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RESPONSIBLE STEWARDSHIP AT INSIGHT: 2023 REPORT



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Key terms and definitions are provided in our responsible investment glossary, available [here](#).
A list of abbreviations used in this report is available in Appendix VI.

This report has been reviewed and approved by Insight’s Board of Directors, Executive Management Committee (EMC), Insight Responsibility Oversight Committee (IROC) and our Chief Executive Officer (CEO) Abdallah Nauphal.

FOREWORDS



Abdallah Nauphal,
Chief Executive Officer

INSIGHT'S MISSION IS TO PRIORITISE THE CERTAINTY OF MEETING OUR CLIENTS' CHOSEN OBJECTIVES. CLIENTS EXPECT US TO INVEST RESPONSIBLY ON THEIR BEHALF, WHETHER THEY FOCUS PRIMARILY ON FINANCIAL OBJECTIVES OR COMBINE THIS WITH SPECIFIC ENVIRONMENTAL OR SOCIAL GOALS. WE ARE COMMITTED TO INVESTING IN OUR PEOPLE AND THE TECHNOLOGY, POLICIES AND PROCEDURES THAT SUPPORT THEM TO ENSURE WE MEET THESE EXPECTATIONS.

In 2022 we further defined priorities in our responsible investment strategy, making improvements to our practices and decision-making framework and implementing enhancements to our stewardship-related activity.

To ensure that we are considering climate change across our business and investment strategies, we formalised our Climate Change Resilience Committee and published our first annual report on climate change. We also introduced dedicated groups to consider and evolve our responsible investment philosophy, and to guide our advocacy programme to focus on the areas where Insight can have the most impact with regulators and policymakers.

The expertise of our team is critical in defining the quality of our stewardship activity, especially when considering the range of client requirements, the pace of regulatory change, and evolving practice in responsible investing. To ensure that we deliver investment and service quality to our clients, we are remodelling training for colleagues on environmental, social and governance (ESG) related issues for 2023. Our updated programme will address climate change and ESG factors and is designed to enhance the in-depth training provided to all client-facing colleagues, across multiple teams and at different levels throughout our organisation. We are also expanding the mandatory training for all employees at Insight.

Fixed income assets dominate global markets and many investors' portfolios, but despite this, there is relatively little academic research which analyses how integrating ESG factors could influence fixed income investments. To support clients considering these issues, Insight commissioned an academic research study by Bayes Business School in 2022. The results were shared with clients at Insight's Summit conference and distributed to our contacts globally.

To build on this work in 2023 we have created a long-term collaboration with the University of Oxford to establish the Greening Finance Prize. This is designed to encourage academics to conduct more research on how environmental change influences finance and investment, and how economic and financial systems can contribute to achieving global environmental sustainability.

I hope this report demonstrates our commitment to continuous improvement in our role as stewards of our clients' assets. Please do not hesitate to get in touch if you would like more information or to share your thoughts with us.



Adrian Grey, Global Chief Investment Officer

A KEY STEWARDSHIP THEME FOR INSIGHT HAS BEEN TO CONSIDER IN DETAIL THE IMPLICATIONS OF CLIMATE CHANGE ACROSS OUR INVESTMENT PROCESSES. IN 2022 WE PUBLISHED DETAILS OF OUR NET-ZERO COMMITMENT. WE ALSO EXPANDED ON THE IMPLICATIONS OF CLIMATE CHANGE FOR CORE PORTFOLIOS, SUCH AS OUR BUY-AND-MAINTAIN CORPORATE BOND STRATEGIES, SHARING THIS ANALYSIS WITH CLIENTS.

In seeking to identify systemic risks and ensure well-functioning markets, we engaged with clients, regulators, policymakers and market participants on issues which we believe could have major implications for our clients and the wider market. Over the year, this activity included setting out our position on issues such as net-zero targets, liability-driven investment (LDI) strategies and the gilt market, and the labelling of sustainable products.

We refreshed our engagement programme with issuers, as indicated in our previous report. We now separately define and manage ESG-focused engagements, and run a thematic engagement programme concentrating on climate change, water management, and diversity and inclusion. In our dedicated programme for counterparties, we engaged with some of the world's largest financial institutions on themes including the environment and remuneration.

Over the year to end December, we completed over 140 dedicated ESG engagements, while the majority of the 1,178 broader engagements conducted by our research analysts with debt issuers also included some form of ESG dialogue. Examples of specific engagements, setting out our objectives, activities and the results achieved, are detailed in this report.

As well as improving our training for investment specialists, we continued to strengthen our stewardship and responsible investment team, appointing portfolio managers to innovative new strategies, and adding responsible investment specialists, including a Head of Responsible Investment Research and Innovation.

Our efforts to tackle greenwashing by assessing a wide range of impact bonds – highlighting whether they meet our standards for sustainability-focused investments – continued, with updates to our well-established impact bond assessment framework. In addition, our range of Responsible Horizons strategies was expanded to support clients seeking meaningful positive impact alongside investment returns. Two dedicated impact strategies have been introduced, investing in European corporate bonds and emerging market debt respectively.

Notably, we added to our investment capabilities in areas such as US municipal bonds as clients, assets and colleagues moved from BNY Mellon affiliate, Mellon Investments, to Insight towards the end of 2021. Ensuring alignment with our overall philosophy and approach to responsible investment across these capabilities is a priority, alongside our work to respond to evolving markets and pursue innovation in responsible investment practices across our investment teams.

We work in partnership with clients when assessing how to refine our investment solutions and the services that we provide. We welcome dialogue with our clients: if you have questions or wish to discuss these issues with our teams, please let us know.

Under the Shareholder Rights Directive II, Insight Investment Management (Europe) Limited is required to disclose a shareholder engagement policy or provide a clear and detailed explanation of why we are not able to disclose. Insight Investment publishes its Responsible Investment Policy on our website. Our stewardship and proxy voting policies are contained within this document. In the latter policy, We detail our approach to engagement and voting across the business. In particular we describe our voting behaviour, explain significant votes and report on the use of the services of proxy advisors.

A nighttime photograph of a city street with light trails from cars and buildings in the background. A large green overlay box is positioned in the upper left corner, containing the text '1 PURPOSE, STRATEGY AND CULTURE'.

1 PURPOSE, STRATEGY AND CULTURE

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

Overview

Key statements

- Context**
- Insight's mission and purpose focus on increasing the certainty of achieving investment outcomes for our clients, which include pension scheme clients with long-term funding requirements. Insight believes managing assets successfully over many years requires effective stewardship across markets, asset classes and geographies.
-
- Activity**
- We believe integrating relevant and appropriate ESG considerations in select investment processes, and in our dialogue with issuers and other stakeholders, encourages better investment decisions and can ultimately help our clients achieve their desired outcomes, as well as support the economy, the environment and wider society.
 - We set out our net-zero commitments as a signatory to the Net Zero Asset Managers initiative.
-
- Outcomes**
- Key outcomes include:
 - Enhanced governance structure to reflect our investment beliefs and focus on stewardship, including the new Climate Change Resilience Committee
 - A focused approach to counterparty engagement, with 25 of Insight's largest trading partners asked to respond to a detailed questionnaire on a range of themes
 - Active engagement on major issues with direct relevance to our clients, with policymakers, peers and other stakeholders
 - Development of tailored strategies and stewardship-focused reporting
 - Integration of stewardship activities, including a focus on ESG risk analysis, in many of our investment processes
 - An extensive engagement programme with debt issuers

1.1 CONTEXT

INSIGHT AIMS TO IMPROVE THE EXPERIENCE OF INVESTORS AND INCREASE THEIR CONFIDENCE IN ACHIEVING THEIR GOALS. THIS IS ONLY POSSIBLE IF WE SEEK TO INTEGRATE RELEVANT AND MATERIAL ESG CONSIDERATIONS IN OUR INVESTMENT PROCESSES, AND IN OUR DIALOGUE WITH ISSUERS AND OTHER STAKEHOLDERS WITH RESPECT TO THE RELEVANT ASSET CLASSES AND STRATEGIES, AS PART OF PROVIDING HIGHLY TAILORED INVESTMENT SOLUTIONS FOR CLIENTS.

INSIGHT'S MISSION AND PURPOSE

Insight's mission is to bring to investors an alternative approach to solving their investment problems, one that aims to improve their experience and increase their confidence in achieving their objectives. Our method emphasises increasing the certainty of achieving investment outcomes, in contrast to the traditional focus on maximising return and minimising volatility on a pool of assets.

We are committed to prioritising our clients' interests in the conduct of our business and to delivering high quality investment solutions and service. Our business model rests on a simple equation: high quality leads to client advocacy which translates into business success. We, therefore, focus our efforts on delivering quality and are always prepared to forego business opportunities that conflict or weaken our ability to do so.

Focusing only on what we are good at rather than being everything for everyone is a key requirement for achieving that, and so is working in partnership with our clients and their advisers. This allows us to better understand their needs and provide them with the tools and professional education they need for their investment journey. We also pledge to engage with relevant officials and regulatory bodies to represent their interests and help find solutions that balance their benefits with those of society at large.

Aligning all stakeholders' interests is essential for the long-term success of any organisation. We align the interests of our clients and shareholders by taking a long-term view of the success of the business, allowing us to focus our energies on delivering to our clients. A significant portion of our staff's compensation is deferred and held in company long-term incentive plans (LTIPs). By giving our employees an economic stake in the business, we help align their interest with those of our other stakeholders.

None of this would be possible without the ability to attract and motivate the right employees. We do not believe that any gender, race, or group of any kind has a monopoly on the talent that we need to succeed. We also believe that diverse groups make more informed and balanced decisions. We are therefore committed to looking for talent everywhere and ensuring that every individual has the opportunity and support to succeed at Insight.

We strive to create an ego-free and collaborative environment where everyone is held accountable, but success is shared collectively. We encourage continuous improvement at the individual level as well as the business level and make it a point to learn from our mistakes. Much of this boils down to putting the principle of 'doing the right thing' at the heart of all our decisions.

INVESTMENT BELIEFS

At the heart of our investment philosophy is a desire to offer clients innovative yet practical solutions. To achieve this, we combine expertise, strength, and depth of knowledge, with innovation across a broad range of asset classes and across the risk/return spectrum to provide our clients with complete flexibility; an essential tool in delivering tailored client solutions.

A team-oriented approach is the lynchpin of our business and means that we can use the in-house expertise of high calibre professionals at any time. Our investment professionals are specialists in their field meaning we have the right people doing the right jobs for our clients.

We believe integrating ESG issues into investment processes, and in dialogue with issuers and other stakeholders, can support better investment decisions in relevant asset classes and strategies, and can ultimately help our clients achieve their desired outcomes.

This means that at Insight, a responsible investment approach is essential. On a corporate level, our philosophy and approach towards responsible investment places an emphasis on the integration of responsible investment and stewardship principles within relevant investment decision-making processes, where it is practical and relevant to do so.

We believe that delivering superior investment solutions depends on the effective management of the risks and opportunities presented by both financial and non-financial factors, as well as other long-term value drivers. Our approach is underpinned by the belief that ESG issues can be important drivers of investment value.

In our view, integrating ESG factors in research and engaging with our stakeholders to improve their ESG standards is essential to effectively manage portfolio risk in relevant asset classes and strategies. We expect managers who continuously develop their ESG investment approach to have the potential to deliver better risk-adjusted returns in the long term.

INSIGHT'S VALUES AND CULTURE

Insight is a place where everyone is encouraged to share their views. We think differently and want to challenge the status quo to ensure we do the best job for our clients. Insight's culture is underpinned by the following core values:

- 1 Teamwork
- 2 Collaboration
- 3 Accountability
- 4 Continuous development



1.2 ACTIVITY

INSIGHT'S MISSION, INVESTMENT BELIEFS AND FOCUS ON STEWARDSHIP HAVE DIRECT IMPLICATIONS FOR OUR ACTIVITY.

In 2022 we aimed to deliver on our investment beliefs by:

- **Putting responsibility at the heart of how we do business**, as shown in **Section 2**, which outlines changes we have made to our governance and business structures to sharpen this focus.
- **Integrating relevant ESG issues into select investment processes**, as demonstrated in **Section 7** on ESG integration.
- **Acting as effective stewards of companies and other entities**, as demonstrated in **Section 9** on engagement, which explains how we engage across our different focus areas, including examples of our activity.
- **Supporting efforts that seek to improve the operation, resilience and stability of financial markets**, as explained in **Section 4** on promoting well-functioning markets, which includes detailed examples of our efforts on major market issues.
- **Collaborating with other groups on ESG issues**, as outlined in **Section 10** on collaboration, highlighting examples where we have worked to engage with specific issuers as well as on regulatory and market-wide activities.
- **Engaging with our clients to understand their needs, acting in response, and providing transparency on our activities**, as explained in **Section 6**, which outlines how we engage in close dialogue with our clients, providing detailed reports of the activity we undertake on their behalf.

FOCUS: INSIGHT AND NET ZERO

Insight set out our specific commitments as a signatory to the Net Zero Asset Managers initiative in early 2022.

As a signatory to the initiative, Insight agreed to:

- Work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net-zero emissions by 2050 or sooner across all assets under management.
- Set an interim target for the proportion of assets to be managed in line with the attainment of net-zero emissions by 2050 or sooner.
- Review its interim target at least every five years, with a view to ratcheting up the proportion of assets under management (AUM) covered until 100% of assets are included.

Insight's initial net-zero targets are on \$475bn of our AUM as at 28 February 2022. This constitutes 77% of our physical AUM at that date.¹ By asset class, this includes 100% of UK government bonds, and 75% of corporate bond and equity holdings managed in the UK.

Our full net-zero pledge is available [here](#).

To support our net-zero commitments, we also published our position on thermal coal investments. More information is available in **Section 5**.

¹ As at 28 February 2022. AUM are represented by the value of cash securities and other economic exposure managed for clients. Figures shown in USD. Reflects the AUM of Insight, the corporate brand for certain companies operated by Insight Investment Management Limited (IIML). Insight includes, among others, Insight Investment Management (Global) Limited (IIMG), Insight Investment International Limited (IIL), Insight Investment Management (Europe) Limited (IIMEL) and Insight North America LLC (INA), each of which provides asset management services.

New initiatives for 2022

- **Reflecting our commitment to tackling climate change**, we made progress in several areas over 2022. We explained these in our first annual Climate Change Report, available [here](#).

We highlight some specific points below:

- **Developing more sophisticated climate-related governance processes**, including a new Climate Change Resilience Committee and additional Board-level training on climate change.
- **Articulating net-zero targets**, covering 77% of our physical assets as of 28 February 2022 (see previous page).
- **Conducting stress tests on selected elements of our assets under management** to understand climate resilience under different scenarios.
- **Helping our clients by developing forward-looking tools**, including a net-zero alignment framework, and using these tools to design better climate-aware portfolios.

- **Introducing new impact and sustainability-focused strategies in our Responsible Horizons range**, designed to help contribute to climate mitigation and adaptation objectives.
- **Engaging with the highest-emitting corporates in our investment universe**, seeking to understand their plans to transition to a low-carbon economy.
- **Understanding our current operational carbon footprint**, and working to reduce its impact.
- **Contributing to develop consistent industry approaches** (for asset owners, managers and advisers) particularly in relation to fixed income, sovereign bonds and derivatives.

NEW FOR 2023: RESEARCH PRIZE FOR GREEN FINANCE

In March 2023, the University of Oxford and Insight Investment announced a new research prize for greening finance, established with an endowment from Insight. The ‘Insight Investment – University of Oxford Prize for Greening Finance’ will become the preeminent prize in a vital new area of research and practice. The prize will have two categories, both open to distinguished individuals and not-for-profit researchers or research teams.

- The first category is for outstanding research contributions that help society better understand how environmental change influences finance and investment, and how economic and financial systems can contribute to achieving global environmental sustainability.
- The second is to recognise outstanding service from individuals or not-for-profit organisations who have made a special contribution to the furtherance of greening finance.

Abdallah Nauphal, Chief Executive of Insight Investment, said: “It is crucial to advance collective understanding of the relationship between commercial activity and environmental change. We have forged this partnership with the University of Oxford to encourage more academic research to be done on the effects of incorporating environmental considerations into investment solutions. To support the goal of greening the global financial system, more academic research is needed across asset classes. The industry needs novel ideas with practical applications for the finance industry, such as exploring the development of new financial instruments and ways in which markets should evolve to protect the environment.”

Dr Ben Caldecott said: “Green finance is a necessary condition for tackling climate change and meeting the other UN Sustainable Development Goals. This prize will be an important way to both recognise and support outstanding contributions to furthering the goal of greening the global financial system. By celebrating, showcasing, and financially rewarding world-leading research, we can help to drive its adoption and use across the financial system. The prize is endowed in perpetuity, and so we expect the prize’s significance and reputation to grow even further over time. We are proud to be custodians of the prize.”

The scope of the relationship between Insight and the University of Oxford, based initially on a long-term endowment to support the prize, has the potential to expand into other areas over time.

1.3 OUTCOMES

THE OUTCOMES FOR OUR SPECIFIC STEWARDSHIP ACTIVITY IN 2022 ARE OUTLINED THROUGHOUT THIS REPORT: PLEASE SEE SECTIONS 4, 6, 7 AND 9 IN PARTICULAR. WE HIGHLIGHT SOME SPECIFIC POINTS BELOW.

HOW OUR PURPOSE AND INVESTMENT BELIEFS HAVE GUIDED OUR STEWARDSHIP, INVESTMENT STRATEGY AND DECISION-MAKING

We highlight initiatives in 2022 that reflect how our purpose and beliefs have guided our operations as a business and investment manager.

- **Enhanced our governance structure to reflect our investment beliefs and focus on stewardship.** In 2022 we further enhanced our oversight and structure on ESG issues. This included the creation of the Climate Change Resilience Committee. See **Section 2** for more details.
- **Developed a focused approach to counterparty engagement:** ESG risk assessment and engagement with counterparties is a long-standing part of our credit research process, particularly focused on the entities from the perspective of them issuing debt. An enhanced counterparty engagement process went live in 2022, with the objective of achieving a greater level of impact in our engagements with entities in their capacity as counterparties, and 25 of Insight's largest trading partners were asked to respond to a detailed questionnaire. See **Section 9** for more details.
- **Actively engaged on major issues with direct relevance to our clients, with policymakers, peers and other stakeholders, often achieving clear results, on topics** such as climate change and the central clearing of derivatives. See **Section 4** for more details.
- **Developed tailored strategies and stewardship-focused reporting prioritising our clients' interests,** with these developments leading to wider innovations, such as more coverage of issuers' carbon emissions. See **Section 6** for more details.
- **Integrated stewardship activities, including a focus on ESG risk analysis, in many of our investment processes.** Our proprietary Prime ESG and climate risk ratings for corporate issuers, and Prime ESG and impact ratings for sovereign issuers, aim to help our analysts and portfolio managers – for relevant investment strategies – to identify risks, prioritise engagement and build portfolios focused on ESG and climate issues. The Prime sovereign risk framework was reviewed and enhanced in 2022. See **Section 7** for more on how we have reflected this in our investment approach.
- **Maintained an extensive engagement programme with debt issuers** and as part of this we raised ESG issues and actively encourage improvement in their practices, conducting 1,178 engagements with debt issuers in 2022, of which the majority included some form of ESG dialogue. These included over 140 engagements focused solely on ESG issues. See **Section 9** for more on our engagement activity.

EVALUATING OUR EFFECTIVENESS IN SERVING THE BEST INTERESTS OF CLIENTS AND BENEFICIARIES IN 2022

How we have succeeded

Research that provides us with important feedback and insights included the following:

- Our global client survey, with the most recent showing 96% of respondents said they would recommend Insight. Around 75% of respondents rated Insight's capabilities to support their ESG objectives as excellent or good (with most of the remainder having no view).
- Investment consultants and institutional UK clients rate Insight very highly for investment quality, service, and other factors. Coalition Greenwich confirmed Insight as a Quality Leader for UK Investment Management Service in 2022 and we ranked first for the highest average client service performance in research conducted by Research in Finance.

More information on this research is provided in **Section 6**.

Areas for improvement

There are always areas in which Insight can improve, either as a whole or in how we serve specific clients.

We face some challenges regarding understanding our clients' needs when it comes to stewardship and ESG factors, outlined below:

- Clients are seeking greater input on appropriate goals.
- Different regional and regulatory contexts drive different needs.
- Lack of standardised approaches to assessing quality and performance with regard to responsible investment and stewardship.
- Need for ongoing evolution in our research and engagement.
- Challenges in obtaining input from some audiences.

More details are provided in **Section 6**.

In 2022, in response to client feedback, we perceived:

- A need for investment strategies that aim specifically for a positive environmental and/or social impact alongside a financial return.
- A need for support on climate change-related goal-setting, disclosures and reporting.
- A need for a forward-looking plan to tackle climate change through our investment activities.

We responded to this feedback through 2022 and are seeking to build further on it in 2023. We expand on how we evaluate the effectiveness of our stewardship efforts and initiatives in **Section 5**.



2

GOVERNANCE, RESOURCES AND INCENTIVES

Insight's governance, resources and incentives support stewardship.

Overview

Key statements

Governance Oversight	<ul style="list-style-type: none">• Governance of the firm is carried out through Insight's Board of Directors. The EMC is the key business management committee for the company.• The Insight Responsibility Oversight Committee (IROC) has oversight and accountability for responsible investment across investment, governance, philosophy, advocacy, operations and technology, commercial development and our CSR programme.
Effectiveness of our governance structure and processes	<ul style="list-style-type: none">• Insight undertook a thorough review of its ESG policy framework, which applies across different aspects our business, including our risk management (LDI) and fixed income processes.• Resulting updates implemented in 2022 include:<ul style="list-style-type: none">– The sub-groups of IROC were amended, with several new groups established, to reflect the responsibilities of IROC and aspects delegated to sub-groups. These adjustments also reflected the input of a readiness assessment from the sustainability services team of a major professional services firm, appointed in 2022.– Review of classifications under the EU Sustainable Finance Disclosure Regulation (SFDR), including new strategies in development.– Introduction of a separate marketing framework to guide materials covering responsible investment and stewardship activity.
Resources Resourcing of our responsible investment capabilities	<ul style="list-style-type: none">• Insight's approach to stewardship and responsible investment is the responsibility of all investment teams and decision-makers, supported, championed and overseen by our dedicated Responsible Investment Team and governance structure.
Resourcing of third-party service providers supporting our activities	<ul style="list-style-type: none">• We only rely on third-party providers for stewardship services when necessary, such as specialist data providers and proxy voting services.
Incentives	<ul style="list-style-type: none">• Performance appraisals of credit analysts, portfolio managers and other relevant specialists are linked to their ESG-related responsibilities.• From 2022, all Insight staff have performance objectives linked to responsible investment.

2.1 GOVERNANCE

EFFECTIVE STEWARDSHIP REQUIRES STRONG GOVERNANCE PROCESSES, AND THIS IS ESPECIALLY TRUE FOR A GLOBAL INVESTMENT FIRM. FOR THIS REASON, OUR INTERNAL GOVERNANCE ACTIVITIES ARE STRUCTURED TO SUPPORT BROAD COMMUNICATION AND COLLABORATION, EFFECTIVE DECISION-MAKING, AND IMPROVE ACCOUNTABILITY AND TRANSPARENCY.

OVERSIGHT

Insight is part of BNY Mellon. BNY Mellon operates a multi-boutique asset management model in which each investment management firm enjoys investment autonomy. The ownership structure works well for Insight's clients and its staff: it encourages an entrepreneurial and innovative approach to investment; allows Insight to be a true specialist, focused on risk management and fixed income; enables Insight to build strong relationships directly with our clients; while all parties benefit from the backing of a large global financial institution.

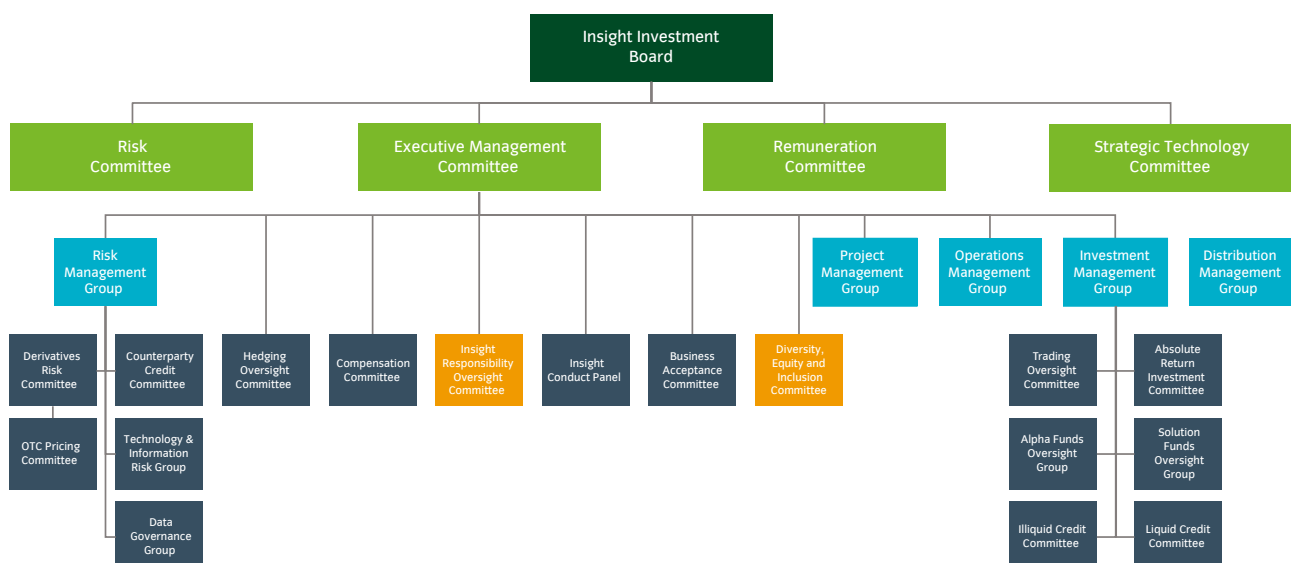
Insight Board of Directors

Governance is carried out through Insight's Board of Directors. The Board has legal and regulatory responsibility for all aspects of the business and ancillary activities of the various legal entities within Insight. Insight's governance

structure ensures oversight of our entire investment, operational and business activities. The EMC is the key business management committee for the company and its subsidiary committees are responsible for strategy and execution, operational management and finance.

Insight's Board recognises that delivering effective stewardship includes many different facets of an organisation, and as such there are multiple reporting lines within Insight that feed directly and indirectly into the Board. Insight has aimed to integrate ESG-related activities into its business-as-usual processes. Establishing key committees such as the IROC (see below for more information) has been one way of achieving this, and progress on ESG issues can also be found in ad-hoc reports provided to the Board. Other forums such as the Remuneration Committee play a key role in ensuring alignment of interests between Insight staff and underlying investors.

Insight governance structure (including delegated sub committees and working groups)



The EMC and/or its sub-committees are typically responsible for designing initiatives that contribute towards good stewardship. The CEO, Global Chief Investment Officer (CIO) and Global Head of Distribution are members of both the EMC and the Board, and are responsible for updating the Board on responsible investment and stewardship-related issues, including at Board strategy meetings. The Board is therefore kept abreast of key initiatives and will provide challenges to such initiatives where appropriate. A key objective of the Board is to promote the long-term success of the business and the Board typically assesses proposed strategies and initiatives with this in mind.

The day-to-day management of Insight is delegated to the CEO with the support of the EMC. Acting within its limits, the EMC considers best practices pertaining to stewardship activities and shares proposals and/or outcomes with the Board for directors to consider, challenge and/or approve. Where necessary, the Board will also request certain processes be put in place and/or request a deep dive on a topic on which it is seeking further details.

A number of committees support the Board, as illustrated in the schematic on the previous page.

Details of the mandate, meeting frequency and membership of the key governance committees can be found in **Appendix I**.

Stewardship has broad application across Insight's operational and investment functions. As a result, stewardship processes are applied holistically, and responsibilities are integrated throughout the business.

See **Section 5.1** for an outline of discussions within the Board on ESG matters in 2022.

Insight Responsibility Oversight Committee (IROC)

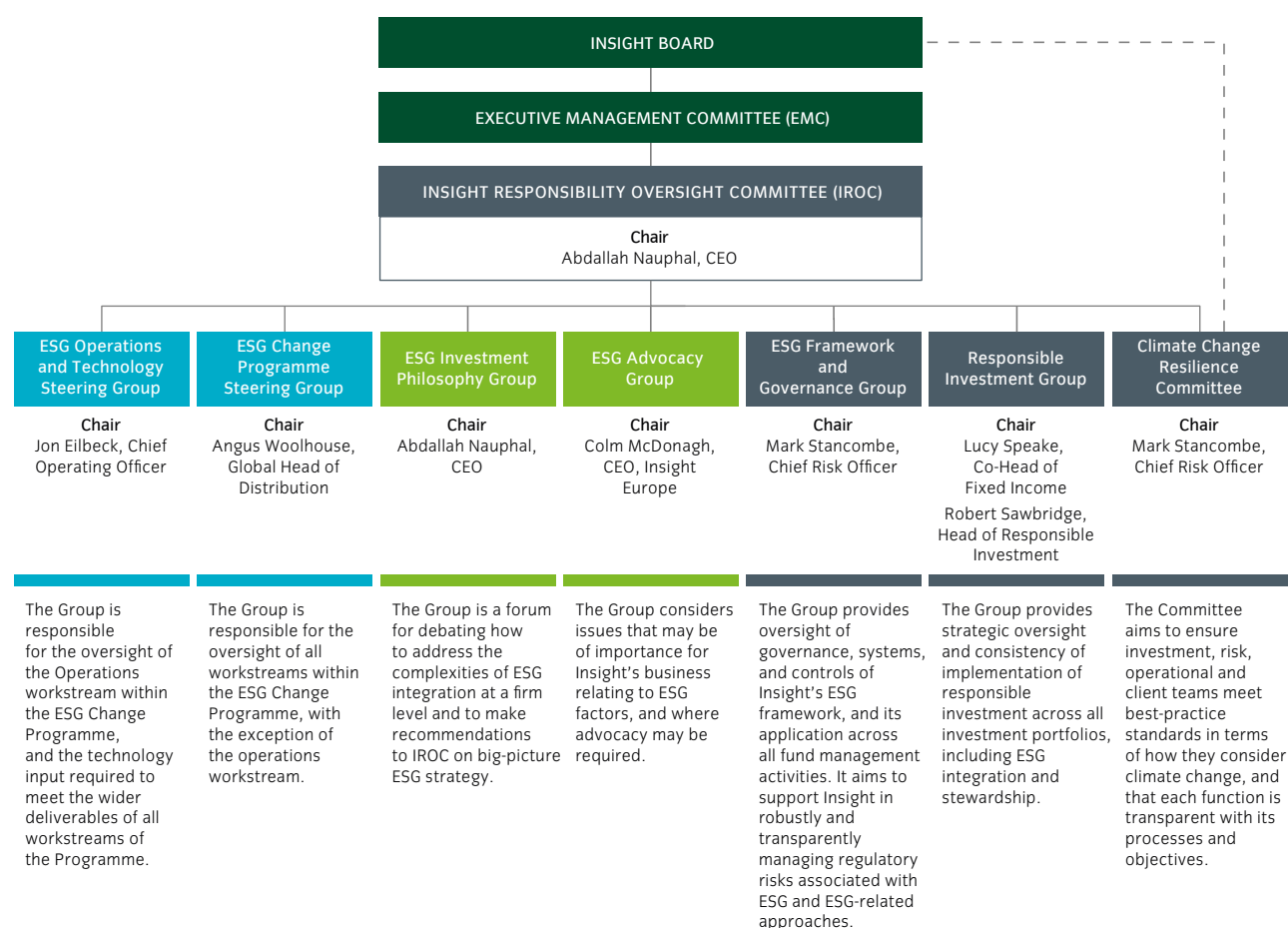
The IROC is the principal governance group with oversight and accountability for responsible investment across investment (covering all Insight's investment activities, including our risk management and fixed income AUM), governance, philosophy, advocacy, operations and technology, commercial development and our CSR programme.

The purpose of the IROC is to set the strategic priorities and apply appropriate oversight to ensure responsible investment performance aligns with Insight's organisational objectives. The IROC's focus includes oversight and accountability for climate strategy and policy, as well as overseeing investment and operational activities.

Additionally, the IROC oversees a range of sub-governance groups focused on different aspects of our commitment to responsible investment on behalf of our clients. These governance groups include representation from investment, client, commercial, operations, product, legal, risk and marketing divisions.

The IROC and its sub-governance groups are all focused on achieving the best outcomes for clients, within their specific areas. An overview of the IROC and its sub-governance groups is shown in the below schematic. This structure was significantly updated and enhanced during 2022, with more information provided in the next section on the changes and the rationale for them.

