LOOMIS | SAYLES

2022 LOOMIS SAYLES

UK Stewardship Code Report

Committed To Being An Effective Steward of Our Clients' Capital.

This report for the 2022 period has been submitted to the Financial Reporting Council for their 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. Generally, we are investors with a long-term focus on ensuring our investee companies can create and sustain long-term growth.

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 support the focus on stewardship outcomes within the Code and welcome the opportunity it provides firms to demonstrate past achievements and reflect on their 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,

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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.

There are six pillars that underpin all 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	BANK LOANS	DISCIPLINED ALPHA	EMERGING MARKET DEBT	FULL DISCRETION	GLOBAL	MORTGAGE & STRUCTURED FINANCE	MUNICIPAL	PRIVATE FIXED INCOME‡	RELATIVE RETURN
Credit Asset	Senior Loans	Core	Corporate	Multisector	Global Bond	Agency MBS	Short	Investment Grade Private Credit	Short Duration
Emerging Market Debt Blended	Senior Floating Rate and Fixed Income	Intermediate	Local Currency	Multisector Credit	Global Credit	Core Securitized	Intermediate	Opportunistic Private Credit	Inter. Duration
World Credit Asset	CLO Management	Corporate	Short Duration	Core Plus Full Discretion	Global Debt Unconstrained	IG Securitized Credit (ERISA)	Medium		Core
Multi-Asset Income		Intermediate Credit	Asia Credit	High Yield Full Discretion	Global Disciplined Alpha**	Opportunistic Securitized Credit	Crossover†		Core Plus
Inflation Protected (TIPS)		Long Corporate		Global High Yield		Dedicated CLOs			IG Corporate
Systematic Investing Strategies		Long Gov't Corp		US High Yield					IG Inter. Corp
		Long Credit		High Yield Conservative					Long Corporate
		Global Disciplined Alpha**		Strategic Alpha					Long Credit
									Long Gov't/Credit

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 2022. *Includes accounts that may also be counted as part of other strategies **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 2022.*

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 a healthy working environment for our people.

DEFINING OUR VALUES

We have introduced a framework to define and encapsulate our values – Loomis Sayles IDEALS. The 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.

	IDEALS	IN ACTION
	Inclusive & Diverse.	
i	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-of-industry solutions that help us exceed client expectations.	Ethnic diversity in our Board of Directors and at the manager level have improved over the last 12 months. Likewise, the ethnic diversity of staff has also improved. The firm's improved ethnic diversity composition, at the overall population level, is a direct result of stronger ethnic diversity hiring performance and retention.
	Dedicated to Teamwork.	
d	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.	We have launched internal team newsletters to highlight and celebrate notable achievements, positive contributions, client success, new hires and a monthly *Employee Spotlight*
	Excellent.	
e	We hold ourselves to the highest standards, 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.	Every year we present the Daniel J. Fuss Award "for relentless and extraordinary dedication to our clients". This award is for a team and/or individual in Loomis Sayles whose efforts exceed the normal scope of one's job, demonstrate dedication to our clients and deliver consistent excellence in their role.
	Accountable.	
a	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 always seeking opportunities to be better.	In a recent example of holding ourselves accountable to high standards on our values, we took the decision to move the external venue of a large multi-day team event when, after repeated requests, we could not satisfy ourselves that the venue's treatment of its employees was aligned with our IDEALS. Our events team came together at short notice to find and organise a new venue that could accommodate our event and align with our IDEALS.
	Leaders.	
l	We help ourselves and our colleagues by modeling behavior that inspires the people around us, including respect, humility, gratitude, empathy and encouragement.	We have established a number of Employee Resource Groups focusing on or representing, for example, women, people of colour, veterans, and members of the LGBTQ+ community. These groups have an executive sponsor, and seek to foster inclusion, collaboration and camaraderie.
	Solutions-Oriented.	
s	We are critical thinkers and passionate problem solvers. We assess issues and identify opportunities to deliver innovative solutions to our clients & colleagues.	As part of our ongoing evolution from pure product provider to a solutions provider, in 2022 we formed a new Institutional Advisory Group. This team focuses on providing clients advice in areas such as Liability Driven Investing (LDI), insurance, cash flow matching and risk transfer. In terms of investment capability, we have developed our offering in LDI, Insurance and Custom Income including Buy/Maintain strategies. We have also created an overarching "Institutional Solutions" team and will continue to invest in this area, focusing on applying our skill sets to client challenges.

Since the development of our IDEALS in 2021, our Culture Steering Committee has sought to encourage and implement practical and sustainable initiatives that engrain the firm's IDEALS into day-to-day employee, manager, and leader and client interactions.

PROGRESS IN 2022: UPDATES FROM OUR CULTURE STEERING COMMITTEE

APRIL 2022

We believe broad employee inclusion and engagement will be critical to the success of any culture initiative. So far, input from key internal stakeholders groups, including the Management Committee, employee resource groups (ERGs) and affinity groups,the DEI Committee, and the GOODworkplaces workgroup, has helped influence and shape our work. The next step is to establish the Loomis Sayles Culture Workgroup, made up of employees from across the organisation who are committed to ensuring corporate culture initiatives continue moving forward with impact.

The Committee invited volunteers to join the Culture Workgroup, aiming to gather a broad and diverse range of employees varying in years of experience and years at Loomis Sayles, who represent various business units and global offices.

JUNE 2022

Upon sending out our request for volunteers to join the LS Culture Workgroup in April, we were thrilled to receive several emails of interest from employees across the firm. We are grateful to everyone who put their hand up; our goal was to assemble a diverse working group of individuals who represent all facets and levels of experience of our broad employee base and global organization. Our expectations for meeting this goal were summarily surpassed and we are glad to announce the members of the LS Culture Workgoup today.

DECEMBER 2022

Since the last LS Culture Initiative update, the 21-member LS Culture Steering Committee and Workgroup have formed four subcommittees: Visibility and Engagement, Recognition and Awards, IDEALS Roadshows and Communications.

Starting in Q1 2023, the subcommittees will kick off several initiatives designed to clearly define the IDEALS and to demonstrate what role modeling the IDEALS looks like in action. Please stay tuned for a series of videos and an upcoming panel of firm leaders who will discuss what the IDEALS mean to them and how they work to role model the IDEALS during day-to-day interactions with internal colleagues and external stakeholders. The goal for the panel is to motivate a good two-way dialogue and conversation between the participants and attendees. A formal invitation with full event details will be sent out to all employees soon.

Other initiatives will include efforts to engage more employees directly in supporting and informing the subcommittees' work; identify a structure to make sure the LS Culture work is sustained; and develop metrics to measure progress and course correct as needed.

IDEALS IN ACTION – MORE EXAMPLES

Demonstrating excellence – the measure of time

A focus on the long term is inherent to the culture at Loomis Sayles. We strive to build long-lasting and mutually beneficial relationships with our clients. We have many longstanding clients, including some relationships that date back more than 40 years. Many of our investment teams base their investment approach on the long term as well and remain invested in companies over multiple years. Our employee tenure is also long; we strive to retain exceptional talent and provide an environment that fosters growth and development. We support our employees' desires to grow professionally and continue learning by providing them the opportunity to enhance competencies in their current positions and expand their educational experiences. We offer a tuition reimbursement program for those wishing to pursue higher education or courses related to their position.

DIVERSITY, EQUITY AND INCLUSION

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, valued and empowered to apply all of the dimensions of their identities to enrich Loomis Sayles as a whole.

In 2021, Marques Benton joined our firm in the newly created role of Chief Diversity, Equity and Inclusion 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
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
4. Community and partnership engagement

We have a DEI Strategic framework and focus areas, a DEI committee, a governance model, customised firm-wide diversity trainings/education, active employee resource groups and industry engagement. Our internship and mentorship programs also prioritise career development for candidates who are underrepresented in the investment management industry. For example, the firm's Undergraduate Summer Internship Development program focusing on first generation college students. This program provides a diverse talent pipeline for Loomis Sayles resulting in 25 full time employees of color since it began in 2015. Additionally, the firm's Undergraduate Women's Investment Network (UWIN) internship and mentorship program has introduced hundreds of undergraduate women to careers in the investment management industry. Since the program's inception in 2015, Loomis Sayles has hired 12 UWIN participants into full-time positions.

EMPLOYEE RESOURCE GROUPS (ERGS)

The firm has established employee resource groups such as:

- Women@Work (an ERG for women employees)
- 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 ERG)

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.

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

POSITIVE COMMUNITY IMPACT

MELISSA PARTRIDGE
DIRECTOR OF COMMUNITY INVESTMENTS

The Community Investments team at Loomis Sayles is dedicated to representing the passions and interests of the firm's employees, supporting non-profit organizations that work with individuals and families in the areas of the city most in need, and being an authentic stakeholder in the communities where they work and live. Our mission is to be of service to our employees and support the firm's IDEALS, values, culture and commitment to community.

Under the leadership of Melissa Partridge, the Community Investments team at Loomis Sayles is committed to making a positive impact in the community and being a responsible corporate citizen. They strive to make a difference through Loomis Sayles' philanthropic giving, volunteerism and community engagement.

Loomis Sayles' long standing approach to corporate philanthropy and community investments aligns with the firm's approach to the integration of ESG:

1. Employee-led

We seek to involve the broader employee base in our philanthropic efforts, rather than relying solely on a separate team to drive the effort. This reflects our commitment to building a culture of corporate responsibility and empowering employees to make a positive impact.

2. Making a material difference

We focus on identifying opportunities that can make an outsized difference. The team seeks to make strategic philanthropic investments that will have a significant and lasting impact on the community.

3. Relationship-driven

The Community Investments team's trust-based philanthropy model emphasises building relationships with non-profit organisations and community partners based on trust, collaboration and shared values.

4. Targeted and specific

Finally, the team's strategy to determine the right size of their philanthropic donations is nuanced and unique, depending on the organisation. The team does this by seeking to understand the unique characteristics and needs of each of its non-profit partners.

This approach to philanthropy and community investment demonstrates the firm's commitment to responsible and impactful giving, while also ensuring that resources are being used efficiently and effectively.

Overall, through the Community Investment team's efforts, Loomis Sayles seeks to create meaningful value and impact in the community, helping to drive positive change in areas such as poverty reduction, gender equality, eliminating systemic racism, climate action and more. By working collaboratively with non-profit organisations, community leaders and other stakeholders, they aim to achieve their goals of making a real difference in the world.

> **Loomis Sayles seeks to create meaningful value and impact in the community, helping to drive positive change in areas such as poverty reduction, gender equality, eliminating systemic racism, climate action and more.**

EXAMPLES OF COMMUNITY PARTNERSHIPS

OUR WORK WITH FRANCISCAN CHILDREN'S HOSPITAL

An example of a comprehensive partner is our work with Franciscan Children's Hospital. We added Franciscan Children's Hospital to our giving portfolio through the Fuss Family Initiative late in 2021. Loomis Sayles committed multi-year funding for a full-time clinician from the hospital for the Jeremiah E. Burke High School in Dorchester, one of Boston's most under-resourced high schools. In addition to providing this financial support, Loomis employees renovated this clinician's office to make it a safe space for the clinician to work with the students. We also connected the Burke High School with Artists for Humanity, another non-profit organisation in our giving portfolio, to create art projects for their incoming seventh and eighth-grade students.

OUR WORK WITH SCHOOL HOME SUPPORT

Our London office is a long-time supporter of School Home Support through charitable donations and volunteerism. SHS is a non-profit organisation that works with schools and families to provide support and tackle barriers to successful education and improve the futures of children. The Loomis Sayles office hosted its first in-person Aspiration Session with School Home Support since COVID-19 in the autumn of 2022 where children had the opportunity to experience the corporate world while raising aspirations for their future. Employees from different departments, such as our Credit Research and Trading teams, created a series of fun activities, while giving the students a realistic insight into investment management and how essential each individual role is in the company. Volunteers ranged from different levels of the company and shared their career journeys and life at Loomis Sayles. Students asked many questions about individual roles and backgrounds, learning all about the wider industry and the kinds of roles they might take on in the future.

SUMMARY: PURPOSE, STRATEGY AND CULTURE

Committed to excellence in our IDEALS, we continue to evolve and invest in our investment capability, our culture, our people, our diversity and our community. These are the attributes of our business that enable us to deliver on our goals of superior investment returns and being a responsible, nurturing employer and contributor to our local communities. There is much work to be done in many of these areas and we look forward to reporting on our continuing progress in years to come.

PRINCIPLE TWO

GOVERNANCE, RESOURCES & INCENTIVES

Signatories' governance, resources and incentives support stewardship.

Responsibility for the overall direction of Loomis Sayles resides with our Management Committee. 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), the head of Human Resources 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. The Loomis Sayles Management Committee 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 1 January 2023.

Loomis Sayles Board of Directors
Chair: Loomis Sayles Chairman

Loomis Sayles Compliance, Risk & Internal Control Committee
Chair: Natixis Investment Managers Chief 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. It consists of Board members and senior representatives of departments. It meets quarterly to identify and monitor all areas of firm and investment risk, including stewardship activities. It 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 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, our multi-subcommittees allow the firm nimbly to address various issues that arise in the context of stewardship more broadly. 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: Loomis Sayles' diversity committee, led by our Chief Diversity, Equity and Inclusion Officer, 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.

COLLEEN DENZLER, CFA

HEAD OF ESG

Colleen joined Loomis Sayles in 2022 from Smith Capital Investors, where she led ESG integration efforts. Prior to this, she provided strategic consulting services to asset managers, including educational content on ESG and sustainable investment for the advisor and institutional marketplace. Previously, Colleen was chief investment officer of First Affirmative Financial Network and president of its industry-leading SRI Conference. Before that, she was a senior portfolio manager and head of money markets at American Century Investments and later the global head of fixed income strategy and a macro analyst at Janus Henderson. Colleen began her career as an ESG-focused portfolio manager and analyst at Calvert Asset Management. She earned a BS in finance from Radford University. Colleen holds FINRA licenses 7 and 66 as well as certifications from the Task Force on Climate-Related Industry Disclosures.

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' increasing ESG needs. After an extensive search led by our CIO, Loomis Sayles welcomed Colleen Denzler, CFA as our new Head of ESG in May of 2022. Over her more than 35 years in the asset management industry, Colleen has held a number of investment and ESG leadership roles.

ADDITIONAL ESG TEAM MEMBERS

JUSTIN DUTCHER

ASSOCIATE DIRECTOR OF ESG STRATEGY

HOLLY YOUNG

SENIOR CLIMATE ANALYST

JUSTINE GEARIN

SENIOR ESG PROJECT ASSOCIATE

ESG Leadership Team: This team met weekly throughout 2022 to review the firm's ESG activity and monitor progress of ESG initiatives. The team 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 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 Product Management, Director of Product Management Growth Equity Strategies and Director of Corporate Communications. Four of these individuals are also members of the Firm's Management Committee and Board of Directors. Our Director of Global Institutional Services and Director of Credit Research were new members to this group in 2022.

ESG Working Committee: This working group met on a bi-weekly basis throughout 2022 and is led by the Head of ESG. Additionally, in 2022, the Working Committee maintained a standing daily morning videoconference meeting for much of 2022 to ensure it was fully aware of the firm's latest stewardship and ESG needs, and to be able to raise ESG topics on a small-group, informal basis. The Working Committee includes all members of the ESG Team and employees across investment, research, legal, marketing and technology. This group operationalises our ESG strategy and provides critical direction on specialised topics as they evolve.

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
- Director of Product Management, GES
- Associate Counsel
- Associate General Counsel
- Investment Director
- Quantitative Analyst
- Marketing Specialist – ESG
- Senior Marketing Analyst

ESG SUB-COMMITTEES & TASKFORCES

CLIENT	CLIMATE	TECH & ANALYTICS	FIXED INCOME BEST PRACTICES
Chair: Assoc. Director, ESG Strategy **Purpose:** Identify and mobilise response to emerging and systemic topics in service of our clients, consultants, and stakeholders **Members:** Client and consultant relationship managers, product managers, investment directors, and marketing managers and ESG team members	**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 credit research and analysts, and portfolio managers **Members:** Portfolio managers, research analysts, and ESG team members

Upon evaluation of our ESG governance structures during 2022, the ESG Advisory Board with over 30 representatives was determined to be too large a group to provide a practical and effective role in our ESG governance. The role of this group has been assumed by the ESG Leadership Team and ESG Working Committee. In addition, the ESG Team will engage former members of the ESG Advisory Board in a direct manner for significant ESG initiatives.

GREG SCHANTZ, CFA

MANAGER OF CREDIT RESEARCH ESG INTEGRATION

In June 2022, Greg was given new responsibilities including a leadership role in the Fixed Income ESG Best Practices Taskforce, providing guidance and direction to colleagues in credit research on ESG priorities, providing strategic input and feedback to Credit Research leadership regarding ESG matters.

Greg is a Senior Credit Research Analyst and has been a member of the Loomis Sayles Credit Research group since 2010.

ANDREW HON

ESG QRRA ANALYST

In September of 2022, Andrew was hired onto the Quantitative Research Risk Analysis team as an analyst focused on ESG. Andrew's responsibilities include developing quantitative tools for the integration of ESG considerations into the investment process.

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 to 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 a myriad of functions that spend a meaningful amount of their time on ESG matters.

We have 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 the maximum value for our clients.

