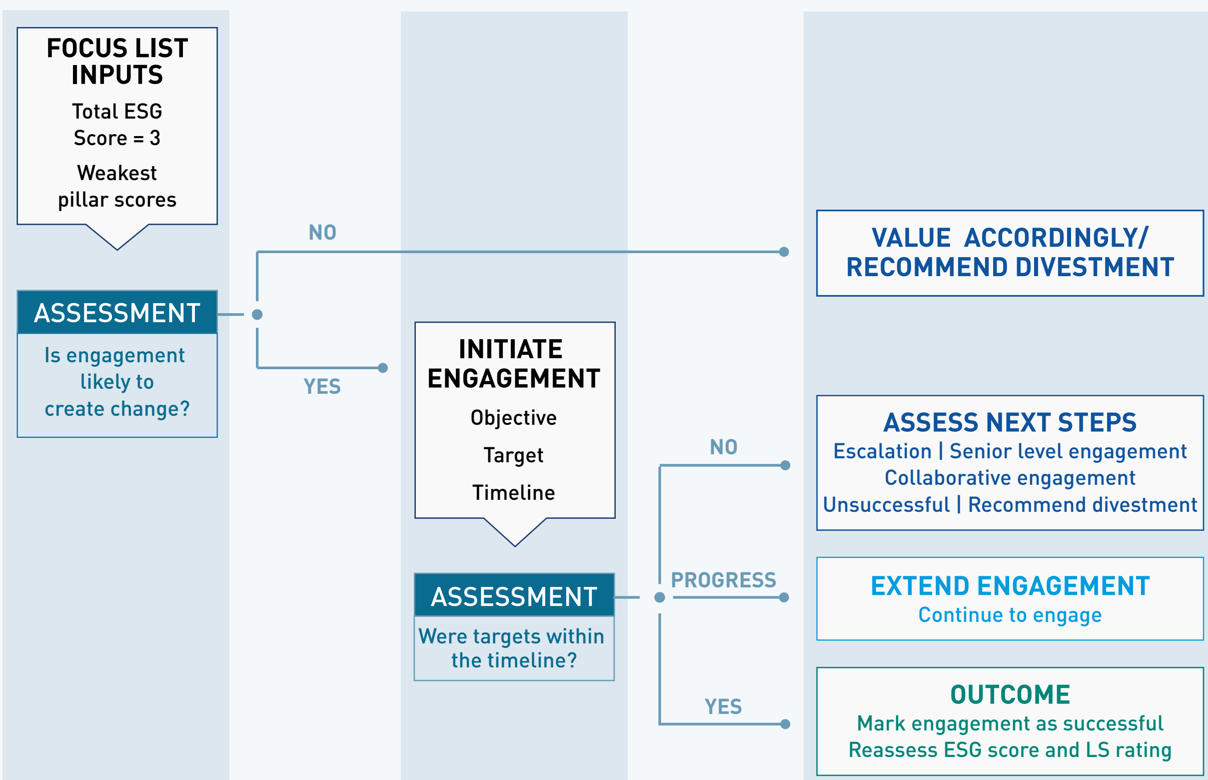
Evolving our ESG engagement with corporate bond issuers in 2023

As we have reported previously, we have been evolving our engagement approach for corporate bond issuers to ensure that our efforts are focused on companies and activities where there is the greatest scope, feasibility and requirement for change.

Throughout 2023, our Fixed Income Best Practices Taskforce, described in Principle 2, worked with our Credit Research Team to implement this new engagement approach.

With respect to ESG concerns, credit analysts now undertake the process outlined below. This process leverages the proprietary materiality maps and ESG scoring described in Principle 7. We have also created an Escalation Committee that is composed of members of the ESG Team and the senior members of the Credit Research Team, that analysts can call on as needed in assessing next steps.

ENGAGEMENT PROCESS FOR CORPORATES



If an issuer with a high ESG risk is not recommended for further engagement, the analyst will document why they have made that decision within our Engagement Database. This is important for our fixed income investment teams in their consideration of suitability during the portfolio construction stage. Essentially, if an issuer has a high ESG risk and our analyst believes that engagement will not change that, this must be factored into our decision on whether or how much to invest.