The IROC and sub-governance groups



IROC membership includes (this list is not comprehensive):

- CEO
- Head of Client Solutions Group
- Global CIO
- Chief Operating Officer (COO)
- Chief Risk Officer (CRO)
- Chief Compliance Officer
- Co-Head of Fixed Income
- Head of Responsible Investment
- Global Head of Distribution

Climate Change Resilience Committee

A key new group introduced in 2022 was the Climate Change Resilience Committee (CCRC), chaired by the CRO, Mark Stancombe, who has overall senior manager responsibility of the management of climate change risks and is responsible for overseeing climate risks, opportunities and policy. This includes both investment and operational activities.

The purpose of the CCRC is to ensure investment, risk, operational and client teams meet best-practice standards in terms of how they consider climate change and that each of the functions are transparent with their processes and objectives. Voting members include representatives from the responsible investment, risk, client service and legal teams.

The CCRC's focus is at a firm-wide level and includes oversight of:

- **Implementation:** The integration of climate change risk factors, where necessary, into decision-making processes, platforms, and procedures. Approval and monitoring of net-zero strategy for both the firm itself and its investments alongside other targets and progress towards environmental commitments that link to climate change.
- **Stewardship:** Monitoring of our climate change stewardship, including engagement and resulting action. Work with the Group (BNY Mellon) to further develop climate strategy and commitments.
- **Regulation:** Oversight and control of firm and portfolio-level climate change transparency including reporting and stress testing aligned to the Task Force on Climate-related Financial Disclosures (TCFD) where necessary.
- **Governance:** Monitoring activities of relevant teams for their management of climate change risk issues. Regular communication and reporting back to the Board and IROC, including the recommendation of appropriate governance on climate risk, including remuneration. Oversee the delivery of climate training to all employees and the Board.

Responsible Investment Group (RIG)

A key group that reports to IROC is the RIG, which oversees responsible investment activities across the business. Its scope includes the following:

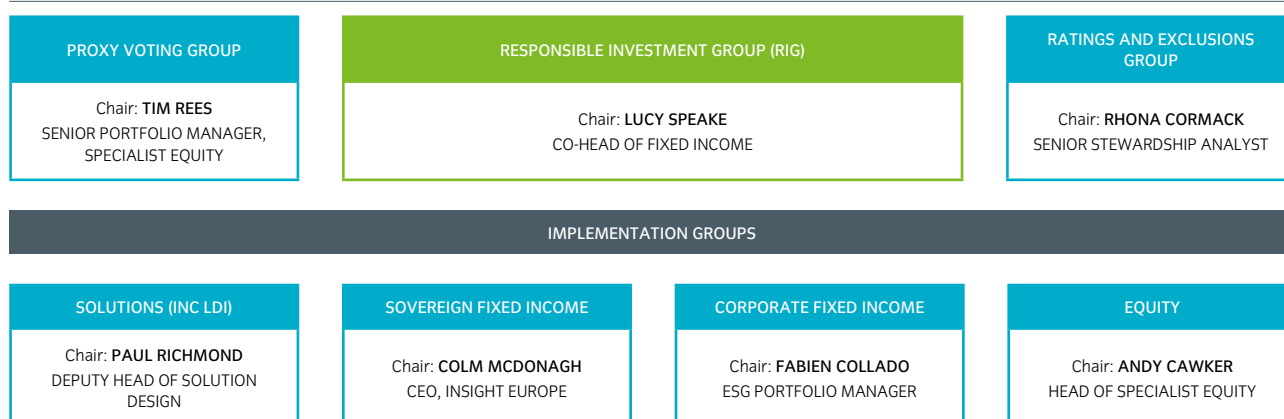
- **Effectiveness of ESG integration:** Setting governance standards for ESG integration across Insight's investment capabilities, including the application of proprietary ESG ratings and engagement activity.
- **Responsible investment solutions:** Setting portfolio investment guidelines for responsible investment solutions (segregated and pooled) including the application of regulatory classifications (e.g., SFDR).
- **Review and assurance:** Identifying enhancements and prioritising updates to our responsible investment approach, including satisfactorily addressing findings of internal audit and compliance reviews.
- **Setting responsible investment policies:** Formulating and reviewing stewardship and responsible investment policies and fully considering the application of these policies to investment governance within specialist capabilities.

An overview of the RIG and its sub-groups is shown in the below schematic.

Stewardship activity is led by investment professionals who have specific job responsibilities to engage with issuers and other financial market participants. This activity is significant, and our governance structure is designed to ensure that appropriate oversight is in place.

Additional stewardship work focusing on sustainability issues is led by a dedicated Responsible Investment Team. This includes regular reviews of engagement data, setting stewardship priorities and ongoing stewardship activities. The Responsible Investment Team reviews stewardship activity at least every quarter. This review includes, but is not limited to, stewardship data from various investment teams and performance. The data is scrutinised and appropriate actions and initiatives are implemented as a result.

The RIG and sub-groups



Ratings and Exclusions Group (REG)

The REG is the key internal group for proposing firm-wide exclusion policies and confirming changes to Insight exclusion lists and ESG ratings. It is chaired by Rhona Cormack, Senior Stewardship Analyst. Its responsibilities include the following:

- The REG has a mandate to review and approve sector and/or issuer exclusions at either a firm level or product level. This includes setting exclusions to align with regulatory requirements. The REG reviews and approves all changes to Insight's internal exclusion criteria.
- The REG is the principal body for reviewing and approving Insight ESG rating changes requested by credit analysts and/or portfolio managers. This extends to ESG surveys as well as Insight Prime ESG ratings.
- The REG will add issuers to internal corporate credit watchlists and set and approve the criteria for issuers (or issues) that the REG considers do not meet the minimum regulatory standards for specific investment portfolios and the Responsible Horizons strategy range.
- The REG will use internally developed screens to provide oversight of controversial positions held across the business, and where appropriate escalate these positions in line with the Escalation of Material Issues and Risks approach set out below if they are considered to present significant reputational risks for Insight and our clients.

Proxy Voting Group

The Proxy Voting Group (PVG) is responsible for overseeing the implementation of voting decisions where Insight has voting authority on behalf of Clients. The Group meets at least quarterly, or more frequently as required. In ensuring that votes casted are in the best interest of clients, the Group will oversee a range of proxy voting activities. See **Section 12** for more information.

EFFECTIVENESS OF GOVERNANCE STRUCTURE AND PROCESSES

There is a formal process by which the terms of reference for IROC and its sub-groups are reviewed at least annually.

Throughout 2022, as in the previous year and in line with our commitment to continuous improvement, we enhanced our governance structure. These enhancements are discussed below in further detail:

- **The sub-groups of IROC were amended, with several new groups established, to reflect the evolving and growing responsibilities of IROC and the need to delegate certain aspects to sub-groups.** These adjustments also reflected the input of a readiness assessment from the sustainability services team of a major professional services firm, appointed in 2022. The sub-groups' focus aligns broadly with three key themes:
 - **Change management** – During 2022 insight brought together all ESG-related change activity into a simple ESG Change Programme to ensure these activities could be managed effectively and efficiently. This is overseen by the new ESG Change Programme Steering Group and the ESG Operations and Technology Steering Group.
 - **Ongoing ESG governance** – Alongside the RIG, the new Climate Change Resilience Committee and ESG Framework and Governance Group were introduced to enhance our governance efforts.
 - **ESG strategy** – The ESG Investment Philosophy Group was established to ensure Insight had a specific body focused on setting and reviewing Insight's long-term strategy in relation to ESG. The ESG Advocacy Group was also established to consider ESG issues where Insight believes advocacy may be required.
- **Enhancements in stewardship and engagement procedures** (please see **Section 9**).
- **Updates to our investment governance** (e.g., the investment function's role/responsibility), oversight and controls (e.g., reporting requirements in place for making investment decisions, including use of internal investment data, the due diligence, risk assessment of, and approval process for, any new investments and escalation process) within specific asset classes.
- **Developments in Insight's policy and procedure framework**, particularly around more detailed documentation of Insight's Prime ESG ratings frameworks, the integration of ESG risk into select issuer evaluation and investment processes, issuer engagement practices and the definition of various ESG investment guidelines and exclusions.
- **A diversity and inclusion strategy from Insight's Diversity, Equity and Inclusion (DEI) Committee**, a sub-committee of Insight's EMC. Insight's DEI Committee has the following objectives:
 - A measurable improvement in performance versus key DEI metrics.
 - Determination of relevant metrics that support our planned performance, including putting in place a system that delivers regular reporting.
 - Ensure Insight's Affinity Groups are established, have strong leadership and a clear purpose about how to contribute. These Groups include the following:
 - Women at Insight
 - Multigenerational Insight
 - Multicultural Insight
 - Disability Awareness
 - LGBT+ Insight
 - Veterans at Insight
 - Determine which relevant groups, organisations and initiatives Insight should be aligned to, and to actively engage and leverage our participation.
 - Build on current practices to establish a level playing field for career development and progression; and introduce new programmes to support the development of underrepresented groups.
 - All employees to be able to articulate Insight's DEI aspirations, and high proportions of employees to be active in DEI activities.
 - Conduct a 'root and branch' review of recruitment across the firm to measure alignment with DEI goals, and develop an action plan to address issues.
 - Evaluation of key people practices determining their impact on DEI, and develop proposals to address issues identified.

2.2 RESOURCES

RESOURCING OF OUR RESPONSIBLE INVESTMENT CAPABILITIES

We have seen resourcing of responsible investment capabilities as crucial to our business, and our resourcing in this area is under continuous review to ensure it remains appropriate given the importance of stewardship activity (please see **Appendix V** for biographies of key individuals). In recent years we have invested substantially in our investment capabilities:

- **Investment teams:** Responsibility for our stewardship activity is integrated within our risk management (LDI) and fixed income processes, with our investment teams responsible for research and engagement with relevant stakeholders. This includes analysis of and dialogue covering relevant and material ESG factors that could affect the entities in which we invest, and the application of ESG criteria to portfolios with sustainability targets.
- **Responsible Investment Team:** Our Responsible Investment Team coordinates responsible investment efforts and innovations across our investment teams, including the development and maintenance of our proprietary Prime ESG and climate risk ratings.

Public Policy function: Our Public Policy function oversees broader issues impacting Insight and its clients, with a particular focus on engagement with policymakers for upcoming regulatory and policy changes. See **Section 4** for more information on our activity in this area.

The Responsible Investment Team works closely with, and supports, our team of 290 investment professionals, a breakdown of which is shown below. Of our investment professionals, 89 are based in the US².

Across the business, we have identified people across key teams, equivalent to 47 full-time employees³ for whom responsible investment and stewardship activities are a material aspect of their roles and objectives. More details are provided in **Appendix V**.

Investment team	Total	Average years' industry experience	Average years' tenure at Insight
Fixed income	168	18	11
LDI	63	17	10
Multi-asset	9	17	10
Specialist investments	14	23	11
Currency	22	19	12
Other	14	17	8

As at 31 December 2022. Includes non-UK employees of Insight North America, which provides asset management services as part of Insight.

RESPONSIBLE INVESTMENT TEAM

Insight has had resources dedicated to its responsible investment efforts for many years. Insight's dedicated Responsible Investment Team is led by Robert Sawbridge (Head of Responsible Investment). Robert is embedded within Insight's wider investment management team, and reports to Lucy Speake, Co-Head of Fixed Income.

We have meaningfully expanded the team given the need for resources focused specifically on responsible investment and stewardship. In 2022, new investment professionals included David McNeil, Head of Responsible Investment Research and Innovation; Christopher Huynh, Senior Stewardship Analyst; and Ruth Hannigan, ESG Portfolio Analyst.

- **Robert Sawbridge, as Head of Responsible Investment,** guides and oversees the overall responsible investment programme at Insight across asset classes and investment teams. Robert's primary focus is on ensuring effective integration of responsible investment across investment teams as well as defining and implementing the investment strategy and parameters of our responsible investment solutions.
- **David McNeil, Head of Responsible Investment Research and Innovation,** coordinates thematic ESG research at Insight, enhancement and expansion of Insight's in-house ESG analytics and methodologies, and ESG policy advocacy with regulators and standard-setting organisations.

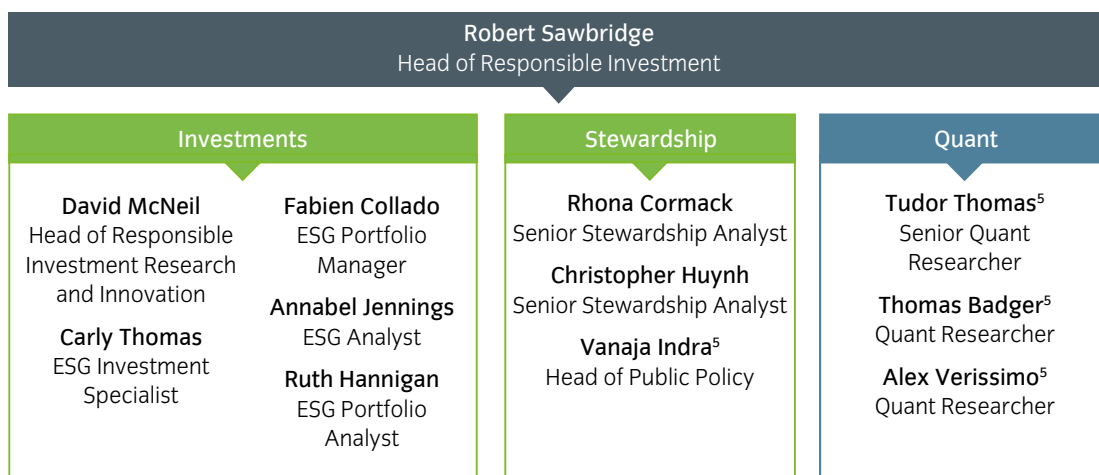
² As at 31 December 2022. ³ As at December 2022.

- **Rhona Cormack, Senior Stewardship Analyst**, and **Christopher Huynh, Senior Stewardship Analyst**, are responsible for setting the engagement strategy for Insight, including the identification of Insight’s prioritised ESG themes. Additionally, they lead the stewardship and engagement process with issuers, which includes using Insight’s proprietary tools to identify laggards, and developing engagement approaches tailored to each issuer.

Investment Specialist work to directly support Insight’s responsible investment efforts. The ESG Quantitative Researchers are responsible for the development and management of our ESG data and proprietary ratings. The ESG Analysts are responsible for ESG projects and providing technical input into and research into more bespoke ESG mandates. The ESG Investment Specialist supports the delivery of strategic responsible investment projects and is responsible for engaging with clients on responsible investment matters. An ESG Portfolio Manager oversees relevant strategies.

Alongside Robert, David, Rhona and Chris, a team of ESG Quantitative Researchers, ESG Analysts and an ESG

Responsible Investment Team⁴



RESOURCING INSIGHT’S INVESTMENT TEAMS

Fixed income

Insight’s Fixed Income Group is responsible and held accountable for upholding our stewardship and ESG-related priorities. This process is overseen by Lucy Speake, Co-Head of Fixed Income. The dedicated fixed income implementation

groups are shown below. These report directly to the RIG, which is responsible ensuring that Insight’s responsible investment strategy is implemented across all asset classes and by all investment teams.

Responsible investment groups under RIG

	Corporate fixed income	Sovereign fixed income
Mandate	To effectively apply the responsible investment strategy across corporate fixed income, in particular: <ul style="list-style-type: none"> • High ESG risk issuers • Significant ESG changes • Thematic issues • Research requirements • Engagement outcomes • Process enhancements 	To effectively apply the responsible investment strategy across sovereign fixed income, in particular: <ul style="list-style-type: none"> • High ESG risk issuers • Significant ESG changes • Thematic issues • Research requirements • Engagement outcomes • Process enhancements
Meeting frequency	Monthly	Monthly

⁴ As at 31 December 2022. ⁵ Responsible investment accountabilities form part of a broader role.

As fixed income assets are a core allocation within many, if not most, of our clients' portfolios (including the risk management assets managed by Insight – see **Section 6** for more information), the output from the above groups is key for a large proportion of Insight's AUM. Individuals from across the investment desks are members of these groups, and/or will present proposals and updates as necessary.

The primary responsibility for ESG analysis in the management of fixed income assets is undertaken by our 47-strong credit analysis resource. Insight's credit analysis function has an average of 17 years' industry experience and eight years' tenure at Insight⁶. As part of the fundamental analysis undertaken by our credit analysts, they assess ESG risks and are also responsible for ongoing engagement with issuers.

Our credit analysts are responsible for making recommendations to portfolio managers, following the analysis of the industries and sectors that they cover. This includes regular dialogue with issuers. Insight's investment professionals are also equipped with information and tools to assess ESG and financial practices to support effective stewardship.

For all Insight employees, access to ESG learning material is available to improve the technical and theoretical understanding of colleagues.

Solutions

Our engagement with our clients aims to ensure we fully understand their needs, enabling us to pursue their desired outcomes, and we have widely resourced a range of teams to support our efforts to invest responsibly in our risk management (LDI) strategies.

Insight has several teams that collaborate to ensure we are serving clients effectively with their risk management (LDI) solutions: our Client Solutions Group (including dedicated Solutions Designers who help develop specific strategies reflecting clients' requirements), Consultant Relations Team, Financial Solutions Group (which focuses on risk management and LDI solutions) and Responsible Investment Team collaborate to help ensure our work is helping maximise our clients' certainty of achieving their objectives in a responsible manner. For more information, please see **Section 6**.

Unlike fixed income, risk management solutions such as LDI mandates are not an asset class. They are strategies using a number of asset classes (as explained in **Section 6**, and elsewhere in this report). The integration of ESG factors and

stewardship at an asset-class level is therefore an important goal.

The **Solutions Responsible Investment Working Group** aims to bring together the different aspects of the solutions we manage in a coherent way, covering aspects such as solutions design and stewardship with regard to pension funds and derivative themes (recognising the importance of the role of risk management strategies in achieving clients' outcomes), reporting and client engagement. The Group aims to build materials for internal and external use and highlights areas that need further attention.

In 2022, the Group's activities included:

- Initiatives focused on helping clients with climate change-related reporting, including hosting discussions between pension funds and the Department of Work and Pensions (DWP) on possible climate reporting approaches; engaging with the Pensions and Lifetime Savings Association (PLSA) and Investment Association (IA) to help improve their TCFD reporting Carbon Emissions Template, including participation in a working group to develop a revised version; and disclosure of key metrics on gilts in liability-hedging portfolios within the quarterly investment reports for LDI clients, and more recently also disclosing Network Rail and money market fund metrics
- Contributing to Insight's response to the Institutional Investors Group on Climate Change (IIGCC) discussion paper on incorporating derivatives and hedge funds into the net-zero investment framework⁷
- Research into ESG-screened equity indices for implementation via total return swaps
- Provision of relevant counterparty and regulatory engagement information to help pension scheme clients complete their Implementation Statements

Plans for 2023 include:

- Continue to develop/meet requirement for TCFD reporting and disseminate this information internally and to clients and consultants
- Further evolution of information for clients in respect of counterparty engagement and sovereign engagement
- Consider use of climate stress testing in respect of gilt/LDI portfolios

Regarding the management of derivative exposures and relationships with counterparties, our Counterparty Credit Committee (CCC), chaired by Insight's CRO, ensures Insight exercises due care and diligence in the selection and monitoring of counterparties with whom we will deal as an

⁶ As at 31 December 2022. ⁷ [IIGCC discussion paper: incorporating derivatives and hedge funds into the Net Zero Investment Framework](#) (PDF), May 2022, IIGCC.

agent. A key facet of this is to monitor closely the creditworthiness and business strategies of such counterparties, which involves regular face-to-face meetings between the bank management teams and Insight's credit analysts, Insight's senior legal staff and where appropriate, members of Insight's EMC.

When managing liability risks, we often use derivatives to obtain investment exposure without a substantial commitment of initial capital. This introduces bank counterparty default risk. To manage these risks, not only are positions collateralised daily, counterparties themselves are subject to a rigorous selection and monitoring process. As part of this process, our credit analysts assess what they have identified as underlying material risks, potentially including an analysis of ESG factors, to determine the creditworthiness of counterparties we deal with on behalf of our clients.

More information on how ESG research and analysis is integrated within our investment processes is available in **Section 7**.

Training

Insight has an extensive training and development programme, which includes topics related to stewardship and responsible investment.

We run a range of courses, including open courses to develop professional and technical skills or to grow understanding of specialist areas. We run an ESG fundamentals course, run by Fitch Learning, and sponsor a range of professional qualifications, such as the Certificate in ESG Investing from the CFA Institute, alongside the Chartered Alternative Investment Analyst (CAIA) and Chartered Financial Analyst (CFA) designations. Our parent company also has an optional ESG Certification Program available to its affiliate entities.

These efforts are supported by a dedicated section within Insight's intranet focused on responsible investment, to help staff locating our most recent updates and providing a comprehensive source of information covering relevant issues to help our teams to address questions from clients and consultants clearly and consistently.

In 2023 Insight is looking to further develop its educational offering to all employees. Completion of an ESG focused e-learning programme has been incorporated in the objectives of all permanent employees, the aim of which is to enhance the ESG literacy across the firm. The e-learning will cover the foundational knowledge of the principles of ESG, engagement and stewardship. For those in investment professional and client facing roles, the e-learning also covers the key areas of how ESG is integrated into investment analysis and portfolio management.

Whilst the e-learning programme will engage employees in a foundational knowledge of ESG, we will look to build on this through targeted workshops. These workshops will be run using both internal experts and external faculty, designed to facilitate knowledge, discussion, and innovation. Topics will range from regulation to investment approaches.

Resourcing of third-party service providers supporting our responsible investment activities

The enhancements to our Prime ESG and climate risk datasets (see **Section 7** for more information) incorporate numerous third-party datasets and require support from the wider business. These new research capabilities establish new processes to complement and inform existing stewardship-related activities. As detailed throughout this submission, in forming our proprietary tools and scoring frameworks we effectively supplement our analysts' research with data from multiple third-party data providers. Please see **Section 8** for more information.

2.3 INCENTIVES

STEWARDSHIP ACTIVITY IS EMBEDDED WITHIN THE REMUNERATION STRUCTURE OF KEY EMPLOYEES AT INSIGHT. THE VARIABLE PAY COMPONENT IS COMPRISED OF TWO CORE ELEMENTS: A DISCRETIONARY ANNUAL CASH AMOUNT AND A DEFERRAL INTO THE FIRM'S LTIP.

Philosophically, we aim to embed ESG considerations wherever they are relevant to our investment activities. Performance is assessed and evaluated considering an individual's contribution to the overall client mandate, team and business performance, and culture. We aim to reward high-performing teams and deliver strong reward outcomes for exceptional individual performance. A team culture is an essential part of the way we conduct our business and our remuneration policy is designed to encourage this.

- **For all Insight's staff**, performance is measured against a framework of objectives covering business as usual activities, initiatives, and conduct, the latter of which accounts for 20% to 40% of an employee's annual performance assessment. Conduct includes a review of an employee's performance with reference to their core behaviours; leadership and management; and organisational priorities.

In 2022 the organisational priorities were updated to include a reference to "The extent to which you add value beyond your role by contributing to key organisational priorities including... keeping abreast of Insight's ESG aspirations and acting to support their achievement".

- **Insight's portfolio managers** have one and three-year performance objectives to align their activity to a suitable time horizon, with ESG objectives customised to reflect their specific activities. Portfolio managers responsible for dedicated ESG strategies or mandates with client-specified ESG criteria will also have a formal objective in their review. The outcome of the performance appraisal is linked closely to any discretionary compensation element.
- **For our credit analysts**, we have formally integrated the analysis of ESG factors into their work for over a decade, and we continually consider ways to further enhance and build on our approach. In 2016, we reinforced this integration, linking our credit analysts' annual performance appraisal with their analysis of relevant ESG risks in their research. Insight's credit analysts have specific ESG-related (including stewardship) objectives, accounting for a 10%-20% weighting of their annual objectives. Consequentially, such employees are incentivised to actively prioritise ESG in their investment decision-making or manage portfolios that align with the concept of stewardship bring sustainable benefits for the economy, environment and society.

Our credit analysts are required to identify two to five companies with ESG shortcomings that would be the target for a deep-dive engagement, to be agreed with the Head of Credit Analysis.

ESG-specific performance objectives now stand as follows:

ESG objectives for Insight credit analysts (10-20%):

- Evidence ESG risks faced by issuers have been reviewed critically.
- Ensure ESG ratings are noted and commented on as follows:
 - All '5' ratings (the worst possible in the Prime corporate ESG ratings framework) are commented on and explained.
 - All new issuers/new positions commented on regardless of ESG scores being strong/weak.
- Undertake company-specific deep dive engagements as agreed with the Head of Credit Analysis.

Furthermore, our people are highly engaged with our business and our culture of collective ownership reinforces collaboration across teams and strengthens the alignment with our clients. All of our people are awarded an annual grant of our LTIP. LTIP acts as a powerful tool for staff retention and encourages a collective ownership of the company's strategy and goals, ultimately providing employees with the opportunity to share directly in the success of the business. We believe that new thinking and constructive challenge can come from anyone in our business, and we empower our people to speak up when they see something that can be improved. The collective ownership culture ensures that our business and its people are aligned closely with the interests of all our stakeholders.

LTIP awards typically vest after three years and their value is based on an independent external assessment of Insight's market value. Share-based LTIP is awarded as non-voting, non-dividend paying equity in Insight. For our senior management, investment desk heads and material risk-takers, we operate a deferral policy where a substantial proportion of variable pay is deferred through LTIP. In the UK, our employees also have an opportunity to acquire Insight shares from their pre-taxed salary.

3

CONFLICTS OF INTEREST

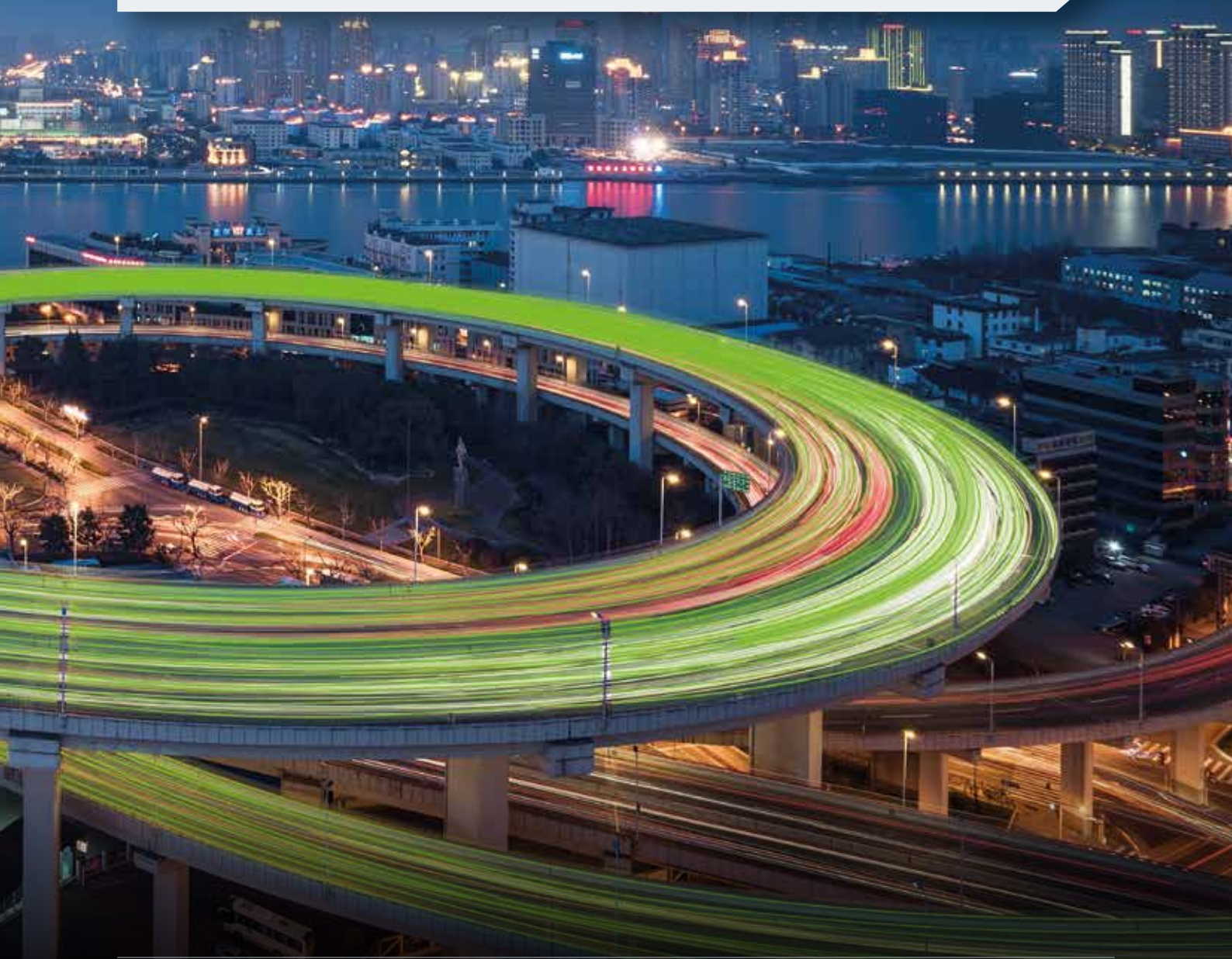


Insight manages conflicts of interest to put the best interests of clients and beneficiaries first.

Overview

Key statements

- Context**
- We disclose Insight's Conflicts of Interest Policy and how this has been applied to stewardship, detailing our activities in the following areas:
 - Identification of conflicts
 - Conflicts of interest framework
 - Conflicts of Interest Policy
 - Conflicts register
 - Controls to mitigate individual conflicts
 - Training
 - Monitoring and surveillance
 - Proxy Voting Policy
-
- Activity/
Outcome**
- We explain how Insight has identified, managed and addressed instances of actual or potential conflicts, including those related to stewardship.
 - In our response we explain any new potential conflicts identified and addressed in 2022.



3.1 CONTEXT

EFFECTIVE STEWARDSHIP REQUIRES PROTECTING OUR CLIENTS AGAINST ANY POTENTIAL CONFLICTS OF INTEREST AND MANAGING THEM WITH APPROPRIATE GOVERNANCE. TO COMPLY WITH APPLICABLE LEGAL AND REGULATORY REQUIREMENTS, INSIGHT BELIEVES MANAGING PERCEIVED CONFLICTS IS AS IMPORTANT AS MANAGING ACTUAL CONFLICTS.

In the course of normal business, Insight and its personnel may encounter situations where it faces a conflict of interest, or a conflict of interest could be perceived. A conflict of interest occurs whenever the interests of Insight or its personnel could diverge from those of a client or when Insight or its personnel could have obligations to more than one party whose interests are different to each other or those of Insight's clients.

IDENTIFICATION OF CONFLICTS

In provision of a service to clients, dealing with day-to-day business activities, or dealing with personal affairs, there could be potential incentives not to act in the best interests of a client or groups of client and instead act for the benefit of Insight and/or individual employees. In identifying potential conflict situations, as a minimum, consideration will be made as to whether Insight, or a member of staff, is likely to:

- Make a financial gain or avoid a financial loss at the expense of the client
- Benefit if it puts the interest of one client over the interests of another client
- Gain an interest from a service provided to, or transaction carried out on behalf of a client which may not be in, or which may be different from, the client's interest
- Obtain a higher than usual benefit from a third party in relation to a service provided to the client
- Receive an inducement in relation to a service provided to the client, in the form of monies, goods or services other than standard commission of fee for that service
- Have a personal interest that could be seen to conflict with their duties at Insight

Employees are responsible for identifying conflicts of interest in relation to their business activities and personal interests and reporting new conflicts/changes to existing ones as soon as possible to the Compliance Team. Insight must take all appropriate steps to identify potential conflicts of interest and to take action to either remove the conflict entirely or to implement relevant processes and controls designed to

manage the conflict and prevent any damage to the interest of Insight's clients. The Compliance Department will provide guidance to business employees in relation to identified conflicts, assisting them with determining suitable controls and assisting with client disclosure if required.

Employees periodically must complete conflicts of interest training which includes how to identify conflicts as well as adhere to a number of other policies, procedures and arrangements which are designed to ensure potential conflicts of interest are appropriately managed and mitigated. These include BNY Mellon corporate policies, Insight policies, operational procedures and guidelines and other arrangements including:

- Employee Code of Conduct and Ethics, and terms and conditions of employment
- Order Execution Policy
- Trade Aggregation/Allocation Policy
- Market Abuse Policy
- Proxy Voting Policy
- Handling of Complaints
- Incident Reporting
- Gifts and Entertainment Policies/Outside Interests
- Employment and Relatives Policy
- Personal Securities Trading Policy
- Research Policy

Senior management are responsible for ensuring that:

- Potential conflicts of interest are being appropriately identified, managed and mitigated
- Conflict mitigation processes and procedures are being appropriately adhered to and adopted within Insight

Insight governance committees and management groups provide a mechanism for discussing conflicts of interest and matters arising from new and existing conflicts.