DATA AND TECHNOLOGY

We are continuously evaluating the marketplace for data solutions that address our client needs, increase coverage of asset classes and accurately reflect industry and regulatory standards. Additionally, our senior climate analyst leads an in-depth evaluation of potential providers as each newly 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. In 2022 we began a focus on building customised tools that allow us to tailor and respond to clients with increasingly sophisticated ESG desires.

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. The credit research materiality maps are based on the foundational work of the Sustainability Accounting Standards Board (SASB), but are enhanced by our own senior analysts to more accurately reflect their understanding of these issues and their relationship to specific sectors. The sovereign materiality maps are based upon the senior analyst's expertise and knowledge of the material factors affecting sovereigns. These materiality maps drive an internal Loomis Sayles ESG score or assessment for each credit covered. The internal materiality maps and ESG scores are incorporated into our proprietary ESG portfolio analysis (ESG Center) and 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 ESG Engagement Database, a proprietary application developed to collect our discussions about environmental, social and governance topics with company management teams and sovereign officials. We have been using this database for several years and strive to continuously enhance the quality of the information we collect.

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Our in-house research expertise, 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.

RESEARCH

Our in-house research expertise, 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. Whilst 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 and utilising third-party ESG Research. Analysts develop independent views of material factors impacting fundamentals in their valuation assessments.

FIXED INCOME

Our centralised research analysts' coverage 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 team's respective 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.
- **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

EQUITY (CONT.)

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.

- **Specialty Growth Strategies** – The team's traditional fundamental research is the driving force behind the team's decision-making process and they rely largely 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, and 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 course of 2022, we worked to further develop expertise among our investment teams through training with a continued focus on incorporating climate change considerations into the investment process. This training and education included monthly sector-focused climate insights from a leading external climate consultant, as well as training for 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.

Loomis Sayles employees are supported with professional development opportunities related to ESG matters. For example, Loomis Sayles provides employees with reimbursement for expenses for study materials and exam costs related to the CFA Certificate in ESG Investing program. All full-time employees are eligible for this program, 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.

INCENTIVES

> **We ensure the firm's remuneration practices promote sound and effective risk management, including ESG risks.**

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 analysts' research, and analysts are measured on performance, ESG 'performance' is embedded in their evaluation. Portfolio managers decide which securities actually go into portfolios, based on input from the research analysts, investment analysts, trading desk and others. Portfolio managers are rewarded for performance; they naturally consider ESG factors addressed by research analysts and will take into account such matters in the normal course of assessing 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.

Loomis Sayles regularly reviews its business to identify potential conflicts of interest and to ensure already identified conflicts continue to be managed effectively. When assessing a potential conflict of interest, Loomis Sayles considers 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 2022, the review of the Conflicts of Interest policy concluded that no changes needed to be made to the policy. Further, our Conflicts of Interest Policy is reviewed and approved by the Board annually to ensure it remains accurate and up to date. A summary of Loomis Sayles' Conflicts of Interest Policy is disclosed in its Form ADV under 'Conflicts of Interest', available at www.adviserinfo.sec.gov, or https://files.adviserinfo.sec.gov/IAPD/Content/Common/crd_iapd_Brochure.aspx?BRCHR_VRSN_ID=774872.

In addition, the firm has several oversight committees that monitor its business practices and risks, including potential conflicts of interest. We take our fiduciary duty to our clients seriously and believe we have robust policies and procedures in place to manage conflicts of interest effectively and always 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 covered 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. Except in certain limited instances, including those discussed below, Loomis Sayles votes in accordance with those pre-determined policies. We set these out in more detail under Principal 12. The Proxy Committee may use its discretion to vote against the 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 Loomis Sayles who is subject to that conflict of interest from participating in the voting decision in any way. Below we set forth general areas where we expect conflicts to arise in connection with our stewardship and proxy voting matters, as well as certain actual conflicts that arose in the reporting year, along with a discussion of how we mitigated them.

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

CONFLICT	MITIGANT
Different investment strategies 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. During 2022, the firm split its vote at 32 meetings.
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 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 2022, and how we addressed them:

COMPANY 1	**SHAREHOLDER PROPOSAL REGARDING REPORT ON GHG TARGETS AND ALIGNMENT WITH PARIS AGREEMENT**
INVESTMENT TEAM A	**AGAINST**
INVESTMENT TEAM B	**FOR**

The company, through its subsidiaries, develops, markets, sells, and distributes energy drink beverages and concentrates in the United States and internationally. At the 2022 Annual Shareholder Meeting, a non-profit whose mission is to promote environmental and social corporate responsibility through shareholder advocacy, put forth a shareholder proposal that the company issue a report at reasonable cost and omitting proprietary information disclosing how the company intends to reduce its operational and supply chain greenhouse gas (GHG) emissions in alignment with the Paris Agreement's 1.5 degree goal requiring net zero emissions by 2050. Concurrently, another strategy of ours holding shares of the company elected to vote for this shareholder proposal. This team determined that the company's reporting on its climate considerations and how it is managing risks associated with climate change could be improved. They determined that making this information available to shareholders would allow them to better understand and weigh the long-term risks faced by the company on account of climate change. In the end, this proposal failed to pass with only 44% voting in their favour of the resolution.

COMPANY 2	**MANAGEMENT PROPOSAL SEEKING THE RE-ELECTION OF TWO DIRECTORS SEATED ON THE COMPANY'S GOVERNANCE COMMITTEE**
INVESTMENT TEAM A	**AGAINST**
INVESTMENT TEAM B	**FOR**

The company discovers, invents, develops, manufactures and commercialises medicines for treating various medical conditions worldwide. At the 2022 Annual Shareholder Meeting, management put forth a request to re-elect two directors to the board, both active members of the company's Governance Committee. One investment team holding shares of this company noted from research that the members of the Governance Committee had continued to maintain a multi-class share structure with unequal voting rights and had not yet provided a reasonable time-table of when they would phase out this multi-class share structure. A multi-class structure does not bestow equal voting rights on all shareholders and gives a greater share of the vote to certain shareholders over others. The Governance Committee is responsible for developing and reviewing a company's governance policies in order to protect the rights of all shareholders. In this case, certain shareholders were privileged over others and the investment team voted against both directors as a result of their membership on the Governance Committee. Concurrently, another investment team holding shares of the company for more than seven years elected to vote for the re-election of the directors. The team is comfortable with the company's multi-class share structure as they believe management is aligned with long-term shareholder interests via a compensation scheme that is heavily weighted towards long-dated equity options. Options vest over four years and carry a 10-year holding period. They noted that the degree of equity compensation, the required focus on medium-term operational execution inherent in the four-year vesting period, and minimum 10-year duration of equity ownership, aligns management with execution and long-term strategic goals, and is consistent with its expectations for long-term shareholder interests. In the end, both directors were re-elected to the board with over 75% of the votes in their favour.

COMPANY 3	**MANAGEMENT PROPOSAL SEEKING THE RE-ELECTION OF FIVE DIRECTORS**
INVESTMENT TEAM A	**AGAINST**
INVESTMENT TEAM B	**FOR**

The company provides business process services in the United States and internationally. At the 2022 Annual Shareholder Meeting, management put forth a request to re-elect five directors. Through the course of our annual review, we noted that these five board members were all affiliated with the company. As there existed only 11 people sitting on the board at the time, this meant that only 55% of the board was independently overseeing the company. Generally, we prefer to have a higher level of independence in board oversight. One of our investment teams holding the company agreed that their clients would benefit from a more independent board and they voted against all five of the board members that we had marked as affiliated. Concurrently, one of our other investment teams holding the company noted that a separate private equity company owned approximately 45% of the company and thus exerted significant influence over all matters requiring shareholder approval. They further noted that two of the aforementioned directors were affiliated with the private equity company, and could be reasonably assumed to be representing that company's interests as shareholders. As such, they voted their client's shares for all five of the affiliated directors. In the end, all five directors were re-elected to the board with over 80% of the votes in their favour.

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 upon intelligent assessment and understanding of risk. The identification and management of risk are embedded directly into each investment team's decision-making process. Client interests come first in everything we do. To ensure effective risk management we are constantly evaluating our own processes and have introduced a number of enhancements in 2022, which are detailed below.

The identification and management of risk is a central part of our investment decisions, and as such, risk analysis is embedded directly into each team's investment process. In their assessment of market-wide and systemic risks, our investment teams may choose to access our Macro Strategies research team. Our Macro Strategies research team is responsible for assessing the global macro investment environment, which includes identifying marketwide 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 is composed of the CEO, CIO, CIRO, Chief Financial Officer, General Counsel, CCO, Head of Technology and Operations, Head of ESG, Director of Institutional Services, Director of Credit Research, Head of Trading, Deputy General Counsel, Head of Operations and Head of Data Management.

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. One equity team managing a global portfolio finds it useful to discuss currency views with our sovereign analysts, or policy and growth rate forecasts with our US yield curve sector team, as indicators of a country's economic health.

Another equity team relies on its own disciplined and thorough implementation of bottom-up fundamental analysis to seek to understand the drivers, opportunities, and limits of each business – independent of company guidance or Street expectations. We believe that alpha is a rare commodity but there is more than one way to mine it.

Growth Equity Strategies: Key Tenets of our Alpha Thesis

We believe active investment management and active risk management are integral to alpha generation.

Our investment philosophy represents our fundamental beliefs regarding the most effective way to generate alpha and leverages our understanding of persistent anomalies that create asset mispricing. These beliefs, or tenets, form the cornerstone of our investment decision-making process and can be linked to performance proof points, demonstrating continuity from belief to process to outcome. Collectively, this integrated system forms our alpha thesis. We believe that for any alpha thesis to potentially meet its objective, it should be founded on an enduring philosophy and persistent pricing anomalies. We think our alpha thesis is unlikely to be eroded through arbitrage because it is tied to perennial behavioral biases, not specific market conditions.

GES Investment Philosophy: We are an active manager with a long-term, private equity approach to investing. Through our proprietary bottom-up research framework, we look to invest in those few high-quality businesses with sustainable competitive advantages and profitable growth when they trade at a discount to our estimate of intrinsic value.

Pricing Anomalies: At the heart of active management lies the belief that one can deliver returns in excess of benchmark returns. Over the long term, we believe that markets are efficient. Near term, however, we believe innate behavioral biases, such as herding, overconfidence or loss, influence investment decisions and create asset pricing anomalies. These pricing inefficiencies converge toward intrinsic value over time. Market efficiency is thereby dynamic, existing along a continuum between fully efficient and inefficient pricing.

> **"Markets tend to function well when a sufficient number of diverse investors interact. Conversely, markets tend to become fragile when this diversity breaks down and investors act in similar ways."** More Than You Know, Michael Mauboussin

In our view, two important anomalies can best explain periodic mispricing: **short-termism** and **allocative inefficiency**. Short-termism is a behavioral 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. Examples include index or momentum investing and technical trading. 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.

For alpha generation, we believe the pursuit of greater upside potential and managing absolute levels of risk are inextricable goals. Each tenet of our alpha thesis is designed—individually and collectively—to promote this dual objective for our investors.

CASE STUDY

GES Alpha Thesis In Action - We Believe Active Investment Management and Active Risk Management Are Integral to Alpha Generation

The Growth Equity Strategies team defines risk as a permanent loss of capital and takes an absolute-return approach to investing and seeks to actively manage the downside risk in its portfolios. The GES team notes that 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.

Counter to the buy discipline of many growth equity managers, Growth Equity Strategies team believes 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. A patient, long-term investor, all aspects of the Team's investment thesis must be present simultaneously for them to make an investment. We are seeking companies that can generate sustainable and profitable growth and invest only when they are selling at a significant discount to our estimate of intrinsic value. Investing with a margin of safety requires not only a disciplined understanding of a company's intrinsic value, but a clear recognition of what the market price implies about consensus expectations for that company's value. Comparing our estimate of intrinsic value with the market price helps expose pricing inefficiencies. We seek to create a margin of safety by investing at a purchase price that is at a meaningful discount to our estimate of a company's intrinsic value. 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. Therefore, the more attractive we view the reward-to-risk opportunity, the larger our capital allocation and position weight. In comparison, we have observed that the largest positions of a cap- weighted benchmark may have the least margin of safety—or worse, market prices above intrinsic value—yet are given the largest capital allocations in many benchmark-centric portfolios. It stands to reason that only portfolios that differ from the benchmark could produce superior returns versus the benchmark. Ultimately, our job as an investment manager is to allocate capital to the most compelling reward-to-risk opportunities.

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.

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 on the following page.

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

High Yield Risk Premium

WHAT IS IT?

Regression model estimating projected downgrade and default loss in US high yield market 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

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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.

2022: ENHANCING OUR MANAGEMENT OF RISK

As part of our ongoing commitment to enhance our risk management processes, we have introduced two new tools which serve to combine the views of different analysts in an aggregated, forward-looking investment outlook which is tracked over time as an index.

LOOMIS SAYLES CREDIT ANALYST DIFFUSION INDEX (CANDI)

We introduced our new 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 7 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 of corporate behavior 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?

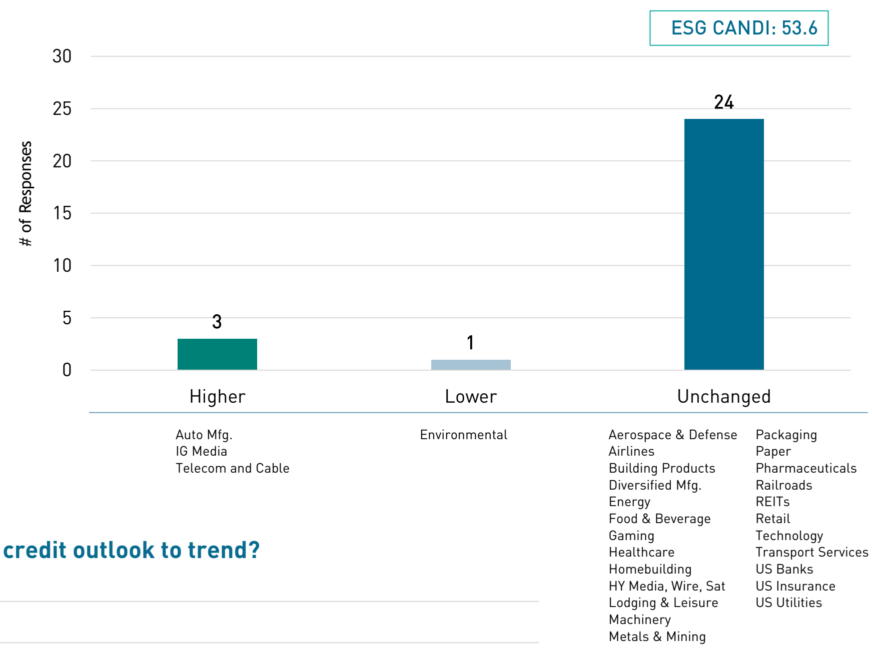
Ties together the top down macro views with the bottom up views from credit analysts, helping to identify investment themes, sectoral opportunities etc.

WHAT DOES IT ADD IN OUR INVESTMENT PROCESS?

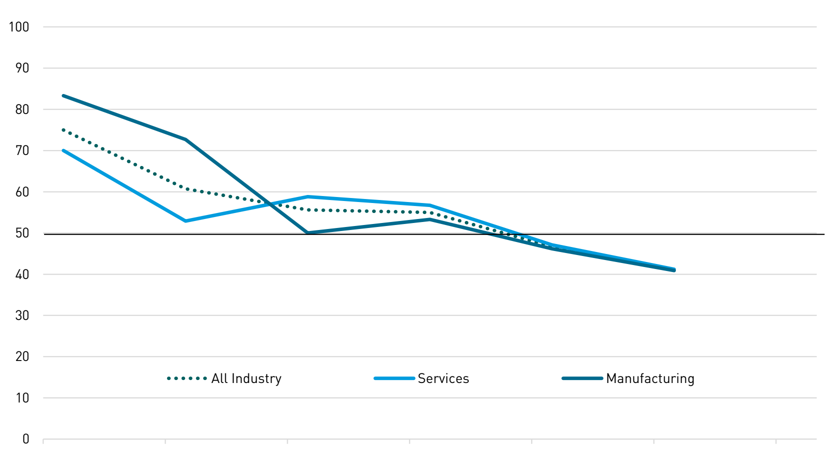
Provides strong insights to investment teams thinking about asset allocation and security selection

CANDI ANALYSIS IN ACTION

Where will ESG and related efforts cause corporate health to trend?



Where do you expect the credit outlook to trend?



Conclusion from the previous graphs and the points below is that, currently, for most industries we do not expect a significant impact on profits from ESG and related efforts. In prior surveys, looking back over a year ago, there was more of a cost impact from ESG efforts.

For those industries where there is a higher impact from ESG related costs, it would have a negative impact on corporate health as it is an added expense. So, in the example shown, in 5 industries higher costs from ESG and related efforts would have a negative impact on corporate health as it reduces profits.

INVESTMENT DECISIONS IN 2022 DRIVEN BY CANDI INSIGHTS

- **CANDI highlighted which industries would face margin pressure from rising energy costs, which led one investment team to adjust positioning, for example reducing their overweight in Chemicals companies.**
- **CANDI reports have highlighted to our credit investment teams the resilience of corporate fundamentals, which gave them confidence in building more exposure to the direction of credit markets despite tight valuations for where we were in the cycle.**
- **CANDI consistently highlighted strong pricing power across the majority of industries. In combination with our Bottleneck Barometer (see below), this gave our teams clear insight into supply chain issues and the persistence of inflation, which helped them determine the optimal duration of client portfolios.**

LOOMIS SAYLES SOVEREIGN ANALYST DIFFUSION INDEX (SANDI)

Similar to CANDI, our SANDI tracks our sovereign analysts' cyclical views 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 distill 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 are things improving, stable or deteriorating. **15 questions per country:**

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

THE GOAL of the 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 variable.