2023 ENGAGEMENT CASE STUDY

Issuer	A chemical manufacturing company headquartered in Mexico.
Asset class	Corporate bonds.
The issue	Health and Safety is a core consideration in any manufacturing sector, especially chemicals. To date, the issuer in question had a weak safety record, with four fatalities in 2018 and limited evidence of efforts to minimise potential harm to workers from chemical substances. Labour conditions are a material factor for this industry, and due to their poor record and approach to Health and Safety, the issuer scores below average in the Social pillar in our ESG rating.
Objective	To encourage the issuer to improve their TRIR (Total Recordable Incident Rate) from 0.71 to 0.2 by 2025, and see evidence of efforts to minimise potential harm from chemical substances.
How we engaged	Engagement with the issuer began several years ago in response to the 2018 safety incident resulting in four fatalities. Our industry analysts engaged the issuer four times between 2020 and 2022, with two engagements between April and October 2023. The April engagement was focused on the intended outcome of the recent company-wide safety perception survey, as well the results of the company's 2022 initiative to eliminate distracted employee driving risk, associated with cell phone use. When we failed to hear back from the company in April we reached out again in October on the same topics and learned they had implemented site-specific local initiatives based on the feedback collected through the survey. They expressed confidence that these initiatives would be most effective in advancing their "safety culture," and also identified opportunities across the organisation to increase shop floor and firmwide recognition programmes for individuals, teams and sites that have excelled in living the company's safety values and culture.
Outcome	Since then, the issuer has made advancements in their safety practices and set a goal to bring their TRIR below 0.2 for all employees and contractors by 2025. The issuer was upgraded to BB from B by MSCI in December 2022. This enhancement in their rating was attributed to the implementation of compliance mechanisms, including the audit of ethics standards and training for employees. Their 2022 sustainability report shows a decline of 8% year-on-year in the TRIR and the creation of employee resource groups OWN and OPN, and noted there were zero fatalities by employees and contractors. Overall, we are pleased with the progress made.
Decision	Maintain our investment.
Next Steps	We are pleased with the progress being made and therefore closed this engagement positively. The issuer has been removed from the focus list, and we will continue to monitor their progress in this and other areas and re-engage in the future if necessary.

2023 ENGAGEMENT CASE STUDY

Issuer	Petroleum refinement company.
Asset class	Corporate bonds.
Industry	Oil Gas & Consumable Fuels.
The issue	Energy management is a material factor for this industry, and a concern for this issuer relative to peers. Our industry analyst first engaged the issuer in 2020, however, the issue persisted without demonstrable progress towards its stated emissions targets. The company has a score of 3.0 for the energy management factor in our ESG analysis, and 2.8 for the environmental pillar (Scores range from 1-3, with 3 being the worst).
Objective	Evidenced progress of the company's 2030 target of reducing annual carbon emissions by 10MT.
How we engaged	Our credit analyst emailed the company's Investor Relations team, requesting updates on: • targets • largest projects and initiatives contributing to progress • capital requirements • plans for future targets • thoughts on Scope 3 emissions/targets
Outcome	We were satisfied with the clarity of responses the company provided to our questions, a sample of which can be found below: • Provide an update on your 2030 emissions target? • What are the largest initiatives contributing to the emissions targets progress? • How much capital is required to hit the 2030 target; will it continue to grow? • How do you envision re-evaluating and adding new targets after 2030? • What is your current view on Scope 3 emissions; are there plans to implement a target?
Decision	Having analysed the issuer's detailed responses and progress versus targets, we were happy with the evidence and plans presented. The engagement was closed and deemed a positive outcome.
Next Steps	We removed the issuer from our focus list; and will continue to monitor their progress and plans towards 2030 targets and beyond. We will re-engage in the future if necessary and material.

SOVEREIGN DEBT ENGAGEMENT

At Loomis Sayles, our approach to engagement with sovereign debt issuers is broadly similar to our approach for corporate credit. The major difference is in the level of access our analysts have to engage with policymakers versus company management teams; in the sovereign arena opportunities are limited. Much like with corporate issuers, sovereigns are scored by our analysts on their ESG profile. This scoring is used to determine the material factors on which analysts will engage, when they have the opportunity to do so.

2023 SOVEREIGN BOND CASE STUDY

Country	Peru
Asset class	Sovereign Bonds
The issue	Social unrest, which began in December of 2022 has resulted in nearly 60 deaths due to clashes with police during protests. The death toll is worrisome and a concern with potential impact on the social pillar score.
How we engaged	Our analysts met with Peru's vice minister of finance in February 2023 for a non-deal roadshow. It is likely Peru's government agreed to these meetings in an effort to assuage investor concern over the social unrest that had unfolded over the preceding 16 months. The meeting was also used to gauge investor interest in future issuance, given their desire to take liability management actions for bonds maturing in 2025-27. We discussed the social unrest at the meeting, with the number of protesters peaking around 80,000 in mid-January according to Peru's government officials, and had since fallen to 3,000-4,000 at the time of the February meeting. After approximately six weeks most protesters disbanded simply out of fatigue. Government officials have mainly relied on dialogue with protesters as their go-to approach, with limited police involvement. Since our meeting no additional deaths were reported.
Outcome	Continue to monitor
Next Steps	Should the situation escalate we will consider adjusting our ESG score accordingly.

EQUITY ENGAGEMENT

Engagement with investee companies by our equity investment teams is a fundamental part of all our equity team's respective investment philosophy and process. In common with all Loomis Sayles investment capabilities across asset classes, our equity teams focus on financial materiality and a forward-looking view of companies' ability to succeed and create value for investors and wider stakeholders.

LOOMIS SAYLES GROWTH EQUITY STRATEGIES TEAM

Long-term engagement from an active manager with high-conviction, low turnover portfolios.

The Growth Equity Strategies (GES) Team's approach to engagement is fundamentally shaped by its investment philosophy and is an integral part of its active, long-term, research-driven process:

The GES Team is an active manager with a long-term, private equity approach to investing. Through its proprietary bottom-up research framework, the Team looks to invest in those few high-quality businesses with sustainable competitive advantages and profitable growth when they trade at a discount to the team's estimate of intrinsic value.

