LOOMIS | SAYLES

2021 Sustainability Report

About Loomis Sayles

Since 1926, Loomis, Sayles & Company has helped fulfill the investment needs of institutional and mutual fund clients worldwide. Our performance-driven investment professionals integrate deep proprietary research and risk analysis to make informed, judicious decisions. Using foresight and flexibility, Loomis Sayles looks far and wide for value – across traditional asset classes and alternative investments – to pursue attractive, risk-adjusted returns for clients. We manage $363.1 billion* in assets (as of 31 December 2021).

Loomis Sayles is an affiliate of Natixis Investment Managers, one of the world's largest asset management firms.

*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 a wholly owned subsidiary of Loomis, Sayles & Company L.P.

Scope of Report

Our 2021 Sustainable Report discusses how Loomis Sayles considers environmental, social and gov-ernance (ESG) factors in our business. This report includes a climate section with content that is consistent with recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Unless otherwise noted, this report covers the year ended 31 December 2021.

We invite readers to access other Loomis Sayles resources on ESG matters, including:

- **ESG Policy Statement**
- **Climate Change Guiding Principles**
- **Proxy Voting Policies, Procedures and Records**
- **Our 2020 PRI Transparency Report**
- **Our UK Stewardship Code Report**

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Message from Chairman and CEO

At Loomis Sayles, we understand the importance of responsible allocation, management and oversight of capital to create long-term value for our clients.

Good governance and sustainable business practices are key to our goal of delivering superior long-term, risk-adjusted returns. We manage many different investment strategies across various asset classes, and therefore do not have a uniform investment process. Rather, six pillars underpin all the strategies at Loomis Sayles, with incorporation of ESG factors recently added as the sixth pillar. As active managers, we view ESG factors as an integral component of our investment processes.

Our investment professionals have considered material ESG matters in our fundamental research, due diligence and dialogue with companies and issuers for decades. We have viewed governance, as well as industry-specific environmental and social factors, as part of our analysis and conversations about financial matters. Within the asset management business, and in broader society, there is a heightened focus on ESG and sustainability topics, such as climate change and diversity, equity and inclusion. It is therefore important to communicate our sustainability approach to our clients and other stakeholders. This report expands on our 2020 Sustainability Report.

As a fiduciary and a good steward of our clients' capital, we are unequivocally focused on all investment risks and opportunities. Climate change merits special mention because it is a severe and growing global threat and one of the most important issues of our time. Governments, businesses and civilians around the world are mobilizing to take various actions to combat climate change and these will affect global financial markets. Loomis Sayles has done substantive work on climate change in the past two years: we developed a set of shared climate principles, we provided sophisticated climate resources to our investment teams, including climate scenario analysis tools, and we have set up a working committee to share knowledge in this fast-moving space.

In this report, we are pleased to discuss our climate-related activities in a format consistent with the TCFD recommendations. We continue to integrate climate and other relevant ESG matters throughout our processes, monitor developments and share learnings internally so our investment methods deliver the results our clients expect and deserve.

Kevin P. Charleston
Chairman & CEO

2021 Highlights

Added ESG as one of our 6 core investment pillars

- A sound philosophy
- Disciplined portfolio construction
- A rigorous, repeatable process
- Integrated risk management
- Proprietary research
- **Incorporated ESG factors**

Published our 2020 UK Stewardship Code Report and were accepted by the Financial Reporting Council as a signatory to the updated Stewardship Code.

Integrated climate impact assessment tools to better understand climate scenarios & risks to portfolios

Became a signatory to and investor participant in the Climate Action 100+ initiative

Enhanced the Loomis Sayles engagement database to better track our interactions with companies and issuers

Classified 6 Loomis Sayles UCITS funds as Article 8 (“light green”) funds under Europe’s Sustainable Finance Disclosure Regulation (SFDR)

Added 3 dedicated ESG employees

Our Sustainability Mindset

Our collective goal at Loomis Sayles is to deliver superior long-term, risk-adjusted returns and effective investment solutions to meet our fiduciary duty to our clients.

Elevating and Evolving Our Approach

As long-term, fundamental investors, the assessment of material ESG elements, including climate change, is an intrinsic part of our firm's research and investment culture. ESG considerations are not only important to the firm's culture and to our clients, they are increasingly important in the global economy, financial markets and society at large.

Because of the differences in our clients' objectives, not to mention the diverse array of investment vehicles and strategies we manage, we do not prescribe a single approach to ESG integration. Instead, we provide the education, tools and resources that enhance each investment team's ability to consider material ESG matters in their processes in ways that are appropriate for their investment strategy and client base. This is done through fundamental research and engagement with companies and issuers across all asset classes.

Instead of prescribing the way in which ESG data must be used, our firm makes data available to the teams to facilitate the integration of ESG across all strategies that we manage. Our portfolio management systems include, for example, proprietary ESG scores produced by our own fixed income research teams, as well as company ESG ratings from major data providers.

In recent years, we have increased the resources allocated to ESG to help our teams to do the best job they can for clients. We have hired people into new ESG-focused roles, invested in technology and data, and provided training and education on new ESG and climate tools. Our 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.

Our approach is supported by a robust governance structure that provides the strategic direction, resources, risk management and oversight necessary to support our sustainability activities.

New ESG-Focused Roles

Justin Dutcher
VP, ESG Marketing Manager

Justin leads the communication strategy of the firm's ESG approach to the global marketplace and collaborates with investment teams to develop and communicate their unique ESG philosophies and expertise.

Justine Gearin
ESG Project Associate

Justine supports the ESG Working Committee on various projects by conducting research and collecting data internally and externally, and participating in and preparing research for the firm's ESG subcommittees.

Holly Young
VP, Senior ESG Analyst

Holly works closely with investment teams to ensure their unique data needs are being met, ensures client reporting needs are addressed and provides overall ESG data expertise.

ESG Governance at Loomis Sayles

Our Management Committee is responsible for the overall direction of Loomis Sayles. It consists of all members of the Board of Directors except for the two representatives of our parent company, Natixis Investment Managers. The Management Committee sets the overall firm strategy and tone from the top.

We made the strategic decision to embed stewardship, ESG and sustainability throughout the organization, rather than allocating responsibility for these matters to a centralized team. We believe this aligns with our culture of shared responsibility across the firm.

Several executive-level committees and working committees ensure our sustainability initiatives are on track and communicated appropriately. The ESG Committee and Risk Management Committee are responsible for ESG initiatives and enterprise risk oversight, respectively. Both committees report to the Board of Directors.

Board of Directors | Loomis, Sayles & Company

- Chairman, Chief Executive Officer
- Vice Chairman
- Chief Operating Officer
- Chief Investment Officer
- General Counsel & Secretary
- Chief Financial Officer
- Director of Global Institutional Services
- Head of Human Resources
- Chief Investment Officer, Growth Equity Strategies
- Co-Heads of Full Discretion Team (2)
- Co-Head of Relative Return Team
- Chief Executive Officer of Natixis Investment Managers
- President and Chief Executive Officer for the US at Natixis Investment Managers

ESG Committee

Serves as a sounding board to the Director of ESG in setting ESG strategy

8 Members

Director of ESG, CEO, CIO, COO, CIRO, General Counsel, Director of Product Management, and Director of Product Management, Growth Equity Strategies

Risk Management Committee

A subcommittee of the Management Committee focused on enterprise risk oversight; ESG and climate-related matters are a regular agenda item

13 Members

Director of ESG, CEO, CIO, COO, CIRO, CFO, General Counsel, Head of Trading, Head of Investment Operations, Director of Credit Research, Director of Global Institutional Services, Chief Compliance Officer and Deputy General Counsel

Management Committee

The Management Committee sets the overall firm strategy and is involved in raising the prominence of ESG and climate-related issues at Loomis Sayles through internal communication channels

12 Members

Loomis Sayles Board members (ex-Natixis)

ESG Working Committee

- Supports the day-to-day integration of ESG across individual investment teams
- Sources and develops ESG research, tools, training and education opportunities to support the firm's diverse ESG efforts
- Manages ESG disclosure, including reporting to the PRI
- Liaises with industry organizations, consultants and clients on ESG matters

11 Members

Director of ESG, General Counsel, Deputy General Counsel, Associate Director of Credit Research, Associate Director of Macro Strategies, RFP Manager, ESG Marketing Manager, Strategy Development Manager, Senior ESG Analyst, ESG Project Associate, Director of Product Management, Growth Equity Strategies

ESG Advisory Board

Advises the ESG Working Group on significant ESG initiatives

31 Members

Representatives from senior management, leaders from across the firm, and equity and fixed income portfolio managers

ESG | Across the Firm

Various groups collaborate on Loomis Sayles' ESG initiatives and practices

Research	Portfolio Management	Technology	Marketing	Institutional Services
Operations	Trading	Risk	Legal	Finance

ESG Committee:

This committee meets bi-weekly to review the firm's ESG activity and monitor progress of ESG initiatives. It is responsible for making 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 committee include the Director of ESG, Chief Executive Officer (CEO), General Counsel, Chief Investment Officer (CIO), Chief Operating Officer (COO), Chief Investment Risk Officer (CIRO), Director of Product Management and Director of Product Management, Growth Equity Strategies. Four of these members are also members of the firm's Management Committee and Board of Directors.