SANDI provides our analysts with clear signalling of outlook and sentiment that enhances traditional macro forecasting and conveys analyst bias relative to current consensus. Launched in late 2022, SANDI is already having a positive impact on the clarity of our analysis and decision-making in sovereign debt. We look forward to reporting on its impact in future Stewardship Reports.

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

CLIMATE RISK

At Loomis Sayles, 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.

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 on environmental factors is an integral part of our fundamental analysis across all asset classes. Climate change and the management of climate risk are clear priorities at Loomis Sayles.

Loomis Sayles uses several ESG vendors to access comprehensive climate risk analytics to evaluate potential future impacts and financial costs to our portfolios from both physical and transition scenarios. Evaluating potential risk from future impacts of Climate Change enable asset managers to judge to resiliency of investment products and strategies, including whether a portfolio is aligned with the goals of Net Zero or the Paris Agreement objectives.

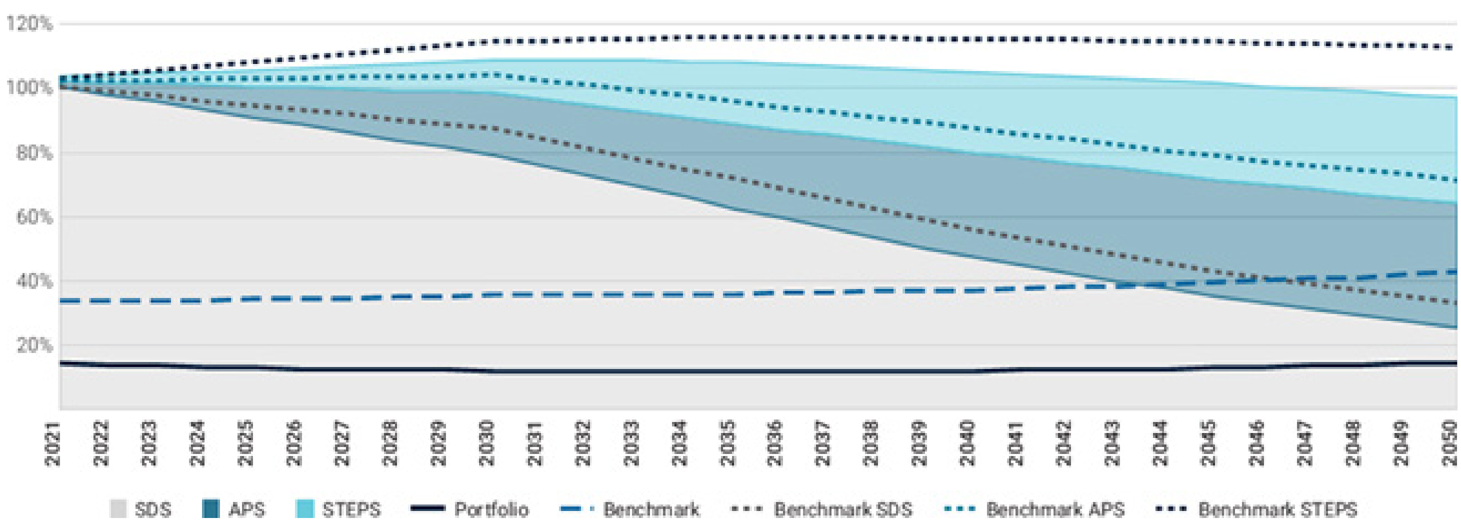
Climate scenarios

Our transition scenario analysis is based on the current IEA 2021 Scenarios:

1. **Stated Policy Scenario (STEPS) 'Current country commitment to Paris Agreement' (1.8-2.1°C by 2050), (2.4-2.8°C by 2100)**
2. **Announced Pledges Scenarios (APS) 'Reflects mid 2021 global commitments' (1.7-2.0°C by 2050), (1.9-2.3°C by 2100) 3.**
3. **Sustainable Development Scenario (SDS) 'Paris Aligned Scenario' (1.5-1.8°C by 2050), (1.4-1.47°C by2100) where Developed Markets reach net zero in 2050, China in 2060 and other nations by 2070 4.**
4. **Net Zero Emissions (NZE) 'Net zero scenario' (1.4-1.7°C by 2050), (1.3-1.5°C by 2100). 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 image below is from the ISS Climate Report. The report shows the extent to which one of our portfolios is aligned with current IEA scenarios, including the Sustainable Development Scenario, which is representative of the the Paris Agreement.

Portfolio Emission Pathway vs. Cimate Scenarios Budgets



Our internal ESG awareness packet, described in detail below, includes an assessment of a portfolio's alignment versus the scenarios above, as well as the alignment of a benchmark. The scenario analysis compares the projected annual carbon emissions of holdings in portfolios with the budgets allotted by each scenario through the 2050 time period. The methodology takes company emissions reduction targets into account where they are aggressive and robust enough to be Paris aligned. It provides an implied temperature score at both the company and portfolio level. Temperature scores reflect the potential temperature increase the trajectory pathway arrives at in 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, as well as the year each company exceeds the SDS pathway if the issuer falls short of alignment through 2050. The scenario tool helps our investment teams not only understand a portfolio's current positioning in relation to potential climate scenarios, it can help direct engagement with companies who have much steeper emissions reductions to achieve and highlight which issuers have not taken steps to establish reduction targets. This type of analysis also provides metrics with which we can measure progress toward Paris and net-zero goals at both the portfolio and company level.

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

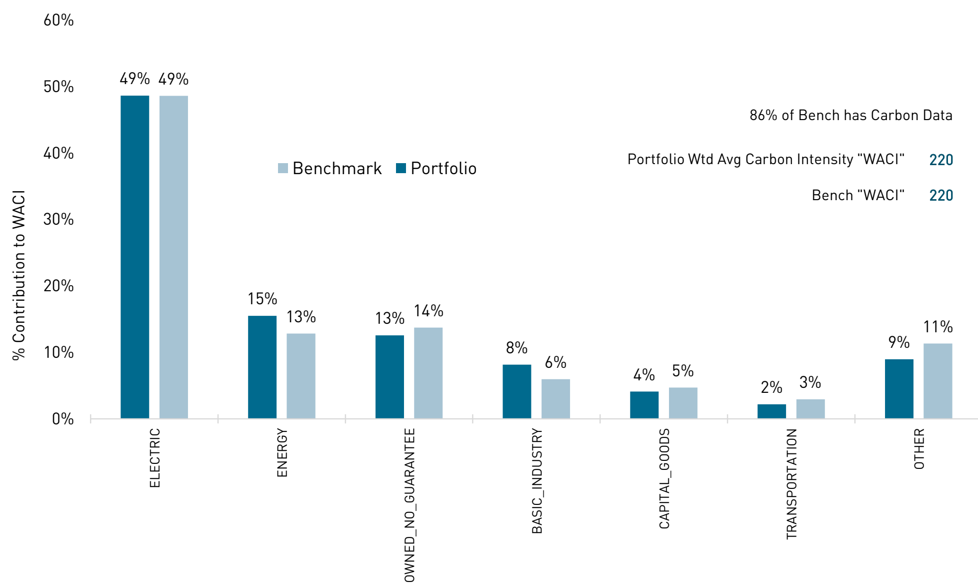
DEVELOPMENT OF NEW TOOLS FOR THE ASSESSMENT OF CLIMATE RISKS

As part of our ongoing commitment to improving our analysis and understanding (and in addition to the measures introduced in 2021), we are introducing a package harnessing ESG data in new ways. This new package was introduced to several fixed income investment teams in 2022, and will be offered to all investment teams over the course of 2023.

The new customized ESG awareness packet includes different types of ESG data relevant to each investment team, consolidated into one location. We anticipate the tool will supplement our investment team's ongoing efforts to bridge valuation, materiality and financial sustainability with the climate-related ESG regulatory metrics. It also aims to support our investment teams with their determination for how a portfolio is compensated for ESG risks in its holdings. The initiative has also contributed to our delivery of TCFD Reports for client portfolios, as described in Principle 6.

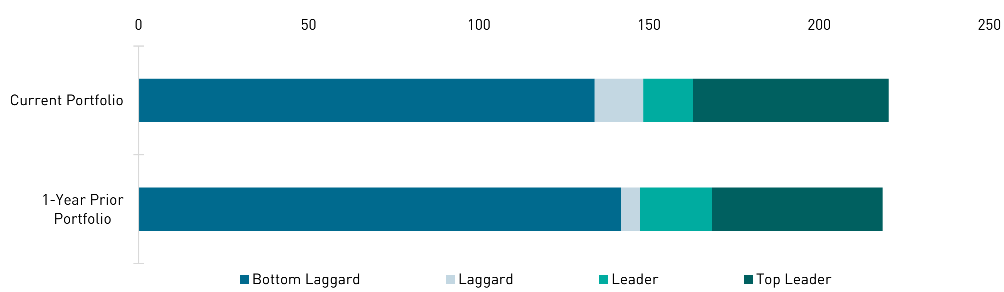
Driving and measuring improvement in a portfolio's carbon intensity

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?



CASE STUDY

Equity Team Example of Climate Change Integration in Bottom-up, Fundamental Research

In 2020, Loomis Sayles contracted with ISS ESG to use its Climate Impact Assessment tool to better assess the alignment of our portfolio to meet targets for keeping temperature rise below various scenario targets. The GES team's flagship Large Cap Growth portfolio has annualised turnover of less than 13% since its inception in 2006. This implies a holding period of nearly eight years. Although the tool was new us, in its current state at the time the portfolio aligned with a 2 degree scenario by 2050. As of year-end 2022, the portfolio aligned to a 1.5 degree scenario. More than 80% of the GES Team's Large Cap Growth portfolio holdings by weight align with the 2015 Paris Agreement. The carbon intensity of the portfolio is just 26.3% of the carbon intensity of the strategy's benchmark, the Russell 1000 Growth index and just 12.8% of the carbon intensity of the S&P 500 index.

A company's climate change mitigation strategy takes years if not decades to shape. As long-term investors, 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. We believe that long-term results cannot be realised by management focused on short-term objectives. Therefore we want to invest with management teams who share our long-term perspective.

We believe that building enduring 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. More and more consumers want to understand the environmental impact of the companies and brands they support. Eventually, it can affect cash flows and long-term shareholder value creation. The GES Team initiated its equity investment in an energy drink company in April 2013. 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. 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 packaging material. The company sells about 95% of its product in aluminum cans, which are 100% recyclable. The company is committed to maximizing pre- and post-consumer content, and approximately 60%-73% of each can is sourced from a recycled can. High density polyethylene and PET (polyethylene terephthalate) plastic each accounted for under 1% of total packaging by weight. The ability to recycle is directly tied to the ability to collect used containers. Aluminum is far ahead compared with PET plastic as recycled PET is currently more expensive than virgin PET. Approximately 98% of the company's packaging is recyclable per FTC guidelines in at least 60% of curbside collections systems and programs. From a long-term perspective, as the costs of recycling goes down, the future costs of materials will also go down.

Our Macro Strategies team identified two principal market-wide and systemic risks during the reporting period:

1. War in Ukraine
2. Global supply chain disruptions

WAR IN UKRAINE

The Russia-Ukraine war has been a key risk in 2022 and will remain a risk well into 2023 and beyond. Both in the run up to and during the war, our Macro Strategies and Credit Research teams provided periodic updates on Russia, Ukraine and the wider European and global implications to our investment teams, relationship management teams and our clients. One such update was a Ukraine presentation in early February 2022, weeks before the start of the war, in which the sovereign analyst and several credit analysts gave an overview of the pre-war scenario.

"The Macro Strategies team's analysis of the likelihood of strong sanctions as an invasion deterrence or even harsher sanctions if an invasion were to occur informed the decision to reduce positions for the EM team well ahead of the invasion.

EVALUATION OF CREDIT INVESTMENTS IN RUSSIA AND UKRAINE: EMERGING MARKETS DEBT TEAM

Given the long-term overhang of sanctions, our Emerging Markets Debt (EM) team had consistently maintained conservative positioning in Russia in client portfolios, and had been prudently reducing exposure in the region since tensions started to escalate in late November 2021. The Macro Strategies team's analysis of the likelihood of strong sanctions as an invasion deterrence or even harsher sanctions if an invasion were to occur informed the decision to reduce positions for the EM team well ahead of the invasion.

Pre-existing Ukraine credit positions held by this team were in prudently-managed, low-leverage companies with solid market positions. As the tension evolved into a full-scale war, the analysts and portfolio managers continued to evaluate Ukraine corporates to assess whether they could continue to service debt and maintain business operations.

The ability of Ukrainian companies to maintain business operations and service debt was (and continues to be) dependent on the outcome of the military conflict with Russia. Similar dynamics prevailed for Russian credit, with the additional impact of sanctions and the drive to divest.

For any remaining exposure to Russian and Ukrainian credit at the start of the conflict, we continue to monitor its status on a number of key risks, as demonstrated on the following page.

EXAMPLE – RISK ANALYSIS

Update on Russian and Ukrainian Credit, February 2022

In addition to our standard fundamental analysis of all issuers, we are monitoring all remaining holdings in Russian and Ukrainian bonds on the following short-term criteria:

VIABILITY

1. **FINANCIALS** - Cash buffers in the balance sheet, cashflow and liquidity within the business, insurance cover on key assets
2. **BUSINESS OPERATIONS** - Local infrastructure (physical and digital), value chain and access to markets (supply side and distribution), staffing

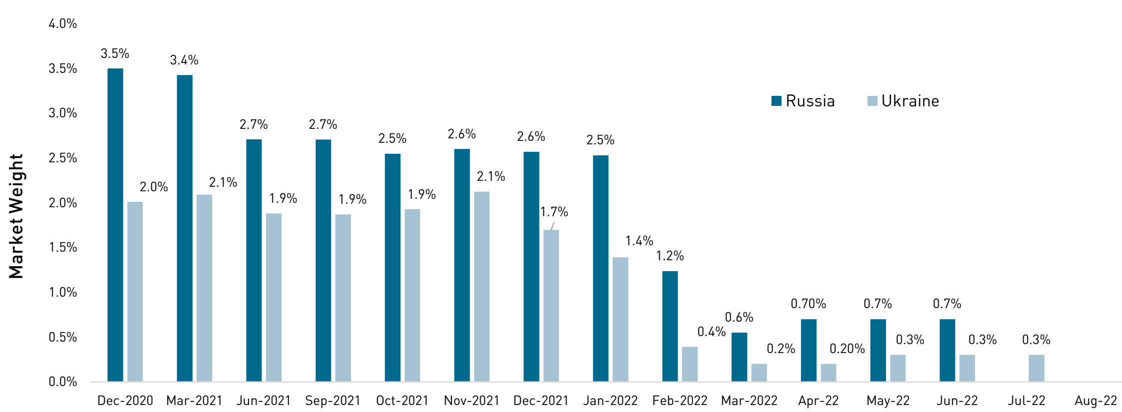
LIQUIDITY

Liquidity in the Russian corporate bond space remains poor. Following the tightening of sanctions over the weekend, market participants are working to understand the implications of the change in regulation. As such, it remains difficult to sell Russian risk. The team is working diligently with the trade deck to source pockets of liquidity and will continue to look for opportunities to reduce exposure. Liquidity in the Ukraine corporate space is also weak, albeit better than in Russian corporates.

In response to the conflict and resulting sanctions and on the basis of this analysis (which included specific analysis on our portfolios' three holdings in Russia and three in Ukraine), we continued to reduce clients' exposure to Russian and Ukrainian bonds.

Representative Account - Exposure Over Time

Geopolitical tensions in Europe escalated as Russia invaded Ukraine in late February 2022. The representative account reduced exposure to Russia since early 2021 and Ukraine since late November 2021. As of August 31, 2022, the representative account held 0% exposure in Ukraine and Russia.



WIDER IMPLICATIONS OF THE WAR

The updates from our Macro Strategies team also covered the wider implications beyond the countries directly involved, to ensure most effective management of exposure and risk in the context of the conflict in our clients' portfolios. They addressed a number of key topics that could be relevant for both equity and fixed income investments including:

- **The implications of a European gas crisis.**
  Working with the Credit Research analysts, the team identified industries that would be impacted: heavy industry/manufacturing, plastics, firms selling in Euros/buying in USD, leisure/discretionary. It was important to understand that the gas crisis was not just a European problem as it raised the price for any country importing oil, gas or coal.
- **Russian asymmetric leverage through the global supply chain.**
  In particular, the team explored the risks to aluminium, titanium and uranium, and the wider impact on related industries.
- **Price caps on Russian hydrocarbons.**
  The team developed a range of scenarios for global energy prices and their impact on the global economy.
- **Ukraine and food scarcity fears.**
  The team identified which countries were more vulnerable to food-related scarcity issues, how they might be impacted and wider effects of rising staple food prices.

> Supply chain disruptions created a unique inflationary impact that we have not seen in recent history.

Even for investment teams that didn't have any direct exposure to Russia or Ukraine, the detailed research and updates from our Macro Strategies team provided a clear perspective of the impact of the war in the wider economy. Where this was relevant to an investment team's investment process and portfolio holdings, it could be a key input into their decision-making with client assets, in particular in setting the overall level of risk in all our client portfolios, in managing exposure to positions vulnerable to the gas crisis, and in reducing duration in fixed income portfolios.