The Team's proprietary seven-step research framework is the cornerstone of its investment decision-making process and drives security selection. The research framework represents the

GES Team's long-standing insights about investing and is structured around three key criteria: Quality-Growth-Valuation. Guided by its alpha thesis and with an owner's mindset, the Team seeks a deep understanding of the drivers, opportunities and limits of a company, including ESG criteria, for each company over the Team's long investment horizon.

The GES Team develops long-term constructive relationships with management through regular and recurring dialogue regarding key decision-making criteria, including long-term structural, strategic and financially material ESG matters integral to their long-term investment thesis for each company. The Team believes the structural opportunities and risks associated with ESG matters are linked to business activities, including the analysis of business models, competitive advantages, operating efficiency, management strategy and integrity, profitable growth, and the Team's estimate of intrinsic value. The Team believes that company management must necessarily weigh and manage the interests of various stakeholders including employees, customers, supply chain partners, and local communities, as well as resource stewardship. Therefore, ESG considerations can be structural to each step of the GES proprietary seven-step research framework.

The GES Team's investment process begins with the art of trying to identify high-quality companies – those with unique, difficult-to-replicate business models and sustainable competitive advantages. Many ESG considerations are embedded in our quality assessment of a company, which are incorporated in the first four steps of our seven-step research process. Meeting the criteria of our quality analysis is binding for us. Not only can ESG considerations strengthen the virtuous cycle of quality characteristics that help sustain and extend competitive advantages, they can also help manage downside risks. Ongoing engagement and robust dialogue are critical elements of our assessment.

Why do we engage with investee companies?

The Team's research and engagement is focused on the future strategic decision-making of companies.

High-quality businesses are rare. Less than one percent of companies globally are able to sustain their competitive advantages beyond a decade. Empirical evidence also shows that fewer than one percent of companies can generate sustainable above-average growth beyond a decade. The GES Team evaluates global industry value chains and profit pools to discern the companies they believe will be structural winners and losers over the long term. Engagement is a critical part of the Team's assessment of high-quality growth companies, from idea generation of decision-making on capital allocation and material ESG factors.

Because the Team invests as if buying into a private business, a long investment time horizon is central to its investment philosophy and process. The Team believes that short-termism, so prevalent in today's market, is detrimental to sustainability and value creation and that a long-term orientation is fundamental to a strategic decision-making framework. Therefore, the GES Team seeks to invest with management teams who share its long-term perspective and who view ESG integration as a launch pad for innovation, competitive differentiation and continuous improvement. The GES team believes relevant ESG considerations must be integral to a company management's long-term strategic decision-making, not merely a check-the-box exercise.

When do we engage?

Identifying these rare businesses means that for the GES Team, engagement begins with idea generation. It is a key component during its research process, which identifies high-quality growth companies. It is ongoing with portfolio candidates in their investment library. And, it is critical to the Team's continuous assessment of portfolio holdings. As of result of their disciplined and thorough analysis, the GES Team's library of investable ideas consists of only about 250 companies, globally, which the Team would like to own across its five growth equity strategies – at the right price.

The Growth Equity Strategies Team's engagement is not a task with a definite beginning and end, but a continuous process.

ENGAGEMENT IN OUR INVESTMENT PROCESS

IDEA GENERATION

In addition to meeting with the company management of a portfolio candidate, we also analyse and meet with competitors, customers, and suppliers around the world in order to develop an independent assessment of each company's global value chain, competitive positioning and overall profit pool.

RESEARCH PROCESS

The opportunities and risks associated with ESG matters are linked to business activities and strategy, and are therefore integral to the analysis of business models, competitive strategy and advantages, operating efficiency, corporate management strategy an integrity, profitable growth, and our intrinsic valuation.

INVESTMENT LIBRARY

We apply the same approach to engagement whether a company is a portfolio holding or an investable idea in our investment library.

PORTFOLIO HOLDINGS

We develop long-term constructive relationships with management through regular and recurring dialogue regarding key decision-making criteria. We believe a long-term orientation is fundamental to a strategic decision-making framework.

CASE STUDY

GROWTH EQUITY STRATEGIES TEAM 2023 ENGAGEMENT

EQUITY ISSUER: LEADING STREAMING MEDIA COMPANY

ACTIVITY

A portfolio holding since the first quarter of 2022, we have entered into a dialogue of constructive engagement with the company over the past two years. In 2023, those conversations included six direct engagements across governance and social topics.

TOPIC 1: COMPENSATION

Because we approach our investments with an owner's mindset, we have a distinct focus on the quality of a company's management and governance. We want to partner with management teams who share our long-term perspective, manage the business with vision and integrity, and whose incentives are aligned with long-term shareholder interests. We believe that shareholders benefit when variable compensation levels are based on metrics with pre-established goals and are demonstrably linked to the performance of the company. During a direct meeting with members of the board, legal advisors, and the ESG director, we shared feedback and raised concerns regarding management's proposed executive compensation plan. Our concerns primarily focused on the short vesting period for LTIP (Long-Term Incentive Plan) awards, the absence of performance conditions for equity awards, and a provision that allowed executives to receive a significant portion of their compensation in cash rather than stock. Consequently, during the proxy voting process, we opposed management's advisory vote on executive compensation.