CONFLICTS OF INTEREST FRAMEWORK

Insight ensures it manages conflicts of interest fairly and in accordance with the Financial Conduct Authority (FCA, UK), Central Bank of Ireland (Ireland), Securities and Exchange

Commission (SEC, US), and other principal bodies that oversee our activities. Where potential conflicts arise, Insight will not enter into a transaction until it has ensured the fair treatment for all clients.

Key elements of Insight's conflicts framework include our:

- Conflicts of Interest Policy
- Conflicts register
- Controls to mitigate individual conflicts
- Conflicts of interest mandatory training
- Monitoring and surveillance
- Proxy Voting Policy

We provide more information on each of these elements below.

CONFLICTS OF INTEREST POLICY

We have a Conflicts of Interest Policy that details the processes to reduce conflicts from arising and the guiding principles used in their resolution. A full summary of our policy is available in **Appendix II**.

This policy sets out what constitutes a conflict of interest, the key conflict categories that exist within Insight, and the responsibilities of various internal groups. Identified conflicts within Insight are recorded centrally by our Compliance Team. These conflicts are regularly reviewed with relevant business areas to ensure appropriate controls are maintained to manage and oversee these conflicts of interests.

Potential conflicts scenarios and mitigation procedures: an overview

A summary of the material and relevant potential conflicts of interest identified by Insight are described in our conflicts policy (see **Appendix II**), including the preventative measures to manage these. We offer a summary below.

- Conflicts between one client/portfolio and another client/portfolio
- Conflicts between BNY Mellon and Insight
- Conflicts between the interests of suppliers and third parties, and Insight or Insight's clients
- Conflicts between Insight's interests and clients' interests.
- Conflicts between Insight's employees' personal interests and clients' interests

CONFLICTS REGISTER

Insight maintains registers for conflicts of interest, which are reviewed regularly by relevant committees.

The UK/EU register covers both 'structural' and 'specific' conflicts, with c.60 conflicts currently on the register:

- **Structural conflicts** – represent an inherent conflict in Insight's business model based on the broad activities we undertake (which will be similar across most asset managers)

- **Specific conflicts** – represent a conflict which is based around specific funds/clients/processes and for which specific mitigating arrangements/controls have been put in place

Register details include:

- Conflict situation, category and mitigating controls.
- Governance committee, EMC owner, Compliance Team and business review contact identified for each conflict
- Compliance monitoring/surveillance over conflict controls as well as the management information that will be produced on the conflict on an ongoing basis
- Relevant firm-wide policy documents, to each structural and specific conflict, that relate to the conflict situation
- Date of the last review of the conflict and the date that details of the conflict situation were last updated

A separate register is maintained for our US business, Insight North America.

CONTROLS TO MITIGATE INDIVIDUAL CONFLICTS

Policies, governance arrangements and procedures are in place to ensure business decisions are made objectively, at arm's length and for the benefit of clients. These include BNY Mellon corporate policies, Insight policies, operational procedures and guidelines and other arrangements including the following key policies:

- Order Execution Policy – ensuring fairness when trading on behalf of our clients.
- Trade Aggregation/Allocation Policy – ensuring fairness when managing client portfolios.
- Proxy Voting Policy – ensuring an independent, fair process when handling voting instructions.
- Handling of Complaints – ensuring clients treated fairly and objectively when handling any client's dissatisfaction with our service.
- Incident Reporting – ensuring any handling of incidents and breaches and any action to rectify the matter is fair to the client.
- Remuneration/Recruitment Policies – ensuring that our remuneration process is designed so that there are no conflicts with the duties owed to our clients and the service we provide.
- New product oversight/approval arrangements – ensuring the new product approval process mitigates any conflicts of interest, and product development is fair to both new clients and existing ones.
- Vendor Management – ensuring our vendor management and procurement process adheres to the strictest of requirements to mitigate conflicts when appointing and dealing with third parties to provide services to Insight. See **Section 5** for more information on our Global Outsourcing and Vendor Management Policy, including the ESG criteria applied to our suppliers.

- Use of third-party counterparties/external panel in place to resolve issues: this applies in situations where repos exist between an Insight fund and Insight segregated clients.

Policies and procedures are in place to ensure employees' interests are not put before Insight/client interests (please see earlier in this section).

TRAINING

Insight conducts regular mandatory training and awareness sessions focusing on managing potential conflicts of interest.

- All employees are required to fill in an annual questionnaire on the BNY Mellon Code of Conduct, which includes potential conflicts of interest.
- All employees are given regular training on topics including conduct and ethics.
- Specific training is undertaken as deemed necessary around key conflicts controls (e.g. personal account (PA) dealing, gifts and entertainment, bribery and corruption, and market abuse).

MONITORING AND SURVEILLANCE

Conflicts in the register have been considered for both monitoring and regular surveillance, with Insight's conflicts register containing details of the monitoring review and/or surveillance activity associated with each conflict and its controls. Reviews are undertaken jointly by the Compliance Team and business colleagues quarterly of all the conflicts in the register, with conclusions and actions reported to appropriate governance committees.

Our approach and framework to manage conflicts of interest is reviewed by an independent auditor as part of our annual service organisation control (SOC) audit. More information is available in **Section 5**.

PROXY VOTING POLICY

How an investment manager votes on shareholdings is a key element of its approach to stewardship, and so identifying and managing conflicts relating to voting activity is important to ensure effective stewardship is not undermined.

Predominantly, the holdings which fall within the scope of the policy are equity holdings. Equity holdings are limited at Insight, with equity assets accounting for less than 1% of our AUM. Some of these assets are accounted for by equity exposure via derivatives, limiting our ability to engage through voting. More information on our voting activity is available in **Section 12**.

Insight's full Proxy Voting Policy, updated for early 2023, is available [here](#).

The Policy contains a section specifically focusing on conflicts of interest, including contentious voting issues that could be linked to a potential conflict of interest, presented below.

Conflicts of interest (section within Insight's Proxy Voting Policy)

Effective stewardship requires protecting our clients against any potential conflicts of interest and managing them with appropriate governance. To comply with applicable legal and regulatory requirements, Insight believes managing perceived conflicts is as important as managing actual conflicts.

In the course of normal business, Insight and its personnel may encounter situations where it faces a conflict of interest or a conflict of interest could be perceived. A conflict of interest occurs whenever the interests of Insight or its personnel could diverge from those of a client or when Insight or its personnel could have obligations to more than one party whose interests are different to each other or those of Insight's clients.

In identifying a potential conflict situation, as a minimum, consideration will be made as to whether Insight, or a member of staff, is likely to:

- Make a financial gain or avoid a financial loss at the expense of the client
- Present material differences in the thoughts of two portfolio managers who own the same security
- Benefit if it puts the interest of one client over the interests of another client
- Gain an interest from a service provided to, or transaction carried out on behalf of a client which may not be in, or which may be different from, the client's interest
- Obtain a higher than usual benefit from a third party in relation to a service provided to the client
- Receive an inducement in relation to a service provided to the client, in the form of monies, goods or services other than standard commission or fee for that service or
- Have a personal interest that could be seen to conflict with their duties at Insight
- Create a conflict where Insight invests in firms which are clients or potential clients of Insight. Insight might give preferential treatment in its research (including external communication of the same) and/or investment management to issuers of publicly traded debt or equities which are also clients or closely related to clients (e.g. sponsors of pension schemes). This includes financial and ESG considerations
- Create a conflict between investment teams with fixed income holdings in publicly listed firms or material differences in the thoughts of two portfolio managers who own the same security

3.2 CONTEXT

POTENTIAL CONFLICTS RELATED TO RESPONSIBLE INVESTMENT

We engage with clients frequently on a range of potential conflicts related to responsible investment. Among these, we describe two frequently occurring areas below:

- 1 To address potential conflicts that arise because of divergences between Insight's responsible investment policies and the responsible investment policies of the client.
- 2 To address potential divergence between the interests of our client and their beneficiaries.

In the reporting period, these issues are relevant to our efforts to represent client interests, as opposed to conflicts between Insight's interests and those of clients and beneficiaries. To date, issues highlighted have been identified and addressed effectively through direct engagement between our investment team, our client solutions team and the client to agree specifically how to proceed. These discussions happen in the context of the investment approach being pursued and need to balance financial and non-financial considerations and establish the correct approach to measure, monitor and report. In all cases during the reporting period, we have identified and resolved issues in partnership with our clients, formally documenting the agreed approach in the investment guidelines for the mandate.

As Insight seeks to evolve its approach, we believe that conflicts are more likely to arise in this area as a result of legal changes, net-zero emissions goals, or the introduction of additional firmwide ESG or stewardship-related policies that need to be implemented, such as firm-wide exclusions lists. Because these have different implications in different jurisdictions or for different types of client, they will need to be addressed on a case-by-case basis. We envisage that we will see increased monitoring and potentially escalation of issues through our governance structure.

EXAMPLES OF STEWARDSHIP-RELATED CONFLICTS AND MITIGATION

We identified the potential structural conflict below in 2022, reflected in our conflicts register.

- **ESG Marketing:** Insight could market funds or strategies as ESG funds or having an ESG mandate when they do not have an ESG mandate to make them more attractive to investors.
 - To mitigate the conflict, there is an ESG protocol which establishes best practices for marketing materials and identifies the risk of greenwashing which has been incorporated into Insight's procedures and outlines the checks the Marketing Team must undertake and the evidence to obtain. Training on the ESG Protocol has been provided to the relevant staff.
- The Fund Schedule on the company intranet includes designations of ESG categorisations, such as SFDR categorisations, of funds to help determine what is an ESG EU-managed mandate and what is not. The Marketing Team refers to this during the approval process of marketing materials.
- The sign-off process for marketing materials includes the Risk Sign Off Matrix with appropriate approvals from the Investment Team, Marketing Team and Compliance.
- The Marketing Team reviews the objectives of funds during the annual product review process and ensures marketing materials are consistent with them.
- **SFDR Classification:** Insight could classify funds as Article 8 or Article 9 under EU SFDR to win new business, even if funds do not meet any set criteria.
 - To mitigate the conflict, all funds which are going to be re-classified or launched must be approved by IROC.
 - Insight has established minimum criteria for corporate funds that need to be classified as Article 8 or Article 9.
- **ESG Ratings:** A portfolio manager(s) may assign an issuer with an inappropriate ESG rating via manipulating an ESG questionnaire/short-form template process, or may inappropriately manually override the ESG rating generated by Prime for an issuer. Reasons for doing this would include (i) wishing to favour issuers Insight also has a contractual relationship with (e.g. a client, vendor or counterparty) for perceived Insight commercial benefit; and (ii) enabling a portfolio to invest in an issuer for performance enhancement reasons which would not be possible given the portfolio investment objective and parameters if the issuer had been provided the correctly assessed ESG rating.
 - To mitigate the conflict, Insight uses a quantitative framework, Prime, to generate ESG ratings and scores. This incorporates raw ESG data from third-party datasets. Raw data from these data providers is mapped and assigned global company identifiers and ultimate parent identifiers before producing an ESG score/rating. The methodology is applied consistently and any changes to methodology would have to be approved by IROC.
 - Use of questionnaires (completed by companies or issuers) or short-form templates (completed by Insight credit analysts or portfolio managers) to source ESG information (not available through the Prime methodology) are tracked and monitored by the REG, with ESG scores/ratings calculated by the Responsible Investment Team.
 - Credit analysts or portfolio managers need to apply to the REG for an ESG score/rating to be amended. A centralised log of all overrides raised, any changes, and rejections is maintained by the REG.

4 PROMOTING WELL-FUNCTIONING MARKETS



Insight identifies and responds to market-wide and systemic risks to promote a well-functioning financial system.

Overview

Key statements

- Context**
- We believe seeking to understand and mitigate systemic risks within our clients' investments and the wider financial system is directly relevant for most of our clients, whether we are managing risk management (including LDI), fixed income, or another type of strategy on their behalf.
 - We explain how Insight identifies market-wide and systemic risks for engagement:
 - Identification of potential risks
 - Prioritisation for engagement
 - Engagement strategy formation and execution
 - Reporting to internal stakeholders
 - Reporting to external stakeholders
-
- Activity and outcomes**
- We show how Insight has identified and responded to market-wide and systemic risks; worked with stakeholders to promote continued improvement of the functioning of financial markets, including our clients, policymakers and regulators; explain the role Insight has played in a range of relevant industry initiatives, and described the outcomes of each.
 - Key risks on which we engaged in 2022 include issues that we believe represent real risks to the economy, as well as concerns relating to the structure and operation of markets – with direct relevance to our risk management (LDI) and fixed income AUM:
 - Climate change and sustainable finance
 - LDI strategies and gilts markets
 - European Market Infrastructure Regulation (EMIR) and general central clearing issues
 - Money market issues
 - Other regulatory issues
 - In terms of our effectiveness in promoting well-functioning markets, we believe our engagement on these issues has led to change and had clear, measurable impacts.

4.1 CONTEXT

Insight's investment philosophy is focused on maximising our clients' resilience in the face of uncertainties which may be impossible to quantify. This drives our focus on identifying potential future risks that may present material risks to our clients in the medium to long term. We therefore seek to look ahead to future risks that may emerge over the life of our clients' investment strategy, thereby adding value to clients in helping them to understand and consider the range of risks they may face in future, as opposed to dealing with risks that have materialised already.

Given the above, we believe seeking to understand and mitigate systemic risks within our clients' investments and the wider financial system is directly relevant for most of our clients, whether we are managing risk management (including LDI), fixed income, or another type of strategy on their behalf. Delivering superior investment solutions depends in large part on the effective management of the risks and opportunities presented by both financial and non-financial factors.

We support industry initiatives which are focused on reducing such risks, collaborating with investors as necessary. We engage with regulators and policymakers to encourage market reforms that deliver greater security for investments and that reduce opacity or vulnerabilities in financial markets. We also support efforts to develop and implement policy measures to manage and mitigate systemic risks to society and to the environment.

For a range of past communications and policy responses from Insight, please see [here](#).

HOW INSIGHT IDENTIFIES MARKET-WIDE AND SYSTEMIC RISKS FOR ENGAGEMENT

- 1 Identification of potential risks:** Several teams within Insight monitor sources of potential risks, with a focus on identifying significant changes that may impact Insight as a firm, the functioning of financial markets, and the services we offer to our clients.
 - Regulatory developments are monitored by our Compliance Team.
 - Policy developments related to topics on which we are engaging, and any topics of strategic importance, are monitored by our Public Policy function.
 - Investment risks are monitored by our Investment Risk Team. Insight operates tools, overseen by stringent policies and procedures, that test the impact of market, liquidity, counterparty and concentration risk on holdings across the firm. Our Investment Risk Team ensures that Insight is not unduly exposed to any material unmanaged risks, including market-wide and systemic risks.
 - ESG risks and opportunities to engage are monitored by our Responsible Investment Team.

- Details of our proprietary scoring methods, and our new engagement programme, are offered in Section 7.

Sources of information include regulator alerts, trade associations, law firms, service providers, BNY Mellon and direct engagement with our clients and other market participants by Insight staff.

- 2 Prioritisation for engagement:** Information is assimilated and shared with relevant business functions and subject matter experts within Insight by the relevant teams to better understand the potential impacts of issues identified as potential risks. How an issue is prioritised for engagement by Insight depends on the significance of the issue, and whether the issue is already being addressed effectively within the industry.
- 3 Engagement strategy formation and execution:** An engagement strategy is formed and executed based on the prioritisation of issues. This may include engagement with trade associations, industry participants and/or policymakers. Our Public Policy function will typically lead on developing and implementing an engagement strategy. This function is supported when necessary by the BNY Mellon Office of Public Regulatory Affairs.
- 4 Reporting to internal stakeholders:** The prioritisation of consultations and actions taken are reported to Insight's EMC. A Programme Mandatory Steering Committee is responsible for overseeing regulatory change projects, and the Compliance Team report new key regulatory developments and status and issues on existing ones to Governance Committees including the Risk Management Group (RMG) and the Risk Committee. The Crisis Management Team, chaired by our CRO, is also appraised of risks to enable an effective response to crisis events. The Responsible Investment Team, and others when relevant, will flag topics relevant for responsible investment issues to the IROC.

See **Section 2** for more information on our internal governance structure.
- 5 Reporting to external stakeholders:** Relevant activity is shared on a quarterly basis with clients and consultants. On any initiatives relevant to our clients, our Client Solutions Group and specialist Legal Team will communicate these to clients, and seek to assist our clients in ensuring they are well positioned in light of any market-wide and systemic risks we identify that may impact them.

For 2022, we established the ESG Advocacy Group that organises our firm activity and make decisions on issues on which to advocate on, either on behalf of our clients or Insight's business, identifying workstreams on key issues.

4.2 ACTIVITY/OUTCOMES

INSIGHT COLLABORATES WITH REGULATORS AND OTHER MARKET PARTICIPANTS TO PROTECT OUR CLIENTS' AND BUSINESS INTERESTS RELATING TO MARKET ISSUES. WE OFFER A SUMMARY OF OUR ENGAGEMENTS AND INITIATIVES ON MARKET-WIDE AND SYSTEMIC RISKS WE HAVE IDENTIFIED AND RESPONDED TO BELOW.

In this section we show how Insight has identified and responded to market-wide and systemic risks, worked with other stakeholders to promote continued improvement of the functioning of financial markets, explain the role Insight has played in a range of relevant industry initiatives, and described the outcomes of each.

In terms of our effectiveness in promoting our clients' and business interests, we believe our engagement on these issues has led to change and had clear, measurable impacts.

CLIMATE CHANGE AND SUSTAINABLE FINANCE

Background

Climate change is unique in terms of its complexity, pervasiveness and the level of deep uncertainty that it creates. It is likely to challenge how individuals spend, how governments rule and how, put simply, we live as a society.

Mitigating and adapting to climate change will also reshape the foundations of the financial industry. The sheer quantity of capital, not to mention the regulatory architecture, required to support commitments being made by asset owners, asset managers and governments requires detailed consideration of how climate change will impact our clients (for whom we act as agents) and ourselves as a member of the asset management community.

Insight activity and outcomes

Insight takes climate risk into account within select analysis, investment decisions and engagements (see **Sections 7 and 9**) and participates in a range of collaborative initiatives focusing on climate change (see **Section 10**).

Specific areas in which Insight took action include:

- **Supporting clients and engaging with policymakers on climate change reporting rules for investors:** In the UK, the largest UK pension schemes began to report on climate metrics in their portfolios, in line with rules from the UK DWP, and Insight has been in discussions with clients about how

best to fulfil their obligations. Lack of standardisation has led to a mix of approaches, with clients expressing concerns both about the extent of reporting required and the potential consequences.

In early 2022, we responded to a DWP consultation on extending the rules to include details on pension schemes' portfolios' alignment with the Paris Agreement from October 2022. We supported the proposal, but recommended it be delayed given data is of variable quality, with different approaches followed by different providers, and their application and relevance varies according to asset class.⁸

Later in the year we hosted a roundtable between pension fund clients, regulators and policymakers to discuss lessons learned from implementing the DWP rules, which was well received, and we expect to continue to engage in discussions in 2023, including in the IA working group relating to this topic.

We also engaged in the US, where we responded to a request for information from the Employee Benefits Security Administration (EBSA) on climate-related financial risk.⁹ We highlighted that gaps in climate-related data need to be addressed; some asset classes face challenges regarding climate-related data; and that proposals for issuer disclosures should be implemented before disclosures for other entities.

- **Providing evidence focused on the transition to net zero:** We responded to a range of consultations focused on the net-zero transition, including the call for evidence for the UK Net Zero Review; recommendations and guidance on net zero transition plans for financial institutions from the Glasgow Financial Alliance for Net Zero (GFANZ)¹⁰; a survey on the approaches currently adopted or preferred by survey respondents on measuring portfolio alignment, also from GFANZ; and a consultation by the UK Transition Plan Taskforce on setting frameworks for transition plans for all companies.

⁸ [DWP consultation – Climate and investment reporting: setting expectations and empowering savers – Insight Investment response](#), January 2022

⁹ [Information for Employee Benefits Security Administration on climate-related financial risk](#), May 2022, Insight Investment.

¹⁰ [Insight Investment response to GFANZ Net-zero Transition Plan framework for financial institutions consultation: Selected highlights](#), July 2022

- **Engaging with the UK government on key issues related to green finance:** We continued our ongoing engagements with the UK government. This included dialogue on its green gilt issuance (more information is provided in **Section 7**).

We also responded to the call for evidence for the update to the UK Green Finance Strategy, raising points for consideration including the lack of clarity on legal interpretations of fiduciary responsibility for UK pension schemes, the need for collaboration between public and private sector for solutions, and how the UK could lead in green bond issuance including sustainability-linked bonds (SLBs)¹¹.

- **Responding to FCA proposals on sustainability disclosure requirements (SDR) and investment labels:** The FCA issued a consultation proposing sustainability labels for funds marketed to retail investors. Our response, submitted in early 2023,¹² broadly supports the

proposals and raises a number of issues, including that the restrictive nature of the proposed labels may lead to the unintended consequences of increased risk for affected retail funds and the market overall; that flexibility is needed over the mutually exclusive nature of the sustainability labels in order to make it workable for certain asset classes, such as fixed income; that stewardship is to be encouraged but not mandated at asset or product-level; and that impact funds should not be limited to financing new projects only, as allowing for some re-financing of projects is necessary to ensure an investable universe of assets exists for this category.

- **Contributing our insights to inform the construction and management of key ESG benchmarks:** We participated, alongside other investors and stakeholders, in an inaugural discussion to inform the design and construction of Bloomberg ESG indices, providing technical feedback on our expectations of sustainable fixed income benchmarks.

FOCUS: ENGAGING ON IMPACT BOND DISCLOSURES

Engaging with underwriters of impact bonds to understand the inconsistencies between the US and European markets: Around 30% of corporate issuance in Europe is in impact bonds, relative to around 5% in the US, with the US also trailing in the level of reported disclosures for impact bonds. Also, some US impact bond issuance does not include an impact bond framework and second-party opinion, which are expected by European investors.

In 2022 we discussed these issues with various syndicates, who are the dominant underwriters of impact bonds, to understand the inconsistencies between the US and Europe impact bond markets, focusing on the difference in issuance levels and disclosures by companies when issuing impact bonds. We used this opportunity to communicate our preference for US impact bonds to have detailed standalone sustainable financing frameworks and second-party opinions in place, which enable Insight to conduct our impact bond assessments (see **Section 7** for more information on our impact bond assessment framework).

Transparency is an important enabler for sustainable investment to avoid potential ‘impact washing’, by enabling impact assessments to be integrated into the investment process by understanding how a positive impact is being achieved, the alignment of the impact to targets such as the UN Sustainable Development Goals, and to help ensure any negative impact is avoided.

Outcome: The syndicates explained their view of the issues, with reasons including:

- The European regulatory environment has put pressure on issuers to align with environmental principles, driving more projects that can be financed in the impact debt market. The political environment in the US has led to a different regulatory emphasis.
- The impact bond market is seen as an important part way for European companies to communicate their practices and performance regarding ESG issues.
- In the US, there are legal considerations around documents linked to debt that sit outside those specifically required by the SEC.
- US issuers can follow regional-level disclosures with which US investors are familiar. Syndicates emphasised they are using conversations with investors to help educate issuers on the reasons investors request standalone impact frameworks.

We believe it is likely that US disclosures for impact bonds come into line with European standards. Since the meetings, we have seen examples of legacy US impact bond issuers put impact bond frameworks in place, alongside second-party opinions.

¹¹ [Response to call for evidence for UK Green Finance Strategy update](#), June 2022, Insight Investment.

¹² [Consultation on Sustainability Disclosure Requirements \(SDR\) and investment labels](#), Insight Investment response, January 2023.

LDI STRATEGIES AND GILTS MARKETS

Background

In September 2022, the 30-year index linked gilt yield increased by 2.3% within four business days. The unprecedented speed and scale of such change caused a liquidity challenge for many schemes. It meant a fall in the value of liability-hedging contracts with investment banks and a requirement to top up collateral positions. The sale of gilts into an already dysfunctional market created a self-feeding loop, as price falls triggered further sales. It needed the Bank of England to break the cycle and stabilise the market – providing time for collateral buffers to be replenished and strengthened.

During September and October 2022, many client LDI programmes were tested across the market. For the LDI portfolios we manage, Insight was not forced to cut hedges against client expectations.

The liquidity crisis was the most severe test ever faced by LDI programmes. The UK parliamentary Work and Pensions Committee launched an inquiry into LDI.¹³ Statements were issued by The Pensions Regulator (TPR),¹⁴ the FCA¹⁵ and jointly by the Central Bank of Ireland, Luxembourg regulator CSSF and the European Securities and Markets Authority¹⁶ regarding LDI strategies.

In its December Financial Stability Report,¹⁷ the Bank of England noted that the resilience of the pensions sector needed to be improved, including via regulatory action to ensure that LDI funds were able to withstand “severe but plausible market moves” and including “robust risk management of any liquidity relied upon outside LDI funds”.

TPR issued guidance to defined benefit (DB) pension scheme trustees and advisers¹⁸ recommending that an appropriate level of resilience be “achieved and maintained” by both segregated and pooled LDI funds. TPR recommended that trustees review governance processes, with 10 practical steps to consider.

Insight activity and outcomes

Over the course of 2022 we had increasingly frequent one-to-one interaction with clients, more frequent articles and held general market update webinars and training workshops, urging clients to monitor and improve their collateral sufficiency in light of rising gilt yields and to monitor the liquidity of their assets. This meant our clients were in a better position to understand the issues facing them.

Through and after the sharp rise in yields in September, Insight took a leading role in supporting our clients, educating the industry and engaging with key stakeholders on the issues. We engaged directly with the Bank of England, FCA and TPR. This was a period that required good communication flow between industry and policymakers and we believe our interactions helped to inform them in the intervention decisions they made.

In the aftermath of the crisis, we submitted written evidence to the parliamentary inquiry.¹⁹ Key points included that:

- Linking the valuations of assets and liabilities to help secure benefits for DB pension scheme members, including through the use of LDI strategies, is prudent and appropriate.
- The speed of the rise in yields during late September and October was unprecedented, and liquidity conditions were challenging.
- The overall impact on pension savers in DB pension schemes has been limited, in our view.
- TPR has supported prudent risk management to secure members’ benefits, including through LDI.
- DB pension scheme trustees are typically required to seek professional advice when making investment decisions, including with regard to LDI strategies.
- The recent experience has highlighted some improvements that could be made, taking into account that the gilt market can become dysfunctional.

¹³ [Defined benefit pensions with Liability Driven Investments: Inquiry](#), Work and Pensions Committee.

¹⁴ [TPR welcomes NCA statement on LDI funds and issues guidance on maintaining LDI resilience](#), 30 November 2022, TPR.

¹⁵ [Statement on Liability Driven Investment \(LDI\)](#), 30 November 2022, FCA.

¹⁶ [Letter regarding Liability Driven Investment Funds \(PDF\)](#), 30 November 2022, Commission de Surveillance du Secteur Financier (CSSF).

¹⁷ [Financial Stability Report – December 2022](#), Bank of England.

¹⁸ [Maintaining liability-driven investment resilience](#), 30 November 2022, TPR.

¹⁹ [Written evidence from Insight Investment in response to the call for evidence to the Work and Pensions Committee inquiry on Defined benefit pensions with Liability Driven Investments \(PDF\)](#), November 2022, Insight Investment.

Insight's CEO Abdallah Nauphal volunteered oral evidence to the Committee²⁰. He made the case for regulation that makes it easier to use a broader range of assets for collateral for liability hedges; explained the role of LDI in managing asset and liability risk; and defended the use of leverage by LDI providers – which has helped schemes to close funding gaps over many years – while discussing the lessons learned from the crisis, including the need for reduced leverage in LDI portfolios going forward.

Abdallah also wrote an article for the Financial Times explaining what happened in markets and how best practice in LDI could evolve.²¹

EMIR AND GENERAL CENTRAL CLEARING ISSUES

Background

The exemption for pension funds from clearing derivatives, included in the UK's on-shored European Market Infrastructure Regulation (EMIR), is due to end in June 2023. We support this exemption being extended and made permanent, alongside ensuring that relevant exemptions within bank capital rules (e.g., the credit valuation adjustment exemption) are also maintained.

The EMIR clearing exemption for pension funds was provided because pension funds do not hold much cash, as they typically need to be close to fully invested in other assets to manage their financial solvency risk. Most UK pension funds hold large amounts of UK government bonds (gilts), which they typically use to collateralise their derivatives positions under non-cleared transactions. Forcing pension funds to clear, which would require them to post cash rather than gilts, would (i) increase the risk exposure and costs of pension funds, thereby negatively impacting the future retirement income of pensioners; and (ii) increase liquidity risks to the financial system more widely.

Insight activity and outcomes

In 2022 we led discussions on the issue with the Treasury, IA and peers in the industry. Having been in frequent dialogue with the Treasury, we sought to connect the Treasury with market participants, leading to a roundtable event in September in conjunction with the PLSA. This even allowed a number of large UK pension funds and the PLSA to discuss the need to extend the UK pension fund clearing exemption, ideally permanently, with UK policymakers. Representatives attended the event from the Treasury, the Bank of England and the FCA. We are hopeful that an exemption will be approved by the Treasury, which is still engaged on the issue. We believe Insight has been the primary 'go-to' entity for the Treasury about this issue.

MONEY MARKET ISSUES

We engaged with stakeholders and policymakers on a range of issues affecting the money markets.

Informing the European Commission about a rule affecting cleared sterling reverse repos: Post Brexit, EU money market funds are unable to trade cleared sterling reverse repos with LCH Ltd, as current rules require them to be traded with haircuts, meaning that clearing houses must post additional collateral to counterparties to satisfy the requirements. This goes against how cleared markets function, and is not operationally or commercially viable. We have worked with the International Capital Market Association (ICMA) to draft an industry paper, which has been submitted to the European Commission. The Commission concluded that the issue was not significant enough to warrant a change in rules, but it is now aware of the issue as a result of our engagement.

Responding to the European Commission consultation on the Money Market Fund Regulation:²² The consultation was a precursor to policymakers following up with a potential legislative proposal later in time. EU policymakers are likely to propose that Low Volatility Net Asset Value (LVNAV) funds



We engaged with stakeholders and policymakers on a range of issues affecting the money markets.



²⁰ [Oral evidence given to the Work and Pensions Committee](#), Wednesday 7 December 2022.

²¹ [A different perspective on LDI \(PDF\)](#), 21 October 2022, FT.

²² [Targeted consultation on the functioning of the Money Market Fund Regulation](#), 12 April 2022 - 20 May 2022, European Commission.

should be converted to Variable Net Asset Value (VNAV) funds. The consultation also included questions on Constant Net Asset Value (CNAV) funds. Insight responded to the consultation, alongside engaging with relevant industry associations, to articulate the importance of CNAV and LVNAV funds.

Engaging with the FCA and Bank of England discussion paper on the resilience of money market funds: In March 2020, financial markets reacted to the COVID-19 pandemic with increased selling pressure, volatility and illiquidity, and money market funds came under severe strain. Financial Stability Board members, including the UK, agreed to assess and address the vulnerabilities that MMFs pose in their country, leading to this discussion paper. It covered not only UK funds but also funds from other regions distributed in the UK. In our response, we reflected points similar to those raised in our response to the European Commission money market fund consultation, including a desire to decouple thresholds from gates and suspension, and the importance of having LVNAV and stable NAV funds.

OTHER REGULATORY ISSUES

- **Collaborating with industry partners on the review of the Alternative Investment Fund Managers Directive (AIFMD):** The European Commission published the legislative proposal for a review of AIFMD. We worked closely with industry associations on topics related to loan origination and delegation to support effective responses to the proposals, joining calls with EU policymakers to articulate these points, and helping industry bodies formulate position papers on the issues. We believe our efforts were helpful in influencing the industry response on loan origination, with some positive outcomes within the European Council text; however, discussions are still ongoing.

- **Ongoing discussions on the review of the UK funds regime:** We provided input to the IA, and directly to the FCA, on a range of issues including how a revised fund regime might support UK DB pension schemes. A key issue, raised by us and other peers, was the need to review the VAT treatment of fund management to make the UK fund regime competitive relative to offshore regimes. The Treasury launched a consultation specifically on this issue in late 2022.²³
- **New EU requirement on reporting affecting third-country ABS securitisations:** The European Commission clarified on 10 October 2022 that it expects even third-country issuers of securitisation deals to complete an EU report, which creates significant issues for investments in US issuers. An industry paper led by the Association for Financial Markets in Europe (AFME) was submitted to the European Commission. We successfully encouraged other industry bodies, ICMA and EFAMA, to support the paper, thereby increasing buy-side representation. We are still waiting to hear the response of policymakers to this letter.