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 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 Barometer collects data on **56 variables**, organised into five different categories, to measure the current and expected level of disruption in the supply chain and the implications for inflation.

LOOMIS SAYLES - BOTTLENECK BAROMETER

SEMICONDUCTOR MARKET	TRANSPORTATION	ENERGY/ COMMODITIES	INVENTORIES	LABOUR MARKET

> "Since its launch the Bottleneck Barometer has been a key indicator of the "normalization" of the economy post-COVID.

Having collected the data, we standardised it to create indices in each of the categories. We then combine these measures to create one single measure of the current level of supply chain stress.

Since its launch, the Bottleneck Barometer has been a key indicator of the "normalisation" of the economy post-COVID. It has played an important role in helping our investment teams who employ macroeconomic forecasting within their investment processes to understand the supply-driven implications and expectations for inflation and position client portfolios from a duration perspective. Its output has been an important factor for these investment teams in determining portfolio positioning along the yield curve and the amount of risk taken. It gave our fixed income teams clear guidance on when to shorten duration as inflationary pressures emerged in 2022.

PROMOTING A WELL-FUNCTIONING FINANCIAL SYSTEM

In addition to individual investment team processes and tools which help promote a well-function 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 served as Chair of the Credit Roundtable, which attempts to address market wide and systemic risks of particular relevance to bondholders. 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.

As a large asset manager, Loomis Sayles provides feedback to issuers and bankers on new issues during road shows and investor meetings. We comment on tenor as well as relative pricing in the market. 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.

"

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CREDIT ROUNDTABLE

The Credit Roundtable believes that enhancing 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, the group maintains constant vigilance against slippage in covenant language and terms of corporate actions, with the oversight of anti-trust counsel.

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 these 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 with more than $4 trillion of fixed income assets under management.

The Credit Roundtables regularly organizes 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 2022

The Credit Roundtable continues to work on matters related to a well-functioning bond market.

Key current projects include:

- Raising standards of the level and timeliness of disclosure for new issues
- Ensuring appropriate disclosures regarding tender and consent solicitations

This included Loomis Sayles writing a letter in support of other industry group initiatives, such as the Canadian Bond Investors Association (CBIA), and their efforts to improve fairness in the treatment of all bondholders on tender and consent solicitations.

- Engaging with the International Capital Markets Association (ICMA) and European Leveraged Finance Association (ELFA) on developing a robust and standardised framework regarding issuance of green bonds/sustainability-linked bonds (SLBs)
- The Credit Roundtable also engaged with the US Securities and Exchange Commission (SEC) on their 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 their rule (15c2-11) until early 2025.

ADDTIONAL INITIATIVES

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

- Structured Finance Association
- Association of Institutional Investors
- Fixed Income Investor Network
- ISITC

We are continually assessing the functioning of the markets in which we invest, the relationships we have 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 a responsive manner to ensure that our activities are effective. At the 'ground level', the CCO designates a 'policy owner' in the Legal and Compliance Department to oversee and ensure the accuracy and currency of each policy. The CCO or his designee reviews each policy on a regular basis, generally annually unless circumstances such as a change in regulation require a more frequent basis, to ensure it is current, accurate and effective. As additional layers of review and assurance, Loomis Sayles relies 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 on an annual basis that these policies remain accurate, reflect regulatory requirements and that the associated procedures are consistent with the policy. The policies that we believe are most directly relevant to stewardship, including the Conflicts of Interest Policy and the Proxy Voting Policy, were each reviewed in 2022. No changes to the Conflicts of Interest Policy were deemed necessary at that time. The Proxy Voting Policy was updated once in 2022. In March, Loomis Sayles amended the Proxy Voting Policy to reflect the most recent U.S. Department of Labor amendments relating to proxy voting, as well as the changes to the membership of the firm's Proxy Committee. In addition, we clarified the application of foreign-domicile rules when voting for directors. Additional language was also added regarding how the firm would vote on the issues of director compensation, climate reporting, workplace diversity, accepting audited financial statements, and the ratification of management acts for the past fiscal year. Further, as part of its internal audit process, Loomis Sayles uses an external audit firm to conduct a Type II System and Organization Controls Report (SOC 1), which includes an assessment of compliance with its Proxy Voting Policy and Procedures. In 2022 Loomis Sayles also used an external audit firm to conduct a SOC 2 which is a compliance standard for service organisations, developed by the Association of International Certified Professional Accountants. The standard which specifies how organisations should manage customer data, is based on the following trust services criteria: security, availability, processing integrity, confidentiality, privacy. In addition, the internal audit resources of the parent company are employed to conduct audits on selected Loomis Sayles policies and procedures on a rotating basis, including review of marketing communications. The results of these audits are reported to the Audit Committee and the Risk Management Committee. Based on the results of these audits, and in response to regulatory or other changes, company policies may be updated and subsequently presented to the Audit Committee and the Risk Management Committee.

INVESTMENT RISK REVIEW PROCESS

Loomis Sayles' investment teams regularly participate in an Investment Review process conducted by our CIO and CIRO. These reviews are conducted in committee format. They are intended to examine the investment philosophies and activities of each investment team, including those related to environment, 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. A detailed description of the purpose and activities of the CIO Investment Risk Review Committee and the CIRO Investment Risk Review Committee specifically related to stewardship is included in our discussion of Principle 1.

The effectiveness of stewardship activities forms an important part of this Investment Risk Review process. For example, the Investment Risk Review Process 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 the description of governance in Principle 2, meets weekly to review the responsible investment and engagement activities of the Firm. It plays an oversight and co-ordination role in respect of our ESG activity 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

LOOK AT OUR PROJECT TO DEVELOP A MODERN SLAVERY STATEMENT

In recent years, some of our clients have asked whether Loomis Sayles had a Modern Slavery Statement. As Loomis Sayles is not directly subject to the Modern Slavery Act 2015 in the UK or the Modern Slavery Act 2018 (Cth) in Australia, we had not previously developed a Modern Slavery Statement. Nonetheless, we reviewed the acts and determined that we agreed with the purpose and aim of these laws to attempt to eliminate modern slavery, including human trafficking, forced labour, child labour, and debt bondage, amongst other things.

After this review, 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. As part of the project, the ESG and Legal teams worked with various teams, including Finance, Technology, Compliance, and Credit Research, amongst others, to assess our efforts and identify actions to be taken not only in developing the statement, but also in formalising our efforts to address the risks of modern slavery. This project was approved, and overseen by, the ESG Leadership Team through the course of 2022.

We expect to publish the statement in 2023 and continue with our efforts to identify, assess, address and combat the risks of modern slavery.

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 interest
- Annually reviewing existing voting guidelines and developing additional voting 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. In addition, the Proxy Voting Committee reviewed the Proxy Voting Procedures in March of 2022, and made the material changes described above under 'Review of Policies and Practices'. We also discuss our proxy voting policies and procedures further under Principles 3 and 12.

STEWARDSHIP REPORTING & BENCHMARKING

Our Chairman and CEO added ESG as an agenda item to the Risk Management Committee (a subcommittee of the Loomis Sayles Management Committee) beginning 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 2022, to better identify and monitor potential risks from climate change, new climate related information and metrics were added to the reports reviewed at the quarterly Risk Management Committee meetings. This information included carbon footprint of products firmwide, UN Global Compact alignment, and fossil fuel related exposure. 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.

Externally, Loomis Sayles seeks to be transparent in reporting on stewardship activities. In addition to reporting on the UK Stewardship Code, we have developed a comprehensive sustainability report. Our Sustainability Report includes a climate disclosure 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 practices 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. We were delighted to be accepted by the Financial Reporting Council as a signatory to the UK Stewardship Code, based on our report last year. In reviewing other signatories' reports, we feel that we are in good company in meeting these robust standards.

OTHER MEANS OF ASSESSMENT

We respond to numerous surveys conducted by parties outside of Loomis Sayles. As a signatory to the PRI we are required to report on responsible investment integration activities aligned with the 6 principles of the initiative. This reporting has historically occurred annually, although the PRI did not collect reporting for the 2021 period from any signatories, and therefore Loomis Sayles does not have a 2022 assessment from the PRI.

We engage with clients concerning their stewardship objectives and expectations, and we use their feedback to assure ourselves of the fair and balanced nature of our communications with them 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 easily comprehended and is accurate.

Loomis Sayles' parent company, Natixis Investment Managers, performed an ESG transversal audit across a number of their affiliates including Loomis Sayles in 2022. 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 of the audit 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

As a result of the audit, the Natixis Internal Audit team had several recommendations generally related to enhancing our ESG disclosures, policies and procedures. Loomis Sayles accepted all of the recommendations and is in the process of implementing them over the course of 2023.

The process we follow to develop and review our UK Stewardship Code Report is robust and stringent. The ESG Team leads the development of the report, working with subject matter experts across the firm, and then shares it with the ESG Working Committee for input. We have also chosen to hire an outside consultant to review the draft document to ensure it is aligned with industry best practices. After the consultant and ESG Working Committee's input is incorporated, the draft is shared with the ESG Leadership Team for review. Finally, the document is reviewed by our advertising and legal review team. We believe this process ensures our report is complete, fair and balanced.

PRINCIPLE SIX

CLIENT & BENEFICIARY NEEDS

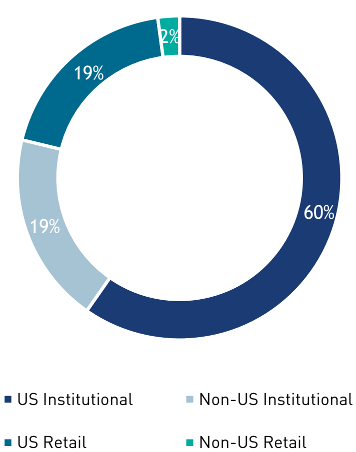
INVESTMENT APPROACH

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 2022, the firm had assets under management totalling **£234bn:**

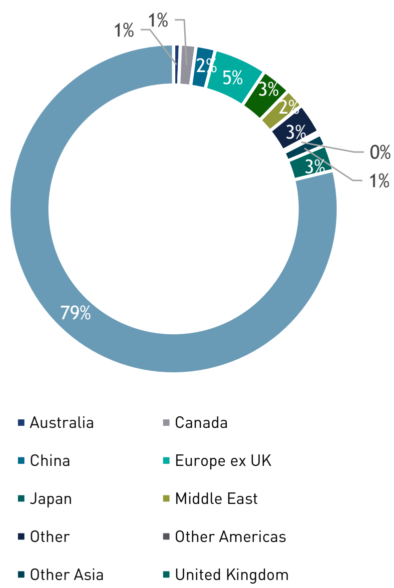
LOOMIS SAYLES AUM

By Client Base



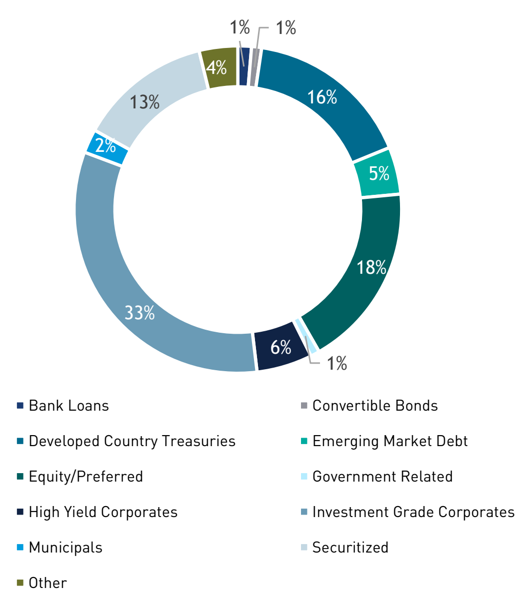
LOOMIS SAYLES AUM

By Domicile of Account



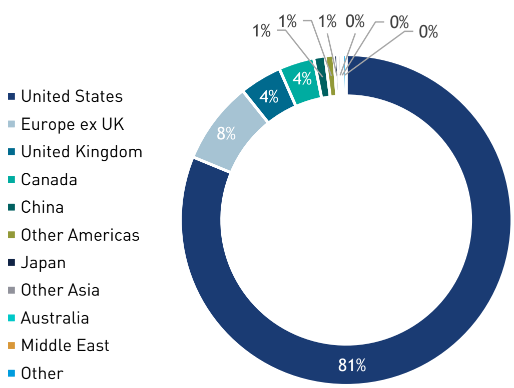
LOOMIS SAYLES AUM

Across Asset Classes



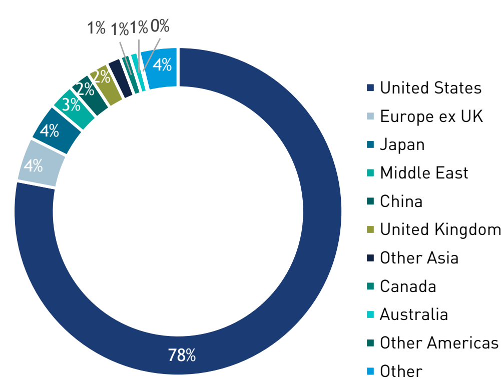
EQUITY AUM

By Country



FIXED INCOME AUM

By Country



As of 31 December 2021. The Utrecht office opened on 1 November 2020. 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.

At Loomis Sayles, 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. During this time, we seek to understand prospective clients' 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.

In 2022 we launched a Client Subcommittee to supplement our approach to client engagement, the mission of which is as follows: identify and mobilise response to emerging and systemic ESG topics in service of our clients. This subcommittee is chaired by the Associate Director of ESG Strategy. The group will meet on a monthly basis 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'. This alpha thesis seeks to identify market inefficiencies and the investment process necessary to exploit them. An investment time horizon can be core to an alpha thesis.

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As one equity team explains it:

Because we approach investing as if we are buying into a private business, a long investment horizon is central to our philosophy. In our view, a long investment time horizon affords us the opportunity to capture value from secular growth as well as capitalise on the stock market's short-sightedness through a process called time arbitrage. ESG considerations are an integral part of our active long-term, research-driven process. As a long-term investor, we develop long-term constructive relationships with management through regular and recurring dialogue regarding key decision-making criteria, which includes ESG topics. We believe a long-term orientation is fundamental to a favourable decision-making framework with regard to these areas. Because we believe 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 a long-term perspective and who view ESG integration as a launch pad for innovation, competitive differentiation, and continuous improvement.

We believe the opportunities and risks associated with ESG matters are integral to our analysis of business models, competitive advantages, operating efficiency, management integrity, profitable growth, and valuation. Therefore, ESG considerations can be structural to each step of the GES research framework.

We believe company management must necessarily weigh the interests of various stakeholders including employees, customers, supply chain partners, and local communities, as well as resource stewardship. Evaluating management's ability to allocate capital to investments creating long-term shareholder value is core to our quality assessment of each company. We believe management focused on short-term objectives cannot realise long-term results.

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.

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 has also increased. Over the course of 2022 we have enhanced our internal account reporting system to capture these requirements.

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.

SUSTAINABLE FINANCE DISCLOSURE REGULATION ('SFDR')

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 continue 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. The introduction of Level 2 of SFDR and its enhanced disclosure and reporting requirements have provided Loomis Sayles with further opportunities to consider how we integrate ESG factors into our investment processes and communicate the results to clients. In preparation for Level 2, our ESG and legal departments met with each UCITS investment team to examine the integration of ESG into their processes in light of the new regulatory requirements. Together with outside counsel, Loomis Sayles reviewed each investment team's threshold of portfolio investments that promote E/S characteristics, inclusion of binding elements, tracking of key performance indicators (KPIs), and consideration of principle adverse indicators. In the course of these discussions, Loomis Sayles determined that another seven UCITS funds authentically integrate ESG into their strategies in line with Art. 8 requirements, and we submitted these seven funds to the relevant regulators for classification as Art. 8. As a result, Loomis Sayles has now increased our Art. 8 UCITS offerings from six funds to thirteen.

Loomis Sayles has also worked extensively to meet the reporting requirements of SFDR as mentioned in our 2021 report. Our investment teams, legal and ESG departments have worked closely with outside counsel to understand the requirements and prepare the necessary reports for both the European ESG Template (EET) and SFDR periodic reporting. Loomis Sayles continues to monitor KPIs and other ESG criteria so that we can comply with SFDR reporting going forward. This provides our investment teams with the opportunity to regularly reassess their ESG approaches and to consider their ESG factors and KPIs on an ongoing basis.

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.

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

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 needs, such as excluding companies with revenue derived from munitions, alcohol, gambling and tobacco. Moreover, Loomis Sayles will accept screens as requested by its clients in order to meet their evolving ESG goals throughout the life of the client relationship.

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 has also increased. Over the course of 2022, we have enhanced our internal account reporting system to capture these requirements. As of 31 December 2022 Loomis Sayles manages over 600 accounts with ESG related guideline requirements.

Loomis Sayles generally provides written reports to separate account clients on either a monthly or a quarterly basis. Standard reports include a complete list of account holdings and account performance information. These reports and related account information are also available on the Loomis Sayles website through its 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 ESG reporting requests as required.

At the outset of any client arrangement, each of our clients is provided with a relationship management contact who facilitates engagement with the client to determine their needs and expectations including those related to stewardship. The relationship manager, as well as a specialised group of individuals focused on client intake, works with these clients during the on-boarding process to lay out these requirements in the written agreements. This relationship manager remains as the client's ongoing contact at Loomis Sayles, and they ensure that portfolio managers and other parties are apprised of any evolving client needs.