ESG Advisory Board:

Loomis Sayles' ESG Advisory Board generally meets at least semi-annually to address high-level ESG strategy and progress. It is responsible for approving major ESG policies and initiatives, and is formed of leaders from across the firm including our CEO, CIO, CIRO, COO, General Counsel, Chief Diversity Officer, Head of Loomis Sayles Investments Limited, Director of Credit Research, Director of Macroeconomic Research, Director of Consultant Relations, Director of Corporate Communications, as well as one portfolio manager or product manager from each of the equity and fixed income investment teams.

ESG Working Committee:

This committee drives the ESG work at Loomis Sayles. It is a working group that meets at least on a bi-weekly basis and is led by the Director of ESG. It includes employees across investment, research, legal, marketing and technology. One of its goals is to continually enhance the integration of ESG issues in investment processes by identifying superior tools for use by our investment professionals and to make the tools easily accessible. It sources and develops ESG research, tools, training and education opportunities. The ESG Working Committee's responsibilities also include providing strategic support to the investment teams, monitoring regulatory developments, preparing submissions to the PRI and other oversight entities, identifying opportunities to join groups seeking enhancements to stewardship impacts and conducting internal stewardship training.

ESG Subcommittees:

We have several ESG subcommittees. Each is made up of participants from across the firm and led by a member of the ESG Working Committee. These subcommittees include Marketing, Technology, PRI/Signatory, Climate Change, Fixed Income Best Practices, Reporting and Engagement.

ESG in our Processes

At Loomis Sayles, we serve a diverse client base in 51 countries, across six continents. We manage assets in institutional separate accounts, managed accounts, hedge funds, mutual funds, exchange-traded funds and other vehicles. We manage fixed income and equity products, as well as multi-asset and alternative strategies.

Given the breadth of our clients, mandates and investment capabilities, we do not take a one-size-fits-all approach to integrating ESG matters, including climate change, in our investment processes. Each investment team considers the integration of material ESG risks and opportunities according to its investment philosophy.

Our firm-wide ESG Policy affirms that because we generally take a long-term view in seeking value and delivering superior risk-adjusted returns to clients, ESG considerations are inherently part of our investment decision-making.

Loomis Sayles has been a signatory of the UK Stewardship Code since 2013 and a signatory of the PRI since 2015. We believe these standards provide a robust framework for monitoring the integration of ESG, with the ultimate goal of meeting our clients' investment objectives. We continually assess and evaluate ways to extend our commitments to ESG principles. One way is by choosing to collaborate with global peers on select responsible investing initiatives such as the Climate Action 100+ **(see the section "Participating in Global Initiatives" for more).**

Integrating ESG into Fundamental Research and Analysis

Across asset classes, Loomis Sayles is known for deep proprietary research. Our in-house research expertise includes more than 180 research professionals who develop a thorough understanding of an issuer or company's business model, governance, management strength and strategy, its use of—and impact on—human and natural resources, as well as regulatory and political risks.

Our fixed income credit and sovereign analysts have created materiality maps for their areas of coverage. Material metrics can include a broad range of factors that may be environmental, social or governance-related. The credit materiality maps are based on the foundational work of the Sustainability Accounting Standards Board (SASB), enhanced by our own senior industry analysts to reflect their understanding of these issues. Our sovereign analysts use industry standards along with our fundamental insights to develop our proprietary materiality maps. These materiality maps drive an internal Loomis Sayles ESG score or assessment for each credit covered. The internal materiality maps and ESG scores are being incorporated into our proprietary fixed income ESG portfolio analysis and valuation tools, and are available in the ESG Center. The ESG score is not an overlay to the internal Loomis Sayles credit rating, but a subset of the credit analysis: it shines a light on the material ESG factors—both risks and opportunities.

Each equity investment team integrates ESG research according to its philosophy and process. This is implemented by each team's dedicated analysis.

As with financial criteria, the opportunities and risk associated with ESG matters are linked to business activities, which include management's long-term strategy, business models, operating efficiency, management integrity, profitability and valuation. 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.

We draw on discussions with company management teams and sovereign officials regarding ESG issues. While we have access to third-party ESG research, all Loomis Sayles analysts develop independent views of material factors impacting fundamentals in their valuation assessments. Differences in how our various teams analyze ESG issues are a natural outcome, as the following examples indicate.

Fixed Income: ESG Materiality in Credit Research

Our credit analysts research issuers in the corporate bond and bank loan markets, including convertibles and distressed credits, along with municipal and agency issuers.

ESG issues are industry-specific and our credit research analysts are integrated into sector teams, a collaboration of Loomis Sayles portfolio managers, strategists, research analysts and traders. In the case of mining, the materiality map might flag environmental factors like energy consumption, social issues, such as safety records, and governance factors such as corporate conduct. In the end, the credit research analysts evaluate each issuer and assign a Loomis Sayles credit research ESG score of 1 (above industry average) to 3 (below industry average), as shown in the sample map below.

Materiality Map

Example: Metals and mining issuer receiving an LS ESG 2.4

Key: LS ESG Rating Scale

ESG 1	Above industry average
ESG 2	Industry average
ESG 3	Below industry average

Environmental

Issuer ESG Score: **2.8**
Weight: **xx%**

	Weight	Indicators	Examples	ESG Score
Energy Consumption Intensity	xx%	Power usage/ % Renewable		2
Carbon Transition Risk (Product & Operations)	xx%	Carbon & GHG Intensity in Operations (Scope 1+2)		3
Tailings/Waste Disposal Risks	xx%	Tailings Dam Exposure	Notable Toxic Spills/fines	3

Social

Issuer ESG Score: **2.5**
Weight: **xx%**

	Weight	Indicators	Examples	ESG Score
Safety Management	xx%	LTIFR	Fatality rate	2
Labor Relations/ Regulatory Risk	xx%	Union exposure	How regular are strikes?	2
Social Cohesion	xx%	Water stress/ Recycling	% of reserves near areas of conflict	3

Governance

Issuer ESG Score: **2.0**
Weight: **xx%**

	Weight	Indicators	Examples	ESG Score
Jurisdiction Risk	xx%	Sovereign rating of key geographies of assets	Fraiser Institute	2
Independent Oversight	xx%	Board Independence/ CEO Chair		2
Coporate Conduct	xx%	Bribery/ Ethical incidents		2

Examples above are provided to illustrate an investment process used by Loomis Sayles and should not be considered recommendations for actions by investors. They may not be representative of 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.

Total: 2.4

Our proprietary internal credit ESG scores are formed from an industry perspective, which allows our fixed income analysts to highlight the strongest and weakest players within an industry, regardless of the spectrum of ESG issues facing that industry. Loomis Sayles' fixed income analysts interact with issuer management teams regularly to discuss various fundamental factors. As a result of these established relationships and the work done in determining material ESG factors facing each issuer, the credit research analysts are well-positioned to engage on key issues.

Fixed Income: ESG Materiality in Sovereign Research

Loomis Sayles' deep fundamental sovereign analysis encompasses many factors affecting the creditworthiness of a sovereign or sub-sovereign issuer, including ESG matters. We believe the most effective ESG analysis occurs when we integrate it within our experienced sovereign team, and therefore, the same analysts who do the fundamental work also do the ESG analysis.

Our sovereign research team takes a three-pronged approach to developing its materiality maps. The team's proprietary research incorporates data analysis, trend analysis and an overlay of analyst experience to create forward-looking materiality maps. Hard data is pulled in to compare countries around the globe and to determine if positive or negative trends are developing, such as policy or related changes regarding E, S or G factors. We score all countries on ESG pillars and the result is a total sovereign ESG score on a scale in which 1 is above average and 3 is below average. The sample below illustrates just a handful of the indicators tracked.

Sovereign Materiality Map

Example: Sovereign country receiving an LS ESG 2

Key: LS ESG Rating Scale	
ESG 1	Above average
ESG 2	Average
ESG 3	Below average

Environmental

Issuer ESG Score: **2.7**
Weight: **xx%**

	Weight	ESG Score
Energy efficiency	x%	2
Vulerability to Environmental Events	x%	1
Pollution	x%	2

Social

Issuer ESG Score: **2.2**
Weight: **xx%**

	Weight	ESG Score
Literacy	x%	2
Sanitation	x%	3
Internet	x%	2

Governance

Issuer ESG Score: **1.8**
Weight: **xx%**

	Weight	ESG Score
Political Stability	x%	1
Rule of Law	x%	2
Institution Framework	x%	2

Source Loomis Sales

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Total: 2.2

Our view is that the analysts have a deep understanding of the sovereign or sub-sovereign issuers they follow, including track records of business performance, governance, use of natural resources, political risks and other factors, and are therefore better suited to evaluate the issuer through an ESG lens. Our analysts engage with sovereign issuers during meetings, conferences and roadshows.