OUTCOME

In December, in a Form 8-K filing, the company addressed several of our recommendations. The board agreed to key adjustments to the executive compensation proposal, including eliminating the option for executives to choose between cash and stock allocation, introducing performance-linked metrics through PSUs (Performance Stock Units) and RSUs (Restricted Stock Units) in lieu of stock options, and extending the vesting period for LTIP awards from one year to three years.

TOPIC 2: MODERN SLAVERY

We also engaged with the company regarding Modern Slavery, including the company's existing anti-slavery policies and procedures and its 2023 transparency statement pursuant to the UK Modern Slavery Act Statement. We discussed the company's views on its most significant human rights risks and strategies for preventing such issues in its operations. The company has a dedicated team within its legal and compliance groups that oversees these policies, with a focus on anti-slavery and anti-corruption measures. They conduct training sessions for employees, particularly those in production roles, with a specific focus on regions or areas where there may be higher risks of corruption.

OUTCOME

We believe the company has a robust policy in place to mitigate risks arising from these issues, and will continue to monitor its ongoing progress.

HOW DO WE RECORD AND MONITOR OUR ENGAGEMENTS?

The Loomis Sayles Engagement Database, created in 2016, is an application we developed to systematically collect all our investment teams' discussions with company management teams (across equity and fixed income). The Database provides our investment teams with a new tool to track their engagement efforts and monitor outcomes. It also provides immediate insights into whether other investment teams within Loomis Sayles are engaging with any similar issuers, thereby providing the possibility to team up with other teams within the company. An illustration of the tool is provided in the picture below.

Engagement Database

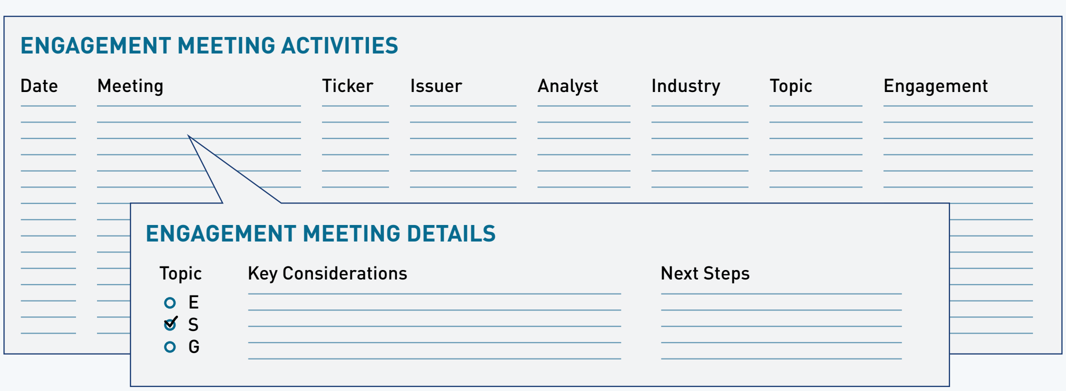
Engagements in the database are categorised by theme (environmental, social or governance) and sub-theme (for example: emissions, climate targets, SDG criteria). As our engagement activity is driven by analysts' bottom-up focus on specific materiality issues (rather than a thematic approach to engagement), this classification enables a broader view of our efforts across the firm.

We are always looking to enhance what we are tracking in the tool and to be able to meet the needs of our analyst teams.

ENHANCING THE DATA IN OUR DATABASE: NEW FEATURES IN 2023

- In 2023, our ESG Team, Credit Research and technology group collaborated to upgrade the Engagement Database to better align with our enhanced approach to engagement with corporate issuers.
- The database has been designed to connect with our ESG Scores & Maps application for fixed income, which houses credit materiality maps, and allows for easy identification of engagements on their focus list.
- While the effort is still in progress, updates are in production for testing and follow up. Our continued work will focus on output reporting and end-user digestibility.
- Our technology team partnered with one of our equity teams to customize the Engagement Database based on the team's unique company identifier mapping. We also added proxy-voting fields so that the team can capture additional data gathered by equity analysts.

ENGAGEMENT DATABASE



PRINCIPLE TEN
COLLABORATION

Signatories, where necessary, participate in collaborative engagement to influence issuers.

At Loomis Sayles we recognise the importance and the potential impact of collaborative engagement to influence issuers, and are keen advocates in the right circumstances.

We actively engage with other market participants through our participation in a range of industry bodies and working groups, and we participate in initiatives to encourage responsible investment practices across the industry. Senior leaders across our business play an active part in industry groups and bodies that attempt to influence issuers and improve the functioning of financial markets.

The decision to engage collectively will be made on a case-by-case basis. Loomis Sayles may engage collectively with an issuer with a view to protecting and enhancing shareholder or bondholder rights, which can be affected by ESG-related matters, such as contract enforcement or questionable behaviour by management that could negatively impact investors.

In order to undertake any collaborative engagement with issuers, we make sure that the circumstances and parties involved meet three important criteria:

1. Compliance with market abuse and competition law

We are mindful of our obligations under antitrust law and are, therefore, cautious about communicating directly with other investment managers in respect of particular issuers where this could give rise to the impression of competition law infringements.

2. Our proprietary research and intellectual capital are protected

We believe that alpha in investment performance is rare, and as a fiduciary of our client's assets it is important that we protect the proprietary research and processes of our investment teams. We are unwilling to share the research of our investment teams with other asset managers. This can include which areas of engagement we believe are financially material or of particular concern for our holdings. If a collaborative engagement opportunity is not able to protect our proprietary research and intellectual capital, we will not participate.