²³ [VAT treatment of fund management: consultation](#), 9 December 2022, HM Treasury.

5

REVIEW AND ASSURANCE



Insight reviews policies, assures processes and assesses the effectiveness of its activities.

Overview

Key statements

- Context**
- Insight's Board of Directors has legal and regulatory responsibility for all aspects of the business and ancillary activities of the various legal entities within Insight.
 - The EMC is the key business management committee for the company and its sub-committees are responsible for strategy and execution, operational management and finance.
 - The IROC is the principal governance group with oversight and accountability for responsible investment across investment, governance, philosophy, advocacy, operations and technology, commercial development and our CSR programme.
 - There are dedicated internal groups that meet regularly to discuss stewardship and responsible investment themes.
-
- Activity/ Outcome**
- In this section we explain the rationale for our chosen approach, and outline our activity with regard to reviewing policies and processes to assure their effectiveness and where we can improve, covering:
 - **How Insight reviews policies to ensure they enable effective stewardship:** We reviewed our ESG policy framework to align with a new BNY Mellon Responsible Investment Control Framework Policy. These apply across our risk management (LDI), fixed income, and other strategies.
 - **Assurance received in relation to stewardship:** We conducted internal Compliance-led reviews to determine gaps in our implementation of the BNY Mellon responsible investment policy. This led to new processes and initiatives for our investment and marketing teams.

As of 2022, BNY Mellon audits of Insight investment teams formally include ESG matters, and we appointed the sustainability services team of a major professional services firm to conduct a readiness assessment of Insight's stewardship and responsible investment-related activities.

More information on Insight's internal and external risk management process framework is provided at the end of **Section 5**.
 - **Stewardship reporting: how we ensure it is fair, balanced and reasonable:** For our stewardship reporting, whether for our risk management (LDI), fixed income, or other strategies, we broadly seek to take the following steps:
 1. Understand our clients' reporting needs.
 2. Generate relevant reporting in a clear and relevant format.
 3. Review reporting (both the data and the format) internally.
 4. Provide reporting to the client and their advisers, seeking feedback on whether and how it aligns to their needs.
 - We believe our extensive internal and external reviews encourage continuous improvement of our policies and processes in relation to stewardship.

5.1 CONTEXT

OUR GOVERNANCE STRUCTURE, PROCESSES AND OVERSIGHT ARE EXPLAINED IN DETAIL IN SECTION 2. KEY BODIES INCLUDE THE FOLLOWING:

- Insight's Board of Directors has legal and regulatory responsibility for all aspects of the business and ancillary activities of the various legal entities within Insight.
- The EMC is the key business management committee for the company and its sub-committees are responsible for strategy and execution, operational management and finance.
- The IROC is the principal governance group with oversight and accountability for responsible investment across investment, governance, philosophy, advocacy, operations and technology, commercial development and our CSR programme.

There were open and active discussions within the Board on ESG matters in 2022 including:

- Insight's ESG strategy was presented to the Board as part of the Board's strategy review meeting
- All members of the Board received executive training on climate change matters delivered by Board training specialists, Fidelio Partners
- The Climate Change Resilience Committee was established and is chaired by our CRO. The scope of the Committee includes briefing the Board on relevant matters relating to climate change

Furthermore, there are dedicated internal groups that meet regularly (monthly or quarterly, depending on the group) to discuss stewardship and responsible investment themes. These include the ESG Fixed Income Group (Corporate) and ESG Fixed Income Group (Sovereign) groups (see Section 2 for more information).

5.2 ACTIVITY

IN THIS SECTION WE OUTLINE OUR ACTIVITY WITH REGARD TO REVIEWING POLICIES AND PROCESSES TO ASSURE THEIR EFFECTIVENESS AND WHERE WE CAN IMPROVE. WE BELIEVE OUR EXTENSIVE INTERNAL AND EXTERNAL REVIEWS ENCOURAGE CONTINUOUS IMPROVEMENT OF OUR POLICIES AND PROCESSES IN RELATION TO STEWARDSHIP.

EXPLAINING THE RATIONALE FOR OUR CHOSEN APPROACH

We believe that the approach we describe regarding our review and assurance activities is appropriate to the nature of our business and the responsibilities that we have to our stakeholders, including the requirement to act in our clients' best interests.

Our comprehensive approach reflects our desire to achieve:

- **Completeness** in terms of the coverage of our activities.
- **Transparency** regarding the status of our activities, frequent opportunities to identify and escalate areas for improvement.
- **Accountability** through our organisation, to the IROC, the EMC and the Board.

This comprehensive review, monitoring and oversight process is designed to encourage the continuous improvement of stewardship policies and processes throughout our business.

HOW INSIGHT REVIEWS POLICIES TO ENSURE THEY ENABLE EFFECTIVE STEWARDSHIP

Responsible investment policies are reviewed and approved by the appropriate governance group, such as the IROC or EMC. Insight reviews all its stewardship policies on an annual cycle as well as undertaking ongoing surveillance and thematic monitoring reviews on a regular basis. These apply across our risk management (LDI), fixed income, and other strategies.

Policies in place include our Responsible Investment Policy and Controversial Weapons Policy (these are available in **Appendix III**) and our Proxy Voting Policy (see **Section 12** for more information).

Processes and policies relevant to stewardship and our trading counterparties are implemented by Insight's CCC, chaired by Insight's CRO. More information on the CCC is available in **Section 7**.

An internal annual review is conducted in accordance with Rule 206(4)-7 of the US Investment Advisers Act of 1940, to see if policies and procedures are reasonable designed to prevent violations of the law. Furthermore, Insight appoints KPMG to perform an assurance report on our internal controls under both the ISAE 3402 and SSAE 18 standards, on an annual basis.

We have processes in place to ensure that assets under management with regard to ESG-related strategies are categorised in a clear and consistent way, to minimise the risk of misstatements and maximise clarity with regard to different types of ESG-related strategy.

ESG policy framework enhancements

Updates to Insight's ESG policy framework that were initiated in 2022 include the following:

- Making enhancements to the operating protocols of our investment governance forums relating to the oversight and accountability for all ESG related activities and engagement within Insight

- Making enhancements and additions to the management information provided to IROC
- Introducing an enhanced assessment and adherence framework relating to external ESG networks in which Insight participates and/or to whom Insight is a signatory
- Making further enhancements to existing frameworks relating to the following:
 - Insight's framework for review and use of external data sources for internal research purposes, as part of Insight's continual focus on ensuring the integrity and resilience of data used to inform investment decisions.
 - Refining internal documentation, reporting to Insight's Investment Management Group, relating to responsible investment process and ESG-related investment decision making, as well as Insight's Prime corporate ESG, sovereign ESG and climate risk ratings.
 - Finalising changes on individual policies on stewardship and proxy voting to support full integration into the investment process and provide the best outcome for clients by ensuring that our stewardship reporting is fair, balanced and understandable.

We are reviewing and refreshing our policies with regard to responsible investment and stewardship in 2023, to ensure they remain in keeping with best industry practice and standards.

NEW FOR 2022

Insight's position on thermal coal

As part of its net-zero commitments, Insight's science-based position on thermal coal investments commits to ensuring any holdings related to thermal coal usage will have:

- A clear and actionable plan to exit coal, defined as accounting for less than 5% of revenue by the Science Based Targets initiative (SBTi),
- By 2030 for developed market holdings and 2040 for emerging market holdings,
- While balancing the imperatives of a Just Transition as stated in the Paris Agreement.

This is in line with the scientific evidence requirements set by the Intergovernmental Panel on Climate Change (IPCC) to limit global warming to 1.5°C.

Insight will look to achieve this, where possible, through effective engagement as we feel this is likely to achieve a better real-world outcome. However, the position developed also has an escalation function which may ultimately lead to divestment if coal exit strategies are not sufficiently aspirational, and we believe there is likely to be a pecuniary impairment as a result.

Our thermal coal position is available [here](#).

FOCUS AREA FOR 2023: GOVERNANCE OF ENGAGEMENT ACTIVITY

Our engagement activity is overseen by a range of groups within Insight, including the RIG, REG and PVG, for activities that fall within their scope.

A focus area in 2023 includes enhancing the oversight of our engagement activities to confirm we are consistently:

- Engaging with issuers in line with our stated commitments/objectives
- Appropriately tracking and analysing engagements
- Taking relevant action, if deemed necessary, within appropriate timeframes
- Assessing the progress and/or outcomes of our engagements relative to our engagement objectives

We expect to escalate plans regarding the above to the Board for review and challenge. Progress is already under way in these areas, as explained later in this section.

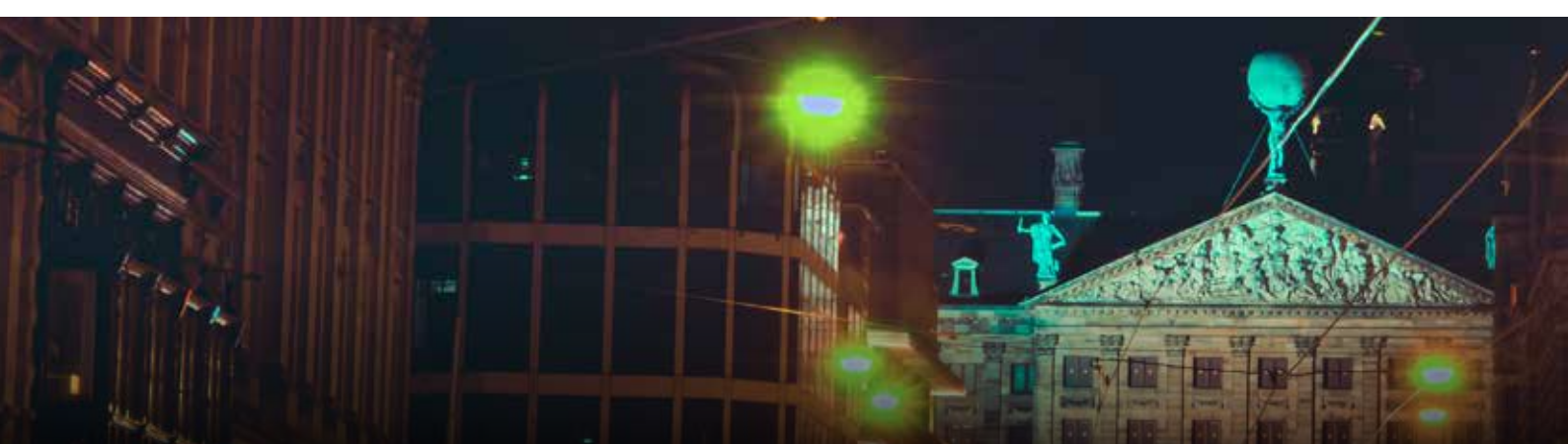
NEW FOR 2023**Stewardship Policy**

We are in the process of introducing a new Stewardship Policy, which outlines the philosophy and approach we apply in our stewardship commitments. We describe:

- The resources and governance behind our stewardship activity.
- Our policy relating to why and how we engage.
- How engagement differs depending on the asset class involved.
- Our proxy voting process.
- How we think about the broader oversight of our clients' best interests.
- How we address any conflicts of interest.

Much of the 'on-the-ground' stewardship activity is integrated within our investment processes, with our investment teams responsible for research and engagement with relevant entities. As well as standard fundamental analysis, this includes assessment of, and dialogue covering, ESG factors that could affect the entities in which we invest and the application of ESG criteria into portfolios with sustainability targets. The level of activity may differ depending on the asset class and mandate objectives. See **Sections 7 and 9** for more information.

More information on the Policy is available in **Appendix III**.



ASSURANCE RECEIVED IN RELATION TO STEWARDSHIP

As we seek to engage with issuers in pursuit of a range of objectives, we are aware of a range of challenges in doing so. We outline some of these challenges below.

- The time horizons for achieving engagement objectives can be unclear, or vary significantly depending on the topic and the specific issuer's circumstances, among other factors
- Establishing a single stance with regard to engagements is challenging when clients have opposing expectations, such as with regard to engagement on net-zero targets, and there are geographical differences in corporate and/or regulatory standards
- The degree of influence achievable through engagement varies widely, by issuer type, size and jurisdiction; and is often unclear without extensive engagement with a specific issuer
- Our clients may differ on the relative merits of engagement to improve relative to outright divestment
- Engagement through collaborative initiatives can be highly effective, but it can be challenging to understand the extent of our influence or achievement through such initiatives

To ensure our approach to stewardship is appropriate and effective, we undertake internal and external audits of our activity to identify areas for improvement.

More information on Insight's risk management framework, including audits, is provided below in the section titled 'Supporting information: Insight's internal and external risk management process framework'.

Compliance

Insight's Compliance Team provides ongoing advice and guidance to the business on regulatory matters and also undertakes periodic monitoring reviews across a range of

regulatory themes. These activities include the area of stewardship and help to ensure that stewardship related policies, reporting and processes are effective and meet relevant regulatory requirements and standards.

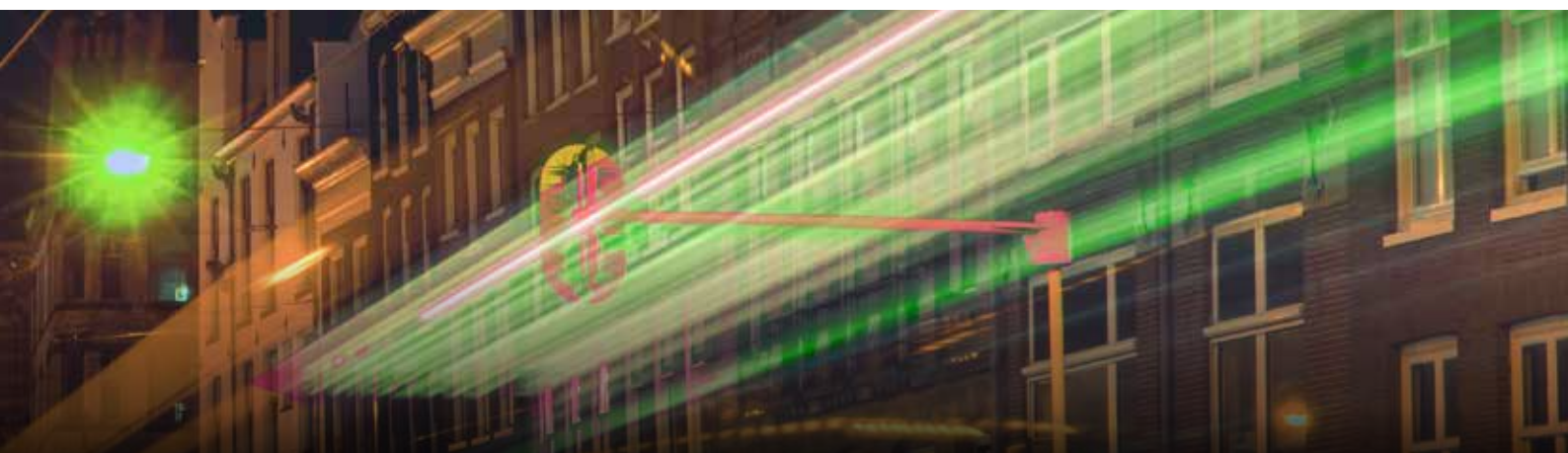
In 2022, the Compliance Team continued to:

- Review and approve marketing literature, including material related to ESG and stewardship activities
- Collaborate with relevant functions to enhance marketing review processes and guidance, including ESG and stewardship claims
- Provide compliance marketing training
- Review and oversee the maintenance of Insight's conflicts register
- Provide representation on Insight's PVG and advise on proxy related matters where required
- Track ESG-related regulatory developments and communicate these to impacted stakeholder groups
- Review some key elements of Insight's ESG and stewardship process and controls in thematic work as well as monitoring and testing

New for 2022

In 2022, the Compliance Team:

- Created a marketing framework to ensure standards for materials referring to responsible investment and stewardship activity are consistent and subject to appropriate checks and controls
- Conducted a monitoring review of activities related to ESG factors, focusing on areas including the integration of ESG analysis into the investment process, ESG engagement, investment guidelines, financial promotions/marketing material, and communications to clients
- Provided input to enhancements to existing desk procedures regarding the integration of ESG-related matters
- Provided input to new and refreshed policy documents (see previous section)



In 2023, the Compliance Team intends to perform a standalone review of aspects of ESG operations, with specific coverage areas to be determined. The Team will be covering ESG client reporting as part of a broader review of client reporting.

Internal audit

Internal audits, conducted by BNY Mellon, operate on a continual audit plan to conduct engagements throughout the year. This process follows a risk-based audit approach. Each Auditable Entity (e.g., business line or function) is risk-assessed each year to construct the annual Audit Plan, which is approved by the Audit Committee of BNY Mellon's Board of Directors. The annual risk-assessment methodology used by the Internal Audit team determines the frequency of audits based on assessed risk. The highest-risk businesses are audited every 18 months, with lower-risk entities being audited between every two and four years. However, the frequency for each individual function may change from year to year. Insight is captured in this process and included in the Audit Plan as appropriate.

The internal audit leadership must consider the most effective way of covering their Auditable Entities and may consider completing a 'vertical' review of a specific business line or process, combining audits of different entities, achieving coverage through audits integrated with specialist teams, or completing thematic, regional or enterprise-wide 'horizontal' reviews. Where appropriate reviews can be unannounced.

Internal Audit uses audit programmes as the basis for its audit work. These programmes cover a wide array of topics, such as compliance with laws, regulations and company policies; specific products; key processes and functions. These programmes may be developed from scratch or be used on a recurring basis. In either case, they are generally based on industry or regulatory guidance and are tailored to meet the specific scope of each audit.

The programmes are based on the standards promulgated by the Institute of Internal Auditors (IIA). Additionally, the department participates periodically in an external Quality

Assurance Review in compliance with the IIA standards. The company's Internal Audit department has a robust Internal Quality Assessment programme. The programme is administered by the department's Professional Practices group so as to be independent of the teams who perform the audit work.

The comprehensive Auditable Entity listing and detailed Audit Plan supports our stewardship objectives by improving accountability levels across relevant teams and identifying appropriate new or existing resources to allocate.

In 2022, audits included departments including Technology, HR, Legal, Finance, North America Portfolio Management, UK Fixed Income, and Trading. From 2022, internal audits of Insight Investment teams formally include ESG matters.

For 2023, planned audits include Insight's Financial Solutions Group, Currency, Equity and Multi-Asset.

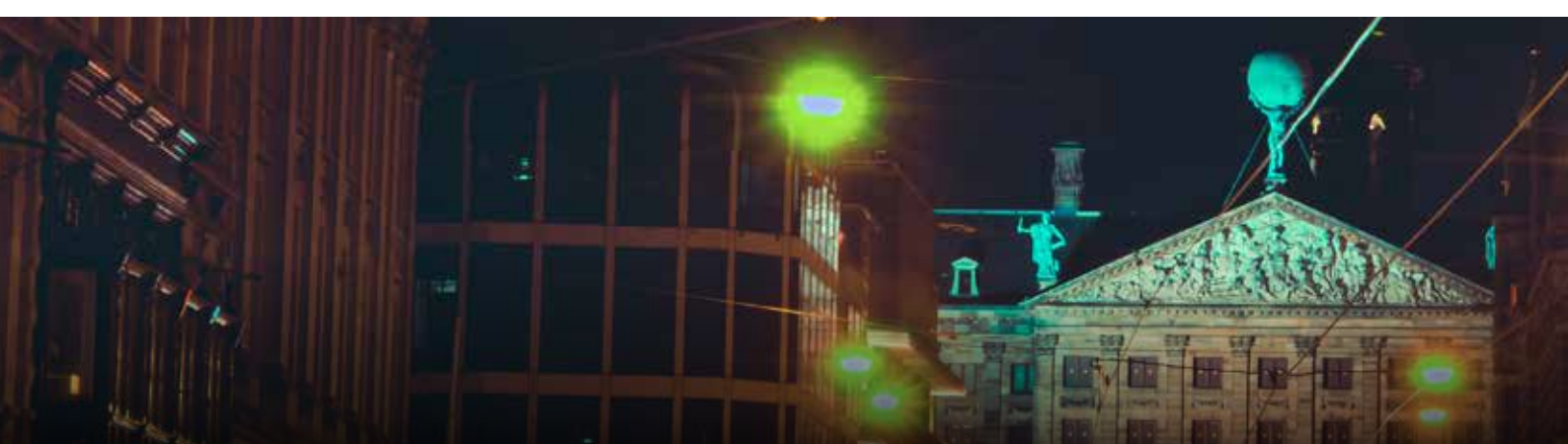
For more information on our internal audits, please see the section below titled 'Role of BNY Mellon internal audit (third line of defence) with respect to the Insight risk framework'.

External audit

Our external auditor KPMG conducts an annual assurance review (SOC1 Type II under the joint ISAE3402 and SSAE18 Audit guidance standards) of Insight's internal controls, including controls relating to our approach to responsible investment. The review does not explicitly cover Insight's stewardship activities, but it does provide assurance on key investment management controls, including:

- Guideline management
- Proxy voting
- Conflicts of interest

The 2022 report, which covered the 12 months to the end of September 2022, noted that Insight's controls "were suitably designed to provide reasonable assurance that the control objectives would be achieved" over the period under review, and that the controls tested "operated effectively" over the period. For more information, please contact your Insight representative.



New for 2022

Reflecting on the performance of our controls, and recognising an opportunity to set increasingly high standards, Insight appointed the sustainability services team of a major professional services firm to conduct a readiness assessment of Insight's key stewardship and ESG-related activities, to include proprietary ESG ratings, engagement activity, responsible investment resourcing and management information and key performance indicators (KPIs) including client reporting. The findings of this review were used in 2022 to identify key areas for improvement in our controls and governance framework.

STEWARDSHIP REPORTING: HOW WE ENSURE IT IS FAIR, BALANCED AND UNDERSTANDABLE

For our stewardship reporting, we broadly seek to follow the following steps, whether for our risk management (LDI), fixed income, or other strategies:

1 Understand our clients' reporting needs: Requirements for stewardship reporting are defined by our clients and consultants, and regulatory frameworks that apply either to our clients or to Insight. We consult our clients and their advisers regularly on their specific needs, which may differ according to client type, geography and the solution or strategies in which they invest. We seek feedback using questionnaires and regular dialogue to guide us on areas that may support their portfolio and non-portfolio requirements, and this includes our reporting.

In 2022 we continued to enhance our client reporting suite, which gives clients access to an aggregate summary of key climate data points, including carbon emissions data and Paris-alignment information. We increased the coverage of issuers and expanded the range of strategies for which we report this information.

2 Generate relevant reporting in a clear and relevant format: Our clients frequently ask us to comment how our investment activities, such as our stewardship activities

and approach to ESG issues, align with their own values and priorities. This is supported by our reporting: all clients receive reporting in line with their stated monthly, quarterly or annual reporting requirements.

Responsible investment is now a topic at most client meetings, and to reflect this significant interest, our reporting to clients may now include reporting on ESG factors, regardless of whether their mandate includes specific ESG exclusions, constraints or targets. Our in-house data sets mean Insight can support reporting against the following attributes: Insight's Prime corporate ESG, sovereign ESG and climate risk ratings; carbon footprinting; stewardship activity; positive impact; and impact bonds.

Furthermore, this report provides an overview of our stewardship and responsible investment activities, including case studies and information on our processes, and is designed to guide our clients on how we approach responsible investment for the strategies in which they are invested.

3 Review reporting (both the data and the format) internally: Client and Compliance teams are involved in reviewing our report templates for clients, for which there is a clear regulatory requirement that such reports – including their stewardship information – are clear, fair and not misleading.

4 Provide reporting to the client and their advisers, seeking feedback on whether and how it aligns to their needs: We regularly engage with our clients and their advisers to ensure our reporting provides the information and transparency they require.

For more on how we engage with our clients, including our reporting, please **Section 6** on how we meet our clients' needs.



5.3 INSIGHT'S INTERNAL AND EXTERNAL RISK MANAGEMENT PROCESS FRAMEWORK

Insight has an independent risk management function that oversees and maintains the risk management framework. The primary purpose of the framework is to safeguard the integrity and assets both of Insight and its clients, whilst allowing sufficient operating freedom to meet the needs of clients and the scope of activities and services provided to them, directly and indirectly, through appropriate delegation.

Full details of Insight's risk management framework are available in **Appendix IV**.

Role and responsibility of the EMC and RMG

The Board is ultimately responsible and accountable for all elements of the risk management framework and strategy of the firm. The Board has delegated the management and implementation of the risk management framework and strategy to the EMC.

Role and responsibility of business line management (first line of defence)

The first line of defence encompasses the risk identification and control activities embedded within business processes.

Role and responsibility of the risk management and control functions (second line of defence)

A second line of defence is provided by the independent challenge, monitoring and reporting activities carried out by Insight's Risk Management and Control Functions, in this case, primarily the Corporate Risk and Compliance Teams, which have independent reporting lines to BNY Mellon and within Insight report to the CRO. The EMC has delegated day to day operation of Insight's risk management framework to the Corporate Risk Team.

Role of BNY Mellon internal audit (third line of defence) with respect to the Insight risk framework

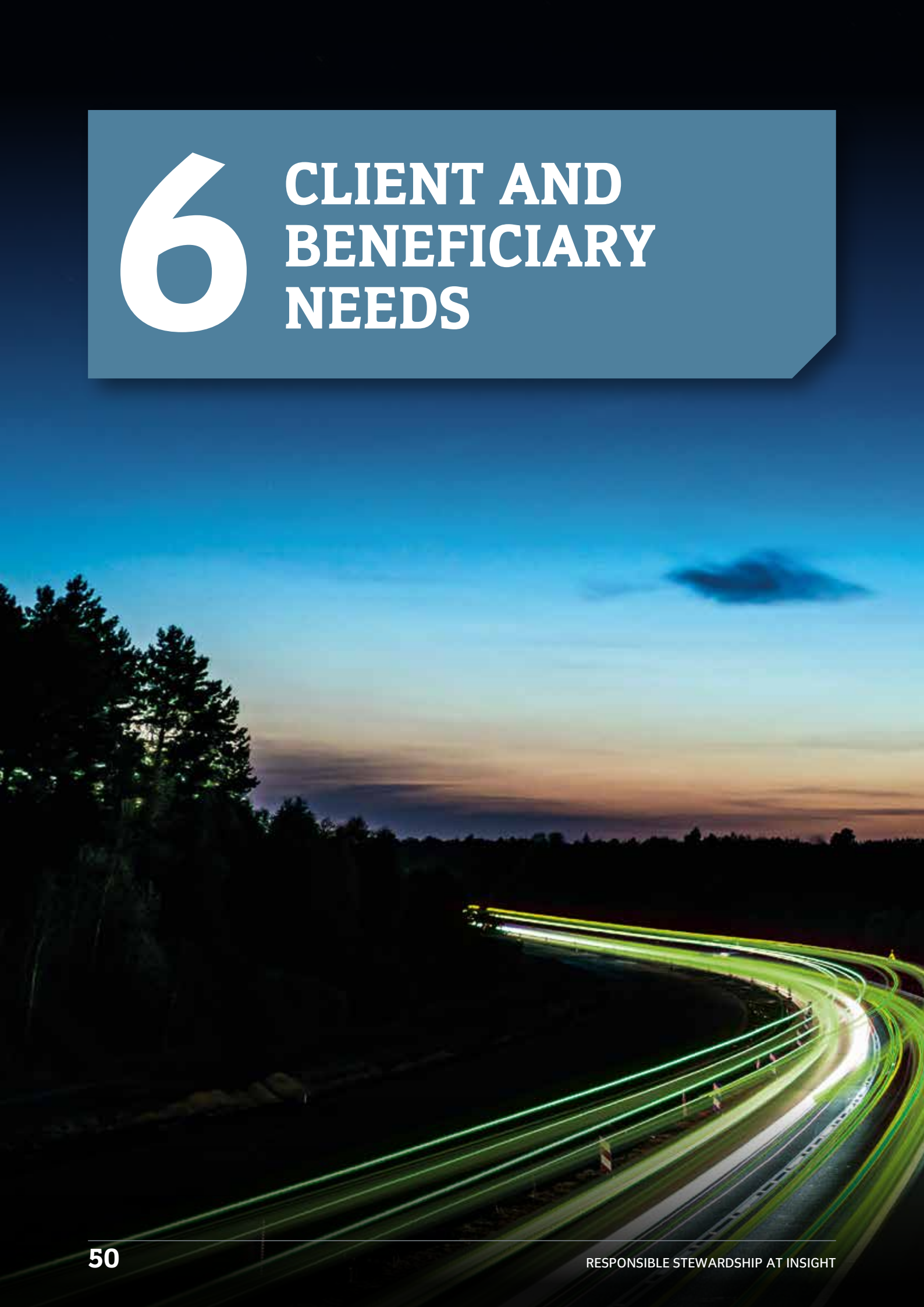
Insight's risk management activities are subject to internal audit inspection by a specialist team within BNY Mellon. Internal Audit is an independent, objective assurance function that reports directly to the Audit Committee of BNY Mellon's Board of Directors. The Chief Audit Executive role reports directly to the Chairman of the Audit Committee of the Board of Directors. The internal audit function independently reviews, monitors and tests Insight's compliance with risk policies and procedures and assesses the overall effectiveness of the risk and capital management frameworks.

It also provides assurance to the Insight Board on the effectiveness of the control framework in place, including the way the first and second lines of defence operate. The scope of work of Internal Audit is set independently of Insight and results of audits are also reported to the appropriate BNY Mellon and Insight committees.



6

CLIENT AND BENEFICIARY NEEDS



Insight takes account of client and beneficiary needs and communicates the activities and outcomes of stewardship and investment.

Overview

Key statements

- Context**
- Insight is entrusted with over £653bn of assets²⁴. We provide a breakdown of our assets by investment type, client type, and geography.
 - We focus on risk management (including LDI strategies) and fixed income solutions, with 99% of our client base comprised of institutional asset owners; most of these assets are managed via segregated mandates rather than pooled funds.
 - Most of our assets relate to UK pension schemes with LDI mandates. These consist of bonds (UK gilts and high-quality corporate bonds), backing assets (cash and asset-backed securities) and derivatives in aiming to hedge interest rate and inflation risks, alongside other objectives.
-
- Activity**
- There are three principal ways in which we may partner with clients to build portfolios that align with their requirements: we may engage in dialogue with clients and their advisers, tailor our investment approach, and share information on the latest investment approaches.
 - Our activities include direct face-to-face engagement, where practicable, as we aim to partner with clients, their advisers and in some cases their sponsors. In addition, our extensive research helps us assess satisfaction and to respond to the specific feedback we receive.
-
- Outcome**
- We seek to identify areas for improvement to ensure we are succeeding in addressing our clients' needs. We participate in research studies with clients and their advisers each year to gain direct feedback on a variety of aspects of our activities. We face various challenges as we seek to fully understand our clients' requirements.
 - In 2022, our high level of direct engagement with clients increased through a range of activities:
 - Pioneering climate-aware buy-and-maintain corporate bond portfolios
 - Supporting the UK's largest pension funds in calculating climate metrics on gilt portfolios for climate reporting regulations
 - Delivering client events highlighting a range of issues related to responsible investment and stewardship
 - Developing new strategies in response to client demand for portfolios that explicitly target a positive impact
-

²⁴As at 31 December 2022. AUM are represented by the value of cash securities and other economic exposure managed for clients. Figures shown in GBP. Reflects the AUM of Insight, the corporate brand for certain companies operated by Insight Investment Management Limited (IIML). Insight includes, among others, Insight Investment Management (Global) Limited (IIMG), Insight Investment International Limited (IIIL), Insight Investment Management (Europe) Limited (IIMEL) and Insight North America LLC (INA), each of which provides asset management services.

6.1 CONTEXT

INSIGHT IS ONE OF THE WORLD'S LARGEST INVESTMENT MANAGERS²⁵ RESPONSIBLE FOR OVER £653BN IN ASSETS.²⁶ THE CHARTS BELOW PROVIDE A BREAKDOWN OF THESE ASSETS.

Notably, over 99% of our client base, based on assets, is institutional. Larger institutional clients may have internal teams who liaise directly with Insight teams, while many also have advisers (investment consultants) who work closely with them and with Insight to ensure we fully understand and fulfil our clients' requirements. With our institutional clients, we typically follow a programme of regular monthly, quarterly and/or annual meetings to maintain clear and open communication.