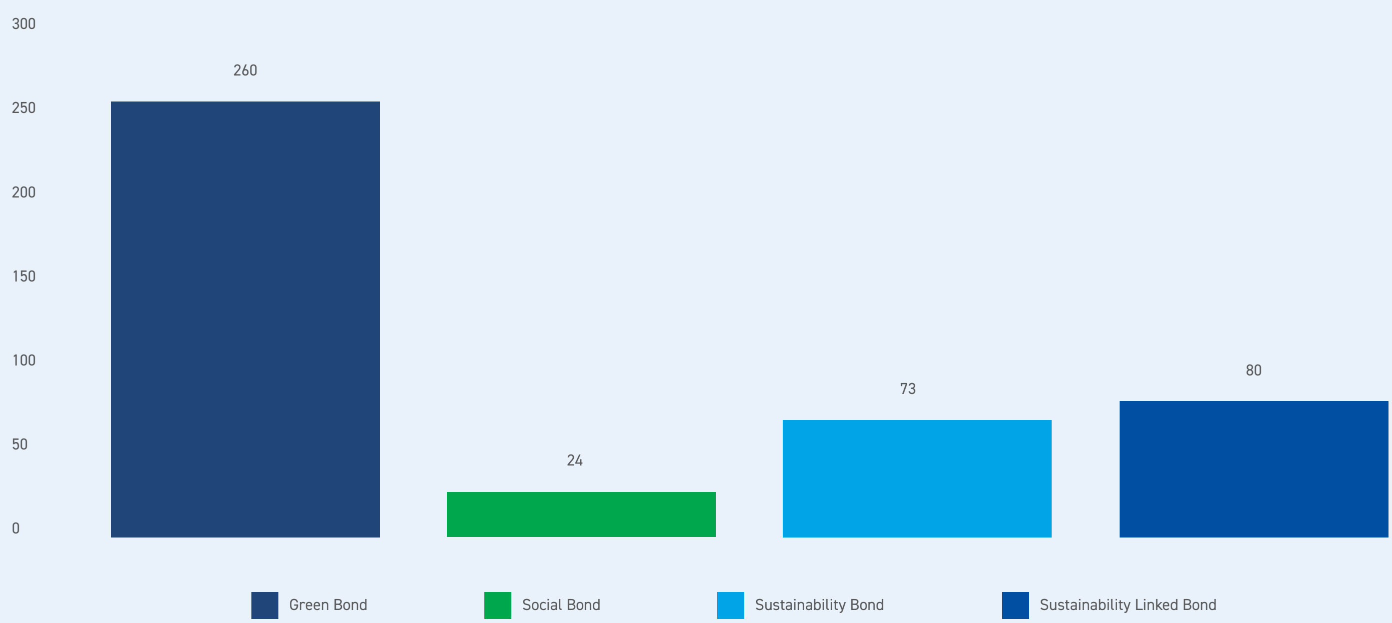
Green, Social and Sustainable Bonds

Over the past decade, the universe of green, social, sustainable and sustainability-linked bond issuance has expanded across nearly all regions, sectors and issuer types. Growing interest in ESG-focused investments has caused demand for such bonds, particularly green bonds, to outpace supply. Lack of consensus about labeling, certification and terminology highlights the need for investors to focus on the characteristics of each bond and its issuer, particularly since the financial and risk/return characteristics of green bonds and their conventional counterparts are similar.

As a result of our analysts' fundamental research of issuers, we realize that bonds without the green label may in fact be just as "green" as labeled bonds. For example, a rail project that boosts mass transit use may create an environmental benefit even if the issuer does not refer to it as a green bond or seek third-party certification. Furthermore, investing in unlabeled bonds issued by an organization that has become a leader in supporting sustainability can be an effective way for investors to make an impact, even without the green bond moniker.

Our teams have invested in green bonds for a long time, in limited fashion, based on when valuations are supportive. We also hold social, sustainable and sustainability-linked bonds in various portfolios.

Number of ESG-Labeled Bonds held across Loomis Sayles as of 31/12/2021



Equities: ESG Materiality Determined by Each Investment Team

The starting point for equity teams is the portfolio manager's alpha thesis, which leads to a proprietary research and portfolio construction process. Through bottom-up fundamental research, ESG considerations are integral to each team's analysis of long-term strategy, business models, competitive advantages, operating efficiency, management integrity, profitable growth and valuation. The equity investment teams develop a deep understanding of the drivers, opportunities and limits of each company, including material ESG elements.

For example, the Growth Equity Strategies (GES) team develops this deep understanding through its disciplined and thorough bottom-up fundamental analysis and by developing long-term, constructive relationships with company management. The team seeks to understand the foundational principles underpinning a company's decision-making and to distinguish between long-term structural winners and losers. Valuation analysis is only as good as the team's ability to evaluate the sustainability of profitable growth.

Case Study: Industrial Machinery Company

For many companies, sustainability is tied to purpose. One of the GES portfolio companies has a clear, long-standing purpose: serving those linked to the land. For more than a century, the company has manufactured and distributed equipment used in agriculture, construction, forestry and turf care. It also manufactures value-added components such as engines and precision agriculture tools.

With a growing population, precious land and water resources will come under greater pressure to meet global food demand. Improved farm utilization through technology and mechanization will be critical. While traditional agricultural practices manage planting and harvesting at the field level, innovations at this portfolio company take these jobs to the level of individual rows and even individual plants. For example, its precision technology uses machine learning and an electronic vision system to differentiate between a crop plant and a weed, selectively spraying herbicide only on the weed, reducing herbicide usage by up 90%. Precision agriculture tools can help farmers safeguard the soil, water and air upon which their livelihood — and humankind — depends.

Internally, the company has an environmental management system that integrates its commitments in its worldwide operations, fostering continuous improvement and performance on key metrics and goals.

This company is accelerating the introduction of higher-margin precision agriculture tools and features, and has realigned its organizational structure to focus on the end customer and product usage, rather than geography or product line. Its precision tools can drive subscription-based revenue sources, a business model that increases visibility of future revenue streams and is expected to lead to increased revenue and profitability. In this case, environmental considerations are integrated in the business model, positively affecting both the global environment, as well as shareholder value.

Engagement Across Asset Classes

Engagement is core to our rigorous investment research. Developing strong and long-term relationships with company management, rating agencies and regulators enables discussions that help educate and inform us, as well as the opportunity to influence rules, strategies and behavior that will benefit our clients' investments.

In calls and meetings with investee companies and issuers, our analysts may discuss business strategy, performance, governance and risk management, among other topics. Because these meetings occur regularly over the course of time, they permit follow up on previously discussed items. Where we believe that an environmental, social or governance issue presents a key risk, we will actively discuss the issue with management and monitor outcomes over time.

In the case of fixed income strategies, investors do not have proxy voting rights, so our ability to directly influence issuers is more limited than for equity investors. Nonetheless, we do engage with issuers on matters that we consider material. Fixed income engagement tends to be more focused on the pre-issuance period (for example, during investor roadshows, as this is when we have greatest access to issuers). Our ability to exercise influence is also highly dependent on the market context. We have greater influence when credit conditions are tighter, which can enable us to better secure engagement outcomes or additional covenants. We are working through the Credit Roundtable, an industry body 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.

Our equity engagements align with each investment team's investment philosophy and process.

Case Study: Growth Equity Strategies Team

The GES team believes a long-term orientation is fundamental to a favorable decision-making process for businesses and investors alike. Because meeting ESG challenges is a key component of company management's long-term strategic decision-making, we seek to invest with management teams who share our long-term perspective. We believe management focused on short-term objectives cannot realize long-term results. Company management must necessarily weigh the interests of various stakeholders including employees, customers, supply chain partners and local communities, as well as resource stewardship. We look to develop long-term constructive relationships with management teams through regular and recurring dialogue regarding key decision-making criteria, which includes ESG topics. Evaluating management's ability to allocate capital to investments creating long-term shareholder value is core to our quality assessment of each company. We assess sustainable ESG considerations integral to a company's decision-making, such as:

- Linking management compensation to long-term drivers of shareholder value creation, including ESG outcomes;
- Establishing policies for and complying with high business ethics standards;
- Investing in R&D to innovate products and solutions that drive better environmental or social outcomes;
- Aligning its business to enable it to meet or exceed the 2050 Paris Agreement;
- Developing sustainable manufacturing techniques, inputs and sourcing;

- Advancing sustainable supply chains by stewarding local resources, production and communities;
- Fostering a corporate culture and values, including diversity, to attract and retain talent.