3. Alignment on materiality and objectives

The other important criteria for collaborative engagement is full alignment with potential parties on the precise focus and materiality of the topic of engagement and the intended outcomes. Our rational and objectives for engagement and the focus of our ongoing dialogue with issuers (in any asset class) is usually a specific topic as determined by our detailed, proprietary fundamental and ESG analysis. If we can identify collaborative initiatives that are fully aligned with our focus, we are advocates of taking such an approach. However, if we are unable to identify any initiatives precisely aligned with our focus, our analysts will continue to engage with the relevant issuer(s) on a one-to-one basis.

These engagement activities led by analysts are entered into our engagement database, detailed in Principle 9, along with other types of engagement. Examples of collaborative engagement undertaken by Loomis Sayles in 2023 are provided below.

CASE STUDY

LOOMIS SAYLES WITHDRAWAL FROM CLIMATE ACTION 100+

Climate Action 100+ defines itself as an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Signatories to the initiative participate in collaborative engagements with the focus list of companies.

As reported previously, ahead of our involvement, Loomis Sayles evaluated the initiative to ensure it met all of our criteria for collaborative engagement outlined above. We joined the initiative in late 2021 and participated in one specific company engagement that was open to new investor participants.

The company with which we chose to engage through this collaboration is in the industrial sector, and the company's debt is held in several of our fixed income strategy portfolios. Our senior credit research analyst has identified emissions as a financially material factor for this sector in his materiality mapping. This company was assigned a low score on this factor and our analyst had previously engaged with the company regarding this issue. We deemed collaboration with industry peers on the company's climate policies and risk to be additive to our ongoing direct engagement with the company on thesetopics

ASSET CLASS	REGION	INVESTMENT TEAM	PARTICIPANT(S)
Corporate Credit	**Latin America**	**Multiple fixed income teams**	**Senior Credit Research Analyst** **Senior Research Associate**

Throughout our participation, our senior credit analyst and senior research associate have continuously evaluated whether the engagement activities of the collaboration meet all our criteria. In late 2022, and throughout 2023, they raised concerns that some of the topics being put forth by the lead investor on this engagement may not meet our criteria for financial materiality.

Meanwhile, Climate Action 100+ issued a proposal to signatories in late 2022 that outlined a new phase of the initiative, which the organisation described as having the intention to "inspire a global scale up in active ownership, markedly shifting the focus from corporate climate-related disclosure to climate transition plans." We evaluated the proposal and identified several concerns related to the proposed direction. These included, among others, the control that lead investors had on the engagement would have put the focus of company engagements and the level of involvement from non-investment groups in the company engagements. In addition to communicating our concerns within our survey response, Loomis Sayles met with the organisers of the initiative to discuss our perspective numerous times over more than a year with the hope we could find a resolution.

During 2023, it became clear to us that the new phase of the initiative would largely be implemented as proposed, without any changes in line with our feedback. Meanwhile our credit analyst team continued to express that the topics of discussion within the company engagement were not in line with our criteria for financial materiality, particularly for our fixed income holding.

As we could not be assured that our issues at both the initiative and company engagement level would be resolved, we determined in early June of 2023 that we needed to disassociate Loomis Sayles with the initiative, ahead of the new phase being implemented. We are disappointed that we are no longer able to participate in this collaborative initiative. Meanwhile, we have continued our direct engagement with the investee company in question.

We will continue to look for additional opportunities for productive collaborative engagement that meet all our criteria. For example, in 2023 we met with members of the PRI to discuss a collaborative engagement initiative for sovereign entities that is being piloted with Australia. While the engagement is not currently open to new membership, we will continue to explore the possibility of becoming involved when it expands to other markets following the pilot phase.

PRINCIPLE ELEVEN
ESCALATION

Signatories, where necessary, escalate stewardship activities to influence issuers.

In recognition that engagement is not always successful in securing the desired outcome, we are committed to having a clear rationale and process for escalation on issues that we think have a material impact on investors, stakeholders, the environment and the wider community.

REASONS FOR ESCALATION

All our investment decision-making is founded upon in-depth fundamental research to build up a detailed picture of the strength of a company or issuer and its potential for growth.

Occasionally, management's decision-making in one of our portfolio companies may, in our view, be detrimental to its prospects and the creation of value for investors and stakeholders. For example, it may be slow to adopt latest best practice on environmental issues, we may believe management compensation can be better aligned with long-term shareholder interests, it may not have sufficient rigour in its governance or its policies on diversity.

In these scenarios, to protect the value of our clients' investments now and into the future, our analysts may choose to escalate their engagement with a company, employing more robust means of engagement to achieve our desired outcome.

As an integral part of our engagement process, decisions on when to escalate and why are led by our analysts across all asset classes.

The most common reason for escalation is when our engagements with an issuer have failed to achieve our desired outcome. Focused on materially significant issues, we believe this failure to achieve our engagement objectives could have a meaningful impact on investment returns.