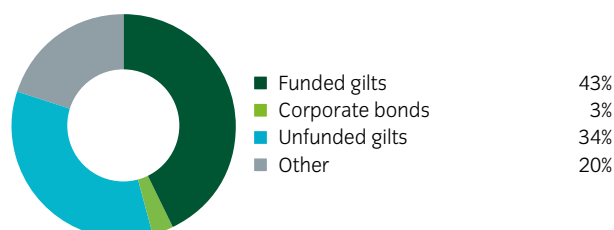
For institutional clients with segregated mandates, our clients' specific needs and expectations are reflected in an Investment Management Agreement (IMA) which sets out their requirements. A combination of Insight's internal controls and our clients' advisers serve to monitor Insight's activity and performance to ensure we are fulfilling our clients' needs as set out in the relevant IMA.

Because we focus on only what we believe we are best at, most of our assets are in risk management (c.60%) and fixed income (c.30%) strategies. Our risk management solutions largely consist of LDI mandates, which seek to manage pension schemes' liability risks – most of our LDI clients are UK pension schemes. These typically consist of:

- High-quality bonds (such as UK gilts and investment grade corporate bonds), used to hedge risks and generate potential for additional returns.
- Backing assets (including asset-backed securities and money market funds), used to generate potential for additional returns and convertible to cash to support collateral requirements for derivative positions.
- Derivatives (including interest rate swaps, inflation swaps, and bonds on repo) to hedge risks and provide synthetic exposure to markets.

The vast majority of liability-hedging exposure is currently provided through bonds. A breakdown of this exposure for Insight in the UK is shown in the chart on the right.

Indicative asset-class breakdown of Insight's UK liability hedge exposure (£242bn)²⁷



The fixed income strategies we manage for our clients are typically focused on single asset classes, including sovereign debt, corporate bonds and secured finance.

Our risk management and fixed income capabilities are therefore interrelated and complementary, with fixed income assets often key to building effective risk management solutions for our client base. Insight manages portfolios with exposure to:

- Short-term financial instruments (such as cash or money market strategies).
- Medium-term instruments (such as active fixed income and multi-asset strategies).
- Long-term financial exposures (such as LDI, and in fixed income, buy and maintain strategies).

Our clients may seek bespoke mandates that meet their required time horizons which influences how portfolios are constructed and managed, including how we assess financial instruments or work with financial market participants.

Ultimately, most of Insight's clients are pension schemes with long-term liabilities, paying pensions to beneficiaries for decades into the future. Therefore, as a steward of our clients' assets, we must also take a long-term view to ensure we are able to meet those clients' needs both now and in the future. However, we are cognisant of the needs of our clients whose time horizons are shorter.

²⁵ Source: The world's largest 500 asset managers, October 2022, Thinking Ahead Institute.

²⁶ As at 31 December 2022. AUM are represented by the value of cash securities and other economic exposure managed for clients. Figures shown in GBP. Reflects the AUM of Insight, the corporate brand for certain companies operated by Insight Investment Management Limited (IIML). Insight includes, among others, Insight Investment Management (Global) Limited (IIMG), Insight Investment International Limited (IIIL), Insight Investment Management (Europe) Limited (IIMEL) and Insight North America LLC (INA), each of which provides asset management services.

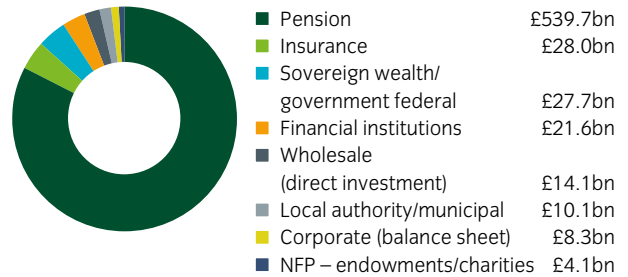
²⁷ As at 31 December 2022. This information is indicative only. Exposure for leveraged mandates and AUM for fully funded LDI mandates for UK clients.

INSIGHT'S AUM

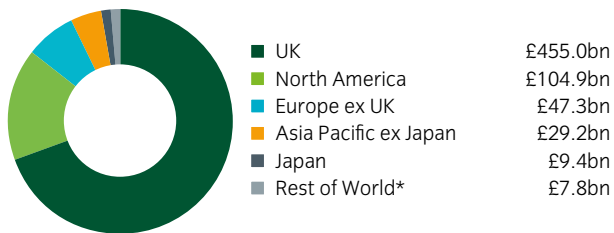
By investment area



By client type



By geography (asset country)



Institutional and retail



* Bermuda, Botswana, Cayman Islands and Gibraltar.



Because we focus on only what we believe we are best at, the vast majority of our AUM is in risk management (c.60%) and fixed income (c.30%) strategies. Our risk management solutions largely consist of LDI mandates, which seek to manage pension schemes' liability risks – most of our LDI clients are UK pension schemes.



6.2 ACTIVITY

HOW INSIGHT ENGAGES WITH CLIENTS TO UNDERSTAND AND REFLECT THEIR NEEDS

Our engagement with our clients aims to ensure we fully understand their needs, enabling us to pursue their desired outcomes on their behalf. This includes ensuring we are effective stewards of our clients' assets, with many of our clients expressing specific requirements as to how we manage their portfolios. Insight has several teams that collaborate to ensure we are serving clients effectively:

- **Client Solutions Group:** A team of 83 dedicated client solutions professionals, including Solutions Designers, Client Directors, Investment Specialists and Client Service Professionals.²⁸ Each institutional client will typically have named individuals from each team within the Client Solutions Group assigned to them. This allows for close and regular contact, with monthly, quarterly and/or annual meetings with many clients and/or their advisers to ensure we continue to fulfil and adapt to their needs.
- **Consultant Relations Team:** Our Consultant Relations Team of 11 dedicated specialists²⁸ conducts in-depth quarterly meetings with investment consultants, setting a firm foundation for ongoing communication, and works closely with our Client Solutions Group to ensure communications are consistent, comprehensive, and in line with clients' needs.

Because most of Insight's business is intermediated by investment consultants, Insight's investment capabilities are subject to stringent and regular assessments by major consultant firms, comparing our offering with that of our competitors. This provides added assurance for our mutual clients that the quality of Insight's capabilities, controls and processes are effective and represent the best match for our clients' needs.

- **Investment teams:** Our investment teams are fully engaged with our client relationships, participating in client meetings and discussions, with named individuals in our 34-strong Financial Solutions Group (which focuses on risk management and LDI solutions), 168-strong Fixed Income Group, 22-strong Currency Team and/or our 9-strong Multi-Asset Strategy Group assigned to clients as appropriate.²⁸ Our Responsible Investment Team may also engage with clients where relevant (see **Section 2** for more information on the Responsible Investment Team).
- **BNY Mellon:** Insight sub-advises on a number of pooled funds distributed by BNY Mellon across EMEA, the US and

Asia, which support relationships with wholesale clients through pooled fund platforms. BNY Mellon personnel also provide local knowledge and client service capabilities for institutional clients in geographies where Insight does not have dedicated local teams.

Our clients' needs are often communicated by their advisers, who also bear responsibility for ensuring that Insight fulfils its obligations.

There are three principal ways we partner with clients and build portfolios that align with their requirements.

- **First, we aim to engage in dialogue with clients and their advisers on our performance.** We use this to guide us on areas that may support their portfolio and non-portfolio requirements. Clients are assigned specialists to manage the daily relationship; this team supports clients by answering questions and engaging with our internal experts to service client requirements. Where relevant, we provide clients and their advisers with updated information on a quarterly basis to support their due-diligence efforts.
- **Second, we develop our capabilities and tailor our investment approach to align with each client's stated responsible investment policies.** We work closely with some clients to iterate solutions tailored specifically for their needs, and discuss frequently how our investment activities, such as our stewardship activities and approach to ESG issues, align with our clients' values and priorities. We recognise that many clients are increasingly wishing to adopt solutions that move beyond a focus only on materiality of ESG risks to also focus on moral/ethical characteristics and indeed positive impact allocations. For clients seeking bespoke ESG criteria, we have significant experience in implementing a wide range of bespoke portfolios and manage customised solutions with specific carbon targets, ESG filters, impact themes and exclusions lists.
- **Third, we believe that constructive engagement with our clients through meetings, information-sharing and reporting helps better decision-making.** To support this activity, we house education content on central platforms for clients to access on a range of issues. We also host dedicated conferences, webinars and events where our clients can interact with our colleagues and external experts. We believe a better-informed client base allows for more informed decisions and deepens engagement

²⁸ As at 31 December 2022.

between clients and the Insight team. We also publish a range of white papers and articles – we obtain feedback on these materials from our audiences through external research in order to assess readability and accessibility, and to ensure our communications are in line with our clients' needs. Our extensive responsible investment microsite (available [here](#)) also provides information on our activities.

This engagement is supported by our reporting: all clients receive reporting in line with their stated monthly, quarterly or annual reporting requirements, and it is a standard element of our client service to ensure our reporting provides the information and transparency required. Responsible investment is a topic at most client meetings, and to reflect this significant interest, our reporting to clients may now include reporting on ESG factors, regardless of whether their mandate includes specific ESG exclusions, constraints or targets.

Our in-house data mean Insight can support reporting against the following attributes for select asset classes:

- ESG ratings
- Climate ratings
- Carbon metrics
- Stewardship activity
- Positive impact
- Implied temperature alignment
- Exclusion criteria reporting

This reporting will be provided in various ways, which may be tailored to meet clients' needs, including:

- periodic formal investment reports,
- tailored responsible investment reports,
- the supply of relevant engagement and/or ESG and climate risk data for specific reporting requirements (such as the PLSA's Carbon Emissions Template and the reporting template introduced by the Investment Consultants Sustainability Working Group),
- at regular client meetings,
- at specific responsible investment-focused meetings,
- through monthly and quarterly articles and updates, and
- through our annual responsible investment report.

We also ensure we stay abreast of regulatory changes that impact our clients to ensure that we can provide the information that they require to meet their needs. In order to be able to meet clients' requirements for details on individual engagements, we made changes to how credit analysts record engagement data, allowing us to more readily report on this information.

This report, which provides an overview of our stewardship and responsible investment activities, including case studies and information on our processes, is designed to guide our clients on how we approach responsible investment for the strategies in which they are invested.

On request, we can provide details of our assets under management across different types of ESG strategy.

Lastly, we share the results of annual assessment surveys in which we participate. We respond to numerous surveys throughout the year which provide a further opportunity for our key stakeholders to learn more about our approach.

EXAMPLES OF INSIGHT REFLECTING DIRECT CLIENT FEEDBACK IN OUR ACTIVITIES IN RISK MANAGEMENT AND FIXED INCOME SOLUTIONS

- **Insight has pioneered climate-aware buy-and-maintain credit portfolios:** We have materially reduced holdings that, in our view, are more carbon intensive and exposed to material climate risks, and believe we have done so without clearly impairing the risk/return characteristics of our strategic credit portfolios. Based on conversations with third parties we believe we are ahead of the curve in recognising that meaningful climate change-related risks are yet to be priced into markets.

To help clients build optimal portfolios that reflect their ESG and decarbonisation strategies over the course of 2022, we have developed the ability and the data to be able to analyse investment grade credit securities for Scope 3 carbon emissions (emissions produced when a purchaser uses the services or products created by the company in question).

We have identified securities that lack some carbon data metrics such as carbon footprint (tCO2/\$m EVIC) and have sought with our credit analysts to obtain relevant emissions and EVIC figures to allow us to manually calculate carbon data for issuers we hold. As a result of this work, the coverage of carbon footprint has increased in relevant funds – for our flagship buy-and-maintain corporate bond portfolio in 2022, coverage of Scope 1 and 2 carbon footprint increased from 49% to 71%, and for Scope 3 carbon footprint from 51% to 69%. Previously, the industry has only been able to calculate issuers' Scope 1 and 2 carbon emissions; using this expanded data, we can now create portfolios that more precisely reduce carbon emissions in line with client targets, while still offering returns in line with their financial objectives.

Using these developments, Insight is working with four large pension schemes to set specific carbon emission goals in their portfolios; some of these are targeting net zero before 2050. We are also talking to many more clients about the possibility of creating such segregated buy-and-maintain portfolios. For such portfolios forward planning is essential, particularly as the quality and depth of carbon emissions data is evolving. We explained this to our clients in a [dedicated video](#).

This development follows the reduction in carbon intensity of our strategic credit portfolios by 35% in 2021, without impairing risk/return characteristics. Over the same year, the carbon intensity of the GBP comparator index rose 13%. We made further reductions in carbon intensity over 2022 and believe we are ahead of the curve in recognising that meaningful climate change-related risks are yet to be priced into markets.

- **Insight has supported the UK's largest pension funds in calculating climate metrics on gilt portfolios for climate reporting regulations:** This work has been crucial as the specific requirements remain unclear for LDI portfolios, which comprise the largest proportion of many funds' assets. Ahead of the requirements applying to a larger proportion of pension funds from October 2022, we continued the conversation with our clients proposing suitable climate metrics for gilt holdings. There is significant uncertainty over how to apply these measures, and based on ongoing conversations with the UK's largest pension funds we have continued to highlight the issues (see our article on the topic [here](#)).

We are pleased to note that David Fairs, then Executive Director of Regulatory Policy, Analysis and Advice at TPR, acknowledged the work of many trustees and the challenges they face regarding climate reporting, including those we highlighted (see the TPR blog [here](#)).

- **Insight worked with a large US subadvisory client to create a customised sustainable mandate for a mutual fund:** The client sought to keep a broad investment universe with limited potential for tracking error relative to

the benchmark, the US Aggregate Bond Index, and the peer group, while both taking ESG factors into account from a risk perspective and making an impact from a use-of-proceeds bond perspective. Working with the client's CIO office and manager research team we created a portfolio with the following characteristics:

- Benchmarked against the US Aggregate Bond Index
- 80% of the portfolio is invested in best-in-class issuers, defined as issuers rated 1, 2 or 3 by Insight's proprietary Prime corporate ESG rating framework
- All 'worst-in-class' issuers based on ESG criteria are excluded
- At least 5% of the portfolio must be invested in positive use-of-proceeds impact bonds, which are not rated 'red' under Insight's impact bond assessment framework

In early 2023, this fund represented one of the largest US mutual funds in its category.

PROTECTING CLIENTS' INTERESTS

In most areas of the business we do not have any formal limits on future asset growth, although this is an area that each business area monitors continuously. Our business has been built on a scalable platform and our policy is to resource ahead of growth by monitoring new business activity and future development plans against current resource levels and internal and external capacity constraints.

We considered the impact of fixed costs on the overall expense to investors in our UK domiciled fixed income funds during 2022 as part of the Fair Value Assessment process. In two cases we made the decision to reduce the annual management charge on specific funds in order to maintain value for money for existing investors where the assets under management had fallen. We also participated in a review of BNY Mellon Investment Management pooled funds where Insight acts as the sub adviser, assessing whether the positioning of these investments remained appropriate for investors in the context of the relevant competitor peer groups.

6.3 OUTCOME

HOW WE ASSESS OUR EFFECTIVENESS AT UNDERSTANDING AND REFLECTING OUR CLIENTS' NEEDS

Our primary focus as a business is on how we meet each client's specific requirements, and we seek to regularly confirm with them and their advisers whether and how we are meeting their specific requirements.

We also seek to identify areas for improvement to ensure we are succeeding in addressing our clients' needs. We participate in research studies with clients and their advisers to gain direct feedback on the relevant aspects of our activities. The details of these studies, and input from the participants, are debriefed to the EMC with actions identified and tracked to ensure that we directly address client and consultant feedback.

Over 2022, an environment in which global interest rates and bond yields were rising – with market turmoil in late September particularly relevant for our client base – we engaged heavily with our clients and their advisers, supporting them through events, communications and direct dialogue.

- **In our most recent client survey**, conducted in late 2022, 96% of the 172 respondents said they would recommend Insight, and 90% or more of UK respondents rated Insight as excellent or good for meeting their investment objectives, interaction with our investment and solutions professionals, interaction with their client director, responsiveness to requests, and flexibility to meet their needs.

Around 75% of respondents rated Insight's capabilities to support their ESG objectives as excellent or good (with most of the remainder having no view), resulting in an average score of 3.4 out of 4. These client surveys are conducted every 18 months, and the next survey is scheduled for early 2024.

- **Investment consultants rate Insight very highly:** In 2022, Insight was ranked in first place by UK investment consultants for Overall LDI Quality for the 12th consecutive year; and first for Fixed Income Overall Quality, for which Insight has been ranked in the top decile in every year since 2013.²⁸
- **Institutional UK clients rate Insight very highly:** Coalition Greenwich undertakes research with UK institutional clients each year; In February 2023, Coalition Greenwich confirmed Insight as a Quality Leader for UK Investment Management Service for 2022. Insight has been rated in the top decile for Service Quality by UK Institutional Clients in 8 of the last 10 years.²⁹ In separate research conducted by Research in Finance, Insight ranked first for the highest average client service performance in 2022 based on responses from UK trustees, pension scheme managers and consultants; we note this research was conducted after the market turmoil of September 2022. Insight has ranked first or second place for the highest average client service performance for four years in a row³⁰.

²⁸ Source: Greenwich Associates 2022 UK Investment Consultant Research. LDI results are based on interviews with 10 UK consultants evaluating LDI. Fixed income results are based on interviews with 11 UK consultants evaluating fixed income managers. Greenwich Quality Index Overall is a composite of Investment and Service scores.

²⁹ Source: Coalition Greenwich Voice of Client – UK Institutional Investors Study 2013 to 2022. Overall UK Institutional Investment Management Service results. In 2022 Insight was ranked first, cited by 65 clients out of 197 total respondents covering all asset/mandate types. Greenwich calculates a Service GQI (Greenwich Quality Index) based on a series of underlying Service success factors such as Understanding of Client Goals and Objectives, Capabilities of Relationship Managers, Usefulness of Formal Investment Review Meetings, Quality of Reporting Documents. The highest aggregate Service GQI drives choice of Quality Leaders and a minimum of 20 client evaluations is required to qualify.

³⁰ Source: Research in Finance UK Institutional Market Study was conducted between 24 November 2022 and 26 February 2023 (Wave 8). 209 UK participants were surveyed, qualified as having a role in investment decision making. Question 'for the following aspects of client service, please categorise the manager as 'performs well', 'performs satisfactorily', 'does not perform well', 'not applicable' when considering the service provided. Total response to the question n=534; Insight Investment W8 n=60.

In 2022, we made a range of improvements to help us serve our clients more effectively, based on the feedback we had been given. Regarding stewardship, these included the following:

- **Client events highlighting a range of issues related to responsible investment and stewardship:** Our Client Summit in 2022 brought together professionals, decision makers and trustees representing some of the largest DB pension schemes, and focused purely on responsible investment and stewardship-related issues. Topics included how pension funds are pursuing net-zero goals in practice; a review of independent academic research on the application of ESG factors within fixed income (see below on the details of this research); how ESG considerations relate to investors' fiduciary duty; and how to integrate ESG considerations across a range of asset classes, including within LDI, credit and sovereign debt strategies.
- **New strategies have been developed in response to client demand for portfolios that explicitly target a positive impact:** In 2022 we expanded the Responsible Horizons range of strategies, including two new approaches aiming specifically to have a positive environmental and/or social impact, which are increasingly in demand across our client base. Focused on European and emerging markets respectively, these strategies invest in impact bonds and 'impact issuers' (issuers that we deem to be materially aligned to the UN Sustainable Development Goals). The Responsible Horizons Euro Impact Bond strategy launched in January 2022 and the Responsible Horizons EM Debt Impact strategy launched in January 2023. More details are provided in **Section 7**.
 - We are actively considering other strategies for the Responsible Horizons range, which may launch in 2023.
- **New research to inform clients about the implications of integrating ESG factors within fixed income portfolios:** Fixed income assets are the core allocation for many institutional investors. However, much of the academic research into how ESG factors influence investment

performance has focused on listed equity markets rather than fixed income. While the industry has a feeling for how ESG factors impact performance in fixed income, we felt it was important to commission a rigorous, independent academic study on the topic – as some of our clients are concerned that their fiduciary duty to stakeholders might conflict with the integration of ESG factors within investment and other processes.

We commissioned Bayes Business School to assess the implications of applying ESG factors within a fixed income portfolio. Bayes conducted detailed analysis on the benefits or otherwise of integrating ESG considerations into a European corporate bond portfolio, and explored how different ESG implementation strategies affected performance.

The research found that:

- Higher ESG ratings improved risk-adjusted returns, but beware the many subtleties.
- ESG tilts would have historically improved performance at the margin.
- Excluding controversial sectors would not have hurt historical performance.
- Enhancing the ESG credentials generally led to a reduction in the tail risk of a portfolio.

We believe the study reinforces the importance of understanding the purpose and limitations of using ESG data, and the need for ESG data to mature at a much faster pace than it has done to date.

More information on the research is available [here](#).

Our clients and their stakeholders increasingly expect a more holistic approach to the stewardship of their capital. We support this evolution, and believe there needs to be more rigour and evidence in the investment industry to support investment decisions and claims being made with regard to stewardship. We have therefore introduced a new research prize for greening finance, in partnership with the University of Oxford. See **Section 1.2** for more information.

Reflecting on the effectiveness of our approach to understanding client needs

While we seek to understand our clients' requirements and conduct proactive engagement and research to dig deeper into their objectives and requirements, we are aware of the challenges we face in doing so. We outline some of these below.

- **Clients are seeking greater input on appropriate goals:** Insight is primarily focused on delivering solutions to achieve clients' goals. However, on some issues – most notably stewardship – we have found that our clients are seeking more direction from Insight in what those goals should be, particularly as some priorities may conflict (such as a desire to minimise carbon emissions without changing a strategy's risk/return profile). Helping clients to define and understand their own needs requires specialist expertise and more proactive engagement.
- **Different regional and regulatory contexts drive different needs:** In our experience, different client groups have different priorities. For example, our US clients are typically focused on the risk/reward profile of their portfolios as an extension of their fiduciary duty, whereas our European clients are also requesting more input on how to achieve a positive environmental or social impact with their investments. Attitudes to some policies will differ widely, such as on whether exclusions for some industries or sectors (e.g., fossil fuels) are appropriate.

Differing market structures mean that different approaches are necessary to ascertain a client's specific needs. In the UK, investment consultants advise the majority of institutional investors. In the US and Europe, many institutional investors have internal investment teams or prefer to liaise with investment managers directly, with investment consultants playing a different role.

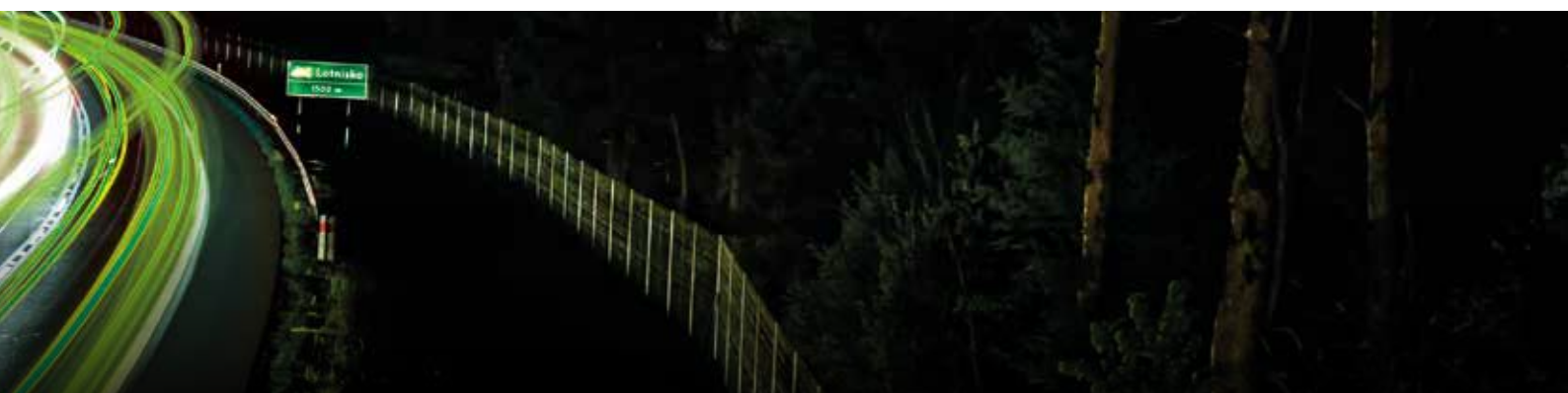
- **Lack of standardised approaches to assessing quality and performance with regard to responsible investment and stewardship:** In our experience, there are a variety of approaches and criteria used to assess investment managers on how they manage ESG and stewardship issues; in particular, some approaches are not customised to reflect

the specific challenges and opportunities in different asset classes. This is a fast-developing area, with multiple providers of data and new providers offering assurance on different aspects of stewardship and ESG-related investment.

The rapid development of new approaches and changes in market conditions mean the focus of our research and client engagement needs to continually evolve, which can make it difficult for broader studies to capture the nuance of our clients' specific requirements.

- **Challenges in obtaining input from some audiences:** Our research studies, while targeting a broad client base, typically only receive responses from a minority of our clients. Our relationships are typically with institutional investors, and we have no direct means of understanding the needs and expectations of individual members served by those clients, such as pension fund members. Therefore, it is challenging to obtain feedback from underlying retail investors which are beneficiaries of a holding in our pooled funds (as we typically face the institutional investor).

Given the above factors, we are committed to further evolve our research and engagement to more fully capture the nuance of our clients' specific requirements. We will provide more information on these efforts in future reports.



7

STEWARDSHIP, INVESTMENT AND ESG INTEGRATION



Where practical, Insight systematically integrates stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil its responsibilities.

Overview

Key statements

Context

- Insight aspires to integrate relevant ESG factors across mandates, where practicable, based on the relevance to the investment strategy and subject to the terms of our mandate with the underlying client. However, the integration of ESG factors within investment processes is highly dependent on the nature of specific mandates, strategies and/or asset classes.
- We explain how our proprietary Prime ESG and climate risk ratings work, and how they support the integration of relevant and material risk factors within our investment processes.
- Our integration of ESG factors into our research aims to support our portfolio managers' investment decisions.

Activity and outcomes

- Insight integrates, where relevant, a consideration of ESG and stewardship factors across different asset classes and strategies to inform decisions regarding the acquisition, monitoring and disposal of investments.
- We tailor our approach to reflect the different investment types we manage. Most of Insight's assets are in risk management (LDI) and fixed income strategies. We cover how we integrate stewardship and ESG factors within our processes and approaches to:
 - Fixed income (sovereign debt, corporate bonds, secured finance, municipal bonds, efficient beta, impact bonds)
 - Derivatives
 - Multi-asset
 - Equities
 - Custom portfolios with ESG-related objectives
- We outline some of the outcomes of our activity, but also refer readers to **Section 9**, where we provide examples of our engagement to inform our decisions regarding the acquisition, monitoring and disposal of investments.
- We explain the stewardship criteria we set for our service providers, including material ESG issues.

7.1 CONTEXT

INSIGHT'S PHILOSOPHY AND APPROACH TOWARDS RESPONSIBLE INVESTMENT PLACES AN EMPHASIS ON THE INTEGRATION OF RESPONSIBLE INVESTMENT AND STEWARDSHIP PRINCIPLES WITHIN INVESTMENT DECISION-MAKING. STEWARDSHIP IS CENTRAL TO OUR BELIEFS AROUND HOW GOOD INVESTING SHOULD BE CARRIED OUT.

Our approach is underpinned by the belief that ESG issues can be important drivers of investment risk – at both an idiosyncratic and a systemic level. Environmental risks – such as natural disasters, weather patterns and climate change – can all have a significant effect on a company or a country's economic and political outlook. Climate change in particular is far-reaching in its long-term implications for the broader financial market and so is of particular relevance for our clients, many of whom have long-term objectives. Social factors, such as local labour dynamics or demographic changes, can materially shift investors' perceptions. Governance factors ranging from the quality of institutional frameworks to respect for the rule of law can materially influence investment performance.

Integrating ESG factors into fundamental investment research and engaging with stakeholders is therefore essential to effectively managing portfolio risk in specific asset classes. Understanding all underlying material risks is essential to help us decide whether an investment is over or under-priced or fair value.

From an investment perspective, we believe investing responsibly means seeking to take material and relevant risks into account, including ESG factors, when making decisions regarding the acquisition, monitoring and disposal of investments. Our integration of ESG factors into our research aims to directly support our acquisition, monitoring and disposal decisions by making sure our investment analysts and portfolio managers have accurate information through our proprietary Prime ESG ratings and in-house research.

To this end, we aspire to integrate relevant ESG factors across mandates, where practicable, based on the relevance to the investment strategy (see below) and subject to the terms of our mandate with the underlying client. This integration takes place regardless of whether the mandates include specific ESG exclusions, constraints or targets and is underpinned by a belief that delivering superior investment solutions can depend on the effective management of the risks and opportunities presented by a range of factors, often including those typically categorised as ESG.

However, the way that integration manifests depends on the nature of the mandates in question. As Insight's

business has grown, we have developed or acquired a broad range of strategies which necessitates a pluralism in our approach to effective integration. For example:

- For our systematic efficient beta strategies, which moved in late 2021 to Insight from Mellon Investments, integration is rules-based and largely dependent on exclusionary and tilting processes – engagement is not part of the toolkit for these mandates as there is limited fundamental analysis within the investment process for these strategies.
- For our municipal bond strategies, engagements are predominantly focused on non-ESG topics.
- For many of our LDI mandates, while we follow a process which integrates ESG factors where they are relevant (e.g. in counterparty selection or at an underlying asset-class level where relevant), ESG factors rarely drive the underlying investment process as our clients typically instruct Insight to invest in line with a specified benchmark, leaving limited capacity to deviate in terms of instrument selection.
- Some asset classes or strategies including currency hedging and certain derivative strategies fall outside of the scope of ESG integration currently – typically due to a lack of data or relevance of ESG factors to the investment case.
- Where more traditional fundamental analysis is conducted (e.g. in corporate credit or sovereign debt strategies), generally a deeper integration is possible, but nuances in data availability and the applicability to the investment case means integration varies by asset class and sometimes even within an asset class.
- For our US insurance mandates, ESG integration is incorporated within credit analyst recommendations only.

The approaches we outline below are relevant for our discretionary-managed mandates, which still account for the majority of our assets under management.

SUPPORTING INSIGHT'S ESG AND INVESTMENT INTEGRATION – INSIGHT'S PROPRIETARY ESG RATINGS: PRIME

Insight is focused on precision investment and risk management to help our clients achieve their goals. Information on material ESG risks can be crucial for effective investment decisions, but ESG data providers often disagree, and there are gaps in available information.

We decided to apply our experience in analysing ESG risks in taking data from multiple inputs, selected and adjusted for relevance and materiality using our in-house expertise, to generate our own ESG ratings that we believe more accurately and reliably reflect material risks.

This led us to create Prime: Insight's proprietary ESG ratings, with ESG and climate risk ratings focused on corporate issuers, and ESG risk and impact ratings for sovereign issuers.

Prime ratings are generated using inputs from numerous ESG data providers, adjusted for quality and relevance by Insight's credit and data experts. Our proprietary methodology aggregates, weights and maps these adjusted inputs, according to their significance for different sectors, geographies, etc. Proprietary systems are in place to feed 'Prime' data, in a consistent way, with the aim of helping our analysts and portfolio managers consider material ESG risks, informing their decision-making and engagement, and to enable tailored portfolios for clients requesting specific sustainability criteria.

Our three sets of Prime ratings are as follows, and we provide more details and describe their relevance in the following sections:

- **Prime corporate ESG ratings:** First launched in 2019 and enhanced most recently in 2022, our Prime corporate ESG ratings tool assesses issuers' ESG risk. This quantitative framework effectively integrates our analysts' materiality assessments, supplemented with data from multiple third-party data providers. The tool generates a Prime ESG

rating and Prime ESG momentum signal for more than 2,000 investment grade, high-yield and emerging market issuers.