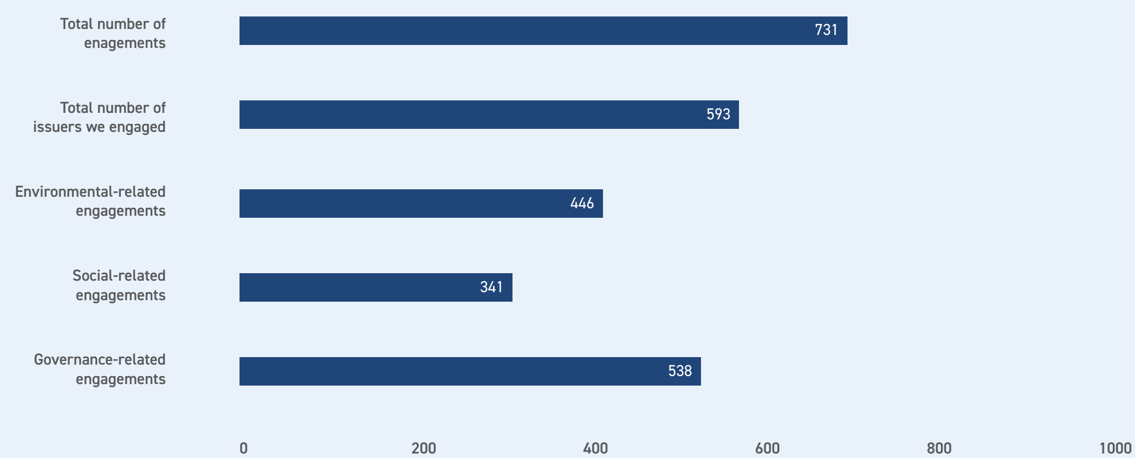
Where risks and opportunities are identified, we proactively engage with company management to raise awareness, encourage change and escalate our concerns when decisions—financial, non-financial and/or ESG matters—could affect the company's ability to generate sustainable long-term shareholder value.

Not only do our dedicated GES research analysts meet with companies across the globe, we meet with senior management teams in our offices and at industry conferences. During calendar year 2021, in addition to quarterly earnings calls, we conducted 374 calls and meetings with company management. To develop an independent assessment of each company's global competitive positioning, we also analyze and meet with competitors, customers and suppliers around the world.

Supporting our Teams

Loomis Sayles uses an internally developed engagement database to capture our discussions about ESG topics with management teams and policy makers. It is important for us to track engagement issues over multiple years. Our investment professionals document ESG-related discussions in the database. This database is an effective and essential tool—it allows our teams to monitor the impact we may be having on issuers and companies, and allows us to broaden our view and view our engagement practices at a firm-wide level. In 2021, we enhanced our engagement database to allow for classification of engagements across the firm by various themes as well as the Sustainable Development Goals (SDGs). For example, we can now identify environmental engagements that are focused on emissions, climate targets and fit the SDGs' definition of climate action. As our engagement activity is driven by analysts' bottom-up focus on specific materiality issues, this classification enables a broader view on our efforts across the firm.

2021 Engagements Across Loomis Sayles



We have an ESG Engagement Subcommittee that works to enhance our practices. This subcommittee brings together leaders from the equity and fixed income investment teams, central fixed income research groups and ESG Working Committee members. Here, we share best practices across the firm and discuss a broad range of topics regarding our stewardship work. Together, we assess opportunities for collaborative engagement, potential conflicts of interest and enhancements to our proprietary engagement database. Our goal is to continue to raise the bar on effective engagement with issuers across all asset classes.

Our ESG Engagement Subcommittee reviewed the Climate Action 100+ collaborative engagement initiative and recommended Loomis Sayles sign on as an investor participant.

A proud participant of: Climate Action 100+

"We are pleased to join many of our industry colleagues in committing to Climate Action 100+ and the powerful opportunity it presents to help ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change."

- Kevin Charleston, Chairman & CEO

Case Study: Seeing Results at a Global Automaker

For two decades, Loomis Sayles analysts have met frequently with a major global automaker on fundamental credit issues. Our initial discussions were solely with senior finance management and the investor relations team; over time, the company's head of sustainability joined the dialogue.

Our ongoing engagement includes, at a minimum, quarterly calls with the management team where we discuss material ESG and fundamental issues. Our focus on ESG factors began in earnest more than six years ago. Topics have included: the automaker's governance practices, such as the composition, qualifications and selection of candidates to its board of directors; labor relations (the company has a large, unionized workforce); and the robustness of cybersecurity initiatives.

Given tightening regulatory standards for tailpipe emissions and fuel economy, as well as growing societal concerns over climate change, we have increasingly spent time reviewing the automaker's electric vehicle strategy with senior management. In recent years, we have been monitoring:

- its compliance with 2020 and 2021 emissions requirements in Europe;
- its disclosures, including the SASB Transportation Standards, as well as climate scenarios, as recommended by the TCFD.

We continue to engage with company management on their growing commitment to electrify the fleet and reduce production of vehicles with internal combustion engines. The automaker plans to increase spending on electric vehicle development by 36% through 2025 and is aiming to have 40% of its global volume be entirely electric by 2030.

We believe our discussions, along with engagement by other investors, has prompted this issuer to bring its disclosures in line with market best practices. The company has added directors to its board with expertise in new areas of business. And our long-term engagement allows us to track and measure its progress in transitioning the business model to electric vehicle production.

Case Study: Encouraging Transparency on Climate Issues at an Energy Drink Company

The GES Team initiated its equity investment in an energy drink company in April 2013. Since then, the company's market cap has grown from less than $10 billion to more than $45 billion. The team believes the opportunities and risks associated with ESG are linked to business activities and are thereby integral to our analysis of business models, competitive advantages, operating efficiency, corporate management integrity, profitable growth, and valuation. Ultimately, the team believes there can be no "E" or "S" in ESG without "G." Over the continuous years of its investment, the GES analyst has engaged with the company on topics including governance practices, executive compensation, manufacturing inputs and sourcing, corporate culture, as well as reporting and transparency on environmental and social policies, data, and objectives. 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. Consumers increasingly want to understand the environmental impact of the companies and brands they support. These perceptions can eventually affect cash flow generation and long-term shareholder value creation. A key environmental consideration for this company is its product packaging. The company is committed to minimal plastics use. Aluminum is its preferred and primary drink packaging, which is 100% recyclable and accounts for about 95% of all products sold. Approximately 60%-73% of each can is sourced from a recycled can, which has increased from 42% over the last four years. From a long-term perspective, as the costs of recycling goes down, the costs of materials in the future will go down.

The company did not initially track and report on several key ESG topics, but it has become more diligent and transparent. In 2019, the company published its initial policy statements on key topics including human rights and supply chain management. In 2020, the company completed its first greenhouse gas (GHG) emissions inventory (for 2019), and calculated the Scope 1 and 2 GHG emissions for its global direct operations, using industry standards and emissions factors from the Climate Registry, US Environmental Protection Agency eGRID, International Energy Agency, and Defra Greenhouse Gas Reporting. The company again completed GHG inventory in 2021 (for 2020). With this initial baseline data, the company can understand and better track future GHG emissions reduction progress. It also published its first sustainability report for the year 2020, using the SASB reporting framework for its industry. The GES team continues to own shares of the company and to engage on materials risks and opportunities, including key ESG topics, such as climate risk mitigation. Based on its long-term, bottom-up, fundamental analysis, the team believes the company's share price embeds lower expectations for margins and growth for what it believes is one of the best businesses in the beverage industry. As a result, the company is selling at a significant discount to the GES team's estimate of intrinsic value, offering an attractive reward-to-risk opportunity.

Case Study: Pushing for Better Conduct at a European Bank

In 2018, a European bank was implicated in one of the largest money laundering schemes ever. It was discovered that this bank had allowed nearly $250 billion of suspicious transactions to flow through a local branch in Eastern Europe between 2007 and 2016. The bank initially thought the problem was limited to $4 billion; however, with each internal and external investigation the number grew larger.

Uncertainty related to the scandal caused bond spreads to widen substantially. Additionally, due to changing regulatory requirements, the group came to market with a new style of non-preferred senior bonds that offered even wider spreads. The new-deal roadshow and additional follow-up meetings with the management team provided ample opportunity for engagement. After these discussions, we were comfortable that the financial institution would be able to absorb financial penalties (which were unquantified at the time) and it had taken appropriate steps to correct problems. The bank removed the CEO, closed the branch where the irregular flows were discovered, invested in new compliance and IT systems, and cooperated with authorities. We were confident that wide spreads, especially on the bank's new non-preferred senior debt, more than compensated for the elevated ESG risk. We felt the situation would improve over time and took an overweight position in the name. We made clear to the management team that our continued investment and support was predicated on its ability to control risk, resolve the conduct-related issues and improve the bank's reputation.