Example specific reasons for escalation include:

- Lack of change on the issue in question
- Impact of issue on long-term decision making and capital allocation
- Lack of credibility in the issuers' response
- Significant controversy or issue
- Questionable or objectionable practices
- Lack of transparency

HOW WE ESCALATE

As active managers of all our investment strategies, the ultimate escalation is to sell the relevant security. Before reaching that point, our analysts will endeavour to exert the strongest influence on a company or issuer to encourage improvement on the topic in question. The decision on how to escalate sits with our investment analysts working with our portfolio managers; together they will decide the point at which to escalate, and the optimum method of escalation.

Potential forms of escalation include:

- Arranging topic-specific meetings to explain our rationale
- Providing data and research to company management to support our view
- Writing formal letters to senior management or the Board of Directors
- Escalating internally to involve more senior personnel in future engagements (senior leadership per asset class, portfolio managers, Head of ESG, CIO or CEO)
- Seeking opportunities for collaborative engagement
- Going directly to the company's Board of Directors
- Voting against company management in proxy votes
- Adjusting our fixed income ESG score, which will materially impact our valuation model (and therefore our willingness to invest)
- Arranging specific meetings with key personnel
- Selling or reducing our holding in a company

At a practical level, any of these forms of engagement may involve adjusting the timeframe for achieving our desired outcome. We may also find that although our suggested actions or policy changes are not enacted, outcomes may demonstrate the company is achieving our ultimate objectives via a different approach. The analyst and the portfolio managers will also monitor progress on an ongoing basis and assess what this means from a valuation perspective and ultimately whether to divest.

As a part of the recent initiative led by our Fixed Income Best Practices Taskforce to evolve the engagement approach for corporate bond issuers, an Escalation Committee was established in 2023. This group includes the Head of ESG, Director of Credit Research, two Senior Credit Research Analysts, and the Senior ESG Associate. A credit analyst leading an engagement with a specific company can call upon the Committee, to determine the best course of action when the engagement isn't progressing as desired by the analyst.

2023 ESCALATION CASE STUDY - CORPORATE BONDS

Issuer	Two US-based propane gas distributors.	
Asset class	Corporate bonds.	
Industry	Utility and Consumer Distributer.	
The issue	Both companies were targeted for escalation in our engagement on account of ESG scores above 2.5 (higher score is worse), primarily driven by poor disclosures (publication of relevant environmental data). Materially, the Senior Analyst was less confident in the corporate governance of these names given this gap in reporting. Our analyst had approached one company to ask about plans for producing a sustainability report to be in line with peers. The company did not reply. The second company had also failed to publish the relevant data.	
Objective	Enhanced environmental disclosures; given our focus on attainable and incremental progress, a sustainability report would make us more comfortable with company disclosure.	
How we engaged	Our analysts then emailed both companies three times. Given the lack of success in progress towards our goals, the analyst raised the issue to our Escalation Committee to determine a course of action for the engagement.	
	Company 1	**Company 2**
	For one propane company, the analyst asked their Investor Relations team if there were plans in place to improve disclosure in line with peers. The CFO followed up and noted there was a slide in a March 2023 presentation from a High Yield conference that contained "a discussion around ESG" and that it is "one area that it is looking into expanding the discussion".	For the other propane company, the Committee decided that further outreach would not be necessary and that the engagement should be closed negatively.
Outcome	The company has not yet produced a copy of the presentation. It is not available on the company website or filed with the SEC.	Closing the dialogue on this issue.
Decision	This is ongoing and the Committee will consider next steps.	Upon further review, the issue was deemed not financially material to analysis of the credit. Understandably, the publication of a sustainability report by a small company would be a significant and expensive undertaking.
Next Steps	We are maintaining and monitoring our investment, one possible course of action would be for our credit analyst to adjust the issuer's ESG score in the future.	We are maintaining our investment and monitoring their disclosures.

ESCALATION AND EQUITIES

As described in Principle 9, engagement with companies by our equity investment teams is a fundamental part of the investment philosophy and process unique to that team. As a result, the approach to escalation is determined by each equity team in accordance with their investment process.

EQUITY TEAM ESCALATION: LOOMIS SAYLES GROWTH EQUITY STRATEGIES TEAM

In line with their approach to engagement, the GES Team's approach to escalation is fundamentally shaped by its investment philosophy and approach, and is an integral part of its active, long-term, research-driven process. As described in Principle 9, the Team's research and engagement is focused on the future decision-making ethos of companies that have already achieved high standards (in order to qualify for its investment library of portfolio candidates). To get to this level of understanding of a company and its management team takes time — often years, with numerous meetings and extensive exploration of businesses and teams, competitors and supply chain partners. The Team's conversations are forward-looking and long-term in nature, focused on the sustainability of quality and growth-specifically companies' future ability to adapt and evolve their ongoing ability to deliver good outcomes. On this basis, all of the GES Team's engagement is a form of escalated scrutiny on the sustainability of high-quality companies' continued success.

PRINCIPLE TWELVE
EXERCISING RIGHTS & RESPONSIBILITIES

Signatories actively exercise their rights and responsibilities.

PROXY VOTING

The Loomis Sayles Proxy Voting Policies and Procedures ('PVPPs') help guide the Proxy Committee on how to vote on the most common proxy proposals. Topics covered include the Board of Directors, Proxy Contests and Defences, Auditors, Tender Offer Defences, Governance Provisions, Capital Structure, Executive and Director Compensation, State of Incorporation, Mergers and Corporate Restructurings, Mutual Fund Proxies, and Social and Environmental Issues. We do not vary our approach to proxy voting relative to the geographic location of a company. The PVPPs are published on our website.