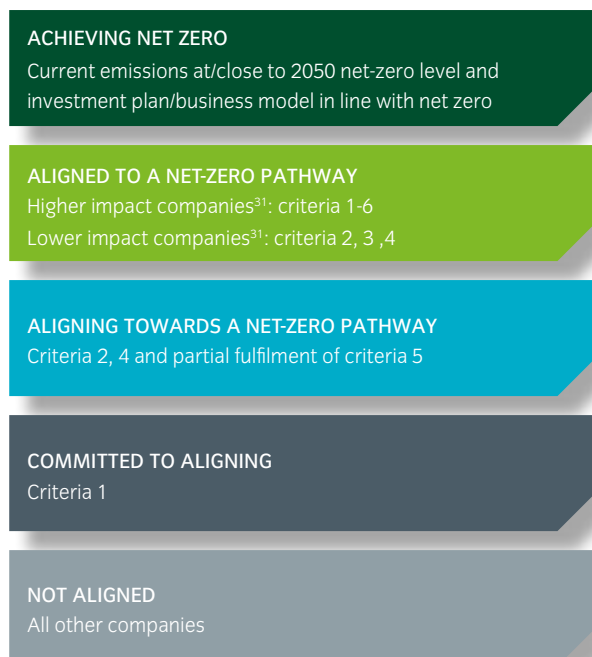
- **Prime climate risk ratings:** First launched in 2017 and enhanced most recently in 2022, the Prime climate risk ratings are structured around the TCFD framework and use physical and transition risk analysis to generate a precise comparison of 1,700 companies using raw data.
- **Prime sovereign risk and impact ratings:** First launched in 2018 and enhanced most recently in 2022, the Prime sovereign ESG framework is a quantitative proprietary assessment of more than 120 countries' sustainability performance, focusing on ESG risks and countries' alignment with the United Nations Sustainable Development Goals (UN SDGs). Overall and momentum scores capture performance using open-source data inputs.

SUPPORTING OUR NET-ZERO GOALS: INSIGHT'S NET-ZERO ALIGNMENT FRAMEWORK

Insight set out our specific commitments as a signatory to the Net Zero Asset Managers initiative in early 2022 (see **Section 1** for more information).

To support these efforts, we have developed a net-zero alignment framework based on the methodology set out by the Paris Aligned Investment Initiative (PAII), under which we may categorise corporate issuers according to the extent of their alignment with net-zero targets.

Insight's net-zero alignment framework



PAII ALIGNMENT FRAMEWORK CRITERIA

1. **Ambition:** A long-term 2050 goal consistent with achieving global net zero
2. **Targets:** Short- and medium-term emissions reduction target
3. **Emissions Performance:** Current emissions intensity performance relative to targets
4. **Disclosure:** Disclosure of Scope 1, 2 and material Scope 3 emissions
5. **Decarbonisation Strategy:** A quantified plan setting out the measures that will be deployed to deliver GHG targets
6. **Capital Allocation Alignment:** A clear demonstration that the capital expenditures of the company are consistent with achieving net-zero emissions by 2050

³¹ More information is available here: https://www.parisalignedinvestment.org/media/2021/03/PAII-Net-Zero-Investment-Framework_Implementation-Guide.pdf

7.2 ACTIVITY AND OUTCOMES

IN THIS SECTION WE EXPLAIN HOW INSIGHT SEEKS TO INTEGRATE ESG FACTORS ACROSS DIFFERENT ASSET CLASSES AND STRATEGIES TO INFORM DECISIONS REGARDING THE ACQUISITION, MONITORING AND DISPOSAL OF INVESTMENTS. WE ALSO EXPLAIN INSIGHT'S PROPRIETARY PRIME ESG AND CLIMATE RISK RATINGS, WHICH SUPPORT THIS INTEGRATION, IN DIFFERENT WAYS, ACROSS OUR BUSINESS.

At Insight, our investment research incorporates ESG issues and we look to engage on issues deemed sufficiently material where possible. We provide more information on how we engage across our strategies in **Section 9**.

We also engage with regulators and policymakers to encourage market reforms that deliver greater security for investments and that reduce opacity or vulnerabilities in financial markets. Efforts to develop and implement policy measures to manage and mitigate systemic risks to society and to the environment are discussed in **Section 4**.

Insight portfolios include instruments with short, medium and long-term exposures. Ultimately, most of Insight's clients are pension schemes with long-term liabilities, paying pensions decades into the future. Therefore, as a steward of our clients' assets, we must also take a long-term view to ensure we are able to meet those clients' needs both now and in the future.

HOW OUR CAPABILITIES WORK TOGETHER

The majority of Insight's AUM is focused on risk management (LDI) strategies. These typically consist of:

- High-quality bonds (such as UK gilts and investment grade corporate bonds), used to hedge risks and generate potential for returns.
- Backing assets (such as asset-backed securities and cash), used as collateral to fund derivative exposures.
- Derivatives (such as interest rate and inflation swaps), used to hedge risks and provide synthetic exposure to markets.

The fixed income strategies we manage for our clients are typically focused on single asset classes, including sovereign debt, corporate bonds and secured finance. Our multi-asset strategy invests in equity, fixed income and other markets, with some of this exposure via derivatives.

In this section we outline how our different investment processes seek to integrate ESG factors, where possible and relevant, in the following sub-sections:

- Fixed income
 - Sovereign debt (including gilts)
 - Corporate bonds (including cash)
 - Secured finance (including asset-backed securities)
 - Municipal bonds

- Efficient beta
- Impact bonds (use-of-proceeds bonds)
- Impact issuers
- Derivatives
- Multi-asset
- Equities
- Custom ESG portfolios

In addition to the above, throughout 2022, Insight assessed the integration of ESG factors within some fixed income investment teams' processes and portfolios that moved from Mellon Investments towards the end of 2021. The capabilities transitioned included municipal bonds and efficient-beta strategies. As outlined in **Section 7.1** above, integration for these strategies is set out below.

FIXED INCOME

Sovereign debt

UK government bonds (gilts)

Insight's risk management strategies, most of which can be classed as LDI strategies, account for c.60% of Insight's assets. Most of these strategies are managed for pension schemes with liabilities extending decades into the future. Mandate structures typically consist of liability benchmarks discounted using a gilt-based discount rate, which requires the use of gilts as the core hedging instrument. While ESG ratings for gilts are available to portfolio managers, ESG factors rarely drive instrument selection due to the restrictive nature of the opportunity set. However, the concentration of holdings in a single asset type, and the size of the holdings we manage on behalf of our combined client base, mean that we have a unique engagement opportunity set within asset management.

Engagement with the UK Debt Management Office (DMO) on gilt issuance is therefore a key part of our broader stewardship efforts and we have used our access mechanisms to discuss several key issues including specific topics such as green gilt issuance.

- We engaged directly with the UK DMO on its inaugural green gilt issuance. We welcomed further green gilt issuance in 2022 as we felt it could enable pension schemes to achieve their broader environmental objectives while investing prudently to reach their

financial targets. We allocated to the green gilts issued in 2021 and 2022 on behalf of certain clients.

- Following the introduction of the UK government's green gilt, we continued our engagement with the UK DMO during 2022 on impact issuance. We discussed impact reporting on green gilts and potential future SLB issuance (see **Section 9** for more details).

Global sovereign bonds

For all sovereigns in the investable universe, Insight can apply criteria to measure ESG risk and impact in sovereign issuers. For such investments, we have developed our proprietary Prime sovereign ESG framework (the framework) which aims to highlight the key ESG risks and impact outcomes for investors in sovereign debt to consider.

The framework is integrated within Insight's sovereign debt investment process and aims to help our sovereign analysts and portfolio managers consider material ESG risks in their investment decisions and to identify potential issues for constructive dialogue with sovereign debt issuers.

The framework rests on two distinct pillars: the Prime sovereign ESG risk ratings and the Prime sovereign ESG impact ratings. The risk ratings, introduced in 2018, focus on ESG factors that have relevance to debt repayment and

credit metrics, while the impact ratings, introduced in 2021, focus on ESG factors related to the all-round good governance and sustainable development of a country.

The tools use data from numerous sources, selected for quality, integrity and coverage, by Insight's credit, ESG and data experts. Separate risk and impact measures allow for greater flexibility and application as a portfolio management tool. The measures can be used to tailor portfolios to client preferences, allowing for a greater focus on impact and sustainability if required.

The **Prime sovereign ESG risk framework**, updated in 2022, reflects a quantitative measure of a country's ESG risk performance, incorporating data from 126 countries and 90 metrics, across ESG pillars, as illustrated in the graphic overleaf.

This data is used to generate two ESG risk ratings for each country: an overall ESG risk rating and an ESG risk momentum score.

- The **overall ESG risk rating** incorporates ESG factors that determine a country's ability or willingness to repay debt over a 30-year timeframe.
- The **ESG risk momentum score** provides an indication of a country's improvement or deterioration regarding ESG factors.

IN FOCUS: INSIGHT'S DOWNGRADE OF UK GREEN GILTS FROM BEST-IN-CLASS

Insight seeks to ensure that we go beyond accepting labels for use-of-proceeds bonds and, where bonds may be considered for impact allocations, we rate bonds according to our internal dark green, light green or red framework.

In Q4 2022, Insight downgraded the UK government's green gilts from our highest dark green rating, indicating a best-in-class green bond, to a light green rating.

This downgrade reflects our judgement that while green gilts bear many positive sustainability characteristics, recent developments mean we no longer consider them best-in-class. Insight has decided to downgrade green gilts to a light green rating for the following reasons:

- Concerns over specificity in commitments to reduce carbon emissions and its ability to stay on track for its net-zero targets.
- A lack of annual dedicated reporting on the impact of the proceeds raised by green gilt issuance.
- Approval of the UK's first new coal mine in over 30 years, focused on the production of coking coal for steel production.
- A downgrade in the Insight Prime sovereign ESG risk and impact ratings for the UK, from 1 to 2, and A to B, respectively.

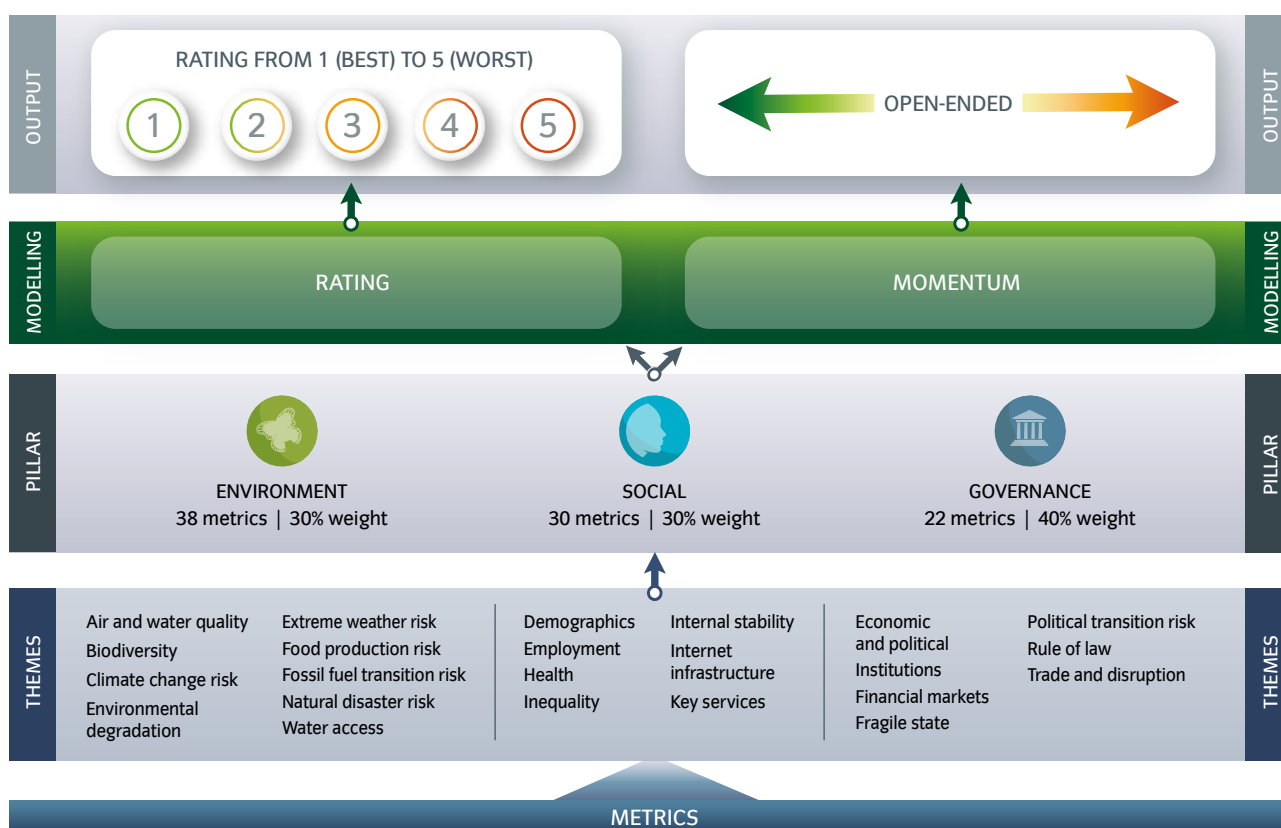
The risk ratings range from 1 (the best possible) to 5, and the impact ratings from A (the best possible) to E.

In our view, these issues represent a weakening rationale for green gilts to continue to be considered as market-leading in terms of their potential for impact. We believe it is important to judge impact bonds in the context of an issuer's overall activities and direction to guard against potential greenwashing.

This impact bond rating reflects our view of the green gilt framework from a sustainability perspective and is not a judgement of the financial characteristics of green gilts. It has no direct implications for investment management unless portfolio guidelines or other specific impact parameters have been set in place. A light green rating would still be considered acceptable for impact allocations in mandates that we operate.

This downgrade was communicated directly to the UK DMO.

The Prime sovereign ESG risk framework



We believe ESG factors can be material but the tools to identify and consider those risks are not well-established and historically have been difficult to integrate within existing investment-risk processes. Using this framework, we are integrating ESG factors directly into the risk and valuation tools that inform our decisions regarding the acquisition, monitoring and disposal of investments, and complement our existing country valuation and risk processes.

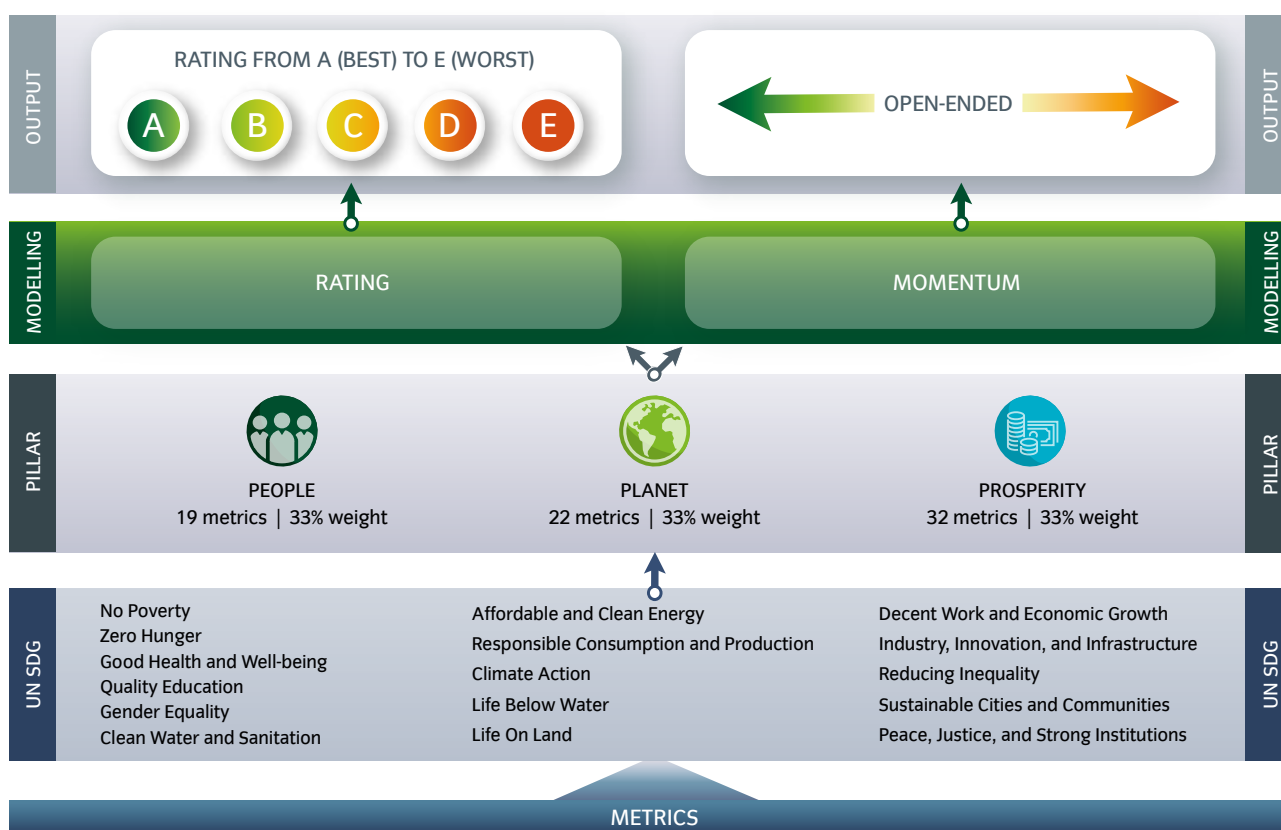
The 2022 Prime sovereign ESG impact framework sources metrics from the World Bank’s Sovereign ESG portal. This database comprises 73 metrics, each of which is aligned with the UN SDGs.

Insight has aligned the ESG impact framework with the SDGs because they form an internationally recognised framework, with quantifiable targets that can be measured and evaluated, and that can provide a platform for qualitative engagement with issuers. The framework covers 126 countries covering 73 metrics that have been screened for quality and suitability based on data coverage, relevance for impact and measurability.

As with the ESG risk framework, the ESG impact framework generates two impact measures for each country: an overall ESG impact rating and an ESG impact momentum score.

- The **overall ESG impact rating**, from A to E, provides a current snapshot of a country’s performance regarding ESG factors aligned with the UN SDGs. This rating can help to differentiate between those countries most likely to achieve the UN SDG targets, and those at risk of failing to do so.
- The **ESG impact momentum score** provides an indication of a country’s improvement or deterioration regarding those ESG factors over a five-year period. This can help to identify how countries’ impact performance is evolving over time. Like the risk framework, we look to describe a country’s direction of travel over time, depending on their momentum score. This can help to identify whether countries are progressing or regressing in terms sustainable development over time.

Insight integrates the measures generated by the framework within our research. It is used in four principal ways:



- **To expand the scope of our existing risk processes:** When making investment decisions regarding sovereign debt, and other related debt such as issues from state-owned enterprises where the sovereign is effectively the backing entity, identifying changes in economic conditions and the risk profile of the relevant country are key. ESG indicators can provide another angle on economic and other matters.
- **To guide the management of client-specific portfolios with ESG guidelines:** We manage strategies for clients that specify that the overall ESG rating of portfolio holdings must exceed (be better than) that of the relevant benchmark. The ratings enable us to exclude or focus on issuers according to their exposure to and management of ESG factors.

- **To support reporting to clients on ESG-specific factors:** The ratings enable the potential to demonstrate how sovereign debt portfolios perform from an ESG risk and impact perspective, either on a standalone basis or relative to a benchmark.
- **To indicate issues for dialogue:** Our ratings may be used to identify and prioritise matters to address with sovereign issuers.

Future development

In 2023, we plan to enhance the Prime sovereign ESG ratings to encompass a wider set of data variables and improved modelling techniques. We believe these developments will further enhance our ability to critically assess sovereign ESG risks and to track their progress over time.

Corporate bonds

Insight invests in a broad range of corporate debt and seeks to integrate analysis of relevant and material ESG risks across the different asset classes on which we focus.

We would highlight that this process, and the ESG inputs described, are used by most of the corporate fixed income teams at Insight. However, there are exceptions, as outlined in **Section 7.1**.

Integrating ESG factors in research processes and engaging with companies to improve their ESG standards is essential to effectively manage portfolio risk and fulfil our stewardship obligations.

We use our proprietary Prime ESG and climate risk ratings to identify risks for individual issuers and may choose to engage with issuers to actively encourage them to improve their practices. An in-depth understanding of these risks and outcomes of any engagement we have with an issuer are key steps in making the right investment decision.

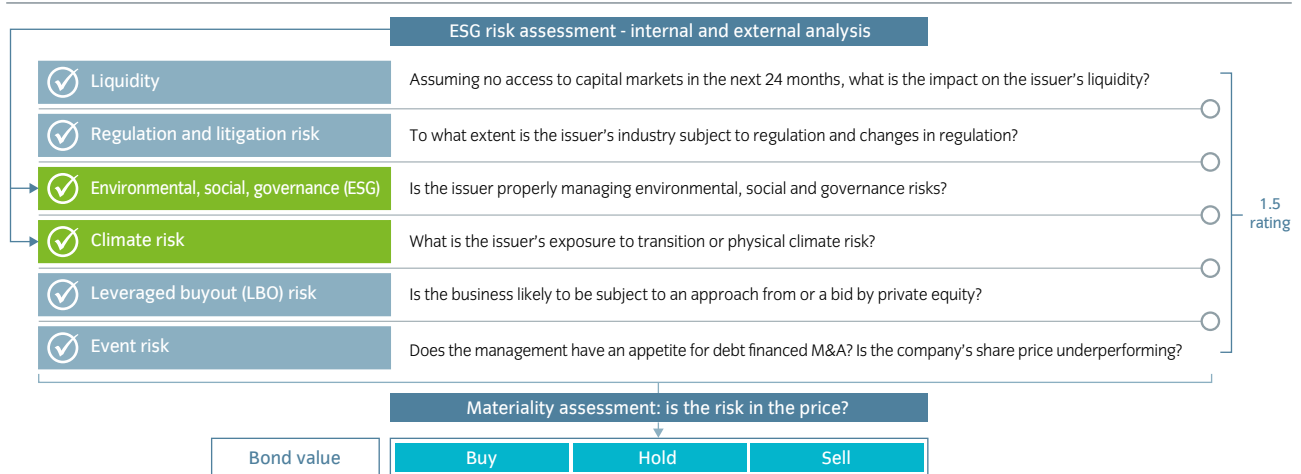
We also use our Prime ESG and climate risk ratings, and the broader ESG data set, to steer and influence our thematic

engagement work to ensure we go beyond focusing purely on issuer downside risk. These engagement programmes have the added benefit of testing issuers' commitment to bondholder interaction and can be very informative regarding an issuer's attitude to governance.

A crucial step in our fundamental analysis is avoiding default and minimising default risk in portfolios. This is specifically built into our corporate credit investment process through the application of what we term the landmine checklist: i.e. those things that can cause a sudden, unexpected deterioration in an issuer's credit quality. The checklist is illustrated below. The checklist includes ESG risks and climate risk.

To assist with our governance assessment and how a company's management team responds to environmental and social issues, we use our proprietary, risk-centric Prime corporate ESG ratings. Prime corporate ESG ratings are based on separate environmental, social and governance ratings, which in turn rest on 35 separate scores for a wide range of key ESG issues, as shown in the next graphic.

Insight's landmine checklist



This framework integrates our analysts' judgements with data from multiple third-party data providers, which include MSCI, Sustainalytics, Moody's, and CDP, to generate an ESG rating and momentum signal.

- The **Prime corporate ESG rating** is designed to indicate an issuer's performance relative to its peers. We calculate each issuer's percentile based on the raw ESG ratings within each Global Industry Classification Standard industry group, and assign an ESG rating between 1 and 5, to be consistent with the scoring methodology used in our credit 'landmine checklist'.

- The **Prime corporate ESG momentum signal** considers the most recent five years of headline ESG scores and determines an average year-on-year change, weighted towards the most recent data. Based on this data, a momentum score from -2 to 2 is assigned.

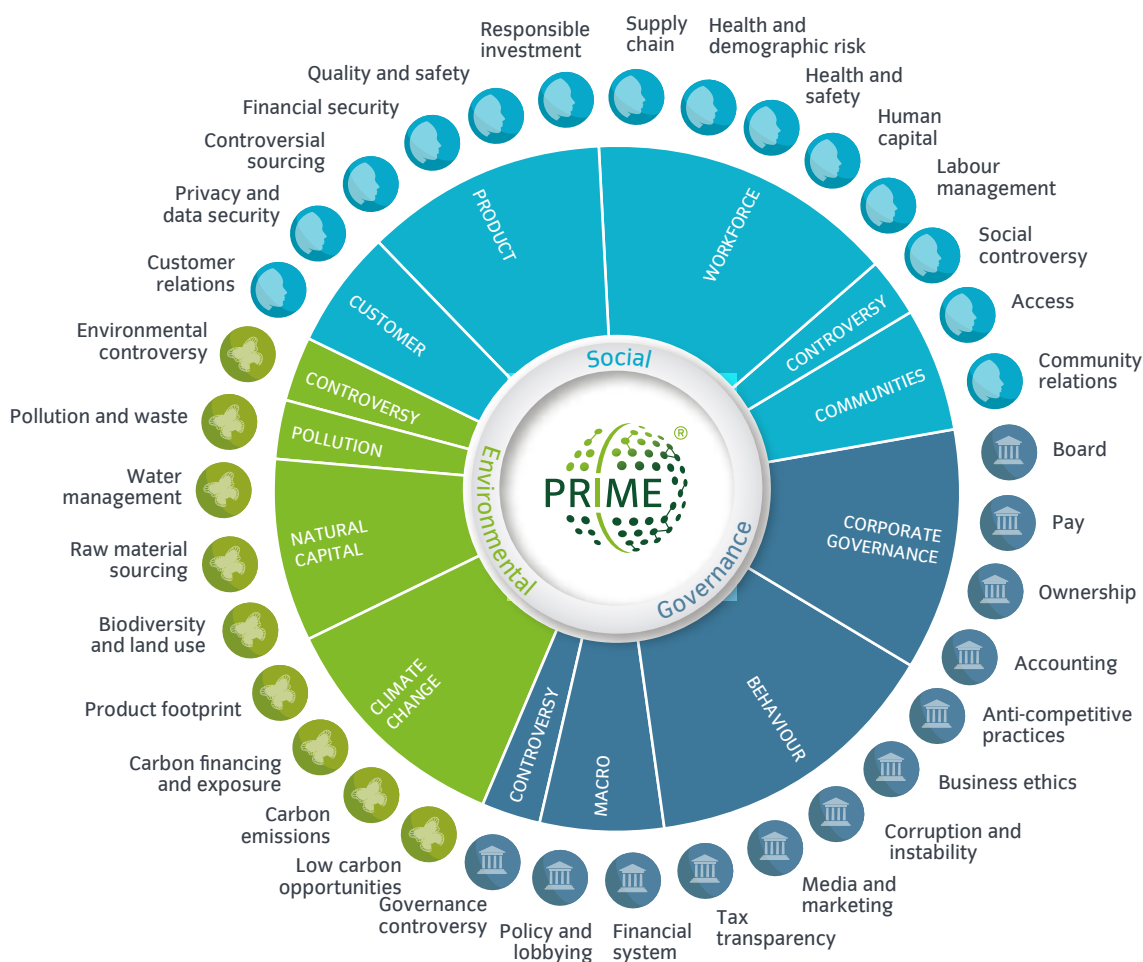
Areas of weakness and controversies identified in the ESG rating outputs may be explored with the issuer's management team if considered by analysts to be relevant. Where there are gaps in external data coverage or where analysts are unable to glean sufficient information from the

data sources available to them to judge the quality of an issuer's ESG profile, we look to send our proprietary, in-house survey to harvest specific data points and to generate an ESG rating. This enables us not only to internally score the issuer but also highlights to the issuer's management team the importance we attach to ESG considerations.

Our analysts can access our Prime ratings through a Tableau-based tool, which visualises the key ESG issues affecting individual corporate issuers. This aims to help our

analysts understand the main drivers of weak or strong ESG ratings. This brings together Insight's own ESG data points, supplemented with data from third parties. Tableau collates, in one screen, other rating providers' scores as well as our own analysis. This provides portfolio managers and analysts with a straightforward way to understand the overall materiality of these risks and why the underlying criteria have generated the score. This allows us to derive a better understanding of the key factors influencing Insight's scores and weightings. We refer to Tableau when we are finalising Insight's ESG rating (considering the norms for the industry).

The Prime corporate ESG risk framework



In terms of environmental factors, our Prime corporate ESG ratings methodology provides all analysts with sector-specific and issuer-specific information on key issues. This tool helps us to identify key environmental risks that a specific sector or issuer may face. We use this information as part of our credit risk analysis to decide whether we are being adequately compensated for the risk and to identify key issues to engage with issuers on. Climate-related risks associated with issuers in which we invest form an inherent part of our ESG ratings methodology. ESG ratings are available to all portfolio managers via systems and are integrated across relevant asset classes as part of the investment process. Alongside this, the portfolio management system also contains certain

carbon data points on companies, including the carbon intensity of the individual issuers we invest in, and flags for material exposure to environmentally unsustainable activities such as coal mining, coal power generation and unconventional oil and gas extraction, enabling our portfolio managers to access this information should they need to implement more stringent carbon restrictions on portfolios. Many of our portfolios have climate-specific objectives associated with them, which can include reducing exposure to high carbon intensive companies and reducing exposure to the lowest rated companies within a particular sector, as well as screening for, and removing, issuers materially exposed to unsustainable environmental activities.

INTEGRATION IN ACTION

CASE STUDY: Use of Prime to inform engagement with a chemicals company

- **Background:** We targeted a chemicals company for engagement due to its worst-in-class PRIME ESG scores, including an E score of 5 driven by poor disclosure and environmental controversies. We engaged with this company initially in 2021 to understand the reasons why it does not have a carbon reduction target, and to understand what measures the company has put in place to mitigate the risk of further controversies occurring.
- **Activity:** Following our initial engagement, we monitored the progress of the company, and we were pleased to see that it announced a target to reduce Scope 1 and Scope 2 emissions per tonne of production by 20% by 2030 (from a 2016 baseline). We followed up with a more detailed engagement in 2022 to understand progress and identified the following areas for improvement:
 - It has set a 2030 carbon-reduction target but not a net-zero target.
 - It does not currently report against TCFD recommendations (or disclose to the CDP) and is therefore unlikely to have completed sufficient assessment of its climate-related risks and opportunities, in our view.
- **Outcome:** After our engagements, an improved communication strategy by the company and more transparency on its efforts to reduce carbon emissions helped to improve the E score underlying its Prime Corporate ESG rating, from a 5 to a 4. We will re-engage in 12 months, monitoring any progress made.

CASE STUDY: In-depth review of an issuer's unconventional oil and gas exposure

- **Background:** We engaged regularly throughout 2022 with a Norwegian energy company, who had been flagged by MSCI as deriving over 5% of revenue from unconventional oil and gas. This exceeds a threshold within some Insight portfolio guidelines. We engaged with the company to understand its future strategy regarding unconventional oil and gas.
- **Activity:** During the engagement, the issuer stated that it disagrees with MSCI's definition of unconventional oil and gas. The issuer does not classify operations in the Barents Sea as unconventional because the area is ice-free throughout the year and operating conditions are no different from other fields which are located outside of the Arctic. Following the company's definition, the revenue for unconventional oil and gas would be well below the 5% threshold. Some of the sites in the Arctic are only just coming online and the issuer is continuing to invest in exploration and production, so the issuer will maintain presence in the region for many years to come.
- **Outcome:** We contacted MSCI to confirm the definition of unconventional oil and gas used, which confirmed that MSCI's definition differs from the issuer's definition. However, we agreed internally that due to the heightened risks associated with operating in the Arctic, we would continue to adopt MSCI's definition. Therefore, we have a period of 12 months to reduce exposure in our funds with a 5% unconventional oil and gas threshold in their portfolio guidelines.

Focus: Money market strategies

Our clients increasingly expect ESG criteria to be incorporated into their investments, and we reflect this in our money market strategies – both in terms of ensuring material ESG risks are analysed, and to encourage better practice with regard to high-profile ESG issues.

We monitor and analyse ESG ratings and risks within our investment universe and exclude the worst-rated performers using Prime ESG ratings. If an issuer has no Prime corporate ESG rating, we will engage with the company to understand the risks it faces; if the issuer does not engage, we will consider removing our holding.

We have evolved our approach to specifically exclude investments directly involved in the production of tobacco and fossil fuels. We continue to exclude defence. The money market instruments in which we invest are typically A1/A1+ rated, so ESG risks typically have less material impact relative to lower-rated fixed income investments. There has been no material impact on our liquidity portfolios' performance since implementing these changes.

During 2022, we made some changes to our money market strategies to reflect our clients' ESG preferences. These now formally exclude issuers without an Insight Prime ESG rating; issuers with the worst possible Prime ESG rating; and issuers with material involvement in a range of controversial sectors, including fossil fuel power generation and tobacco production. The changes formalise how our strategies have been operating in practice for some time, and in our view, they do not impact their security, liquidity or yield.

As a result of these changes, the relevant pooled funds are now classified as Article 8 under SFDR.

Secured finance







We consider ESG factors as part of the fundamental analysis undertaken on both the originators and, where applicable and possible, the underlying collateral. This analysis forms an integral part of our decision-making process and includes detailed due diligence on the originators.