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 are happy to 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 engagement by clients on the exercising of 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, and in some cases, we also provide a tailored analysis of the proxy votes and the rationale at the client's request.

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. In recent years, we have also developed a comprehensive sustainability report for Loomis Sayles, which we publish annually. The report provides details of our approach to ESG and recent initiatives. The Sustainability Report includes our firmwide climate disclosure, aligned with the recommendations of the Task Force on Climate Related Disclosure (TCFD).

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

For certain clients the TCFD reporting will become a regulatory requirement in 2023, and in anticipation we have seen an increase in the number of clients requesting TCFD reporting for their mandates. We have a number of different metrics for portfolio holdings available in our systems that align with the TCFD reporting requirements and have effectively addressed this additional portfolio reporting.

In the fourth quarter of 2022, we undertook a survey of clients on ESG, to complement our existing practice of direct engagement with clients on their stewardship expectations. The survey was sent to organisations globally across a range of client channels and geographies. While the number of respondents was admittedly smaller than we anticipated, the aggregate results did provide us with some perspective on the perceived importance and implementation of ESG across clients. More importantly, relationship managers reviewed their respective client's responses to the survey to gain an increased understanding of individual client needs with regard to ESG.

We are constantly evaluating the effectiveness of our client-focused method to meeting clients' distinct ESG and Stewardship reporting, 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 a client's needs. These ongoing connections with our clients lend continuous opportunities to ensure our approach meets their evolving needs, including sustainability requirements.

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, best-in-class 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:

1. **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.

2. **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.

3. **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.

4. **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.**

In order to formalise their approach to integrating ESG into their investment process and foster best practices across the firm, our teams articulate their own ESG philosophies and practices. We have provided excerpts from four of our investment teams below to give an indication of how different teams incorporate ESG factors into their investment process.

EXTRACTS FROM INVESTMENT TEAM ESG STATEMENTS

EQUITY TEAM

We believe there are three alpha drivers critical to generating long-term performance: quality, intrinsic value growth and valuation. ESG is one of the seven dimensions of quality that we analyse in the first step of our research process. The goal of our ESG research is to identify the material risks and opportunities ESG factors present to a business. We define materiality as factors that will impact shareholder value over the long term. Our ESG research is tailored to each individual company, as ESG factors may present different levels of risks and opportunities, depending on the industry in which the business operates. We believe this is the most effective way to identify, research, and monitor ESG issues given our bottom- up investment process and the concentrated nature of our portfolio.

Our ESG analysis is led by our team's dedicated analysts and is driven by our own proprietary research. It includes an in- depth review of company financial statements and specific ESG reports (e.g., 10Ks, quarterly reports, sustainability and corporate responsibility reports), industry and competitor research, and third-party ESG reports and ratings, including MSCI and Sustainalytics.

Engagement is a key component of our ESG research; we prioritise engagement based on what we believe are material ESG topics for a given company. Our customised engagement approach also aligns with our portfolio's risk profile, where the largest risk tends to be stock-specific or idiosyncratic risk.

FIXED INCOME TEAM

Our approach to ESG isn't about exclusion. Some investors evaluate ESG performance to eliminate companies and whole industries from their portfolios. We compare a company's ESG standing to the overall investment universe and to the other players within its industry. Even in industries like energy or utilities, which may face more ESG challenges than other parts of the market, there can be opportunities to find best-in-class issuers or companies whose ESG performance is on the upswing. Incorporating that assessment into our relative value decision making is the primary goal.

We are long-term investors. In all of our work, we are focused on identifying the forces that will influence the value of a security over a period of years. When we identify potential ESG risks in the companies we follow, we address them with management.

Ultimately, we prefer engagement to divestment. We want to see that companies take these matters seriously and are working to make the situation better. If both are true, we can be patient investors. If not, we may view the risks as too high and sell.

EXTRACTS FROM INVESTMENT TEAM ESG STATEMENTS (CONT.)

EQUITY TEAM

ESG considerations are an integral part of its active, long-term, research-driven process. Our proprietary seven-step research framework is the cornerstone of our investment decision-making process and drives our security selection. The research framework represents our long-standing insights about investing and is structured around three key criteria: Quality, Growth, and Valuation. With an owner's mind set, we seek a deep understanding of the drivers, opportunities, and limits, including ESG criteria, for each company over a long investment horizon of at least five years, typically longer.

The opportunities and risks associated with ESG matters are linked to business activities, which include management's long-term strategic focus, the business model structure, and the productive allocation of capital.

Therefore, ESG considerations can be structural to each step of our research framework and are integral to the analysis of business models, competitive advantages, operating efficiency, corporate management integrity, profitable growth, and valuation. Our goal isto distinguish between those companies that are long-term structural winners and those we believe are the structural losers. Our valuation analysis, which is at the heart of our research and decision-making, is only as good as our ability to understand and identify high-quality companies and evaluate the sustainability of profitable growth.

We develop long-term constructive relationships with management through regular and recurring dialogue regarding key decision-making criteria, which includes ESG topics. We believe a long-term orientation is fundamental to a strategic decision-making framework. Therefore, we seek to invest with management teams who share a long-term perspective and who view ESG integration as a launch pad for innovation, competitive differentiation, and continuous improvement. Dialogue and engagement with company management is not a task with a definite beginning and end, but a continuous process.

FIXED INCOME TEAM

Investment professionals on the team have access to a broad suite of ESG research and tools, allowing for analysis of specific issuers or of broad portfolio risk characteristics. External research from MSCI, Sustainalytics, and ISS allow for further analysis of a portfolio's carbon footprint, transition pathway, and stranded- asset risk. We build upon the metrics of various external providers by incorporating the views and ESG scores of LS research to create forward-looking indicators of a company's future ESG performance and relative value.

For example, our assessment of financially- material ESG factors may cause us to sell a position outright, avoid a purchase, or reduce position sizing. At other times, an assessment of ESG factors may lead us to purchase a bond if we see backward looking ratings metrics overstate the risk in a company that we believe has made significant improvement in their ESG performance. This may lead to opportunities to purchase bonds at higher spread levels when we feel the market is misestimating risk to the issuer.

Each investment team prioritises different ESG issues in portfolio management decisions depending on its alpha thesis in relation to 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 are 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.

> **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.**

Each equity investment team integrates ESG research according to its philosophy and process. Each team's dedicated research analysts are primarily responsible for this integration. 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.

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 on the following page 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

Example: Metals and Mining Issuer Receiving An ESG 2.4

KEY: ESG RATING SCALE

ESG 1	ABOVE INDUSTRY AVERAGE
ESG 2	INDUSTRY AVERAGE
ESG 3	BELOW INDUSTRY AVERAGE

ENVIRONMENTAL

Issuer ESG Score: 2.7

Weight: xx%

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

SOCIAL

Issuer ESG Score: 2.2

Weight: xx%

	Weight	Indicators	Examples	ESG Score
Safety Management	x%	LTIFR	Fatality Rate	2
Labour Relations/ Regulatory Risk	x%	Union Exposure	How Regular Are Strikes?	3
Social Cohesion	x%	Water Stress/ Recycling	% of Reserves Near Areas of Conflict	2

GOVERNANCE

Issuer ESG Score: 1.8

Weight: xx%

	Weight	Indicators	Examples	ESG Score
Jurisdiction Risk	x%	Sovereign Rating of Key Geographies of Assets	Frasier Institute	1
Independent Oversight	x%	Board Independence/ CEO Chair		3
Corporate Conduct	x%	Bribery/ Ethical Incidents		2

TOTAL: 2.2

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.

During 2022, members of the ESG Team met with credit research analysts in select sectors to review their materiality maps and ESG scores to ensure they incorporated forward-looking financial materiality. The goal of the project was to support analysts in their efforts of identifying issues with the potential to move credit spreads. Materiality maps provide the foundation for analyst-led engagements.

The enhancements mentioned in our 2021 report have been completed, and our fixed income analysts' proprietary materiality maps and ESG scores have been made more seamlessly available to our fixed income investment teams with new proprietary systems.

VARIATION ACROSS ASSET CLASSES AND EQUITY 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 and portfolio construction process.

EQUITY TEAM ESG INTEGRATION EXAMPLE: LOOMIS SAYLES GROWTH EQUITY STRATEGIES TEAM

The Growth Equity Strategies Team has consistently executed the same investment philosophy, research framework, and investment process since 1 July 2006. We believe evaluating management's ability to allocate capital to investments creating long-term shareholder value is core to our quality assessment of each company. We believe management focused on short-term objectives cannot realise long-term results. Therefore 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 (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

Global Emerging Markets Equity Team: Climate Transition Risks in Emerging Markets

Over the medium term, there are policy and legal uncertainties across the countries where we invest, and we expect an increasing trend with respect to GHG costs. Of the potential countries to adopt GHG-targeting measures, Brazil has an emissions trading scheme under consideration for implementation, India has no formal policy, and China is looking to expand its existing ETS, which is already the world's largest, with coverage of 32.8% of total GHG emissions. We expect the biggest incremental change to come from India, where excise taxes on coal will continue to increase significantly, and incentivize consumption of green energy sources like solar power. Given the longer time-frame for this risk, we could see changes in the government and policy agenda, with respect to climate transition, lead to either higher or lower impact to our portfolio companies.

In the medium term, many of our asset-light portfolio companies have pledges to become carbon-neutral by 2030. We note that this does not mean that these companies will be carbon-free which will be an impossibility by definition for most goods-producing companies. One company, for example, has partnered with an NGO focused on climate change mitigation, to estimate the carbon emissions from their offices and from work-from-home employees. Afterwards, the company planted 620 trees in Argentina as an effort to offset the company's carbon emissions. While our investment companies with heavier manufacturing footprints will find it much more challenging to be carbon-neutral, they are investing in longer-term technology to find the right offsets and have set more credible and practical targets. For example, a dairy manufacturer in targeting to achieve carbon-peak by 2030 and carbon neutrality by 2050. While specifics of long-term technology investments are often scant, we do know that companies have established corporate committees to look for ways of improving internal processes and manufacturing for optimising carbon emissions and have re-aligned boards to have an ESG committee. We analyse our portfolio companies on an ongoing basis to ensure they have realistic goals and we see practical trends for addressing medium-term carbon emissions appropriate for each company's industry.

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, yet they all adhere to our consistent approach in 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 serve all of the fixed income investment teams. They 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 long-time 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. We have created our own proprietary materiality maps and an ESG Scoring System that are integrated into our proprietary portfolio construction tools, which are available to all of our investment professionals. Each fixed 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, and issuer ultimately rests upon 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. Companies' policies to reduce carbon footprints are assessed, including their progress versus competitors. Social factors may be material for apparel producers and the retail industry as they relate to the sourcing of products throughout the supply chain. The quality of labour relations is measured by a company's safety record, frequency of job actions, turnover, diversity, and opportunities for advancement. As it relates to governance, our analysts may also assess the qualifications, tenure, and diversity of the board of directors.

CASE STUDY

ENVIRONMENTAL CONCERNS IN THE AIRLINE INDUSTRY

Aviation transportation makes up 2.4% of all human-induced carbon dioxide emissions according to the Air Transport Action Group (ATAG). Given that passenger airline traffic was growing at approximately two times global GDP prior to COVID, the impact is likely to increase without further action. The impact on airlines includes flight sharing (particularly on shorter routes), increased cap-ex to enhance fuel efficiency, and potential for increased operating expense in the form of carbon offsets. The industry has collectively been working to adopt policies to address this issue. The ICAO (International Civil Aviation Organisation) initially adopted a Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), with the goal of reducing CO2 emissions by half of the 2005 level by 2050. However, most airlines have gone further and now have stated goals of net zero emissions by 2050, with lesser incremental goals by 2030-2035. New generation aircraft are approximately 20-25% more efficient than existing aircraft and can be as much as 30%+ more efficient than the aircraft they are replacing. Sustainable Aviation Fuel (SAF) and investments in new hydrogen/electric engine technology are other possible solutions to help reach these goals

The senior credit analyst views average fleet age as a good measure of an airline's fuel efficiency. Not all airlines have been as active at fleet replacement as others, and he expects the airlines that have replaced more aircraft with new fuel efficient models and retired the old "gas guzzlers" to benefit, all else being equal. He also expects elevated cap-ex levels and potentially weaker credit metrics in the future for those airlines that are behind in upgrading their fleets. The use of SAF is also an important interim solution until more technological advances become available.

Dialogue on fleet replacement is a part of all of the analysts regular meetings with airline management, as well as detail on other measures the airlines are taking to reduce carbon emissions and achieve the net zero emissions goal.

CASE STUDY

SOCIAL ISSUES IN PHARMACEUTICAL COMPANIES

In the fundamental credit analysis of a multinational pharmaceutical company, the Loomis Sayles credit analyst identified several material considerations related to social factors, including:

- The company faces litigation surrounding its responsibility in the opioid epidemic given its role as a manufacturer and marketer of opioids.
- The company also faces criminal and civil litigation alleging that the company conspired with other drug manufacturers to fix prices on several generic drugs.
- Finally, the company has also been accused of violating Federal Anti-Kickbacks Statutes through donations to charitable foundations that helped drive sales of its largest drug.

The company has actively worked towards a global resolution with State Attorneys General for its opioid litigation. Recently, they announced that it has reached an agreement in principle for a nationwide settlement. The agreement calls for the company to pay several billion dollars in cash to the impacted states and Native American tribes over the course of 13 years while also supplying over a billion dollars worth of opioid overdose treatment drugs at the wholesale acquisition cost over the course of 10 years.

Once the settlement is finalised, we expect the company to turn its attention to resolving its price-fixing litigation. However, this process is expected to take years to settle given the complexity of facing both criminal and civil charges.

Loomis Sayles has requested updates from the company on a potential settlement of these issues regularly and consistently pushed for an expedited resolution. Loomis Sayles has incorporated these risks into the credit rating on the company and built assumed liabilities into our financial forecasts and valuation, which allowed us to become more comfortable with the company's ability to pay cash settlements. While the company scores poorly on ESG, weighing these risks against the company's credit spreads, we have viewed the company as an attractive investment opportunity in the past. We continue to engage with the company on these issues.

Sovereign Debt

Our sovereign analysts are members of the Macro Strategies team and focus on fundamental factors that drive both 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 utilise 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. The materiality map below highlights some of the variables we consider when evaluating a sovereign but is not inclusive of all of the indicators we follow.

SOVEREIGN MATERIALITY MAP

Example: Sovereign Country Receiving An ESG 2

KEY: ESG RATING SCALE

ESG 1	ABOVE INDUSTRY AVERAGE
ESG 2	INDUSTRY AVERAGE
ESG 3	BELOW INDUSTRY AVERAGE

ENVIRONMENTAL

Issuer ESG Score: 2.7

Weight: xx%

	Weight	ESG Score
Energy Efficiency	x%	2
Vulnerability 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

TOTAL: 2.2

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.

Engagement is an important part of our understanding and analysis of ESG factors. Our team engages with government officials whenever possible to access overall creditworthiness and evaluate key, material ESG factors driving 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. Under former president Jair Bolsonaro, deforestation rates increased about 60% during his term according to the INPE, a government research body that monitors deforestation, 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, create air pollution and impact public health locally.

The government has been ineffective in slowing deforestation in recent years, creating the perception that it is not an important policy priority. Amazon deforestation is a reputational risk for the sovereign and could materially harm foreign investment and trade flows, while raising financing costs.

While the trend in Brazil's environment score within our ESG framework is negative, the starting point is relatively strong, driven by the country's high share of renewable electricity generation, relatively low measured pollution, and abundant water resources. That said, to account for the expected 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 note the positive change in tone on environmental policy under newly-elected President Lula and believe that 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 programs 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.

In November 2022, Fannie Mae launched new social disclosures, the Social Criteria Share (SCS) and the Social Density Score (SDS), for its Single-Family mortgage-backed securities (MBS). The new disclosures are designed to respond to investor feedback and aim to provide single-family MBS investors with insights into socially oriented lending activities while helping to preserve the confidentiality of mortgage consumers' personal information. This is a significant development for structured finance and our agency team has been reviewing these disclosures

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, so we treat ESG factors as ad-hoc risks. Our team has assigned an ESG score to the portfolio issuers for now, but we expect that system to change as Loomis Sayles and third-party services increase their coverage of the bank loan universe over the next couple of years. The ESG score we have assigned reflects general industry perception regarding environmental factors, adjustments for unusual factors related to S and G, 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 even though analysts often do. 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. Further, sensitivity to lender liability will guide our ESG engagement.

SERVICE PROVIDERS

The integration of our stewardship and ESG practices are 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.

CASE STUDY

ONE EXAMPLE FROM 2022 THAT ILLUSTRATES HOW WE PROACTIVELY ASKED A VENDOR TO CHANGE THE WAY WE WERE BEING SERVICED RESULTED IN MORE ACCURATE DATA:

We noticed that one of the metrics a vendor was providing to us had a flawed calculation. Our ESG Team reached out to the vendor, alerting them to the issue and requesting a correction. After thorough discussion with the vendor, the calculation methodology was updated for the metric and new data was supplied.

As one equity team explains it:

We believe the materiality and relevance of ESG considerations cannot be identified and understood by fixed rules and quantitative screens. 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. Loomis Sayles utilises third-party ESG research which we evaluate independently. Ultimately, we rely upon our independent, proprietary analysis to determine the materiality of ESG issues on a company-by-company basis.