However, our default position under the proxy voting policy can be overridden if we believe this to serve the best interests of long-term shareholder value creation. Loomis Sayles will not vote in favour of a particular resolution that it believes is not in the best interests of its clients. This is true for resolutions proposed by management of investees, as well as outside parties. During 2023, the firm voted on 544 shareholder proposals, as shown. We have provided some examples below highlighting our approach to shareholder resolutions.

SHAREHOLDER PROPOSAL CATEGORIES	NUMBER OF PROPOSALS IN 2023	VOTED WITH MANAGEMENT	VOTED WITH GLASS LEWIS
Animal Welfare	7	86%	100%
Auditor Related	11	9%	82%
Climate-Related	50	65%	100%
Compensation	21	76%	95%
Corporate Governance	108	21%	77%
Director Election	19	63%	79%
Diversity, Equity, & Inclusion	41	79%	98%
Environmental Proposal	21	86%	100%
Proxy Contest	16	31%	63%
Severance Agreement	30	3%	30%
Shareholder Rights	62	34%	83%
Social Proposal	154	68%	93%
Weapons	4	60%	80%
GRAND TOTAL	**544**		

ENERGY COMPANY

CASE STUDY	**SHAREHOLDER PROPOSAL REGARDING METHANE EMISSION DISCLOSURES**
MANAGEMENT	**AGAINST**
LOOMIS SAYLES	**FOR**

Through its subsidiaries, this independent oil and gas company, engages in the development, exploration and production of oil, natural gas, and natural gas liquids in the United States. At their 2023 annual shareholder meeting, a shareholder proponent put forth a proposal to be voted that the company report on the reliability of its methane disclosures. Management recommended a vote against this proposal. Believing that the information long-term shareholders could gather from such a report could be materially financial to the investment decision-making process and would outweigh the costs associated with providing such information, we voted for it, in opposition to the management recommendation. This proposal was passed with 68.9% voting for it in 2023.

CONSUMER STAPLES COMPANY

CASE STUDY	**SHAREHOLDER PROPOSAL REGARDING PRODUCING A REPORT ON THE RISKS OF OMITTING VIEWPOINT AND IDEOLOGICAL DIVERSITY FROM EEO POLICY**
MANAGEMENT	**AGAINST**
LOOMIS SAYLES	**AGAINST**

This retail company operates combination food and drug stores, multi-department stores, marketplace stores, and price impact warehouses in the United States. At their 2023 annual shareholder meeting, a shareholder proponent put forth a proposal that the company issue a report on the risks associated with omitting "viewpoint" and "ideology" from its written equal employment opportunity policy. Management recommended a vote against this proposal. We did not find that the costs borne by this proposal outweighed the approach and disclosures currently being provided by the company, at the time, nor did we conclude that increased reporting would result in materially financial information being provided to shareholders. Subsequently, we voted against this proposal and in agreement with the management recommendation. This proposal failed to pass with 98% of the votes cast voting against it in 2023.

ENERGY COMPANY

CASE STUDY	**SHAREHOLDER PROPOSAL REQUIRING A REPORT ON TAX TRANSPARENCY**
MANAGEMENT	**AGAINST**
LOOMIS SAYLES	**FOR**

Through its subsidiaries, this company engages in integrated energy and chemicals operations in the United States and internationally. The company operates in two segments, Upstream and Downstream. At their 2023 annual shareholder meeting, a shareholder proponent put forth a proposal that the company publish a tax transparency report in line with the GRI Tax Standard. Management recommended a vote against this proposal. As our policies had no guidance to offer on tax transparency reporting, we had this proposal assessed by the Loomis Sayles Proxy Committee. They reviewed the proposal and decided that the potential information to be provided could be financially material in evaluating the long-term risk to shareholders, and that we should vote for this proposal. Subsequently, we cast the vote on behalf of our clients for this proposal and in opposition to the management recommendation. Unfortunately, this proposal failed to pass with 85% of the votes cast voting against it. We will continue to monitor this situation.

During 2023, over 99% of all shares for accounts that granted Loomis Sayles proxy voting authority were voted. A small percentage of ballots received were not voted in the following circumstances:

- In our best judgment, the costs or disadvantages resulting from voting outweighed the economic benefits of voting,
- The ballot delivery instructions had not been processed by a client's custodian,
- A ballot was not received in a timely manner,
- Other circumstances beyond Loomis Sayles' control.

The firm voted with management 84% of the time, and 16% of the time we voted contrary to the management recommendation.

At Loomis Sayles we do not outsource decision making on voting proxies for those accounts and funds for which we have voting authority. However, Loomis Sayles uses the services of Glass Lewis to provide research and recommendations, and Institutional Services Inc. ('ISS') to provide proxy voting agent services for those accounts and funds for which Loomis Sayles has voting authority. All issues presented for shareholder vote will be considered under the direction of the Proxy Committee and, when necessary, the equity analyst following the company. The PVPPs specify matters with respect to which Loomis Sayles will:

1\. Generally vote against a proposal (e.g., against a proposal to prohibit shareholder ability to call special meetings);

1\. Generally vote in favour of a proposal (e.g., for a proposal that prohibits one individual from holding the Chairman of the Board and CEO positions at a public company);

2\. Generally vote as recommended by Glass Lewis (e.g., for a proposal to implement a 401(k) benefit plan); and

3\. Specifically consider its vote for or against a proposal (e.g., environmental and social issues, asset sales, corporate or debt restructurings).

