LOOMIS SAYLES GLOBAL FIXED INCOME TEAM APPROACH TO ESG WITHIN SUB-FUND FDC SICAV GLOBAL BONDS - ACTIVE 1

Authored by the Global Fixed Income Team

Loomis Sayles and more specifically the Global Fixed Income team, generally takes a longer term view in seeking value and takes seriously the importance of conducting ourselves as responsible global citizens. Consideration of environmental, social and governance issues is an inherent part of Loomis Sayles' investment decision-making and that has not changed.

BUT TWO THINGS HAVE CHANGED

We have been considering ESG factors as part of our fundamental research effort for decades and, more recently, we have incorporated proprietary issuer-level ESG scores based upon 'materiality maps'. These materiality maps are created using various 3rd party metrics and sophisticated tools for measuring and ranking ESG performance at the issuer level. By formally embedding these tools into our research and portfolio construction efforts, we have enhanced our ability to assess the opportunities and challenges that ESG factors may pose to an issuers' overall credit quality.

Secondly, we believe that, over time, ESG issues, particularly climate change, will be reflected in valuations and impact the financial performance of our client's assets. At present, outside of ESG shock events such as political scandals, corporate misconduct, or accidents such as oil spills or dam breaks, there appears to be less of a correlation between ESG risks/opportunities and bond pricing. But we expect this to increase over time.

At their core, ESG risks are fundamental to an issuer's credit quality and valuation. If issuers fail to recognize and remediate these risk factors, we would anticipate financial deterioration over time. Additionally, the market focus on ESG issues cannot be ignored as investor demand will be influenced more and more by such ESG factors and market valuations will adjust accordingly.

Our ESG philosophy tenets are an important aspect of all our investment decisions. Our process continues to evolve, but our goal is always the same: to produce the best risk-adjusted returns for our investors.

OUR ESG PHILOSOPHY

We believe that an issuer's ESG factors should be considered overall when compared to the broader investment universe, but also within a given industry so that entire industries are not excluded from investment opportunities. We believe that upside opportunities can be unearthed with analysis and engagement by identifying strong or improving ESG stories. We want to benefit from upside potential that may not be currently reflected in valuations, while at the same time encouraging companies to continue along an improving trajectory.

LOOMIS SAYLES GLOBAL FIXED INCOME TEAM ESG PHILOSOPHY

5 TENETS

- Material ESG factors must be considered as part of our fiduciary duty to clients.
- Analysis and engagement on ESG leaders and laggards can unearth alpha generating opportunities and avoid issuers not taking ESG risks seriously.
- Engagement provides more value than divestment.
- Over time, material ESG factors—particularly climate change—will be reflected in valuations.
- Identifying best-in-class and improving issuers avoids exclusions.

ESG INTEGRATION AND ENGAGEMENT

Our ESG integration and engagement process is multifaceted. We assemble quantitative and qualitative inputs to build a full picture of issuers, industries and the overall investment universe. To do this, we work closely with the Loomis Sayles Sovereign and Credit Research groups on proprietary ESG research and analytics, utilizing the proprietary ESG scores. We also integrate third-party ESG data (e.g., MSCI, Sustainalytics, Institutional Shareholder Services (ISS)) to offer alternative views on ESG issues. Third-party data provide a useful perspective, but our in-house research and analysis is forward-looking versus backward looking provided by many off-the-shelf resources. These in-house tools are an essential part of our process that enables us to analyze portfolio ESG exposures versus a given index, isolate the ESG factors in our relative value assessment, track engagement efforts by our research analysts for each issuer and draw comparisons and contrasts to 3rd party vendor data to gain further insights.