We use ESG research and/or scores from MSCI and Sustainalytics, as well as the credit rating agencies for fixed income issuers. We are conscious that many of the commercially available ESG ratings have limitations. For example, not all of the issuers and companies in which we invest are covered by even the largest data providers. Moreover, commercially available ESG ratings are typically backwards looking and do not reflect initiatives that companies are currently undertaking to mitigate adverse environmental and social impacts and address corporate governance issues.

As a result, we tend to use ESG ratings as one tool amongst many for understanding the ESG characteristics of the portfolios. For example, an outlier ESG rating could be a trigger for engagement with management to better understand how they are addressing negative ratings rather than a trigger to divest. As long-term investors, we are more interested in the trajectory with respect to ESG than a company's current ESG rating, which we generally gain information about via direct engagement.

We have been pleased to see credit rating agencies getting more involved in this space, including making ESG-related observations in their reports. The ratings agencies generally have frequent access to management and take a similar approach as an investor would take in assessing the impact of ESG factors.

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. Loomis Sayles has leveraged the Oversight Vendor's library of due diligence questionnaires through the Know Your Third Party vendor oversight programme ('KY3P Questionnaire') to help aid in 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 believe investment decisions are only as good as the data and assumptions they are based on; therefore 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 have communicated with many vendors over the last year to provide feedback, ideas for enhancement, and ask questions about conflicting methodologies across the vendors to contribute towards efforts encouraging quality, standardisation and transparency of data and related research.

In seeking, developing and maintaining relationships with Suppliers, Loomis Sayles pays attention to a Supplier's level of integrity and ethical actions. Beginning in 2022, we have worked to establish a supplier code of conduct which will set forth expectations for our Suppliers. The development of this statement has involved senior members of our ESG, legal, and finance teams. We anticipate this will be finalised in the first half of 2023.

DATA VENDORS

Like most asset managers, we depend on external data for certain elements of our investment decision making and client reporting. Often this data is 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 broadly in both investment team reporting and client reporting require broad 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.

We are conscious that there are limitations on practically all ESG data and ratings that are currently available. We seek primarily to understand what these limitations are and ensure that they are understood by portfolio managers and communicated effectively to clients. For example, as indicated above under Principle 7, while we find commercially available ESG ratings to be a useful analytical tool, our portfolio managers and research analysts understand that they are predominantly backward looking and are therefore not overly reliant on them when it comes to making long-term investment decisions.

In situations where we felt a vendor was not servicing us properly, we organised a call to share feedback and suggestions on how remedy the situation. As part of our monitoring in 2022, we identified some areas for improvement in the service provided by one of our Suppliers. In a series of calls between representatives of Loomis Sayles and the Supplier, we communicated our constructive criticism of their service. The Supplier has now established additional points of contact on an ongoing basis. This has proven to be very effective, creating a more effective working order. The Supplier now meets the standards we expect from all vendor relationships. We recognise that the field of ESG is evolving rapidly, along with the volume of data and the companies to provide it. We continue to provide suggestions on what we see working with other non-ESG data providers to help guide these companies as they grow.

PROXY ADVISORS

In respect of our proxy voting procedures, the Proxy Committee is tasked with engaging 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, considering the nature of the error and the related recommendation, and determining 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. The relationship owner 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.

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 DO 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 both to ensure alignment and to influence strategy and behaviour that will benefit our clients' investments (as well as helping educate and inform ourselves).

WHEN DO 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 unlocked by engaging with companies to align and enhance companies' strategic direction and to drive continuing improvement in performance (focusing on areas we have identified on the basis of the vast amount of external and internal data sources Loomis Sayles has at its 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 or from one industry to another, and from investment team to investment team, but include environmental issues such as climate transition plans and issues that could pose a reputational risk to consumer-facing businesses. We also regularly encourage management to create incentive structures based around longer-term outcomes, for example, by linking remuneration to performance metrics over a time horizon longer than three years.

Specific criteria for engagement in different asset classes are defined below.

WHAT ARE THE MAIN AREAS OF FOCUS IN OUR ENGAGEMENT?

In our engagement meetings with companies or issuers, discussions 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, among others. Because these meetings occur regularly over time, they form an ongoing conversation and facilitate follow-up on previously discussed items.

During 2022, Loomis Sayles analysts engaged with investee companies on a range of ESG issues, including climate change, human and labour rights and capital allocation.

HOW WE ENGAGE

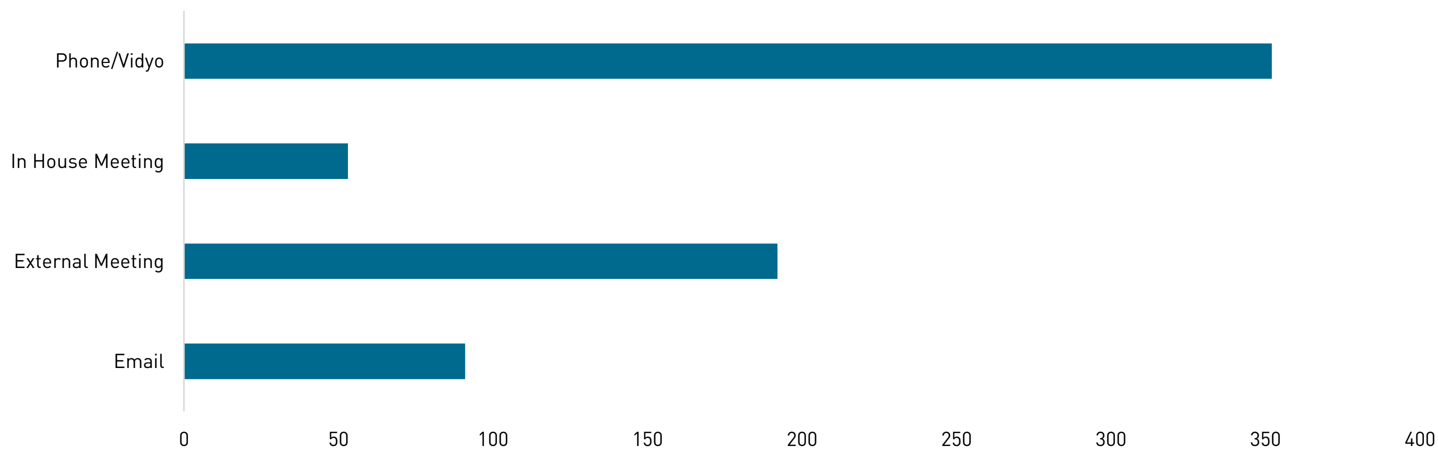
Primary responsibility for engaging with investee companies and issuers lies with our research analysts, for both fixed income and equity, although they maintain a close dialogue with portfolio managers. With respect to our fixed income strategies, we have a centralised fixed income research function. 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 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. In the case of our equity teams, as analysts are embedded within each investment team, the preferred method of engagement will 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 for management or shareholder resolutions.

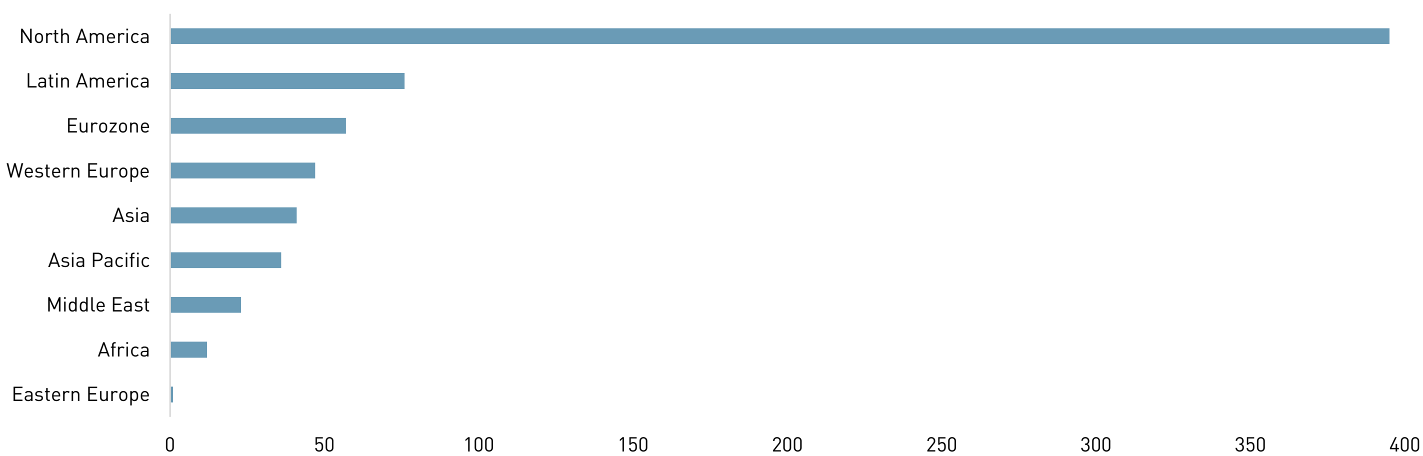
We monitor our engagement activity and outcomes through our proprietary ESG Engagement Database. The majority of our engagement throughout 2022 was conducted through regular one-to-one discussions with company management.

2022 TOTAL ENGAGEMENTS

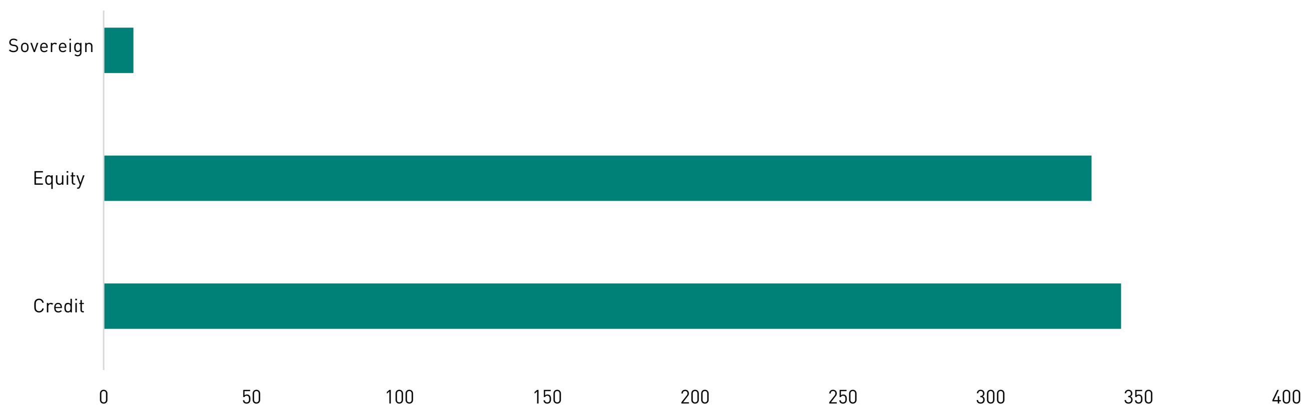
Number of Engagements by Format 2022



Region of Domicile for 2022 Engagements



Asset Class of Engagements 2022



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.

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. Our emerging markets equity team explains that while the environmental, social and governance topics are mostly the same as in developed markets, the 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 resiliency, even though looked down upon from a Western point of view.**
- **Saudi Arabian companies typically will not have gender diversity on 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 and potential steps for escalation if required.

LOOMIS SAYLES 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 monitoring 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 may be a step within a longer process of engagement towards a bigger goal. We 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.

Investors in fixed income 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 may occur more often during the pre-issuance period (for example, during investor roadshows). 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 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. This initiative is described in more detail in Principle 4.

Early in 2022, we introduced a new basis to determine when to engage with corporate bond issuers around ESG matters. In summary, analysts are required to engage at least annually with all issuers that meet at least one of the criteria listed below (based on our ESG Scores for individual issuers as described in Principle 7).

CORPORATE CREDIT: BASIS FOR ANNUAL ENGAGEMENT ON ESG TOPICS

All issuers with an ESG Score of 2.5 or higher

Top 5 holdings of each fixed income investment team's representative account[1]

All issuers with an E, S or G Pillar Score of 2.75 or higher[2]

[1] List provided quarterly.

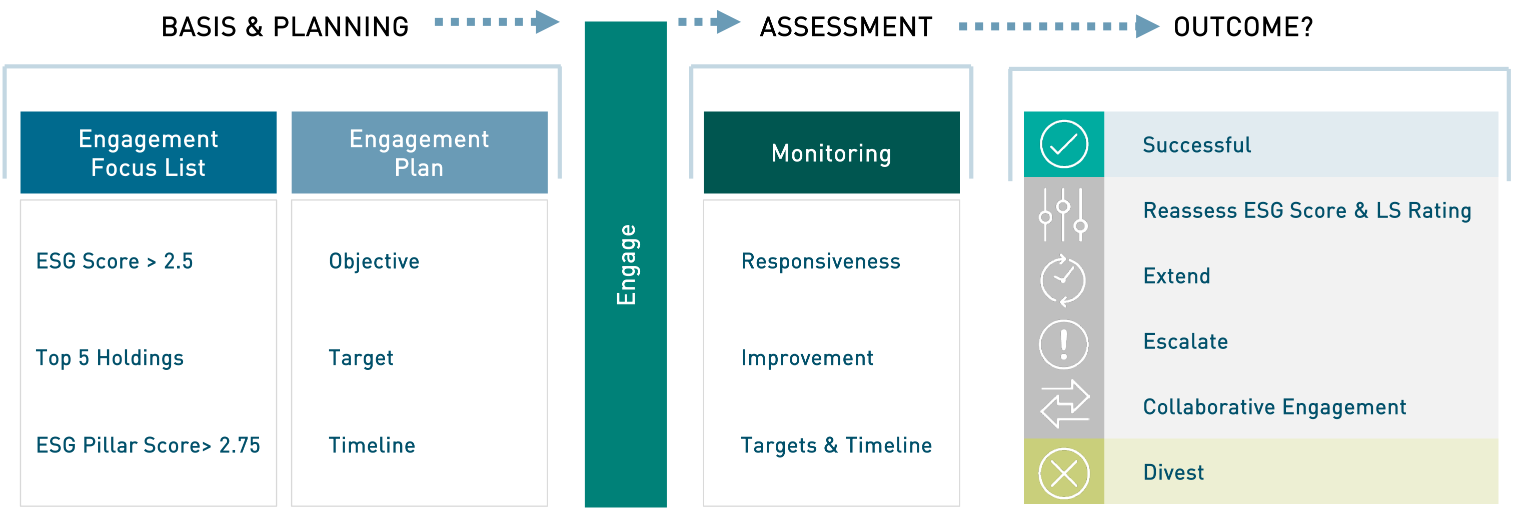
[2] Provided the Pillar Weight is 25% or higher and the total investment in Loomis Sayles portfolios is greater than $20 million; list provided quarterly.

Engagement is not limited to issuers that meet these criteria. We encourage engagement with any issuer on material issues as determined by our research analysts.

Once we have identified a company or issuer with whom we want to engage, our analysts follow a disciplined process for defining, scheduling and monitoring the terms of our engagement and its ongoing progress. The process ensures we are critically assessing progress at each step, for example:

- Is the issuer responsive to our engagement?
- Have they taken steps to improve?

The process also ensures we are categorising engagements as a success or failure in our ESG Engagement Database – an important part of our monitoring and ongoing learning as well as a material factor in our investment decision-making in client portfolios.



CASE STUDY

2022 ENGAGEMENT CASE STUDY - CORPORATE BONDS

Issuer	Leading international mining company headquartered in the US
Asset class	Corporate bonds
Industry	Mining
The issue	Mining is one of the most water-intensive industries, and often faces operational risks with regard to water supply. Water scarcity is one of the biggest emerging risks to the metals and mining sector. Pressures such as localised water shortages and competition for water are likely to increase in the coming decades, leading to increasing challenges for battery and low-carbon technology production. Failure to work responsibly with local communities to secure water rights can result in social pushback, and jeopardise future mining projects/expansions, and in extreme cases lead to operational disruption or loss of "social license" to operate. In general, rather than exclude companies in challenging industries, we prefer to engage with issuers to push for improvements. This company's approach and policy on water was the focus of our engagement.
Objective	To investigate their planned remedies for water scarcity and impress upon them the importance of effective water management.
How we engaged	We engaged with the company on water management twice through 2021 and 2022, once in person with the CFO and once on video conference with the CFO. In our initial conversation we had stressed the importance of both policy and progress on water management, and discussed the progress we expect to see.
Outcome	From our recent conversation we were comfortable with the company's approach and disclosures regarding water stewardship, which generally appear to be in line with industry standards.
Decision	Maintain our investment
Next steps	We haven't found a need to escalate and believe the company is on a solid path. We will continue to monitor progress and policy in the context of the regulations and industry best-practice.