More specifically, ESG risks are an integral part of a broader assessment of non-financial risk factors such as corporate governance, data quality or regulatory standards. In undertaking our fundamental assessment, we examine the list of individual holdings and potential exposure to sectors, countries or issuers that may indicate ESG risks. As part of this, if a sponsor scores poorly, it would be unlikely to be recommended for investment.

For any direct lending, we ask borrowers to provide information on ESG risks to which they are exposed, and how they manage them. If a borrower does not provide this information, we decline the loan.

We break the secured finance asset class into three broad segments: **residential and consumer, commercial real estate and secured corporate**. The underlying ESG analysis that is possible will vary between each sector given the different nature of the underlying collateral. The following schematic is an overview of the ESG considerations we incorporate into our analysis of the secured finance market segment.

ESG considerations in Insight's secured finance analysis

	 RESIDENTIAL AND CONSUMER	 COMMERCIAL	 SECURED CORPORATES
 ENVIRONMENTAL	<ul style="list-style-type: none"> • Energy efficient buildings • Electric vehicles in auto sector 	<ul style="list-style-type: none"> • Energy efficiency is positive for property values • Corporate team analyse key tenants 	<ul style="list-style-type: none"> • Analyse each underlying loan, including: carbon emissions, raw material sourcing and waste
 SOCIAL	<ul style="list-style-type: none"> • Strong consumer protection practices • Appropriate arrears/ default process 	<ul style="list-style-type: none"> • Property usage (limited control) • Corporate credit analyst team analyse key tenants against ESG criteria 	<ul style="list-style-type: none"> • Analyse each underlying loan, including: labour practices, safety and data security
 GOVERNANCE	<ul style="list-style-type: none"> • Strong underwriting process • Quality of collateral info • Originator's risk process • Back-up servicing arrangements • Sponsor equity (risk retention) 	<ul style="list-style-type: none"> • Sponsor business plan/ spending covenants • Back-up servicing agent outlined • Sponsor analysis • Sponsor equity (risk retention) 	<ul style="list-style-type: none"> • CLO manager ESG process • CLO manager investment process and governance structure • Key-man risk • Sponsor equity (risk retention)

Insight's approach to ESG analysis within secured finance and ABS is continually evolving. Although many of the above areas have been part of our investment process since the strategy began in 2007 (such as the analysis of the underwriting process or risk retention) there are several areas in which ESG data is not initially provided by the issuer as part of the standard collateral information.

Insight is engaging with issuers to improve their information provision and to provide greater structure and rigour to our ESG analysis, we have devised a proprietary questionnaire that covers four areas and includes environmental, social, corporate and product governance-related questions, as illustrated in the following schematic.

Questions within Insight's proprietary questionnaires focused on secured finance assets

ENVIRONMENT



- Availability and disclosure of environmental metrics
- Building energy efficiency and environmental stress testing
- Impact of environment regulations on loan recipients measured?
- Carbon impact part of origination practices?

SOCIAL



- Affordability checks account for socio-economic circumstances?
- Have inadequate practices led to legal proceedings?
- Consumer practices for arrears and foreclosures
- Frequency of defaults/foreclosures

CORPORATE GOVERNANCE



- Board independence and diversity
- CEO pay structure
- Independence of risk and audit committees
- Separation of Chair and CEO roles

PRODUCT GOVERNANCE



- Origination team's compensation structure: link to volumes?
- Comparison of origination process against industry standards
- Do affordability checks include change of borrower circumstances?
- Are lending policies reviewed regularly?



We currently use proprietary questionnaires for auto loans, credit cards, residential property, commercial property and collateralised loan obligations (CLOs). We plan to compare results over time to understand how the market is evolving and to foster a culture of transparency within the secured finance space.

We believe it is important to understand and assess the ESG risks and their materiality to the performance of the bonds. This analysis is principally conducted as new issuers and bonds are introduced into our portfolios, but we do proactively monitor our investment positions and as part of our engagement activities, analysts seek to understand whether changes are material and how effectively they are being handled by the sponsor's management.

If we believe there have been material changes to our underlying assumptions post-investment, then these factors will be taken into consideration on review. We would run our proprietary processes again with these new assumptions to assess whether our current holding is appropriate. Older ESG ratings may be flagged in our system and will be refreshed if considered necessary by the team.

ESG analysis of underlying collateral is complicated by the nature of the asset class; special purpose vehicles (SPVs) are often not discrete, for example, the mortgages within an SPV can change over time and so the ESG score for the security can vary as the environmental quality of the houses within a given collateral pool changes.

Whilst the scope of applying ESG criteria is more limited in the context of secured finance than in the context of corporate credit, ESG factors are part of the fundamental analysis undertaken on originators, which is important to the decision-making process. Understanding material underlying risks, both financial and non-financial, is essential in helping us to decide how to price opportunities and to determine whether we will be adequately compensated, when making investment decisions.

Activity in 2022

For the past few years, we have been working to highlight and challenge various matters that we consider to be 'myths' regarding responsible investment in secured finance assets, including the following:

- **Myth 1 – Asset managers can have 100% coverage of ESG issues and comprehensive data:** The data is not available to complete this sort of analysis. Encouraging the production and availability of such data is a medium-term aspiration. Analysis of external vendors has yet to yield a rigorous external data source for ESG in ABS.

- **Myth 2 – Secured finance issuers don't care about ESG otherwise they would provide the data:** ESG risks may be complex, but investors' underlying assets are clearly identifiable and ring-fenced. Rules focusing on risk retention align interest between issuers and investors, and reduce poor lending standards, supported by regulation.
- **Myth 3 – You can construct a diversified portfolio of 'green' asset-backed securities:** ESG risks can be considered, as we have demonstrated above, but there are insufficient green bonds (except for within the CLO market) in our view. We believe the market for secured finance assets is not yet ready for a strategy that follows an exclusion or 'best in class' approach, as is often pursued in the equity and corporate bond markets.

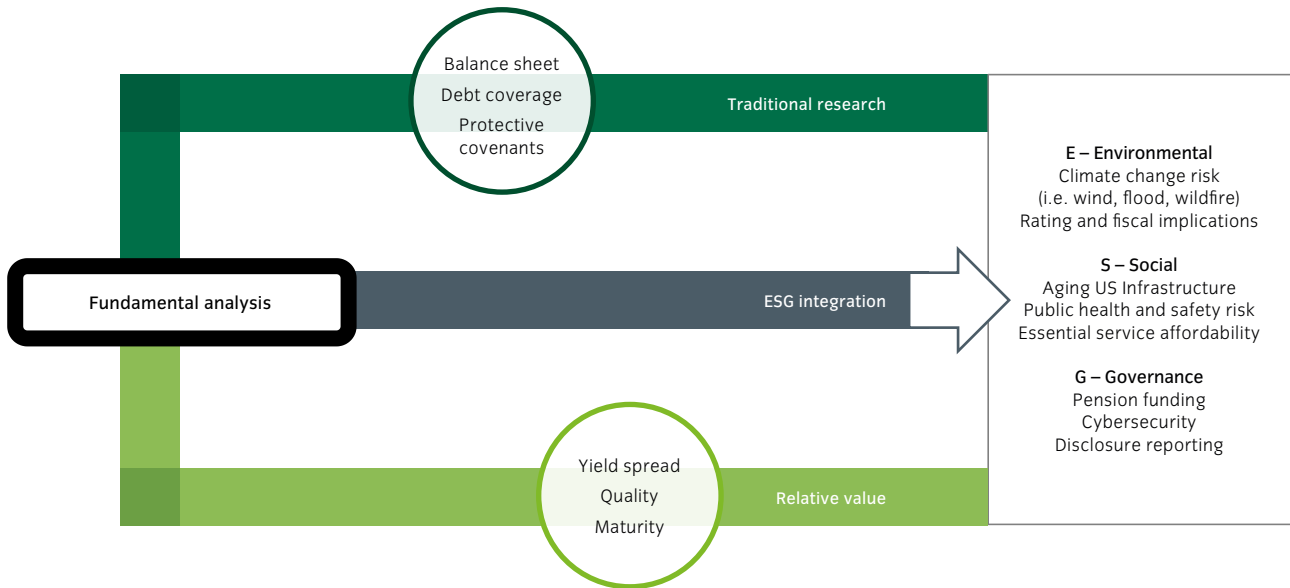
As explained above, in direct response to the lack of ESG data available on secured finance issuers, we developed proprietary questionnaires for a range of sectors in both public and private markets, that cover four areas and includes environmental, social, corporate and product governance-related questions. We are currently engaging with originators via this proprietary questionnaire, and distribute the questionnaire to issuers in which we are considering making an investment. For some more esoteric asset classes for which our established questionnaire is less relevant, our analysts may use a combination of our questionnaire and ad-hoc engagement to analyse the ESG characteristics of an originator. The proportion of issuers responding to our questionnaires has increased over time.

A key initiative to support the development of ESG data in the asset class is our effort to encourage the wider industry to drive change. We are working towards greater reporting transparency, providing regular ESG updates and case studies to clients. We have also developed an in-house framework for analysis of the carbon footprint of UK residential mortgage-backed securities (RMBS) portfolios, which we will be looking to roll out for reporting purposes in 2023 to enable clients to understand the carbon exposure of these portfolios and in turn fulfil some of their own TCFD reporting requirements.

More information on these efforts is provided in **Section 9**.

US MUNICIPAL BONDS

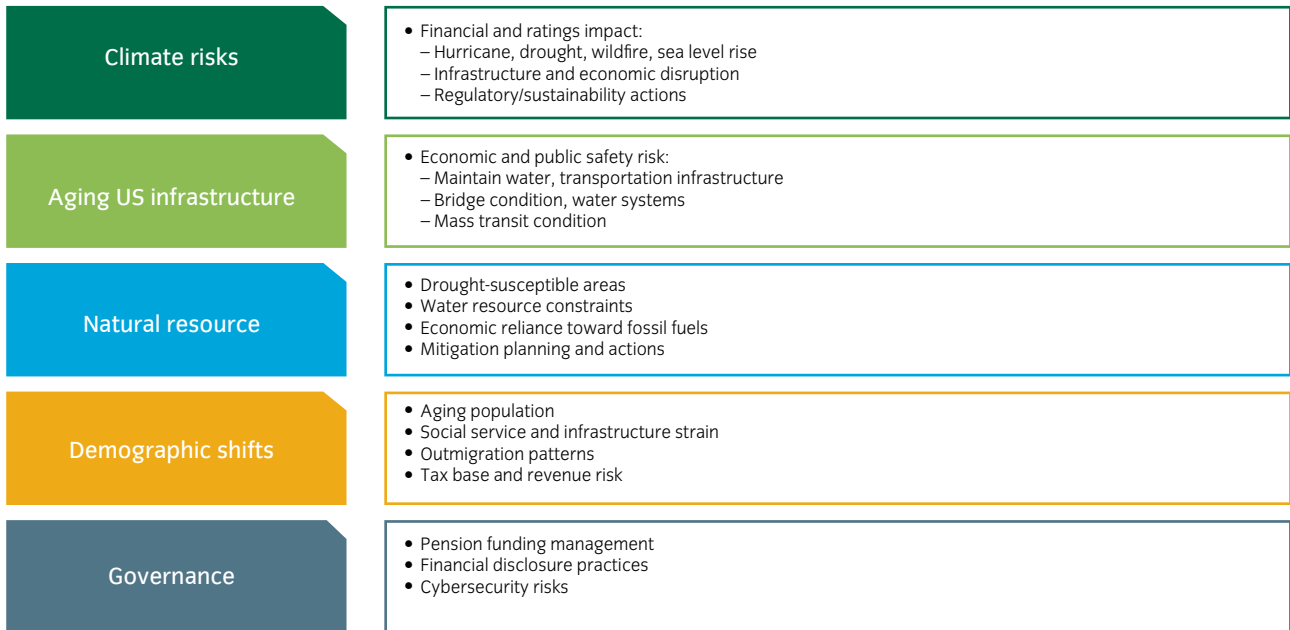
For our US municipal bond strategies, Insight considers ESG criteria as part of our fundamental credit analysis for some investments. Our ESG rating framework for these strategies seeks to reflect the most material factors by focusing on sector-specific ESG issues that are most relevant and impactful, as determined by the Municipal Bond Team.



When reviewing potential investments, the Municipal Bond Team analyses them according to traditional fundamental analysis: for strategies and mandates without explicit ESG criteria or guidelines, there are no exclusions based on ESG factors and no tilts towards ESG factors. However, if the team determines that there is an elevated ESG risk for a potential investment, they will look to ensure that bondholders are

adequately compensated for the additional risk before investing.

When considering ESG-related risks/opportunities, the Team typically categorises them into five sustainability themes: climate change, ageing US infrastructure, natural resource management, demographic shifts and governance.



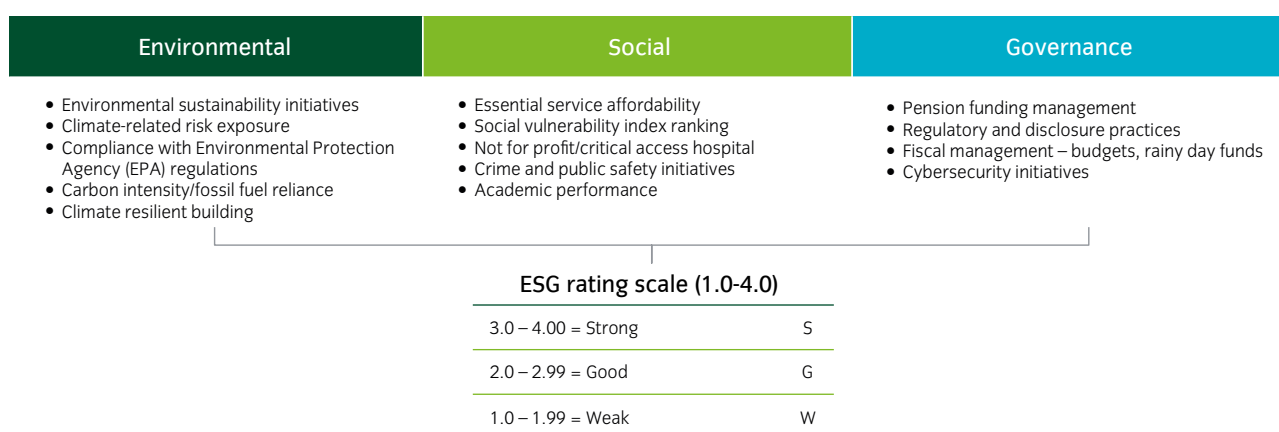
ESG ratings for US municipal bonds

Insight's municipal ESG data sources are derived from both internal and third-party datasets. The Team sources publicly available data from many sources including issuer websites, offering documents, and other sources. External data sources are selected and reviewed by Insight's Responsible Investment Team in conjunction with the Credit Analysis Team.

Insight currently subscribes to Intercontinental Exchange (ICE), a third-party ESG data provider specific to US municipal

bonds. The ICE data service provides broad coverage of the US municipal bond market with key ESG-related data related to climate physical risk (hurricane, wildfire, flood, heat stress, drought), the carbon transition including emissions, plus key demographic and socio-economic data that help populate our scoring model. Currently, the Prime ESG ratings framework does not cover municipal bonds, but this is in development for 2023.

Multi-factor ESG assessment³²



NEW FOR 2023: NEW ESG RISK RATINGS FOR US MUNICIPAL BONDS

Insight is developing a new ESG risk ratings model for US municipal bonds that will allow for greater scalability of comparisons across municipal bond holdings and portfolios for key metrics, including climate physical risk, carbon emissions, socio-economic metrics and key governance factors.

Through the use of automated data feeds from ICE covering the municipal bond universe, we believe the team will be more able to systematically evaluate climate physical and carbon transition risk. The economic and financial analysis and data feeding our scoring model across municipal issuers will be based on catastrophe modelling, blending hazard and climate conditioning with economic exposure and geospatial technology, down to a 100-meter grid.

Furthermore, the Team will use Scope 1 carbon emissions data across issuers to characterise and measure transition risk for local economies hosting carbon-intensive electricity generating assets.

Impact assessment

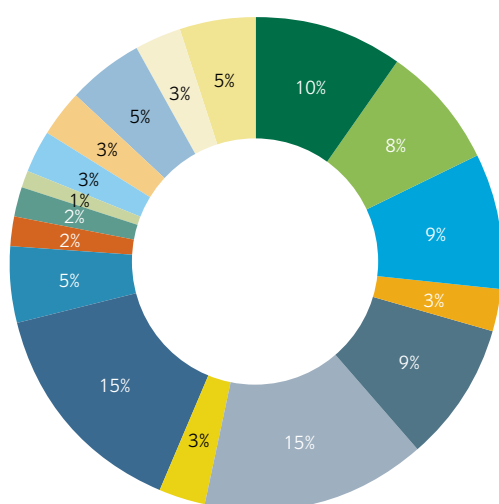
The US municipal bond market is a natural fit for investors with sustainability goals, with bonds financing projects and services that promote positive social and environmental outcomes. Municipal bond issuance is a vital financing source for the construction and maintenance of critical US public infrastructure. Determining the impact of a municipal bond can start with understanding each issue's intended use of proceeds and identifying those areas that support positive social and/or environmental outcomes.

The Municipal Bond Team may assign a municipal bond an 'impact code' to highlight the nature of any positive

environmental or social impact targeted by that bond. Funded municipal projects largely impact both the physical and social fabric of US society with investments in roads, bridges, water and sewer systems, hospitals, schools, universities, and affordable housing, among many others. The team will assess certain securities' use of proceeds to identify and categorise what project(s) are targeted to be financed. For mandates with ESG impact criteria or guidelines, each bond's use of proceeds will need to fall within the positive social or environmental themes listed in our proprietary impact framework (see graphic below).

³² For illustrative purposes only.

Target impact exposure³³



Impact code	Sustainability theme
EDU	Education
SCH	School district
HSP	Hospital-healthcare
REN	Renewable energy
TRN	Low carbon transport
WTR	Clean water/scarcity
PWR	Utility-power clean
INF	Infrastructure other
EEF	Energy efficiency
HSG	Affordable housing
IDB	IDB-economic opportunity
STL	Student loan
POL	Pollution control
RES	Resource recovery
NDP	Natural disaster management
ENV	Environmentally friendly
COM	Community/essential service

Impact-labelled bonds (green, social and sustainable) typically range from 15% to 30% of municipal bond portfolios with ESG criteria

EFFICIENT BETA

The primary goal of Insight’s efficient beta strategies is to deliver index-like returns, after trading costs, with a low tracking error. This is achieved by exploiting systematic and structural market inefficiencies which are often ignored by other managers as a result of high trading costs and the inability to source certain bonds in illiquid segments of the global fixed income market.

This means that the primary function of these strategies is to replicate market exposure, which necessitates holding a large number of positions. Portfolios are not constructed through recommendations driven by analysts but through optimisation processes defined by a series of rules.

As a result, the integration of ESG factors within our efficient beta strategies is currently only applied to a pooled fund based on our efficient beta fallen angels strategy, where the following exclusions based on ESG parameters are applied to limit exposure to certain sectors and/or companies:

- Companies with 30% revenue from tar sands or thermal coal
- Companies or issuers with environmental red flags
- Companies or issuers with a score below 1.4 with respect to any of the following factors:
 - Financing Environmental Impact Key Issue Score
 - Climate Change Vulnerability Key Issue Score
 - Carbon Emissions Key Issue Score
 - Product Carbon Footprint Key Issue Score
- Companies or issuers involved in the manufacture of controversial weapons
- Violators of the UN Global Compact

The data and scores for these exclusions are sourced from MSCI, which provides regular monthly updates.

As outlined, the efficient beta strategies are new in Insight’s stable of fixed income offerings, and we continue to consider alternative approaches to further enhance integration of ESG factors into our efficient beta processes.

IMPACT BONDS (USE-OF-PROCEEDS BONDS)

Most of our integration processes focus on ensuring that relevant ESG risks are considered as part of the investment process. Increasingly, however, for mandates with a sustainability and impact emphasis, there can also be an additional focus within the mandate considering the impact of investments on the environment and/or society.

In fixed income specifically, there is an explicit opportunity set for impact because of the impact bond market, which delineates the projects the issuance is funding. We believe it is important that, rather than accepting green labels, we conduct due diligence to understand the true impact these investments are likely to make. Below is Insight’s assessment framework, which specifically pertains to impact (also known as use-of-proceeds) bonds. We also have a separate framework to assess sustainability-linked bonds.

In 2022 we updated our impact bond assessment framework to consider impact bonds issued by impact issuers and strengthened our enhanced due diligence related to ‘do no significant harm’ (DNSH) criteria.

³³ For illustrative purposes only.

We assess impact bonds on a bond-by-bond basis. These include green, social and sustainability bonds. An impact bond is a bond that specifies its proceeds will be used to have a positive environmental or social impact.

Each impact bond will be given a red, light green or dark green rating, as explained in the table below.

What Insight’s impact bond ratings mean: typical characteristics that drive the ratings

Rating	Approach
Red	<ul style="list-style-type: none"> • The issuer fails to provide sufficient information regarding their impact bond framework and has no second-party opinion. • Proceeds are being used for full refinancing of projects and largely target operating expenditures or no information has been provided. Proceeds are financing projects that are considered to have weak impact. • Unallocated proceeds may be used to pay back existing debt and there is no commitment to allocation/impact reporting. • The issuer fails our DNSH screen and enhanced ESG due diligence on the issuer and the proceeds from the bond do not mitigate these negative impacts. • Overall impact of the use of proceeds is low relative to peers.
Light Green	<ul style="list-style-type: none"> • The issuer has an impact bond framework, aligned with ICMA standards, in place along with a second-party opinion. • The majority of projects being financed are well defined and will provide some positive environmental and/or social impact. • Proceeds are being used for full/partial refinancing, but limited information is provided on the split. • The issuer has committed to annual allocation and impact reporting with limited information on key performance indicators for reporting. • Or a company is defined as an impact issuer with an impact bond framework and second-party opinion in place. • Overall impact of the use of proceeds is good relative to peers, but some information may be missing with some weaker aspects.
Dark Green	<ul style="list-style-type: none"> • The issuer has provided detailed information on their framework along with a second party opinion and has provided a rough split on the expected level of financing/refinancing with a maximum look back period for any refinancing <2 years. • The issuer has a project evaluation committee in place to select, evaluate and monitor use of proceeds and clear transparent process to manage proceeds effectively. • The issuer has committed to annual allocation and impact reporting, with relevant KPIs, which has been independently verified by a third party. • The issuer passes our DNSH screen and has an appropriate sustainability strategy in place that the impact bond is clearly contributing to. • Overall impact of the use of proceeds is strong relative to peers.

How Insight generates ratings for impact (use of proceeds) bonds

There are three main areas that impact bonds are assessed against: ESG performance, bond framework principles and bond impact. This is aligned with the ICMA Green Bond Principles, Social Bond Principles and Sustainable Bond Principles, as well as the European Green Bond Standards.

ESG performance

- As part of the assessment, we review an issuer’s overall ESG performance which includes assessing their sustainability strategy, impact revenue generated (meaning that if we classify the issuer as an ‘impact investor’, we will measure revenue aligned with the UN Sustainable Development Goals), and enhanced due diligence is conducted to assess any significant harm being

conducted. In this review, we consider the following:

- Insight Prime ESG rating.
- Insight Prime climate risk rating.
- Controversies and associated material ESG risks in the past 12 months.
- Alignment with Principal Adverse Impacts as outlined by SFDR.
- Sustainability strategy – compared to peers and relevance of impact financing.
- Net-zero alignment and targets – particularly relevant for climate-focused green bonds.
- Alignment of issuer’s revenue with the UN Sustainable Development Goals.
- Impact issuers as defined under Insight’s sustainable investment definition.

Companies deemed to exhibit inadequate performance will not be eligible for classification as a sustainable investment and are not eligible for investment in Responsible Horizons strategies and may not be eligible for other sustainability-focused mandates. Insight's analysts pay close attention to companies with:

- High-profile controversial events.
- Weak history of ESG activities.
- Lagging ESG performance versus peers.
- Sustainability strategy, commitments and targets.
- Net Zero Misalignment and Targets.
- Misalignment with PAIs and SDGs.

• **Impact bond framework principles**

We consider the overall framework associated with the bond, based on the ICMA Principles for green, social and sustainability bonds. We aim to take this a step further to encourage best practice and ensure a positive impact is being achieved.

In their framework we require an impact bond issuer to have sufficient information in the following categories:

- **Use of proceeds (UoP):** At a minimum, we expect UoP categories, and a description of what projects would be considered within each category, to be provided. To strengthen the framework, we would expect there to be appropriate minimum levels/thresholds for categories and whether they are aligned with any official or market-based taxonomies. We typically look for UoP to be aligned with the ICMA Principles' project mappings and SDGs to ensure the validity of projects. Sector-specific considerations will be taken into account. Explicitly outlining activities that are excluded also help to strengthen frameworks. For social projects appropriate target populations must be outlined.
- **Project evaluation and selection:** At a minimum, a robust and independent process should be noted as part of the framework, including a description of the steps that are taken to evaluate and select eligible projects. This should include a set of criteria for exclusions or management of ESG risks and negative impacts associated with UoP; this can include details of the issuer's internal policies and specific due diligence steps undertaken.
- **Project evaluation committee:** To manage the selection and monitoring of UoP, we would prefer issuers to have a separate working group or separate committee to effectively manage the process. A clear description of the sustainability expertise and appropriateness of those responsible for project evaluation and selection should be communicated.
- **Management of proceeds:** A clear description of how proceeds will be managed and tracked by the issuer to ensure proceeds are allocated towards eligible projects

should be provided. This can either be on a bond-by-bond approach or portfolio approach. A high level of transparency is required here and verification by an independent third party to attest to the robustness of the internal tracking quality. Also, the timeline for full allocation and the process for reinvestment should be outlined.

- **Financing/refinancing:** Our preference is for the proceeds to be used for new financing projects, but we recognise that certain projects may require refinancing. Fully refinanced projects will be considered alongside the impact associated with the use of proceeds, but typically will lead to a light green rating. If it is full refinancing or if the split isn't known, then attention will be paid to the maximum lookback period (how old a refinanced project may be under the framework).
- **Reporting:** At a minimum, issuers must provide complete transparency on the use of proceeds and the associated impact through reporting relevant KPIs, we expect this to be supplied 1 year after issuance. Our preference is for independent verification and for impact reporting to be aligned with the ICMA Harmonised Framework for Impact Reporting.

A second-party opinion must be provided by all issuers to ensure the overall bond framework has had independent verification under the ICMA Principles.

• **Bond impact**

Our analysts will consider the positive impact of the bond. This is a qualitative and quantitative assessment. A qualitative assessment will consider:

- Tangible change in strategy and the 'ambitions' of the issuer
- Links to organic growth versus business as usual
- If the bond will increase impact-related revenue, capital expenditure would be preferred over operating expenditure
- Comparison to sector peers and whether the framework is appropriate for the sector
- Whether processes are in place to mitigate any material ESG risks to ensure the impact bond is aligned with 'do no significant harm' criteria

A quantitative assessment will consider:

- Business synergies, capital increase from green activities
- Positive sustainability activity, including efficiencies and appropriateness of individual metrics
- Negative sustainability activity, including individual metrics

Our impact bond coverage increased in 2022

We rated 331 unique impact bonds in 2022 capturing 168 issuers, which grew our database of impact bonds by 64%

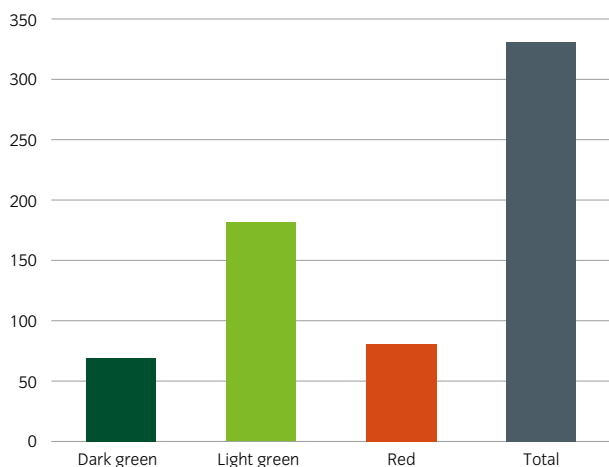
compared to 2021. In 2023 we aim to maintain and increase this coverage, with a particular focus on expanding our scope in USD-denominated investment grade bonds.

We also engaged with issuers and sovereigns on their impact bond frameworks. This allows us to provide feedback to

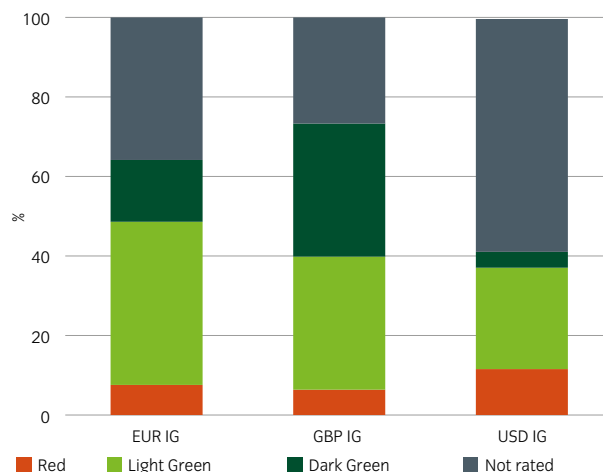
issuers on where we would like to see improvements and enhanced disclosures in relation to their impact bond.

These engagements allow us to dig deeper into the decision-making process behind the framework and provides us with additional information to feed into our ratings.

Insight impact bond ratings 2022



Insight impact bond rating coverage 2022



CASE STUDY: Engaging on New Zealand’s green bond framework

- Background:** The engagement was part of New Zealand Debt Management’s (NZDM) programme of meeting with significant investors to discuss their issuance programmes, with a particular focus on their green bond programme. The framework was initially rated light green due to a lack of detail on the thresholds and goals within the use-of-proceeds categories, and how sustainability and ESG risks associated within the categories would be addressed. Insight sought to gain further clarity on the use of proceeds of the bond through the engagement with NZDM.
- Activity:** NZDM provided a granular breakdown of expenditure and offer details on major projects. NZDM addressed Insight’s concerns with the framework, including on energy efficiency, green buildings and infrastructure, agricultural emissions, Māori involvement in project selection, and government budget decisions. The following additional details were provided during the engagement:
 - Providing a financing/refinancing split; majority of proceeds funding new projects.
 - More insight into the allocation split between the proceed categories.
 - Greater detail on the use of proceeds categories, especially for energy efficiency and green buildings.
- Outcome:** We consequently upgraded the bond framework rating to dark green following satisfactory responses during the engagement as we felt more comfortable that ESG risks are being identified and mitigated within the use of proceeds categories. The engagement was an open two-way discussion where NZDM showed a clear desire to understand and take our views into consideration.

CASE STUDY: Downgrading the suitability of a bottling company’s green bond

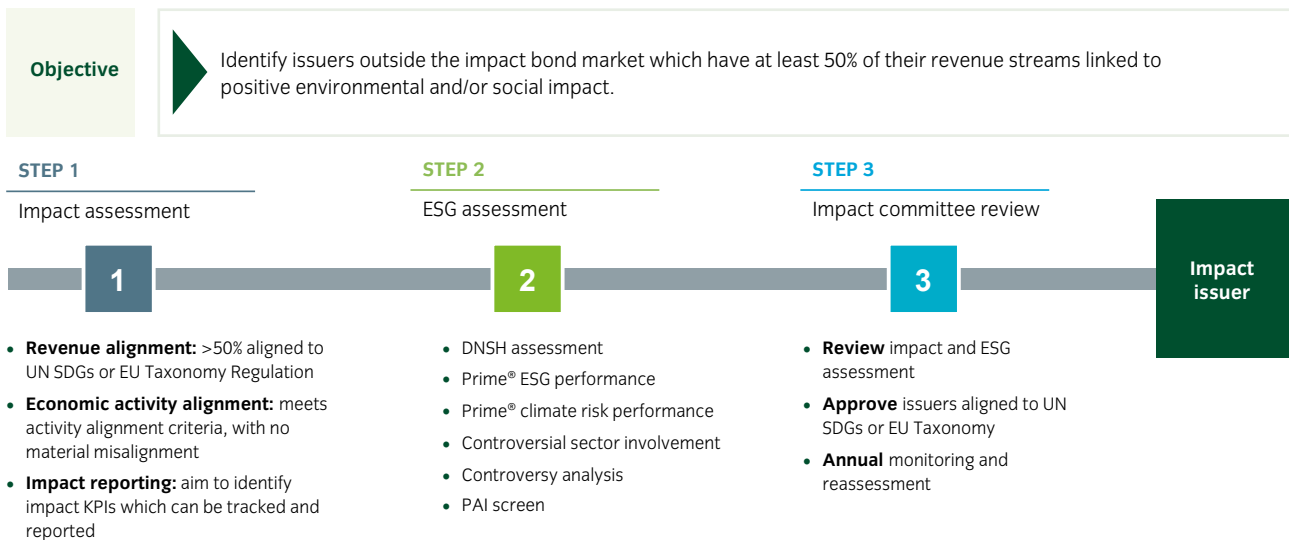
- **Background:** The company is one of the bottlers for a multinational beverage company, operating plants in Europe, Africa and Asia. It produces, distributes, and sells a wide range of non-alcoholic drinks. Insight engaged in Q3 2022 after the company issued a green bond. We sought more detail on the issuer’s green bond framework to understand its suitability for our Responsible Horizons strategies.
- **Activity:** The clear use-of-proceeds commitment attached to the issue caused us to initially rate the green bond as a light green, indicating it fulfils our expectations for impact issuance. However, our engagement led us to understand that refinancing will absorb 70% of the bond’s proceeds. Management also failed to provide detail on energy and water-efficiency thresholds and disclosed that refinanced projects have a lookback period of three years, in contrast to our preference for a maximum lookback period of two years. Finally, the energy-efficiency aspects of the bond have little impact on the UN Sustainable Development Goals, in our view.
- **Outcome:** We downgraded the issuer’s green bond to a red rating, meaning it is excluded from our Responsible Horizons strategies. We will continue to monitor the issuer’s progress to see if any of our recommendations are implemented in the framework.