MATERIALITY MAPS

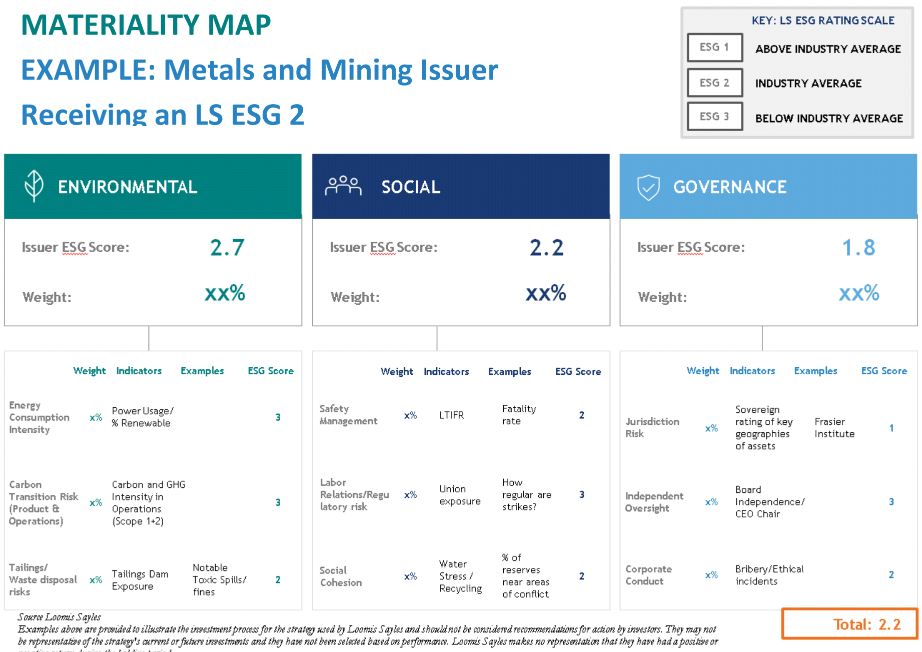
The Global Fixed Income team works closely with Sovereign and Credit Research to understand the construction methodology of their materiality maps. The internal ESG Scores have 3 pillars: Environmental, Social, and Governance, that are weighted according to sovereign or industry materiality. Each pillar comprises material ESG "indicators" that have corresponding weights linked to materiality. The indicator scores add up to the Pillar scores that are then aggregated to calculate the ESG score of an issuer, allowing the analyst to numerically indicate if an issuer is above average, in-line, or below average.

Combining the proprietary scores with the 3rd party vendor ESG scores, 100% of the Fund's net asset value has ESG ratings and we can incorporate such ratings into the portfolio decision-making process. Similar to other fundamental factors, we want to understand potential non-financial drivers, and where opportunities and risks reside in our portfolios.

ESG in Credit Research:

For example, In the case of mining, the map might flag environmental factors like energy consumption, social issues such as safety record, and governance factors such as corporate conduct. In the end, the Credit Research analysts evaluate each issuer and assign a Loomis Sayles ESG score of 1 (above average) to 3 (below average), as shown in the sample map below.

Our proprietary internal ESG scores are formed from an industry perspective, which allows our analysts to highlight the strongest and weakest players within an industry, regardless of the spectrum of ESG issues facing that industry. This is critical as we can then focus on the tail risks to find improving and best-in-class opportunities for investor portfolios. Additionally, this information helps us to better understand the issues facing each industry, which we in turn use in our decisions about top-down industry positioning. Some industries are facing long term headwinds, such as stranded assets within the energy space, and we must therefore balance those long term risks with shorter term value opportunities.



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.

Loomis Sayles' analysts interact with issuer management teams regularly to discuss various fundamental factors. As a result of these established relationships and the work done towards determining material ESG factors facing such companies, the credit research analysts are well-positioned to engage on these key issues. The United Nations' Principles for Responsible Investment (UNPRI) provides guidance and a preference for asset managers to engage proactively with issuers on ESG matters rather than divest. We agree and are fully aligned with this important philosophy. The credit analysts engage with issuers who have weak internal ESG scores (3 or "below industry average"), as well as with management of our largest holdings. With weak issuers we attempt to influence improvement and track the progress of such engagement efforts. With our largest holdings, we aim to leverage our position to continue to drive improvement.

We are mindful that improvement can take time, so we are willing to wait as long as we see progress. Some issuers can get ignored as a result of negative ESG events and headlines that impact their business – we prefer to look beyond short-term factors and assess whether the issuer is embracing a better ESG approach that will create a relative value opportunity over time. In the event that meaningful change is not seen, we track the lack of progress of such issuers in our internal engagement system application. Should we lose visibility of their progress, we would proceed to liquidate such positions.