CASE STUDY

2022 ENGAGEMENT CASE STUDY - CORPORATE BONDS

Issuer	Multi-national real estate company headquartered in Germany
Asset class	Corporate bonds
Industry	Real Estate
The issue	We identified an issue related to the environmental efficiency of the company's buildings and exposure to regulations through our materiality maps, which prompted us to investigate.
Objective	To ensure appropriate policies and targets are in place on its buildings' environmental efficiency and a positive trajectory of actual results
How we engaged	We first engaged with the company in 2020 and have had annual engagements with management since. Our first meeting was a round-table meeting at which these issues were discussed. Since then, regulation has been developing and scrutiny of the sector increasing, which led us to seek further engagement in order to ascertain the company's exposure to the issue and ensure it is taking appropriate steps to improve.
Outcome	Through our engagement, we were able to ascertain the company is well-positioned to meet the EU directive requiring all residential buildings to achieve at least class F in energy efficiency by 2030, with only 6% of its existing portfolio having a classification below F (scale is A-G). Considering that the company is refurbishing ~3% of its portfolio annually, meeting the Directive's target looks easily achievable. Moreover we discussed the mechanism that allows the company to recoup investments made to increase the energy efficiency of its portfolio. In Germany, where 90% of the portfolio is located, it is allowed to increase rents by up to 8% of the capex incurred to modernise a property. In our opinion, this is a very important feature of the regulatory framework, as the company will recover (and potentially earn a return on) the investments required by new regulations. As result of the engagement, we were more comfortable as far as the company's exposure to the energy transition is concerned and gained an insight into the wider exposure of the sector to this regulation. The reassurance this engagement provided was incorporated into our wider opinion of the issuer and gave us comfort to continue holding the name.
Decision	Maintain investment. Monitor the company's investment and progress in building efficiency.
Next steps	We will continue to monitor and engage on the company's progress with on this issue.

Evolving our ESG engagement with corporate bond issuers in 2022

Later in 2022, we identified that, while the criteria defined above were resulting in a significant volume of engagements, the widespread focus of this approach was resulting in too many engagements with no clear purpose or outcome. We have therefore begun to evolve our criteria to focus on "quality over quantity"; whilst using a similar approach for flagging candidates for engagement, our credit research analysts will now assess each issuer to determine if engagement is likely to be an effective course of action. This will enable them to focus their efforts on engaging with companies where they believe there is the greatest scope, feasibility and requirement for change. If an issuer with a high ESG risk isn't recommended for further engagement, the analyst will document why they've 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 won't change that, this must be factored into our decision on whether or how much to invest.

Similarly, we are enhancing our mechanisms for monitoring ongoing progress and outcomes from our engagement in our Engagement Database, as outlined below. We believe these changes will bolster the clarity of purpose of our engagements and their impact.

SOVEREIGN DEBT ENGAGEMENT

The context of engagement with sovereign debt issuers, its scope and its effectiveness are different from corporate engagement (equity or credit). The framework of "ownership" in sovereign debt is different; asset managers generally do not have the same ability to influence governments (or the inclination to engage in what might be interpreted as a form of political "lobbying"). Outcome-focused engagement is therefore less clear-cut with sovereign debt issuers than with equity or corporate debt issuers (where asset managers can realistically engage to influence issuers they are invested in and drive value creation for investors). Likewise, there is no obvious definition of what constitutes good performance on common topics of engagement such as ESG.

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 policy makers versus company management teams; in the sovereign arena there are not as many opportunities to engage. Sovereign issuers are scored by our analysts on their ESG profile similarly to corporate issuers. This scoring is used to determine the material factors that analysts will engage upon, when they have the opportunity to do so.

CASE STUDY

2022 ENGAGEMENT CASE STUDY - SOVEREIGN BOND ISSUER

Country	Poland
Asset class	Sovereign bonds
Focus	Governance concerns
The issue	Poland's overall ESG score is relatively strong compared with many emerging market peers, but weaker than EU peers. While the country has a strong social score, its environmental score is lower due to a high reliance on coal for energy. Despite having strong institutions overall, its governance score has been on a downward trajectory due to concerns over the rule of law and the weakening of judicial independence. Specifically, the PiS government has been accused of eroding checks and balances to maintain its power, including appointing loyal justices to the Constitutional Court and passing a "muzzle law" to discipline or fire judges critical of judicial reforms. The issue of judicial independence has put Poland at odds with the European Union. The European Commission have announced that they are withholding some layers of EU funding until a number of conditions are met, including the reversal of several laws regarding the judiciary.
How we engaged	In September 2022, the Polish Ministry of Finance met with analysts at our office in Boston ahead of the Poland Eurobond issuance in February. During the meeting, our analysts asked about judicial issues and whether laws would be repealed to unlock EU funds. The authorities responded that they are doing what they can to address EU concerns, but were not sure what would satisfy the EU. We expressed to the authorities that we would view an improvement in the rule of law and judicial accountability as important for the potential growth of the country; its impact on releasing EU funds would be vital for its finances and its international standing.
Outcome	Prior to the engagement, our analyst's rating of Polish sovereign debt reflected weak governance rankings for this issue. The Polish government approved a new law in February 2023 which it hopes will appease the EU and unblock the transfer of funding. We are monitoring the passage of the new law and any shifts in the government's stance ahead of elections in autumn 2023. Should this issue be resolved successfully, the analyst will adjust the governance score accordingly, with an equivalent adjustment to the overall rating and recommendation of Polish sovereign debt as an investment in client portfolios.
Next steps	Our analysts will continue monitoring the situation in Poland, engaging with relevant authorities and stakeholders wherever possible to express concerns and advocate for improvement in the rule of law environment, and potentially adjusting investment decisions based on developments in the situation. We will also continue to assess the impact of governance issues on Poland's overall ESG score, and its relative performance compared to peers.

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.

EQUITY TEAM ENGAGEMENT PROCESS: LOOMIS SAYLES GROWTH EQUITY STRATEGIES TEAM

A commitment to long-term engagement from an active manager with a long-term, private equity approach to investing

The Growth Equity Strategies (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.

ESG considerations are an integral part of its active, long-term, research-driven process. The Team's proprietary 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. Through the disciplined and thorough implementation of bottom-up fundamental analysis, the Team seeks to understand the drivers, opportunities and limits of a company, including environmental, social, and governance analysis. The GES Team believes the opportunities and risks associated with ESG matters are integral to management's long-term strategic focus and are thereby structural to its analysis of business models, competitive advantages, operating efficiency, management integrity, profitable growth, and valuation. Therefore, ESG considerations can be structural to each step of the GES research framework.

The GES Team's approach to engagement is fundamentally shaped by its investment philosophy and are an integral part of its active, long-term, research-driven process.

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 durable 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.

(CONTINUED)

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 business means that for the GES Team, engagement begins dialogue and engagement with company management is not a task with a definite beginning and end, but a continuous process. Guided by its alpha thesis and with the mindset of long-term business owners, the GES Team develops long-term constructive relationships with management through regular and recurring dialogue regarding key decision-making criteria, including ESG matters that are integral and financially material to their long-term investment thesis for each company. The Team believes that company management must necessarily weigh the interests of various stakeholders including employees, customers, supply chain partners, and local communities, as well as resource stewardship. Evaluating management's ability to allocate capital to investments creating long-term shareholder value is essential to the Team's quality assessment of each company. 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.

For the GES Team, dialogue and engagement with company management is not a task with a definite beginning and end, but a continuous process. The Team's 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 investment library of portfolio candidates consists of only about 250 companies.

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 integrity, profitable growth, and valuation.

INVESTMENT LIBRARY

We apply the same approach to engaging 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 2022 ENGAGEMENT

EQUITY ISSUER: Since Q1 2020, the Growth Equity Strategies team has been an investor in one of the largest and most renowned vertically integrated media and entertainment companies in the world. Its strong and sustainable competitive advantages include its iconic brands, content, intellectual property (IP), and its massive scale in the media, entertainment and leisure industries. Further, we believe these will yield a structural cost advantage that directly benefits its streaming business as the platform can leverage existing content, cross-platform brand awareness, and reduce promotional costs across many of its entertainment franchises. The company has an attractive financial model that adds to the quality of the business. While the margin structure and capital intensity differ meaningfully between segments, and while both free cash flow growth and cash flow returns on invested capital (CFROI) have been depressed since 2019 due to covid-19 related theme park closures and investments in its streaming business, we believe that the company will compound annual free cash at a low-double-digit growth rate from its pre-pandemic levels and generate an attractive a low-double-digit rate of CFROI, well above its cost of capital, over its competitive advantage period.

CASE STUDY

(CONTINUED)

ENGAGEMENT ACTIVITY: We engaged directly with the company six times in 2022. We engaged on environmental and social topics in five meetings and on governance in all six. Our engagements have been focused on DEI initiatives and the ability of these to expand its competitiveness and brand equity, expanding the skillsets of the Board to more closely align with the organisation and its largest growth opportunities, executive compensation to ensure alignment with the long-term shareholder value creation, and labor standards through the supply chain.

TOPIC - DEI: We believe it is important for the company's competitive positioning, brand equity, customer acquisition, and talent retention to expand its content portfolio to be inclusive and reflect its diverse global audience. We believe that a diverse and inclusive organisation is an enabler of diverse and inclusive content, which in turn allows the company to expand its addressable market. Simply said, when the workforce reflects the diversity and the shared life experiences of the increasingly diverse global consumer (and prospective consumer), the organisation is better able to more authentically serve that consumer and grow its market. Therefore, our conversations have been focused on DEI initiatives that pay dividends in terms of attracting and retaining diverse talent. During our engagement with the company over the years, we also encouraged more granular reporting on DEI.

OUTCOME: We have seen the DEI reporting categories expand significantly. Importantly, we have also seen the company make marked progress in increasing diversity amongst its senior ranks and its creative personnel – both in script writing and in film production – which we believe broadens the content portfolio. This broadened and appealing diverse and inclusive content, underpinned by its investments in the acquisition and retention of a diverse and representative talent base, is one of the contributing factors to its share gains in the streaming space.

As of 30/12/2022, the company reported over 230,000 subscribers globally across its three streaming platforms, more than any other direct competitor. Its flagship platform continues to take share of global demand for original programming based on third-party analysis conducted by one of the leading global media analytics companies.

CASE STUDY

(CONTINUED)

TOPIC – COMPENSATION: We also engaged regarding executive compensation along several verticals. First and foremost, while we applaud the company's integration of free cash free as a key performance indicator ("KPI") in its annual bonus program, we continue to advocate that free cash flow is integrated into the derivation of Long Term Incentive Program (LTIP) payouts. We also advocate for that the KPIs, which dictate compensation payouts, be measured over greater than a three-year period. Additionally, a critical KPI driving LTIP is total shareholder return relative to the S&P 500. We would prefer that an additional benchmark more closely aligned to the company's industry, which we believe incentivises management to outperform its direct peer group, is also considered.

OUTCOME: There has been no change to date.

TOPIC - LABOUR STANDARDS: We believe poor labour standards in the company's production supply chain for branded consumer goods could pose a risk to brand equity. As such, this has been an area of engagement as we asked how the company audits its partners and suppliers that are producing consumer branded goods under a license from the company. We also asked the company for expanded disclosure in its human rights policy and, in particular for this segment of its supply chain.

OUTCOME: After our 2022 engagement, we were pleased to learn that the company enhanced and expanded its supply chain code of conduct (and audits thereof) to apply to both branded and non-branded products, as well as their upstream components and materials. It also included for the first time, our expectations that suppliers will work to mitigate their environmental impacts as aligned with the company's 2030 environmental goals. Additionally, we note the company formally recognises the UN Guiding Principles on Business and Human Rights and the International Labor Organization's Declaration on the Fundamental Principles and Rights at Work.

CONCLUSION: We believe current market expectations substantially underestimate the uniqueness of the company's intellectual property, the opportunity to monetise that IP across several global business segments, and its ability to generate sustainable growth in free cash flow over our long-term investment horizon. As a result, we believe the shares trade at a substantial discount to our estimate of intrinsic value and offer a compelling reward-to-risk opportunity.

HOW DO WE RECORD AND MONITOR OUR ENGAGEMENTS?

The Loomis Sayles ESG 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) about environmental, social and corporate governance topics. While engagement has long been innate to each team's rigorous investment practices, 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. A snapshot of the tool is provided in the picture below.

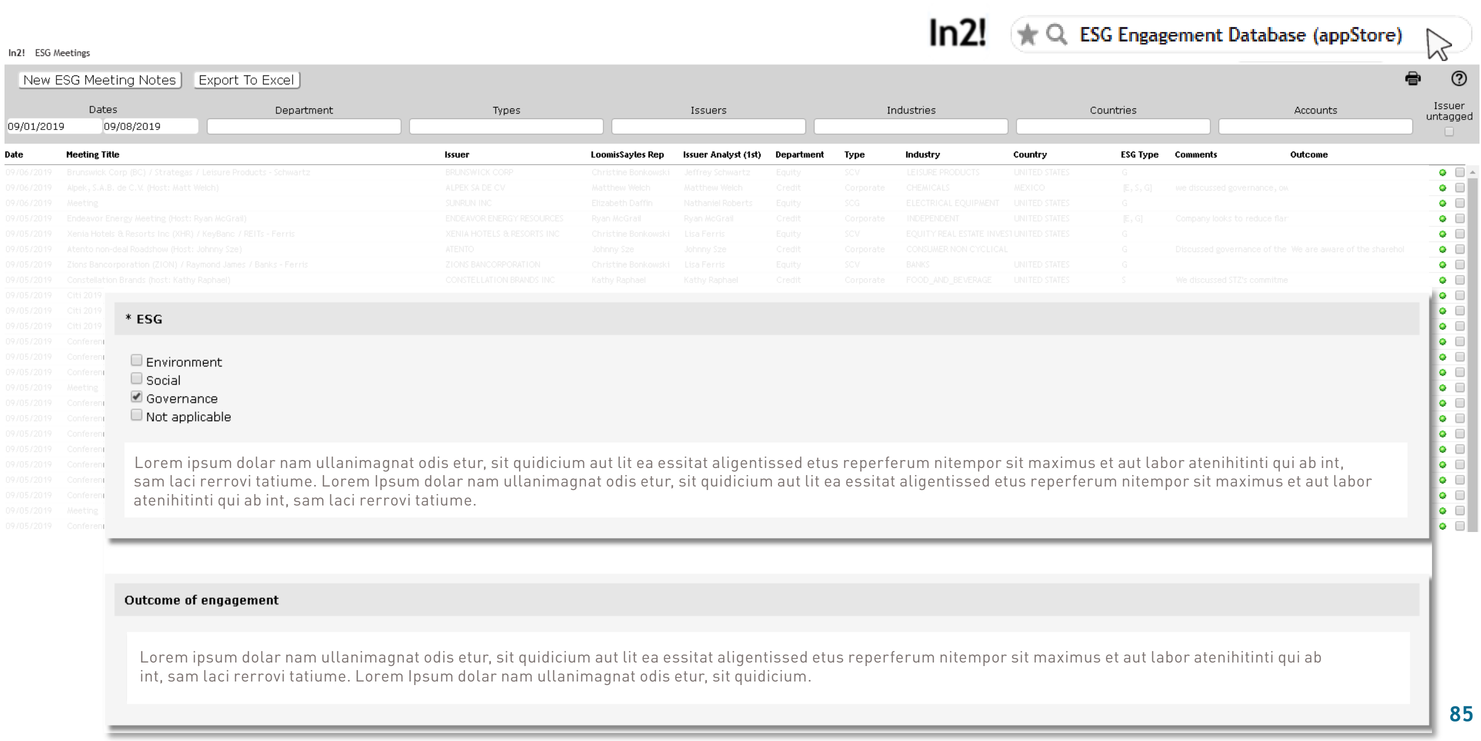
ESG Engagement Database

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. In 2022 we have expanded the data and free-form narrative sections so that we are able to more fully capture analysts notes on each engagement regarding tracking progress, outcomes and options for next steps to achieve the engagement goals. In parallel with our shift to quality over quantity in our approach to engagement in corporate credit, we are seeing a noticeable shift in our credit analysts' focus on outcomes and timeframes. We look forward to reporting on the evolution in our approach in years to come.

ENHANCING THE DATA IN OUR DATABASE: NEW REQUIREMENTS IN 2022

- Identifying next steps on key topics is required to track progress
- Analysts must insert engagement details into the ESG Engagement App as expeditiously as possible
- Engagement details entered into the database must be robust, yet succinct – bullets are strongly recommended; the input must include the problem and targets/goals if applicable



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 collaborate engagement with issuers, we make sure that the circumstances and the collaborative parties meet three important criteria:

1. Compliance with market abuse and competition law

We are mindful of our obligations under antitrust law and we 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. This is a particular issue in fixed income investments, where the ability to influence issuers tends to be greatest in the pre-issuance phase. However, any attempt to work with other investors to move terms against a borrower, for example, by securing additional covenants, could be regarded as collusion in a number of jurisdictions. In order to avoid any appearance of market abuse or competition law issues, Loomis Sayles generally seeks to engage in collaborative engagement via industry initiatives or organisations such as Climate Action 100+ that are designed to facilitate collaborative engagement in a way that complies with market abuse and competition law.

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 process of our investment teams. We are unwilling to share the research of our investment teams with other asset managers. This can include what 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 keen advocates of a collaborative 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 2022 are provided below.

COLLABORATIVE ENGAGEMENT 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 collaborative engagement is defined by each investment team.

EQUITY TEAM COLLABORATIVE ENGAGEMENT: LOOMIS SAYLES GROWTH EQUITY STRATEGIES TEAM

The GES Team's engagement activity is linked directly to its proprietary research, investment theses, and investment decision making. The GES Team is focused on high-quality companies' continuing ability to deliver good outcomes over the long term. As such, it is a key component of the Team's ability to generate long-term risk-adjusted returns and tied to meeting its fiduciary duty. This focus and the importance of nurturing strong, long-term relationships with company managers as part of its investment process means the GES Team engagement meetings are private and proprietary.