The bonds outperformed for a number of years. It appeared the money laundering issues had been dealt with and risk controls overall had improved. However, in 2020, the bank was again in the headlines for conduct-related issues (including overcharging clients, market manipulation and hiding evidence from authorities). Clearly, there was a larger problem with the culture that would not be solved through investment in IT systems. The bank's poor reputation in its home market was beginning to hurt operating results as clients looked to move their business elsewhere.

We decided to remove the overweight recommendation. Our initial investment recommendation had been based on an expectation that conduct-related issues would improve; in addition, tighter spreads no longer compensated Loomis Sayles for the elevated ESG risk.

Despite this, we have continued to engage with the management team. We have indicated we need to see improvement on the ESG front, particularly governance and culture, before we can reintroduce an overweight position. Management is working to retrain employees and modify compensation schemes to encourage appropriate behavior. It will take time to see if these actions produce the desired results. In the meantime, the bank is improving its ESG profile in other areas: it agreed to reduce the carbon footprint in its loan book (including phasing out loans to coal-fired power plants) and has improved its financial strength and resilience by bolstering capital and liquidity.

Proxy Voting

The Loomis Sayles Proxy Voting Policies and Procedures (PVPPs) are intended to support good corporate governance, including corporate practices that address environmental and social issues. In all cases, our objective is to protect shareholder interests and maximize shareholder value. Our PVPPs are published on our website. The PVPPs are intended to reflect the impact of ESG factors in cases where they are material to the growth and sustainability of an issuer.

We use the services of third-party proxy voting services to obtain research and analysis prior to voting and to administer the voting process. All issues presented for shareholder vote are subject to the oversight of the Loomis Sayles Proxy Committee. Non-routine issues will generally be considered directly by the Proxy Committee and, when necessary, the investment professionals responsible for an account will vote in the best investment interests of the client. Loomis Sayles will not vote in favor of a particular resolution that we believe is not in the best interests of our clients—this is true for resolutions proposed by management, as well as shareholders.

Proxy Committee Reviews

The table below indicates the leading topics that went to the Loomis Sayles Proxy Committee for discussion and decisions. As of December 2021, the Proxy Committee had reviewed 277 proposals in total, down from 371 in 2020. The Proxy Committee reviewed almost four times more environmental policies and guidelines in 2021 than it did in 2020. As indicated in the table below, after review, the Proxy Committee chose to vote against management in most instances, with the exception of votes on mergers or acquisitions.

2021 Top Ten Proxy Committee Review Categories	2021	2020	% Change	% of Total	With Mgmt	% With Mgmt	Against Mgmt	% Against Mgmt
Authority to Issue and Manage Securities	76	26	192%	27%	0	0%	76	100%
Ratification of Management Actions	46	0	na	17%	0	0%	46	100%
Environmental Policies and Guidelines	27	7	286%	10%	0	0%	27	100%
Political and Charitable Contributions Policies and Guidelines	19	13	46%	7%	0	0%	19	100%
Employment Diversity Policies and Guidelines	18	7	157%	6%	0	0%	18	100%
Poison Pills	17	6	183%	6%	0	0%	17	100%
Merger or Acquisition	16	48	-67%	6%	10	63%	6	38%
Compensation Policies and Guidelines	11	10	10%	4%	1	9%	10	91%
Corporate Governance Policies	8	2	300%	3%	0	0%	8	100%
Shareholder Meeting Policies and Procedures	5	19	-74%	2%	0	0%	5	100%

*277 total Proxy Committee proposal reviews in 2021

Shareholder Proposals

ESG proposals from public company shareholders formed a large component of the proposals we voted on in 2021. For example, as shown in the table below, social proposals were the top category again in 2021 and the number of climate-related shareholder proposals that we voted on more than tripled from the previous year.

2021 Top Ten Shareholder Proposal Categories	2021	2020	% Change	% of Total	With Mgmt	% With Mgmt	Against Mgmt	% Against Mgmt
Social Proposal	111	113	-2%	27%	53	48%	58	52%
Shareholder Rights	89	85	5%	22%	34	38%	55	62%
Board-Related	77	62	24%	19%	33	43%	44	57%
Corporate Governance	25	19	32%	6%	16	64%	9	36%
Climate-Related	22	6	267%	5%	9	41%	13	59%
Compensation	15	14	7%	4%	11	73%	4	27%
E&S Proposal	13	19	-32%	3%	8	62%	5	38%
Environmental Propos-al	12	12	0%	3%	5	42%	7	58%
Proxy Contest	12	10	20%	3%	10	83%	2	17%
Auditor-Related	11	7	57%	3%	0	0%	11	100%

*404 total shareholder proposals voted in 2021

The percentage of votes cast against management recommendations indicates that Loomis Sayles takes a considered and independent view when voting on behalf of our clients. We believe, however, that numbers alone don't tell a complete story, so we are also sharing summaries of our thought process and the Proxy Committee's decision on select shareholder proposals.

Chevron:

Shareholder Proposal of an Audited Report on Net Zero Emissions by 2050 Scenario Analysis

Management Recommendation – Against

Loomis Sayles Vote – For

Chevron Corporation engages in integrated energy, chemicals and petroleum operations worldwide. At the 2021 Chevron annual meeting, a shareholder proposal asked the company to issue an audited report on the impacts of the IEA Net Zero 2050 scenario. Management recommended a vote against this proposal and we sent it to our Proxy Committee for special consideration. After examining the proposal, the Committee determined that the climate risk information long-term shareholders could glean might impact the investment decision-making process and the benefits of obtaining this information outweighed the costs of providing it. We voted for this proposal. The proposal had a high level of support, with 48% of votes in favor and 52% against.

Bank of America:

Shareholder Proposal of a Request on Racial Equity Audit

Management Recommendation – Against

Loomis Sayles Vote – For

Bank of America Corporation provides banking and financial products and services for individuals, small- and middle-market businesses, institutional investors, large corporations and governments worldwide. At the 2021 Bank of America annual meeting, a shareholder proposal called on the Board of Directors to oversee a racial equity audit analyzing the company's adverse impacts on non-white stakeholders and communities of color. Management recommended a vote against this proposal and we sent it to the firm's Proxy Committee for special consideration. After examining the proposal, the Committee determined that such an audit could aid long-term shareholders in identifying potentially significant risks and that the benefits of obtaining this information outweighed the projected costs of providing it. We voted for this proposal. The proposal was rejected, with 27% of votes in favor and 73% against.

Citigroup Inc.:

Shareholder Proposal to Amend Certificate of Incorporation to Become a Public Benefit Corporation

Management Recommendation – Against

Loomis Sayles Vote – Against

Citigroup Inc. is a diversified financial-services holding company providing various financial products and services to consumers, corporations, governments and institutions worldwide. At the 2021 Citigroup annual meeting, a shareholder proposal asked the Board of Directors to approve an amendment to the company's certificate of incorporation to become a Public Benefit Corporation and submit it to shareholders for approval. Management recommended a vote against this proposal. In this case, we did not feel we were in a position to supplant the judgment of the board and management team. We voted against this proposal, in line with the management recommendation. The proposal was rejected by 97% of votes cast.

CMS Energy Corporation:
Shareholder Proposal Regarding Report on Climate-related Activities

Management Recommendation – Against

Loomis Sayles Vote – Against

CMS Energy Corporation operates as an energy company, primarily in Michigan. At the 2021 CMS Energy annual meeting, a shareholder proposal asked the company to publish an annual report of costs and benefits of the company's voluntary climate-related activities, with the aim of limiting any climate-related activities that were voluntary and exceeded government regulatory requirements. While not disclosed by the company, we believe this proposal was put forth by an organization called Burn More Coal that purports to be a "pro-coal electric utility shareholder activist group dedicated to promoting the increased use of coal as a fuel for electricity generation." Management recommended a vote against this proposal. In this case, we did not feel we were in a position to supplant the judgment of the board and management team. We voted against this proposal in line with the management recommendation. The proposal was rejected by a vote of 98%. This proposal demonstrates that context is key to understanding our approach to ESG matters and voting. In this case, we were confident that opposing the bare-minimum required environmental mitigation efforts was in the best interest of long-term shareholders and our clients.