ESG in Sovereign Research:

We take a three pronged approach to our sovereign materiality maps. Our proprietary research incorporates data analysis, trend analysis and an overlay of analyst experience to create our forward looking materiality maps. We pull in hard data to compare countries across the globe and determine if there are positive or negative trends developing, looking for any policy or other related changes regarding E, S, or G factors. We score all countries for E, S, G and total ESG on the same 1-3 scale. The chart below shows a sample sovereign materiality map and highlights only a handful of the indicators we track to make

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Loomis Sayles' deep fundamental sovereign analysis encompasses many factors affecting the creditworthiness of a sovereign or sub-sovereign issuer, including E, S and G metrics. ESG is part of our investment analysis and recommendations. We believe the most effective ESG analysis occurs when we integrate the analysis within our experienced sovereign teams, and therefore the same analysts that do the fundamental work also do the ESG analysis. Our view is that the analysts have a deep understanding of the issuers they follow, including track record, governance, use of natural resources, political risks, etc., and are therefore better suited to evaluate the issuer through an ESG lens also. Our analysts engage with sovereign issuers whenever possible.

Typical forums for engagement include new issue roadshows, conferences, investor group meetings, and investor trips. We track these engagements with issuers in our internal engagement system application.

ESG IN PORTFOLIO CONSTRUCTION

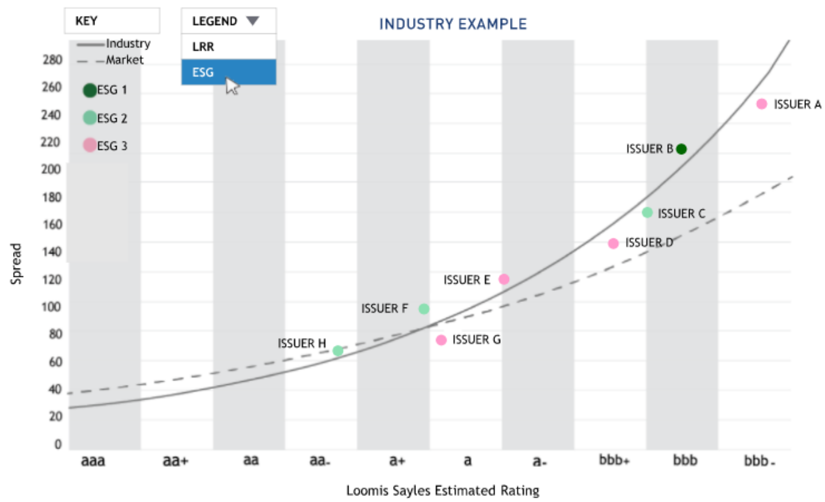
In constructing portfolios, we bring together all of these elements, paying special attention to the tails in our ESG scores (1s and 3s), working with sovereign and credit analysts to ensure we are receiving appropriate compensation, capitalizing on improving opportunities, and in some cases, avoiding or selling securities where we think compensation is insufficient.

While understanding the ESG issues facing sovereigns, and companies and engaging with them is critical, ultimately, we need to be paid appropriately for all risks we assume. Evaluating whether proper compensation is being provided is best determined via a mosaic approach, as attempting to adopt a mechanical valuation process would be ineffective and not in line with how we approach valuation generally. The mosaic approach takes into account all positive and negative fundamental factors including ESG that should impact an issuer's risk premium. We are looking for a spread premium or discount that will compensate us for material ESG drivers.

This discount or premium will vary over time depending how such issuers adapt and adjust to deal with the relevant issues, which we rely heavily on our analysis and engagement to reveal.

Our proprietary relative analysis tool, shown below, helps us visually to ensure we are aware of the risks and opportunities in all the outliers. ESG scores are highlighted and play a central role in the conversations we have with analysts and traders around relative value. As part of our valuation analysis process, we are regularly assessing the upside/downside of potential investments. Throughout this process, ESG can heavily influence our scenario analysis, and in turn, our view on appropriate valuation.