The Proxy Committee may use its discretion to conduct a review of any material conflict of interest Loomis Sayles may have and, if any material conflict of interest is found to exist, exclude anyone at Loomis Sayles who is subject to that conflict of interest from participating in the voting decision in any way. In the event a client believes that its interest requires a different vote than that determined by the Proxy Committee to be in the client's best interests, Loomis Sayles shall vote as the client instructs. If the Proxy Committee were to become aware of special circumstances that might justify casting different votes for different clients with respect to the same matter, the Proxy Committee would take such circumstances into account in casting its votes. In addition, clients may direct Loomis Sayles on the voting of their proxies. For further discussion on Loomis Sayles' approach to handling this potential conflict, please see the table of potential conflict in Principle 3.

Loomis Sayles monitors asset holdings for all clients that have granted proxy voting authority to the firm for upcoming shareholder meetings on a global basis. We work in tandem with our proxy voting vendor, on a best efforts basis, to obtain all possible ballots from our clients' custodians in advance of a shareholder meeting. Reports are run by the proxy voting team for all meetings to match shares held on a record date to the ballots received from the custodians. Should a ballot not be received for a meeting, the custodian is contacted and Loomis Sayles will work to resolve the situation going forward. A report of missed ballots and the efforts made to resolve them is made on an annual basis to the Proxy Committee.

Our proxy voting records are available on our website. Clients may also receive a report of their account's proxy voting activities upon request.

Loomis Sayles does not engage in securities lending on behalf of its client portfolios. However certain subadvised funds for which we provide investment advisory services may engage in securities lending. We have engaged Glass Lewis to monitor the portfolio securities of those funds for material issues that may come to a vote. While we will not recall on routine issues, we will request that the subadvised fund's custodian recall securities in order to vote proxies on material issues.

Additional Rights and Responsibilities

Prior to investing in a fixed income asset we conduct in-depth research and credit quality assessments on the issuer pre-issuance, which includes reviewing prospectuses and transaction documents. We are working through the Credit Roundtable to encourage issuers to make information and transaction documents available to the market in a timelier and consistent manner to facilitate due diligence. This is in response to our experience in the primary investment grade bond markets with new issuances becoming priced and fully subscribed within an extremely brief window following their announcement.

We subscribe to a third-party covenant analysis service that helps identify and understand key issues and risks in the terms. We also solicit the opinions of our legal advisers who will give expert opinion on whether terms are in line with the market. Where possible, we attempt to negotiate more favourable terms. However, as indicated in Principle 9, our ability to achieve this depends heavily on market conditions and the availability of credit.

Next Steps

As mentioned in Principle 7, the integration of ESG is an important aspect of stewardship at Loomis Sayles. Since establishing our ESG Leadership Team in 2012, Loomis Sayles has made great strides to formalise our approach to ESG integration. Each year, we identify key priorities to further this integration.

Our initiatives for 2024 and beyond include:

- Leveraging our newly developed climate dashboard to support clients with climate objectives
- Increased focus on disseminating proprietary ESG research and thought leadership
- Refining our approach to sovereigns and climate objectives
- Development of our green and sustainable bond best practices framework
- Research of fixed income issuers' climate transition plans and impact on future valuations to identify risks and opportunities

With respect to our climate dashboard, we will begin showing interested clients how this tool can help guide the potential solutions for the climate-related goals and commitments they have made regarding their fixed income mandates. This dialogue will allow us to refine the dashboard so that it can best serve our client's needs.

We will be developing a strategy to share the analysis and insights of our ESG team and other subject matter experts across the organization, both internally and externally for the benefit of our clients.

As noted in Principle 7, we have begun a project with our Macro and Sovereign teams centered on proprietary assessments of the future expectations of sovereign's climate policies.

We have a number of fixed income strategies that invest in green and sustainable bonds. The market is currently highly fragmented in the standards these securities follow. We have been working through our industry associations to support the development of more widespread standardization of the structure for these securities. Meanwhile we will continue to advance our own frameworks for assessment of the best practices for these types of issues.

One of the primary roles of our ESG team is to provide insight into the trends that emerge in the market and have potential to impact future valuations. One example of this effort is a series of thought leadership that our Senior Climate Analyst provides to our analysts and portfolio managers. Going forward, we plan to also work with our credit research team to explore trends that may impact fixed income valuations within particular industries. This is an ongoing effort, and our Senior Climate Analyst has provided a series of thought leadership to analysts and portfolio managers throughout 2023.

Additionally, our private credit team continues to establish their practices at Loomis Sayles, including their integration of ESG. As this develops we look forward to reporting details of this aspect of their investment process with respect to Principle 7 of the Code.

Important Disclosures

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There is no guarantee that the investment objective will be realized or that the strategy will generate positive or excess return. Actual accounts have the potential for loss as well as profit.