Meta Platforms, Inc. (formerly Facebook):

Shareholder Proposal Regarding Report on Reducing False and Divisive Information

Management Recommendation – Against

Loomis Sayles Growth Equity Strategies Team Vote – For

Meta Platforms, Inc. is the parent company of Facebook, Instagram, WhatsApp and Messenger. These worldwide social networking platforms develop products that enable people to connect with friends and family and grow businesses through mobile devices, personal computers and other devices worldwide. At the 2021 Facebook, Inc. annual shareholder meeting, a shareholder proponent put forth a proposal to be voted on that requested the company report on the benefits and drawbacks of maintaining or restoring enhanced actions to reduce false and divisive information. Management recommended a vote against this proposal. However, we believe that in addition to the moral implications, online platforms with poor content governance would have difficulty competing and thereby may cause the business to fail to meet our quality criteria for portfolio holdings. For online platforms such as Facebook, a virtuous cycle between users and partners can create and strengthen a difficult-to-replicate network advantage and powerful ecosystem. Without good content governance, the virtuous cycle could be negatively impacted, eventually affecting cash flows and long-term shareholder value creation. After due consideration, we voted for this proposal in opposition to the management recommendation.

Overseeing Investment Risks

Michael Giles
Chief Investment Risk Officer

The Risk Management Committee is the firm's key oversight committee. It consists of Board members and senior representatives of all departments. It meets quarterly to identify and monitor all areas of firm and investment risk, including ESG risks.

Our CIRO, Michael Giles, is responsible for developing and formalizing risk management processes for the independent monitoring of equity and fixed income contributions to risk and return. In this position, he supports our CIO, David Waldman, who oversees fixed income investment teams, select equity teams and centralized resources, including trading, ESG and some research groups. Michael also supports Aziz V. Hamzaogullari, the CIO for the GES Team.

Michael leads our Investment Risk Management team, which works with portfolio managers to improve the investment process. The team performs investment risk reviews on every Loomis Sayles strategy, ensuring that each demonstrates a solid foundation and takes risks that are appropriate to the stated investment objectives. ESG factors and their impact, as well as the client's objectives, are among the factors that Michael's team considers when evaluating risks and in discussions with our investment teams. Loomis Sayles continues to incorporate increasingly more ESG-related data into these investment risk reviews.

Q: How has your role as CIRO changed in recent years?

MG: The role has expanded with our growth in new products and the use of instruments in meeting our performance and risk objectives. The involvement of the Investment Risk Management Team with the teams as they define and develop investment processes has grown as well. Our clients have ever-changing objectives and ESG is one of many objectives that has grown in importance to our client base. Through the technology and risk processes we have built through the years, we can view and monitor ESG-related risks on a daily basis.

Q: When you meet with Loomis Sayles investment teams, what do the ESG-related conversations entail?

MG: Our conversations are around the risks in relation to current portfolio positioning, climate scenario analysis, third-party ratings and controversies. In the case of low ratings or scores, for example, a conversation helps us understand either the rationale for investing in such a company or the investment team's differentiated view of the company's risks and opportunities. We also discuss investment philosophy, client-specific needs and the development of investment products and processes.

Q: Are there differences in how fixed income and equity teams consider material ESG risks?

MG: The key differences with fixed income and equity assets are the time horizon and use of funds. Equity does not have a finite maturity, so longer-dated ESG objectives can more often be realized through engagement. Shorter-dated fixed income assets do not have such a luxury and the reason for investing may be more around default risk than longer-term objectives. Bonds may also be issued for specific projects or programs, with cashflow specifically tied to an objective. This is not always the case for equity. These key differences could lead to the consideration of significantly different material ESG risks.

Q: How important is it to have ESG and Sustainability as one of Loomis Sayles' investment pillars? What difference does it make to the company?

MG: Our pillars outline our overarching approach to investing. By explicitly incorporating ESG into our investment pillars, we ensure authenticity when it comes to sustainability matters in investment processes and that ESG is considered in ways that are appropriate for the product and client objectives. The Investment Risk Management team, as well as the CIO, are responsible for understanding each team's ESG integration and the related decision-making processes, to be certain we deliver the best risk-adjusted returns for our clients.

Participating in Global Initiatives

Loomis Sayles is proud to work with global peers on sustainable investing initiatives. We participate in the following industry groups, which typically encourage improved and standardized disclosure of ESG risks and opportunities among corporations, issuers and investment managers.

- UK Stewardship Code (since 2013), Tier 1 (since 2017, when tiering was instituted), membership reaffirmed in 2021

> *"We were delighted to continue as a signatory of the UK Stewardship Code in 2021. This recognition underscores our tailored approach to integrating ESG factors throughout our investment processes. We welcome the high stewardship standards of the code and we are committed to being an effective steward of our clients' capital."*
>
> *- David Waldman, Chief Investment Officer*

- Signatory, United Nations-Supported Principles for Responsible Investment (since 2015)
- Signatory, LGPS Investment Code of Transparency (since 2018)
- Member, Association of Institutional Investors, collaborating with other asset management firms to standardize key language and industry processes (since 2010)
- Member, Sustainable Accounting Standards Board Alliance (since 2019)
- Supporter of the Task Force on Climate-related Financial Disclosures (since 2020)
- Member, Transition Pathway Initiative (since 2020)
- Participant, FCLT Global (Focusing Capital on the Long Term) (since 2019)

- Signatory, CDP (formerly Carbon Disclosure Project) (since 2020)
- Signatory and investor participant, Climate Action 100+ (since 2021)

Sustainable Finance Disclosure Regulation

The European Union's SFDR came into force in March 2021. It is meant to help institutional asset owners and retail clients understand, compare and monitor the sustainability characteristics of investment funds by standardizing sustainability disclosures. Firms must make both firm- and product-level disclosures about the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social factors, and sustainable investment objectives.

The regulation has prompted Loomis Sayles to think deeply about how we incorporate ESG factors into the investment processes of our various products and how we describe sustainability characteristics in our disclosure. SFDR is helping us glean insights and perspectives about our work that can be helpful in other regions, even if regulations are different.

We have submitted the following UCITS funds to be consistent with the Article 8 regulations of SFDR:

- Loomis Sayles Euro Credit Fund
- Loomis Sayles Euro High Yield Fund
- Loomis Sayles Global Growth Equity Fund
- Loomis Sayles Sustainable Euro Credit Fund
- Loomis Sayles Sustainable Global Corporate Bond Fund
- Loomis Sayles U.S. Growth Equity Fund

ESG Product Labels

As a result of the wide range of approaches that asset managers take to incorporate ESG and sustainability into their products, investors benefit from the application of ESG labels, which broadly indicate which products may be considered "green" or "sustainable."

In France, the ISR label (Investissement Socialement Responsable) is awarded at the end of a strict labeling process carried out by independent organizations. Any fund that complies with all the specifications defined by the Ministry of the Economy and Finance can obtain the ISR label, including foreign funds authorized for marketing in France by the financial regulator, the Autorité des Marchés Financiers.

In 2021, we worked with a consultant on a comprehensive audit of the ESG practices we undertake for our Sustainable Euro Credit Fund. The auditors' role was to check the completeness, suitability and quality of the fund information provided—such as ESG methodology, research, risk management, engagement, monitoring, compliance and communication with investors—to ensure the fund met the ISR criteria. Subsequently this fund was awarded the ISR label from the French authority. We anticipate that more of our funds will obtain this and other ESG labels in the future.

Our Climate-Related Actions and Disclosures

At Loomis Sayles, we firmly believe that climate change is one of the most important global issues of our time. Governments, businesses and civilians around the world are mobilizing to change course and address climate change and this evolving response will impact global financial markets.

Our clients are looking to us and other asset managers for perspectives on this issue. We have developed a set of shared principles that guide the investment approach toward climate change (see sidebar). In addition, we support the TCFD recommendations, which were released in 2017 and provide a common framework for companies and investment managers to report on how they're managing the potential impacts of climate change on their business. It is useful and practical for all stakeholders to use a common disclosure framework. While Loomis Sayles has provided climate-related information as part of its annual PRI response, this section of our sustainability report is our first effort at aligning Loomis Sayles' climate disclosure to the TCFD framework.

Governance

Our firm has embedded responsibility for ESG integration, including climate change risks and opportunities, throughout the organization **(see earlier "ESG Governance at Loomis Sayles" section).** We believe this fosters a culture of shared responsibility.

Management's role in assessing and managing climate-related risk and opportunities involves: staying abreast of emerging climate issues through education (provided by a third party); discussions at the Risk Management Committee **(see "Risk Management Committee" section below)** and the ESG Committee, both of which report to the Loomis Sayles Board of Directors; and a global working group of representatives from Natixis affiliates.

Natixis conducted its first climate risk review over affiliate assets in 2021, including those managed by Loomis Sayles, for its inaugural TCFD report. We are working with Natixis on their climate efforts broadly and on the metrics and targets they use to monitor climate risks and opportunities.

Climate Change Guiding Principles

We agree with the overwhelming scientific data that 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 in climate change presents critical risks and investment opportunities across all asset classes. At this point in history, we anticipate a time of sweeping change.

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.