CASE STUDY

LOOMIS SAYLES EVALUATION OF INVOLVEMENT IN CLIMATE ACTION 100+

Climate Action 100+ is 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.

After assessment of the initiative to ensure it met all of the criteria outlined above, Loomis Sayles joined the initiative in late 2021 and joined a specific company engagement that was open to new investor participants.

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

During 2022, our senior credit analyst and senior research associate joined a series of meetings with the other members of the collaboration. Participants were updated on the progress of the collaboration, and assigned individual research tasks leading up to the next engagement with the company. The group then engaged the company in a virtual meeting to discuss their progress on policies around emissions. This company was able to report they were starting a new phase with more ambitious emissions targets, which the group felt was productive. Our analyst will continue to monitor the company's progress in meeting their stated targets. Throughout our participation, our senior credit analyst and senior research associate have continually evaluated whether the engagement activities of the collaboration meet all our criteria. In late 2022, they raised concerns that some of the topics under discussion may not meet our criteria for financial materiality and will continue to monitor if this persists.

Asset Class	Region	Investment Team	Participant(s)
Corporate Credit	Latin America	Multiple fixed income teams	Senior Credit Research Analyst Senior Research Associate

Climate Action 100+ issued a proposal to signatories in late 2022 that outlined a new phase of the initiative. This proposal included a number of areas, that Loomis Sayles felt would be inconsistent with our philosophies and practices. We have outlined in the survey sent to all participants for feedback on the proposal, where this would be the case.

We will continue to monitor the direction of the company engagement we are involved in, as well as the overall direction of the initiative to ensure it remains consistent with our collaborative engagement criteria and fiduciary duties. If we determine this is no longer the case, we may step away from the initiative and continue our direct engagement with the company.

CASE STUDY

LOOMIS SAYLES PARTICIPATION IN CDP'S 2022 MUNICIPAL DISCLOSURE CAMPAIGN

The CDP (formerly known as Climate Disclosure Project) undertakes an annual campaign requesting environmental and TCFD-aligned disclosure from municipal issuers in the United States and Canada. Our municipal team recognises the need for additional climate related disclosure from these issuers to be an important input into their financial assessments.

Investors drive the campaign by giving CDP the authority to request voluntary disclosure on behalf of supporting firms. Members of our municipal team and ESG team reviewed the details of the proposed campaign, and determined that it met our necessary criteria for alignment on materiality and objectives. We agreed to include Loomis Sayles as a signatory on the email campaign. Participating firms in 2022 included asset managers, ETF managers, hedge funds, and impact investors from the United States, Germany, and the United Kingdom.

Through this campaign, CDP requested voluntary environmental & TCFD aligned disclosure from 685 municipal issuers in the United States and Canada. 229 issuers responded to this investor request, an overall success rate of 33%. 36 issuers who had not responded previously, fulfilled the request. The additional disclosures from these issuers is deemed to be additive to the assessments our municipals team can make around financially material climate risks and opportunities.

Asset Class	Region	Investment Team	Participant
Municipal Bond	North America	Municipal	Portfolio Manager Analyst ESG Team

We will continue to look for additional opportunities for productive collaborative engagement that meet all our criteria.

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
- Adjusting our fixed income ESG score, which will materially impact our valuation model (and therefore our willingness to invest)
- Going directly to the company's Board of Directors
- Voting against company management in proxy votes
- 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.

CASE STUDY

2022 ESCALATION CASE STUDY - CORPORATE BONDS

Issuer	German automobile manufacturer
Asset class	Corporate bonds
Industry	Automotive
The issue	The company has a history of poor governance, which includes a 2015 diesel emissions scandal and concerns around the composition of the Board of Directors. Board members representing major shareholders have become entrenched, many of whom were board members at the time of the diesel scandal and remain board members today. Governance is weak enough to impact credit ratings and fail to meet recommended standards in the German code of corporate governance.
Objective	To improve governance on Board membership and operational issues
How we engaged	We have engaged with the company nine times in the past six years, with the earlier engagements led by our industry analyst and mostly conducted with members of the investor relations staff. While the group has made good progress with regard to emissions, deficiencies in its corporate governance have persisted. As a form of escalation, the two most recent engagements in 2022 were led by both our industry analysts and portfolio manager. The requests we made during these engagements became more specific, such as discussing operational issues, one on strategic developments and suggesting new and potentially independent additions to the board
Outcome	The company has made good progress on emissions but slower progress on corporate governance. Some progress has been made with the replacement of some longstanding board members with replacements from their respective firms. We continue to invest, feeling that wider spreads compensate for the additional risk associated with corporate governance while emissions concerns continue to improve.
Decision	Maintain investment. Ongoing monitoring.
Next steps	Future engagement will continue to focus on corporate governance, specifically around the addition of independent board members. We will continue to pursue and monitor progress.

CASE STUDY

2022 ESCALATION CASE STUDY - CORPORATE BONDS

Issuer	Canadian mining and metals company
Asset class	Corporate bonds
Industry	Mining
Issue	The company has weaker ESG practices due to the use of coal-fired power plants, which increased emissions, and the reduction targets it had in place were not as robust as peers. The company had also resisted joining the more widely recognised International Council on Mining and Metals (ICMM) and agreeing to abide by its more robust standards for tailings management. These deficiencies in ESG practices posed material risks to the company's credit strength and financial performance.
Objective	Enhance environmental practices, more robust emissions targets and tailings management
How we engaged	We have engaged with the company several times since 2017, and met with them twice in 2022. In previous engagement meetings, our industry analysts led discussions with members of the C-Suite, including the CFO and COO, and focused on information gathering and disclosure. However, in our 2022 engagements, we made specific recommendations to improve the company's ESG practices, such as setting more robust emission reduction targets, prioritising tailings dam management, and requesting updates on new technological solutions for challenges such as extracting water from tailings production to mitigate tailings dam management risks. Additionally, we encouraged the company to join broader industry organisations and comply with their guidelines to bolster its ESG practices.
Outcome	Subsequent to our engagement the company announced enhanced carbon reduction targets of 30% by 2030 and 50% by 2050, which are closer to being in-line with many of its peers. In order to meet these goals, they have also agreed to develop no new coal-fired power plants and phase out existing plants in favour of using more renewable sources of energy. With regard to tailings management, they have not agreed to adopt the newly created ICMM protocols, but they have agreed to do more research and look into potentially adopting these protocols. Given the group has made progress to address its shortcomings and valuations appropriately reflect these risks, we have continued to hold this issuer's bonds in a number of portfolios.
Decision	Maintain investment. Continue to engage on tailings management. Monitor progress on improved emissions targets.
Next steps	Future engagement will focus on continuing to push the company towards these standardised protocols for tailings management as well as monitoring the group's progress towards previously stated emissions reduction targets.

Another example of escalation from 2022 with a corporate credit holding relates to a case study in Principle 7, for an Israeli pharmaceuticals company. Our credit research analyst has met with the company several times in recent years, discussing a variety of topics including opioid litigation. In August of 2022 the analyst held a dedicated call on this topic with the company. The analyst is continuing to monitor the company's progress in resolving these issues.

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 that philosophy and 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, including a long-term time horizon. 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). 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.

Identification of sell candidates is a corollary to the GES Team's research-driven identification of attractive purchase candidates. The Team believes that honest, close and continuous scrutiny of the underlying assumptions of its investment theses coupled with dialogue and engagement play a critical role in its investment analysis and portfolio management. With a discipline guided by intellectual honesty, the Team's goal is to recognise and act quickly on any changes in circumstance or flaws in its analysis. The Team believes that analysing and tracking all portfolio sell decisions helps it evaluate past investment decisions as a way of learning from successes and mistakes.

CASE STUDY

GROWTH EQUITY STRATEGIES TEAM - ESCALATION

EQUITY ISSUER: Since the 2006 inception of its strategies, the Growth Equity Strategies team has been invested in a leading telecoms equipment and semiconductors company. The company designs, manufactures, and markets digital telecommunication integrated circuits (chipsets) and services. The company's primary competitive advantages are its cumulative intellectual property, which took decades to build, and very strong engineering skill in designing and manufacturing the basebands and modems used in wireless devices. The company's business mix and competitive strengths allow it to generate superb free cash flow given low capital intensity and stable working capital needs. As a result, the company is able to use its own cash to fund strategic investments – such as the $30 billion it devoted to research and development over the last decade - and still maintain a high-quality balance sheet with net debt of $3.8 billion that represents less than six months of free cash flow.

ACTIVITY: Over our nearly 17-year holding period, we have built a dialogue of constructive engagement with the company. We engaged directly with the company six times in 2022. We engaged on environmental and social topics in four meetings and on governance in all six.

TOPIC-EXECUTIVE COMPENSATION: Over the years, we have discussed the performance metrics used by the firm in calculating short-term and long-term executive compensation. We believe free cash flow generation and cash flow return on investment (CFROI) are key incentives to align management decision making with long-term shareholder value creation. Again this year, we presented our views of the benefits of free cash flow as a performance metric for executive compensation allocation.

OUTCOME: During our engagement with the head of the board's compensation committee, she asserted that the firm believes that earnings per share aligns well with the day-to-day actions of the average executive as well as with year-in and year-out performance of the business. The committee chair noted that the company is regularly reviewing peer compensation models while also ensuring that the company's business fundamental variables are incorporate into compensation targets. While we will continue to pursue this change with the firm's board, we note that the company management's long-term approach to managing the business aligns with our investment philosophy. The company has consistently earned well in excess of its cost of capital, demonstrating the management's ability to effectively allocate capital, profitably grow the company, and create long-term shareholder value.

TOPIC-EXECUTIVE COMPENSATION: We also engaged with the company regarding their strategy to source chips from multiple foundry partners. Currently, the company is primarily dependent upon a single provider, where an interruption of supply could seriously threaten the company's product production. In 2022, the company signed an agreement to more than double its existing long-term manufacturing agreement with a foundry firm with factories in the United States, Germany, Singapore, and France. We inquired about the potential positive impact of the new facilities on climate mitigation. The company, which is highly focused on lowering it energy footprint, said that these additional manufacturing capabilities create an opportunity to reduce its energy footprint in both its supply chain and the products it creates.

OUTCOME: We will continue to monitor their success.

CONCLUSION: We believe the company's share price currently embeds expectations for revenue and cash flow growth that are well below our estimates based on the secular growth drivers, the company's attractive business mix, and the pace and breadth of the 5G upgrade cycle. As a result, we believe the shares are selling at a meaningful discount to our estimate of intrinsic value and offer an attractive reward-to-risk opportunity.

PRINCIPLE TWELVE

EXERCISING RIGHTS & RESPONSIBILITIES

Signatories actively exercise their rights and responsibilities.

PROXY VOTING

The Loomis Sayles Proxy Voting Policies and Procedures ('PVPPs') direct 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 2022, the firm voted on 574 shareholder proposals, as shown. We have provided some examples below highlighting our approach to shareholder resolutions.

Shareholder Proposal Categories	Number of Proposals in 2022	Number of Proposals in 2021	% Voted with Management	% Voted with Glass Lewis
Social Proposal	136	75	74%	100%
Shareholder Rights	118	89	29%	81%
Corporate Governance	84	102	38%	87%
Diversity, Equity & Inclusion	61	40	57%	100%
Climate-Related	57	22	63%	100%
Proxy Contest	35	12	0%	94%
Environmental Proposal	33	12	79%	100%
Director Election	31	4	29%	94%
Compensation	19	15	68%	100%

SHAREHOLDER	**SHAREHOLDER PROPOSAL OF AN AUDITED REPORT ON NET ZERO EMISSIONS BY 2050 SCENARIO ANALYSIS**
MANAGEMENT	**AGAINST**
LOOMIS SAYLES	**FOR**

The company, through its subsidiaries, engages in integrated energy, chemicals, and petroleum operations worldwide. At the Annual Shareholder Meeting, a shareholder proponent put forth a proposal to be voted that the company issue an audited report on the impacts of the IEA Net Zero 2050 scenario. Management recommended a vote against this proposal. We believe that the information that long-term shareholders could gather with regard to climate-risk related information could impact the investment decision-making process and would outweigh the costs associated with providing such information. This proposal was also on the agenda at the 2021 meeting for this company. We voted for it then, and we voted for it again, in opposition to the management recommendation both times. Unfortunately, this proposal was again rejected, with 61% voting against it, up from 52% in 2021.

SHAREHOLDER	**SHAREHOLDER PROPOSAL REGARDING SEXUAL HARASSMENT AND DISCRIMINATION**
MANAGEMENT	**AGAINST**
LOOMIS SAYLES	**FOR**

The Company together with its subsidiaries, develops and publishes interactive entertainment content and services in the Americas, Europe, the Middle East, Africa, and the Asia Pacific. At the Annual Shareholder Meeting, a shareholder proponent put forth a proposal that the company annually report on the effectiveness and outcomes of its efforts to prevent harassment and discrimination. Management recommended a vote against this proposal, and as a consequence, we sent this proposal to the firm's Proxy Committee for special consideration. The Committee noted that there were many high profile sexual harassment allegations at the company and that the requested reporting could provide further assurance to employees and shareholders that the company has thoroughly investigated this issue and was taking appropriate corrective actions. We subsequently voted for this proposal and in opposition to the management recommendation. This proposal passed with 63% of the votes cast voting in favour of it.

SHAREHOLDER	**SHAREHOLDER PROPOSAL REGARDING FORMATION OF ENVIRONMENTAL SUSTAINABILITY COMMITTEE**
MANAGEMENT	**AGAINST**
LOOMIS SAYLES	**AGAINST**

The Company, is a global technology company offering a wide range of products and platforms that include software applications, web-based search, enterprise solutions, hardware products, maps, and advertisements. At the Annual Shareholder Meeting, a shareholder proponent put forth a proposal that the company establish an environmental sustainability board committee. Management recommended a vote against this proposal. While researching this proposal, we noted that the company's Audit Committee reviews, monitors, and reports to management about the company's risk exposure regarding sustainability issues, including the steps it takes to prevent, detect, monitor, and actively manage exposure to such issues. Additionally, the company's CFO and a sustainability officer keep the Audit Committee informed concerning the company's sustainability strategy and climate-related issues as deemed necessary. In addition, in most cases, we generally feel that decisions regarding the formation of board committees are best left to management and the board. As we felt that the board already oversaw the risks and exposures associated with environmental sustainability and climate change, we subsequently voted against this proposal and in agreement with the management recommendation. This proposal failed to pass with only 5% of the votes cast voting in favour.

During 2022, 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 when, in our best judgment, the costs or disadvantages resulting from voting outweighed the economic benefits of voting, or when ballot delivery instructions had not been processed by a client's custodian, or when a ballot was not received in a timely manner, and under 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 in favour of a proposal (e.g., for a proposal that prohibits one individual from holding the Chairman of the Board and CEO positions);**
2. **Generally vote against a proposal (e.g., against a proposal to prohibit shareholder ability to call special meetings);**
3. **Generally vote as recommended by Glass Lewis (e.g., for a proposal to implement a 401(k) benefit plan); and**
4. **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 firm's 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 firm's 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.

FIXED INCOME

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 more timely 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 2023 focus on:

- Engagement practices for corporate credit, including escalation protocol
- Development of a suite of tools in support of clients' net zero commitments
- Further development of ESG integration with structured finance investments
- Formalise ESG integration approach for private credit
- Enhance automated client-specific ESG data reporting for Growth Equity Strategies team

With respect to engagement, we will continue our focus on best practices for engagement with corporate issuers. Our credit research department in coordination with the ESG Team will implement refined guidelines for analysts' engagement with company management on ESG topics that will further support our emphasis on quality engagements that have a material impact on financial outcomes. The new escalation protocols will be aimed at having a clear process and steps for escalation on issues that we think have a material impact on our holdings.

For our investment teams with well-established engagement and escalation processes, we will continue to ensure they have the tools necessary to capture and report engagement activity in the increasingly prescribed categories investors and consultants continue to expand.

With respect to supporting our clients' net zero commitments, we will be developing a suite of tools such as a net zero pathway diagnostic. These tools will enable Loomis Sayles to analyse a range of potential solutions to our clients' net zero goals and objectives for specific mandates.

During 2023, we also look forward to finalising our Supplier Code of Conduct and Modern Slavery Statement. These important documents will outline our expectations for suppliers' ethical actions and 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.

Important Disclosures

This UK Stewardship Code Statement ('Statement') is issued by Loomis, Sayles & Company, L.P., a Delaware limited partnership that is registered as an investment adviser with the US Securities and Exchange Commission ('SEC') and Loomis Sayles Investments Limited, a company incorporated under the laws of England and Wales and authorised and regulated by the UK Financial Conduct Authority ('FCA') in the United Kingdom (collectively '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.

Scores do not have any predictive value, and do not indicate the probability of any level of future return.

Any charts presented above are shown for illustrative purposes only. Some or all of the information on these charts may be dated, and, therefore, should not be the basis to purchase or sell any securities.

This marketing communication is provided for informational purposes only and should not be construed as investment advice. Any opinions or forecasts contained herein reflect the subjective judgments and assumptions of the authors only and do not necessarily reflect the views of Loomis, Sayles & Company, L.P. Investment recommendations may be inconsistent with these opinions. There is no assurance that developments will transpire as forecasted and actual results will be different. Data and analysis does not represent the actual or expected future performance of any investment product. Information, including that obtained from outside sources, is believed to be correct, but Loomis Sayles cannot guarantee its accuracy. This information is subject to change at any time without notice. Market conditions are extremely fluid and change frequently.

Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal.

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.