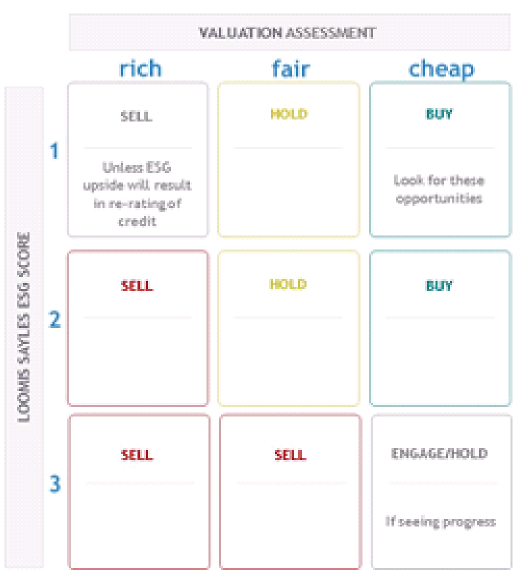
CORPORATE RELATIVE VALUE THROUGH AN ESG LENS



The Market line represents a fair value estimate for global corporate bonds for any given Loomis Sayles internal credit rating. The Industry line represents a fair value estimate just for issuers in the industry being isolated. Dots represent specific industry issuer spread levels against these lines and their associated

ESG investing is not all about avoiding downside risks. With our research teams, we actively look to unearth opportunities where an issuer's ESG story is not fully captured in valuations and we think further upside is warranted. This upside can come in the form of re-rating of an issuer's ESG score and in underlying credit quality as the ESG success story plays out better than the market is expecting. We also look for upside where we believe our engagement process can drive and reveal improvement that is not factored into valuations.

At the same time, there is a significant element of ESG investing that needs to focus on the downside tail risks. When initially investing in an issuer with a material ESG concern, we are looking at two elements: 1) Can we effectively engage with the issuer to help drive improvement? 2) Are we getting paid sufficient compensation for the risk? When we assess an issuer with a weak ESG profile (lowest ESG score), despite a high relative value compensation, we will be keen to determine if engagement will be effective. If an issuer is not actively focused on improving their material ESG issues, we don't believe the risk-reward is in our favor. This extends to the life of holdings with weak ESG Scores – we track and require continuous improvement over time. And while our strong preference is to engage and not divest, without improvement the risks may be too high and we will divest.



EXCLUSION LISTS UTILIZED & CARBON FOOTPRINT REDUCTION

Our focus and commitment to responsible investing is evident as our approach integrates ESG throughout our investment process. To further complement our research efforts we also utilize select exclusion lists that are well recognized by the investment community. These exclusion lists have assessed various Environmental, Social and governance aspects around specific corporate, and sovereign bond issuers around the world. Below are the exclusion lists utilized in the portfolio along with a carbon footprint reduction emphasis.

- LuxFLAG exclusion list
- Norges Bank exclusion list (https://www.nbim.no/en/the-fund/responsible-investment/exclusion-of-companies/)
- UNGC (United Nations Global Compact)

Along with the above mentioned lists, we employ a process of carbon footprint reduction. The Loomis Sayles Global Fixed Income Team will maintain a carbon footprint, for its corporate issuers, which is 25% lower than that of the corporate issuers of the Bloomberg Barclays Global Aggregate Ex Securitized Index. Breaches of such levels will be cured over a 30 business day time period.

The carbon footprint calculation methodology currently used is:

> Portfolio weight or index weight **multiplied** against the weighted average carbon intensity **(Tons CO2 / USD Million Sales)** of each bond issue in the portfolio or index

The reporting of carbon data is continually evolving and as it evolves with greater accuracy and detail, we believe our systems and approach are well-suited to adapt to these improvements over time. Global fixed income portfolio carbon intensity assessments are currently challenged by inconsistent disclosure, lack of standardized reporting, and incomplete index coverage.

CONCLUSION

ESG investing is evolving, and we are evolving with it. As new tools and better information become available, we are exploring how we might use them to enhance our investment process. It is our fiduciary duty to understand the risks and opportunities our portfolio investments face today and may face in the future. As we said at the outset, we are interested in everything that can influence investment performance. Integrating and engaging on ESG issues across our portfolios is part of our commitment to providing superior investment returns for our clients.

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