Direct engagement is an integral part of our fundamental analysis across all asset classes. As a fiduciary and a good steward of our clients' capital, we are unequivocally focused on all investment risks and opportunities, including climate. This means that we must regularly engage with issuers to assess their climate impact, policies and risks.

Strategy

Loomis Sayles developed a set of shared climate change principles in 2020 (see sidebar on previous page) to guide our thinking and investment approach across the firm.

Given the diversity of our clients, mandates and investment capabilities, we do not take a one-size-fits-all approach to identifying and integrating ESG matters, including climate change, in our investment process. Each investment team considers the materiality of climate change according to its investment strategy, and identifies and analyzes how climate risks and opportunities may affect the assets and industry sectors within the team's investment universe.

Scenario Analysis

Loomis Sayles uses several ESG vendors to access comprehensive climate risk analytics and physical and transition scenarios to evaluate the possible impact of future events on our portfolios. This enables our asset managers to judge the resiliency of investment products and strategies and determine whether a portfolio is aligned with the Paris Agreement objectives.

Our transition scenario analysis uses three IEA Scenarios:

1) Current Policy Scenario [CPS] "Business as usual" [3.2° Celsius (C)]
2) Stated Policy Scenario (STEPS) "Current country commitment to Paris Agreement" (2.7°C)
3) Sustainable Development Scenario (SDS) "Well below 2°C," in order to substantially reduce the impacts of climate change (Paris Agreement Scenario).

The IEA SDS Scenario satisfies not just the 2-degree C temperature target set by the Paris Agreement, but the policies it uses as a means to reduce emissions are also in line with sustainable development and efforts to eradicate poverty.

The tool allows an assessment of a portfolio's alignment versus the three scenarios above, as well as the alignment of a benchmark. It shows the holdings by percentage of market value with Paris-aligned emissions reductions targets (either via individually set targets or through the Science Based Targets Initiative). It provides a portfolio temperature, which highlights what level of temperature increase the portfolio is aligned with in 2050 and the year the portfolio will breach the SDS scenario (if it is predicted to do so before 2050). The tool also assesses individual companies' alignment with the three scenarios and supplies the ratio of carbon budget reduction required by each holding to meet each scenario. Companies/issuers in the portfolio with no emissions reduction targets are highlighted. The ISS tool helps our investment teams not only understand a portfolio's current positioning vis-à-vis the 2050 climate scenario, it can help inform engagement on emissions targets and measure changes over time.

As part of a wider initiative in 2020 to improve the data, tools and resources available to each product team, we committed to provide education to our teams on our growing set of climate data, including climate scenario analysis. Such analysis can be complex and is relatively new for many Loomis Sayles teams, so our ESG Working Committee developed a primer and training for portfolio managers in 2021. The ESG Working Committee conducted a series of meetings with our fixed income and equities teams, starting with those who were ready to use climate scenario analysis. The first meetings introduced the methodology of climate scenario analysis, followed by how the analysis is implemented at the portfolio level. In subsequent meetings, members of the ESG Working Committee discussed the analysis of individual holdings with our investment teams. Our objective was to introduce climate scenario terminology and educate our teams on the assumptions underpinning scenario analysis. We have seen greater awareness and understanding of climate scenarios as a result, as well as discussion of potential new products. Loomis Sayles investment teams are providing this analysis to clients who request it to determine where particular portfolios stand on temperature pathways.

Scenario Analysis: Euro Credit Team

The Euro Credit Team uses climate scenario analysis in its investment process when selecting utilities for the Sustainable Euro Credit Fund. The team excludes power generators where the carbon intensity is not in line with the Paris 2-degree C scenario pathway. Typically, that is the result of a strong reliance on fossil fuels in their operations. In selecting utility companies for the team's three funds, the team's portfolio manager specializing in that sector takes into account how well an issuer appears to be positioned for the energy transition.

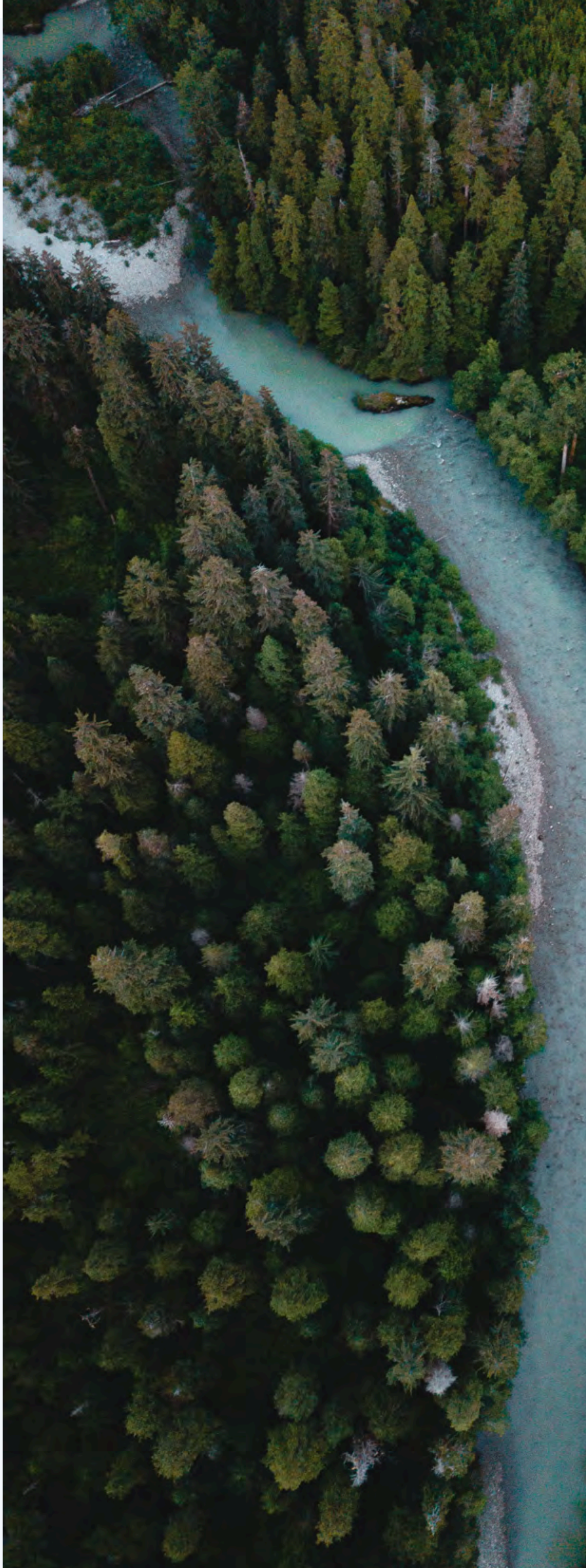
Scenario Analysis: Growth Equity Strategies Team

We assess and promote during engagement sustainable ESG considerations integral to a company's decision-making such as aligning its business to enable it to meet or exceed the 2050 Paris Agreement. We continuously assess each company's indicators relating to climate change mitigation such as the ongoing reduction in scope 1, 2 and 3 GHG emissions, aligning to the IEA SDS GHG reduction target by 2050, publishing important disclosures on GHG emissions such as reporting to CDP, establishing GHG reduction goals and commitment to science-based targets. As a result of its integral, long-term approach to ESG, the team's flagship low-turnover Large Cap Growth portfolio is aligned to the SDS scenario by 2050 and a 1.5 degrees Celsius transition pathway.

Risk Management

Our Chairman and CEO added ESG as an agenda item to the Risk Management Committee (a subcommittee of the Loomis Sayles Management Committee) in 2020. Among other ESG metrics, we report on carbon intensity in each of our representative accounts for each strategy, as well as that of the benchmark. In 2021, we added "alignment with the Paris Agreement" as a reporting item, based on data from one of our climate vendors.

We monitor companies ranking most highly for owned emissions and carbon intensity, as well as recent engagements with those companies for context. We track portfolio Paris-alignment and temperature score, along with historical change. We do the same analysis for products seeking Article 8 registration



and for these portfolios we also track carbon footprints compared to their benchmarks. We track total firm-level AUM exposure to companies with the highest Scope 1+2 intensity and changes from the prior quarter. We have added exposure to fossil fuel and percent revenue from thermal coal as we adjust our risk management practices and metrics to follow TCFD recommendations.

We created a Climate Change Subcommittee under the ESG Working Committee in 2020, made up of participants from across the firm and led by members of the ESG Working Committee. The goal of this subcommittee is to identify areas of support for the organization broadly with climate change, including coordinating continued education for our investors, enhancements to our climate data sources and other Loomis Sayles initiatives. We also assess climate-related industry organizations and initiatives to ascertain which ones are best suited for Loomis Sayles' participation. One such initiative that this subcommittee reviewed in 2021 was Climate Action 100+, an investor-led initiative engaging with the world's largest corporate greenhouse gas emitters to ensure they take necessary action on climate change. After the subcommittee's thorough assessment, Loomis Sayles determined this would be a productive initiative and we are pleased to have become a signatory.

As with ESG matters broadly, each investment team weighs climate-related risks and opportunities according to its investment philosophy and the relevance of climate change in the sectors in which the team invests. Where climate risk is a material factor, it is assessed prior to an investment decision.

Investment risk (including ESG- and climate-related issues) is regularly monitored by the investment teams and by our CIO, who is responsible for oversight of the active investment strategies offered by Loomis Sayles. Our CIRO, who reports to the CIO, incorporates ESG metrics in his investment team reviews. **(See the previous section, "Overseeing Investment Risks," for more information.)**

We have the ability to measure the carbon footprint of our portfolios and compare it to relevant benchmarks, using our ESG Center, an internal hub for data and information. Using third-party data, we built an easy-to-use dashboard on our ESG Center that applies the TCFD recommendations for calculating emissions metrics for each vendor. The system is built to provide emissions exposure using the portfolio's market value or default dollar amounts that would be appropriate for a potential institutional investor or retail investor. We also have other climate-related metrics from MSCI, Sustainalytics and ISS. These provide our investment professionals with a number of transition risk and physical risk metrics they can use to analyze their portfolios.

Metrics

Some of the **GHG Emission metrics** available to our investment professionals include:

- Absolute and benchmark-relative measurement of portfolio emissions exposure, weighted average carbon intensity and carbon risk rating. These metrics enable comparison of the portfolio's carbon risk compared to the benchmark.

- Companies reporting emissions and the quality of the reported emissions.
- Comparison of company-level emissions intensity to peer groups.

Some of the **Transition Risk metrics** available include:

- Portfolio exposure to coal, oil and gas-reserve-owning assets and exposure to controversial business practices that may pose transition and reputational risks
- Portfolio exposure to current sources of power generation (green and brown) and what that ratio needs to be by 2030 and 2050 to meet the IEA's Paris-aligned scenario
- Carbon risk rating for each issuer and the portfolio overall; the percentage of top and bottom climate performers in the portfolio and in the benchmark
- Percentage of the portfolio value that has Paris-aligned climate targets or no publicly available target
- Paris-aligned overshoot/undershoot by sector
- Portfolio level scenario alignment trajectory

Some of the **Physical Risk metrics** available include:

- Value at Risk (VaR), representing financial impact from physical risk, is shown at the portfolio (benchmark) and sector levels under baseline in 2021 and under a worst-case (RCP 8.5) and most likely (RCP 4.5) scenarios in 2050
- Physical risk score per hazard
- Physical risk management scores of portfolio holdings, indicating the level of preparedness to risks from physical hazards

In our view, risk metrics and tools are useful but have some limitations. Company-specific data are not perfectly accurate and are historical in nature. As active investment managers, part of the value we bring to our clients is being forward-looking. While these tools can serve as a guide for engagement with company management, they are not the only source for understanding how a company is managing climate risks.

Engagement with companies and issuers on material climate-related factors allows our teams to better understand how companies and issuers are managing these risks. This helps inform our decisions about whether the assets are reasonable investments for our clients. Engagement objectives are set by the individual investment teams based on their own processes and client needs. Our ESG engagement database tracks the engagement of each of our analysts and includes the material ESG factors they have identified, including climate where relevant.

Case Study: Climate Change Considerations for a Large Industrial Gas Company

This company is one of the largest industrial gas companies in the world. Its gases are used across industries – from supplementary oxygen kits in healthcare to natural gas liquefaction plants in the energy sector.

The Global Equity Opportunities Team believes climate change is a material ESG issue that the company continues to improve upon internally and also presents an opportunity externally as it continues to expand its hydrogen portfolio. The company is focused on both an effort to reduce its own carbon footprint and, importantly, the ability to impact its customers' carbon footprint exposure as well.

Across the business, the company is targeting a 35% reduction in scope 1+2 greenhouse gas emissions intensity by 2028 (from a 2018 baseline) and aims to double its annual purchases of renewable energy by 2028. Renewable energy increased recently to 38% of total power consumed from 35% in 2018. The company has provided transparent disclosures allowing the team to monitor progress toward achieving its goals.

The company is developing its hydrogen portfolio. While still small as a percentage of its overall revenue, the team believes the company has a substantial opportunity to grow this end market over the long term. In doing so, the team expects the hydrogen portfolio will provide direct financial benefit to the company while also having a positive impact on the carbon emissions of its diverse set of customers.

The team has met with the company several times. At their most recent meeting held in December of 2020, the team discussed the hydrogen end market as well as the company's continued effort in supporting the COVID-19 response via its healthcare sector and respiratory therapists with company management. Engagement with the company is ongoing; we continue to seek to monitor direct changes in the company's carbon emissions to assess their progress toward emission-reduction goals, as well as a better understanding of the rapidly evolving business environment for hydrogen across its diverse client end markets.

In addition to engaging directly with management teams, Loomis Sayles votes proxies at the annual meetings of public companies to express our opinion on climate-related matters, including climate risks. In 2021, we voted on 19 climate-related shareholder proposals, more than triple the number in 2020. See the **"Proxy Voting"** section earlier in this report for more information on our voting activities.

Corporate Social Responsibility

Diversity, Equity and Inclusion (DEI)

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 equitable opportunity to reach their potential.

In 2021, Marques Benton joined our firm in the newly created role of Chief DEI Officer, reporting to the CEO and head of human resources. Marques is responsible for putting our DEI strategic 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.

In his first year, Marques focused on four DEI priorities: 1) governance and alignment; 2) representation, retention and recruitment; 3) communications; and 4) courageous conversations on race. Going forward, Loomis Sayles initiatives will broadly fall into four strategic focus areas: 1) workforce and management engagement; 2) workplace and staff engagement; 3) marketplace and business leader engagement; and 4) community and partnership engagement.

Appointing Marques as Chief DEI Officer is the latest step in the firm's diversity, equity and inclusion plan. We have a DEI committee and governance model, customized firm-wide diversity trainings, active employee resource groups and industry engagement. Our internship and mentorship programs also prioritize career development for candidates who are underrepresented in the investment management industry.

Our employee resource groups:

MOSAIC

WOMENATWORK

VOLUNTEER COUNCIL

READI

HEALTHY MINDS

WELLNESS PROGRAM

GREEN COUNCIL

MENTORSHIP PROGRAM

Investing in our Communities

In 2021, Loomis Sayles invested over $2 million in the most under-resourced areas of the cities where our employees live and work, including Boston, Detroit, Chicago, San Francisco, London and Singapore. In order to create the greatest impact, we accompany our giving with action—through 2021, our employees took part in 27 volunteer events.

When selecting local organizations as long-term partners, Loomis Sayles considers both the needs of the local community as well as opportunities for our employees to contribute through direct participation in the partner's initiatives.

Our efforts are largely focused on improving access to education, supporting basic human needs and services, and addressing the mental health and wellness crisis engulfing young people. The latter resonates strongly with our employees, due to the COVID-19 pandemic and resulting isolation, which has significantly affected people's physical and mental health.

In choosing where to invest each year, our Giving Committee oversees a thorough and thoughtful due diligence process, much as we would when investing in a stock or a bond. Our non-profit partners have:

- a mission aligned with our focus
- solid governance and leadership
- long-term financial sustainability
- opportunities for employee engagement and involvement

LS UNDERGRADUATE SUMMER INTERNSHIP PROGRAM

As part of our focus on education and access for those growing up in under-resourced communities, Loomis Sayles is in its sixth year of providing internships exclusively to students who are first in their family to attend college/university and/or are underrepresented in the investment management industry. Our unique program serves more than 20 students each summer and 17 of those interns have gone on to become full-time employees at Loomis Sayles.

New Initiative to Support Youth Mental Health

In October 2021, we announced the Fuss Family Mental Health Initiative, a philanthropic and community service initiative aimed at tackling the mental health crisis facing young people in our most under-resourced communities. The program honors Dan Fuss, vice chairman of Loomis Sayles' board of directors and a globally renowned fixed income investor who has been with the firm for 45 years. Dan and his family have worked tirelessly to support the mental health needs of young people in the wake of their son's death by suicide 15 years ago.

Loomis Sayles is highlighting the Fuss family's efforts with a campaign that includes corporate giving, double-matching of employee donations, volunteering and raising awareness about suicide prevention and mental health stigmas. Loomis Sayles will provide $600,000 in total funding over three years to programs that provide in and out of school support to young people experiencing mental health challenges. Our campaign is supporting the behavioral health of young people through systems of outreach, prevention, therapeutic and clinical programming, as well as the training and professional development of valued staff.

We would like to acknowledge the following Loomis Sayles individuals who contributed to this report:

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