Impact issuers

‘Impact issuers’, as defined by Insight, are companies that have a significant portion of their revenue linked to activities deemed to have a positive environmental and/or social impact and that demonstrate no material misalignment with the UN SDGs.

Where a company is identified as an impact issuer, verified by an assessment of UN SDG alignment, we apply a modified assessment criteria for its bonds to take into account the likely impact being delivered by the company. The process for assessing if a company can be considered an impact issuer is outlined below:

Insight’s impact issuer assessment process³⁴



³⁴ For illustrative purposes only.

DERIVATIVES

When managing liability risks, alongside government and corporate debt, we also use derivatives to obtain investment exposure without a substantial commitment of initial capital. This can introduce bank counterparty default risk. To manage these risks, not only are positions collateralised daily, counterparties themselves are subject to a rigorous selection and monitoring process.

Within the corporate credit investment process at Insight, we conduct our own credit analysis on banks. Our credit analysts assess underlying material risks (including specific factors that can cause a sudden, unexpected deterioration in an issuer's credit quality) with the view to minimising risk of default. This includes analysis of ESG factors. As described earlier in this section, in order to assist with our governance assessment and how a company's management team responds to environmental and social issues, we use our proprietary risk-centric Prime corporate ESG ratings.

Insight's Counterparty Relationship Group (CRG), chaired by Insight's CEO, oversees this process. The CRG was established to ensure that Insight exercises due care and diligence in the selection and monitoring of counterparties with whom Insight will deal as agent on behalf of its clients. A key facet of this is to monitor closely the creditworthiness and business strategies of such counterparties, which involves regular meetings between the bank management teams and Insight's credit analysts, Insight's senior legal staff and members of Insight's executive management team. It is crucial for our clients that we maintain a broad panel of counterparties to ensure liquidity. We therefore emphasise strong engagement with counterparties over exclusion regarding ESG and other issues.

We take a robust approach to protect our clients' interests in the negotiation of contracts with our counterparties. The types of topics we have focused on include maintaining gilts as eligible collateral, the level of credit rating additional termination events (ATEs), the portability of clearing positions and haircuts on repo transactions.

Counterparty engagement programme

A counterparty sustainability engagement programme, reviewed and approved by Insight's CEO and CRO, was initiated in January 2022. We sent a sustainability assessment

questionnaire to 22 of our core trading counterparties, which was expanded to 25 counterparties later in the year. A detailed peer benchmarking activity was carried out based on bespoke scoring criteria developed by Insight. The output of this benchmarking was used to identify one-to-one meetings with select counterparties in order to discuss the issues in more detail. See **Section 9** for more information.

Data provided to clients

To help our clients understand the ESG risks borne by their counterparties and how they are managed, we provide our ESG ratings for relevant derivative counterparties to our LDI clients. Our focus is on how these ratings may affect the creditworthiness of counterparties, and we seek to help our clients understand how these factors may be material for risk-management decisions.

We also provide engagement data on request, which may include details of specific engagements with counterparties as well as an overview of our broader work on wider issues relevant to LDI. As well as providing clients with this information, this activity has also served to help them comply with new regulatory requirements regarding ESG disclosures.

MULTI-ASSET

Our flagship multi-asset approach, Insight's broad opportunities strategy, follows a global macro approach targeting long-term growth through dynamic asset allocation across a broad range of asset classes.

While the strategy does not have a specific ESG objective, responsible investment considerations are incorporated across some asset classes within our investment process, while seeking to build the portfolio in the most efficient way possible and considering the materiality of all risks that we have identified.

The Principles for Responsible Investment (PRI) has six aspirational principles for the incorporation of ESG issues into investment decisions. We outline below where we may apply the principles to demonstrate how we seek to integrate responsible investment into the multi-asset investment process in a way that is attuned to our approach and the instruments we utilise. Much of our activity involves proactive engagement – please see **Section 9** for more details.

How the aspirational PRI principles are embedded within Insight's multi-asset strategy³⁵

<p>1 ESG considerations in investment analysis and decision making</p> <ul style="list-style-type: none"> Actively seek ESG screened instruments for market exposures which can help deliver return objectives. Seek to evaluate ESG issues when assessing direct investments. Consideration of ESG factors, through ESG ratings, are incorporated in the investment process can be deployed to Insight managed pooled vehicles. Investments in Insight pooled funds have embedded ESG considerations, where appropriate. 	<p>2 Incorporate ESG issues into ownership policies and practices</p> <ul style="list-style-type: none"> Aim to actively engage with direct holdings and screened index providers, pursuing a responsible investment agenda where possible Vote on all direct holdings. 	<p>3 Seek appropriate ESG related disclosures</p> <ul style="list-style-type: none"> Proprietary ESG questionnaire developed for direct holdings (infrastructure investments). Identifies potential areas for engagement. Feeds through to Insight's ESG ratings reflected in our transparency reporting.
<p>4 Promote acceptance and implementation of the Principles</p> <ul style="list-style-type: none"> Actively support development of ESG screened index instruments through early adoption, thereby encouraging broader take-up across industry. Active engagement with providers on issues such as exclusion criteria. Engagement with direct holdings pursuing responsible investment agenda could benefit all holders and encourages best practice. 	<p>5 Engagement across the business</p> <ul style="list-style-type: none"> Aim to leverage Insight's full range of responsible investment analysis and resources. Engage with other areas of the business in areas such as design of responsible investment questionnaires and determining/ overseeing Insight's voting policy. 	<p>6 Report on ESG related activities and progress towards implementing the Principles</p> <ul style="list-style-type: none"> Aim to provide transparent reporting of portfolio exposures using Insight's proprietary ESG ratings of underlying exposures Reports on voting and engagement can be provided.

Integrated approach to ESG

We set out below our integrated ESG approach for the relevant asset classes within our investment process.

Equity and fixed income derivatives/market-based instruments (futures, options and ETFs)

We extensively use index-based instruments in the strategy and work with market participants to encourage the development of derivatives for ESG-screened indices. This is achieved via engaging with market participants to launch new instruments, encouraging the adoption of ESG criteria to existing instruments, by being early-stage investors where appropriate and by engaging with index providers to enhance ESG criteria when appropriate. Our engagements also include working with market counterparties for the development of ESG-focussed credit derivatives and options on ESG indices.

In our view, ESG-screened investments can help deliver target returns, as ESG factors are important drivers of investment value and taking them into account can lead to improved risk exposures. We typically expect to use ESG-screened exposures when they are considered to offer a comparable risk return profile to those on equivalent non-ESG indices and can be implemented in a cost-effective manner. The strategy's market-based ESG exposures typically limit exposures to tobacco, controversial weapons, thermal coal and companies not in compliance with the UN Global Compact (UNGC). As at 31 December 2022, ESG screened index exposures represented c.52% of our equity and over 55% of credit exposures.

As part of investment decision making, the Multi Asset Team assesses for appropriateness to portfolios the index construction methodology for ESG-screened indices.

³⁵ The strategy does not have any ESG investment objectives and the investment objectives described in any prospectus or investment management agreement will prevail. The PRI has not endorsed the approach shown.

Accordingly, the Team does not determine the constituents of such market-based exposures; however, changes in the aggregated ESG ratings of the respective indices are calculated and reported using Insight Prime ESG ratings.

Equity – infrastructure assets (listed closed-ended investment companies)

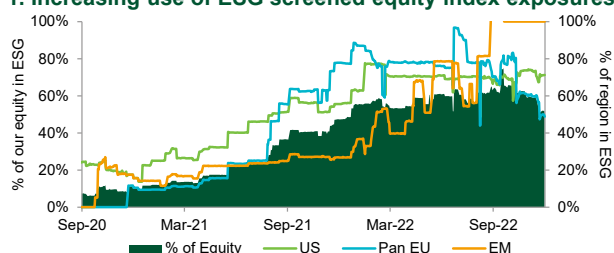
The strategy accesses infrastructure investments via listed closed-end investment companies with a focus on renewable

energy, social and economic sectors, as part of the strategy’s real-asset exposures. Assessment of ESG considerations make up a part of the initial analysis process prior and subsequent to investing in infrastructure holdings. Questionnaires may be used to source ESG information, which helps to generate an ESG rating, and the ESG questionnaire may highlight areas of potential engagement.

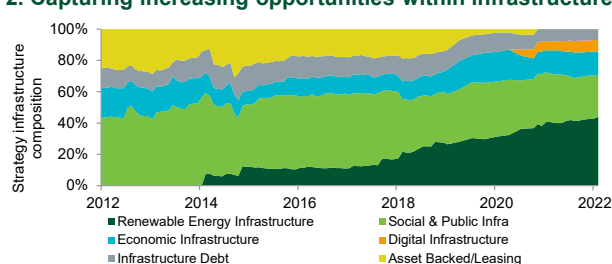
We set out below four areas of demonstrable progress within the strategy.

How we seek to embed the UN PRI within Insight’s multi-asset strategy³⁶

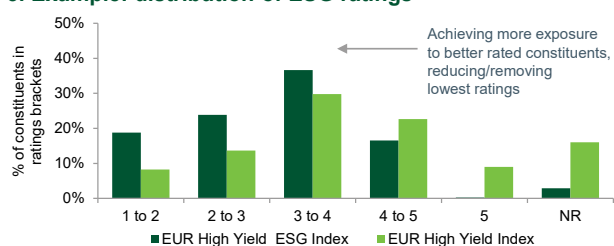
1. Increasing use of ESG screened equity index exposures



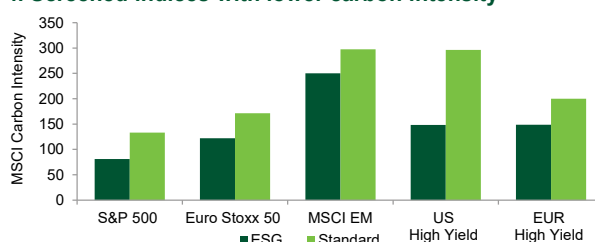
2. Capturing increasing opportunities within infrastructure



3. Example: distribution of ESG ratings



4. Screened indices with lower carbon intensity



The lack of common industry standards for the assessment and measurement of relevant ESG metrics remains a challenge in effective, clear reporting of relevant ESG metrics. Our transparent approach to reporting ESG outcomes at a portfolio level goes some way to address this, and we remain committed to further developing our ESG reporting capabilities as industry standards coalesce over time.

EQUITIES

Insight’s equity strategies account for less than 1% of Insight’s total AUM.³⁷ This exposure covers both physical and derivative assets. Although the latter lack the ability to vote, we consider ESG and sustainability risks as part of the

investment process where such risks are deemed to be material and relevant to the investment case. On a bi-monthly basis we review holdings through the lens of their Prime corporate equity ESG ratings (which are similar to but follow a different methodology to the fixed income-focused Prime corporate ratings), highlighting those instances where we hold long positions in companies with a 5 rating (the ratings range from 1, the best possible, to 5, the worst possible). We also use this meeting to discuss recent engagements and to identify future engagement opportunities. We follow the Insight Proxy Voting Policy to ensure a consistent firm-wide process and transparency. See **Section 12** for details of our shareholder voting in 2022.

³⁶ Source: Insight and Bloomberg. Data shown is for a representative portfolio that adheres to the same investment approach as Insight’s multi-asset strategy. ESG screened and infrastructure exposures at 30 December 2022. Carbon intensity calculations take each underlying corporate issuer’s (or where appropriate pooled fund) total Scope 1 and Scope 2 emissions, which are then normalised by revenue (USD). Data sourced from MSCI without modifications. Cash, government bonds, currencies and commodities are not assigned a carbon intensity score and are excluded from calculations. ESG ratings distribution and carbon intensity at Q4 2022. ESG scores reflect Insight’s assessment of corporate and sovereign issuers, or where appropriate, pooled funds.

³⁷ As at 31 December 2022, AUM are represented by the value of cash securities and other economic exposure managed for clients.

Through our qualitative research, we have sought to reflect material ESG factors within our portfolios, and we believe our quantitative data demonstrates this. In 2022, around 80% of the capital invested in our equity income portfolios received a Prime corporate ESG rating of 1 to 3.

Our proprietary Prime ESG ratings are regularly monitored to identify if any company's rating starts to deteriorate. If we observe a poor rating, we may conduct research and engage where necessary before we decide whether to adjust our allocation. However, we would note that a poor ESG rating does not necessarily reflect a material risk that would necessitate a change to a strategy or portfolio.

CUSTOM ESG PORTFOLIOS

We recognise that many clients are increasingly wishing to adopt solutions that move beyond a focus only on materiality of ESG risks to include an additional focus on sustainability outcomes. For clients seeking bespoke sustainability criteria, we have significant experience in implementing a wide range of bespoke portfolios and manage customised solutions with specific carbon targets, ESG filters, impact themes and exclusions lists.

Responsible Horizons strategies

Many investors are looking to achieve a positive environmental or social impact, and to invest in sustainable businesses that will stand the test of time. For this reason, we have created a clear set of qualification criteria for Insight strategies which have been specifically designed for investors seeking responsible investment outcomes.

To qualify as a Responsible Horizons strategy, each investment portfolio will reflect the following blend of responsible investment criteria:

- Emphasise the best and avoid the worst performers on ESG issues, based on research powered by Insight Prime.
- Reflect long-term themes, such as climate change and social inequality.
- Avoid investments with a negative impact, such as tobacco producers.
- Apply a higher hurdle for environmentally sensitive industries, such as those involved in conventional oil and gas activities.
- Provide transparency on the application of Insight proprietary ratings and key ESG performance indicators through customised reporting.

In addition to these criteria, specific strategies may also reflect additional guidelines which we believe reflect best

practice in responsible investment for the investment category and financial and non-financial outcomes targeted in each case. We also support a range of segregated responsible investment solutions that reflect individually customised environmental and social characteristics. Please contact one of our team to discuss tailoring to your requirements.

We expect Responsible Horizons strategies to reflect our view of best practice in responsible investment and as such we continuously seek to further develop ESG data, responsible investment approaches and our approach to engagement to enable us to offer a varied range of solutions for clients. We are committed to continuous improvement, innovation, and collaboration with asset owners and the asset management industry to ensure the most effective approach to investment and sustainability.

Responsible Horizons strategies include the following:

- Responsible Horizons UK Corporate Bond strategy
- Responsible Horizons Strategic Bond strategy
- Responsible Horizons Multi-Sector Credit strategy
- Responsible Horizons Euro Corporate Bond strategy
- Responsible Horizons Euro Impact Bond strategy
- Responsible Horizons EM Debt Impact strategy
- BNY Mellon Responsible Horizons Corporate Bond ETF

New for 2022

The Responsible Horizons exclusions policy: In 2022 we publicly launched our exclusions policy for corporate and sovereign fixed income in the Responsible Horizons fund range.³⁸ This policy sets out the minimum exclusion criteria and thresholds for different environmental and social themes applied to our Responsible Horizons funds. The exclusion thresholds exclude securities and issuers that we believe investors would not expect to form part of a Responsible Horizons fund. The policy also outlines additional optional criteria for Responsible Horizons funds that will be applied on a fund-by-fund basis. These exclusions are in addition to our firm-wide positions on controversial weapons and thermal coal.

New strategies developed in response to client demand

- **A responsible multi-sector credit approach:** The range of assets available across credit markets, such as high yield debt and asset-backed securities, can make it challenging to apply a consistent responsible approach across these markets, given variances in approaches and available data. The Responsible Horizons Multi-Sector Credit strategy seeks to generate a total return by

³⁸ Exclusions policy for corporate and sovereign fixed income in the Responsible Horizons fund range, 7 November 2022, Insight Investment.

investing primarily in a broad range of debt and debt-related securities while taking ESG factors into account.

- **A responsible ETF focused on US corporate bond markets:** The BNY Mellon Responsible Horizons Corporate Bond ETF is an active ETF that seeks a total return consisting of capital appreciation and income while focusing on corporate debt securities issued by companies that demonstrate attractive investment attributes and business practices, based on our Prime ESG rating methodology.
- **Portfolios that explicitly target a positive impact:** We expanded our Responsible Horizons range of strategies by

developing a new approach which aims specifically to have a positive environmental and/or social impact. We expanded this further in 2023 through the launch of our new impact bond strategy which focuses on emerging markets.

- Responsible Horizons Euro Impact Bond strategy (launched January 2022)
 - This strategy received external recognition of its approach by being awarded the Febelfin 'Towards Sustainability' quality standard
- Responsible Horizons EM Debt Impact strategy (launched January 2023)

IN FOCUS: RESPONSIBLE HORIZONS EM DEBT IMPACT STRATEGY

In January 2023, we launched the Responsible Horizons EM Debt Impact strategy, with a dual objective of tangible, measurable impact and attractive financial returns.

The strategy has an investment horizon that stretches into the medium-to-long term, targeting the People, Planet and Prosperity themes, each mapped to the UN SDGs. Every investment (except those held for hedging or liquidity purposes) must pass our impact assessment frameworks analysing ESG performance, impact alignment, and impact reporting. We aim, where appropriate, to assign relevant KPIs for each holding to track their impact performance over time.

At least 50% is invested in impact bonds, with the remainder invested in bonds from impact issuers or improving issuers or in instruments for hedging or liquidity purposes. We plan to report annually both at an individual security and overall strategy level, tracking impact alignment, activity, and outcomes.

We seek out investments that we believe exhibit good value, both in terms of financials and impact. We are 'best ideas' investors, focussing on issuer selection and country evaluation, believing fundamentals ultimately drive both long-term returns and an issuer's environmental and/or social impact.

7.3 ENSURING OUR SERVICE PROVIDERS SUPPORT THE INTEGRATION OF STEWARDSHIP AND INVESTMENT

INSIGHT HAS A FORMAL GLOBAL OUTSOURCING AND VENDOR MANAGEMENT POLICY WHICH OUTLINES THE PROCEDURES REGARDING THIRD-PARTY MANAGEMENT WITH THE OBJECTIVE OF HAVING A CONSISTENT RISK-BASED APPROACH IN LINE WITH THE BNY MELLON THIRD PARTY FRAMEWORK POLICY. PLEASE SEE **SECTION 8** FOR MORE INFORMATION.

CRITERIA FOCUSED ON INTEGRATION OF STEWARDSHIP AND INVESTMENT FOR SERVICE PROVIDERS, INCLUDING MATERIAL ESG ISSUES

Insight upholds BNY Mellon's Supplier Code of Conduct which describes certain basic expectations and requirements for suppliers. As a practising advocate of health and safety, labour and human rights, environmental sustainability, diversity and inclusion, ethics and other responsible business practices, we strive to hold suppliers to the same standards. We expect our suppliers to understand and act in accordance with BNY Mellon's Supplier Code of Conduct, including where feasible aligning guidelines, policies and practices and encouraging the enforcement of the Code provisions throughout their organization and across their own supply chains.

BNY Mellon's Supplier Code of Conduct describes the expectations we have of our vendors to conduct business responsibly, including with respect to compliance with the requirements of applicable slavery, forced labour, child labour and human trafficking laws. The Supplier Code of Conduct describes BNY Mellon's commitments regarding social responsibility, health and safety, labour and human rights, ethics and other responsible business practices.

A violation of the requirements of the Supplier Code of Conduct may lead to review or termination of our relationship.

Areas that the BNY Mellon Supplier Code of Conduct addresses include, but is not limited to:

- Human rights
- Modern slavery
- Health, safety and security
- Child labour
- Harassment and non-discrimination
- Confidentiality
- Insider trading
- Fair competition and anti-trust
- Compliance with law, regulation and tax
- Financial integrity
- Anti-corruption
- Employment conditions
- Environmental sustainability
- Community commitment

The BNY Mellon Supplier Code of Conduct can be found in full [here](#).

With respect to the third-party service providers supporting our responsible investment activities, data sources are assessed according to factors including their timeliness, data coverage, transparency and the quality of their methodology.



8

MONITORING MANAGERS AND SERVICE PROVIDERS

Insight monitors and holds to account managers and/or service providers.

Overview

Key statements

- Activity**
- Insight has a formal Global Outsourcing and Vendor Management Policy, which outlines the procedures regarding third-party management with the objective of having a consistent risk-based approach in line with the BNY Mellon's Third Party Governance Policy; the latter outlines procedures regarding third-party management with the objective of having a consistent risk-based approach. We explain the roles of the Vendor Management Steering Committee and Vendor Management Team that oversees Insight's adherence to this policy.
 - Procedures are in place to monitor performance for third parties providing services to support critical functions. When applicable, each vendor has an Engagement Manager assigned in line with the policy who is responsible for risk and performance management. They are supported by subject matter experts and legal representatives for contracting services. Ongoing monitoring activities are undertaken in line with BNY Mellon's Policy.
 - Details of our ESG criteria applied to service providers are provided in **Section 7**.
- Outcome**
- Insight's service providers enable Insight to be an effective steward of its client's investments.
 - We outline our governance and processes for monitoring ESG service providers.
-

Insight uses more than 900 service providers (ranging from large multi-national asset servicing firms to small specialist providers) to assist portfolio and operational management of client assets., of which c.100 are classified as moderate or higher risk. Insight takes a risk-based approach overseeing and managing third-party products and/or services.

8.1 OVERVIEW OF KEY THIRD-PARTY SERVICE PROVIDERS SUPPORTING OUR RESPONSIBLE INVESTMENT ACTIVITIES

WITH REGARD TO OUR RESPONSIBLE INVESTMENT ACTIVITIES, KEY SERVICE PROVIDERS INCLUDE **DATA VENDORS** AND **PROXY VOTING SERVICES**.

In forming our proprietary tools and scoring frameworks we seek to support our analysts' research with data from multiple third-party data providers, such as:

- MSCI
- Sustainalytics
- Moody's
- S&P Trucost
- CDP
- Science-Based Targets initiative
- Transition Pathway Initiative
- Climate Action 100+
- ICE

As we believe Insight teams should be directly accountable for their stewardship activities, we typically only use third-party providers for undertaking stewardship services when necessary. The exception is for collaborative engagements where we will work through membership bodies to undertake stewardship activities on a case-by-case basis.

Proxy voting services

Insight retains the services of Minerva Analytics for the provision of proxy voting services and votes at meetings where it is deemed appropriate and responsible to do so. Minerva's responsibilities include, but are not limited to, monitoring company meeting agendas and items to be voted on, reviewing each vote against Insight's Voting Guidelines and providing a voting analysis based upon the Voting Guidelines. Minerva also identifies resolutions that require specific shareholder judgement – often relating to corporate transactions or shareholder resolutions. This enables Insight to review situations where the Voting Guidelines require additional consideration or assist in the identification of potential conflicts of interest impacting the proxy vote decision. The Chair of the PVG will review for contentious resolutions and in the event of one will determine if an actual or potential conflict exists in which case the resolution will be escalated to the PVG voting committee. More information on Insight's voting activity is available in **Section 12**.

8.2 HOW WE MONITOR OUR SERVICE PROVIDERS

INSIGHT'S GLOBAL OUTSOURCING AND VENDOR MANAGEMENT POLICY AND BNY MELLON'S THIRD PARTY GOVERNANCE POLICY

Insight has a formal Global Outsourcing and Vendor Management Policy which outlines the procedures regarding third-party management with the objective of having a consistent risk-based approach in line with the BNY Mellon Third Party Framework Policy. Insight uses numerous service providers in managing the running of our business and applies what it considers to be best practice when managing these engagements.

Areas that the Policy addresses include:

- End-to-end requirements of vendor management lifecycle including planning, pre-due diligence, contracting and

ongoing monitoring (contract, risk, performance management and exit).

- Ensuring engagements are assessed and managed in accordance with the level of risk associated with that specific product and/or service. The depth, scope and extent of engagement level activities are categorised by the inherent and residual risks.
- A due diligence exercise is conducted to ensure that the service provider selected is able to provide the required service at the agreed levels for the duration of the engagement.
- An Issue Acceptance Process is in place to address gaps or concerns with third-party control environments.

Roles and responsibilities

- Effective third-party monitoring requires responsible, experienced Insight personnel to effectively manage the risk created by the engagement, including performance scorecards, facilitating the completion of risk-based assessments and monitoring the resiliency of the third party.

BNY Mellon's Supplier Code of Conduct

Insight adopts the BNY Mellon Supplier Code of Conduct, which includes ESG criteria and describes the expectations we have of our vendors to conduct business responsibly, including with respect to compliance with the requirements of applicable slavery, forced labour, child labour and human trafficking laws.

The Supplier Code of Conduct describes BNY Mellon's commitments regarding social responsibility, health and safety, labour and human rights, ethics and other responsible business practices.

A violation of the requirements of the Supplier Code of Conduct may lead to review or termination of our relationship.

INSIGHT'S VENDOR MANAGEMENT STEERING COMMITTEE

The Vendor Management Steering Committee is responsible for third-party providers and associated activities and issues. The Committee meets 10 times per year.

Members include the COO, CRO, Chief Compliance Officer, Head of Sourcing and Third Party Management, and Head of Legal, as well as representatives from Corporate Risk, and Information Risk. The scope of the meeting will typically include the following:

- Risk management
- Updates and review of dashboards
- Vendor management key risk indicators
- Issue management
- Any audit/compliance remediation and closure updates
- List of new service providers

Committee responsibilities

The responsibilities of the Committee are for the oversight and escalation of the following:

Day-to-day operations

- **Policy:** Reviewing and approving the Global Outsourcing and Vendor Management policy at least annually, or whenever a material change occurs.
- **Approvals:** Approving the appointment of new critical service providers.

Risk management

- **Compliance:** Undertake monitoring reviews of the vendor management process for Compliance with regulatory and Insight policy requirements. Provide advice and guidance on relevant new/amended regulations and/or regulatory guidance.
- **Management information/control environment:** Define and produce relevant, accurate and timely management information including trends and performance against pre-set targets, highlighting any issues or events and the steps being taken to address them.
- **Corporate risk:** To identify and evaluate perceived or potential risks for resolution or escalation to the Committee, including the setting and tracking of appropriate risk-mitigating actions and the oversight of critical risk service providers. This is to provide assurance to the Committee that risks have been managed and/or escalated in line with set limits and the firm's risk appetite.
- **Exceptions:** Approving policy exceptions when third-party engagements are effectively managed through other programs. The decision to exempt certain third parties is documented with the appropriate rationale on a risk-based approach. Exceptions are subject to annual review.
- **Escalation:** Act as an escalation forum for review and further escalation of any significant risks, issues and non-compliance to BNY Mellon's Third Party Governance Policy; and provide management oversight of closure of any gaps raised in relation to the Policy or guidelines. Material risks will be escalated to the Risk Management Group.

INSIGHT'S VENDOR MANAGEMENT TEAM

The Vendor Management Team is responsible for and should:

- Ensure that the Global Outsourcing and Vendor Management Policy remains relevant
- Oversee compliance and execute BNY Mellon's Third Party Governance framework processes to ensure adoption in Insight
- Implement any regulatory or legal changes as requested by the Compliance Team, Legal Team or otherwise in accordance with BNY Mellon's Third Party Governance framework
- Proactively communicate and report policy non-compliance and ensure it is reviewed and escalated to the Vendor Management Steering Committee
- Assist the business and provide guidance on third-party governance, oversight and risk mitigation
- Maintain and provide appropriate reporting on third-party portfolio and risks/issues to key stakeholders and management

Insight uses a systematic selection and onboarding process to identify and classify the level of risk associated with the service provided. Ongoing monitoring is carried out based on the associated level of risk.

Insight uses hundreds of service providers, including providers in the following categories:

- Back-office operations
- IT hardware and software
- Recruitment and training
- Real estate/facilities
- Consultancy services (including legal services and ratings agencies)
- Research (investment and other)
- Marketing (including sponsorship, PR and events)
- Data vendors
- Insurance
- Others

When dictated by the policy, vendors have an Engagement Manager who is responsible for risk and performance management. The Engagement Manager ensures that ongoing monitoring activities are undertaken in line with Insight's policy.

Critical providers receive enhanced scrutiny to ensure operational resilience. Regular review of the risk profile of each service provider ensures proper categorisation. Services which are identified as critical to the business operation of Insight are reviewed annually or when a material change occurs. Insight undertakes its own third-party selection activities supported by negotiators and legal representatives during the contracting stages of the supplier lifecycle.

Details of our ESG criteria for service providers are provided in **Section 7**.

New for 2022

From 2022, we ask critical suppliers to provide specific information on ESG-related questions, including:

- Does the organisation have a formalised ESG programme or set of policies and procedures approved by management?
- Is there a documented policy or set of procedures for ethical sourcing?
- Is there a defined supplier code of conduct required of all suppliers?
- Are their defined standards in the sourcing process to address sustainability?
- Are there documented policies and procedures that address prevention of modern slavery and human trafficking?
- Does the organisation publish an annual statement setting out the steps taken to address modern slavery and human trafficking within the company and its supply chain?
- Is there a compliance program and procedures that address health and safety risks?
- Does the organisation have a documented health and safety policy?
- Does the organisation have a documented environmental risk management policy?

8.3 ACTIVITY AND OUTCOME

Insight's service providers enable Insight to be an effective steward of its client's investments. Insight uses numerous service providers while running its business, and applies what it considers to be best practice as described in the Global Outsourcing and Vendor Management Policy when managing its vendors. Insight seeks to support the framework, systems and administration of the vendor management process of BNY Mellon, but maintains full ownership over vendor selection and oversight, commercial terms, and an ability to accept vendor risks when it deems it appropriate.

We have steps to monitor performance for critical vendors. Issues and gaps identified are dealt with thoroughly at the time and have been resolved to a satisfactory level, including any relevant changes to procedures to help prevent reoccurrence.

Key highlights from 2022 and work in 2023

- Insight enhanced its processes further and adapted BNY Mellon's Third Party Governance framework in 2022.
- In 2022, 139 new vendors were onboarded by Insight.
- In 2022, 94 vendors (Insight managed) were deemed to have a critical, high or moderate inherent risk rating. For critical, high and moderate-risk vendors, performance scorecards were completed, with no instances of non-performance which could affect business operations. There were no forced terminations.

In 2023, a dedicated section within the BNY Due Diligence assessment focused on ESG issues is under consideration.

FOCUS ON ESG DATA SERVICES

Insight has used third-party ESG data and rating services for more than 15 years. These services (as mentioned in **Section 8.1**) are used as an input into both our investment decision-making processes and portfolio construction. In recent years clients have also required access to services that can apply restrictions to their investment portfolios that align with their values or to mitigate reputation concerns. Also, the EU has introduced sustainability reporting regulations that require disclosures of specific metrics, and Insight has been updating some investment fund and portfolio documentation to align with SFDR Article 8 and Article 9 requirements.

We have chosen these providers based on the extent to which their methodology supports our needs. Two groups within Insight review providers:

- The Data Management Office, which reviews all data sources, considers the data, including its quality, any gaps, and processes for monitoring and escalating any issues, and will ensure any agreement with the provider complies with the Insight Data Management Framework.
- The RIG reviews third-party ESG data for relevance and appropriateness from an investment perspective.

Once the Data Management Office and RIG have approved the use of an ESG data provider, the proposal is reviewed and approved by IROC.

Insight's ESG Operations and Technology Steering Group, an IROC sub-group, reviews the data from third-party ESG data vendors at least annually. We monitor, for example, the timeliness of the data absorbed into Insight systems and any errors. This review process helps both to ensure our proprietary Prime ratings' relevance and accuracy, and to confirm clients' guidelines are accurate.

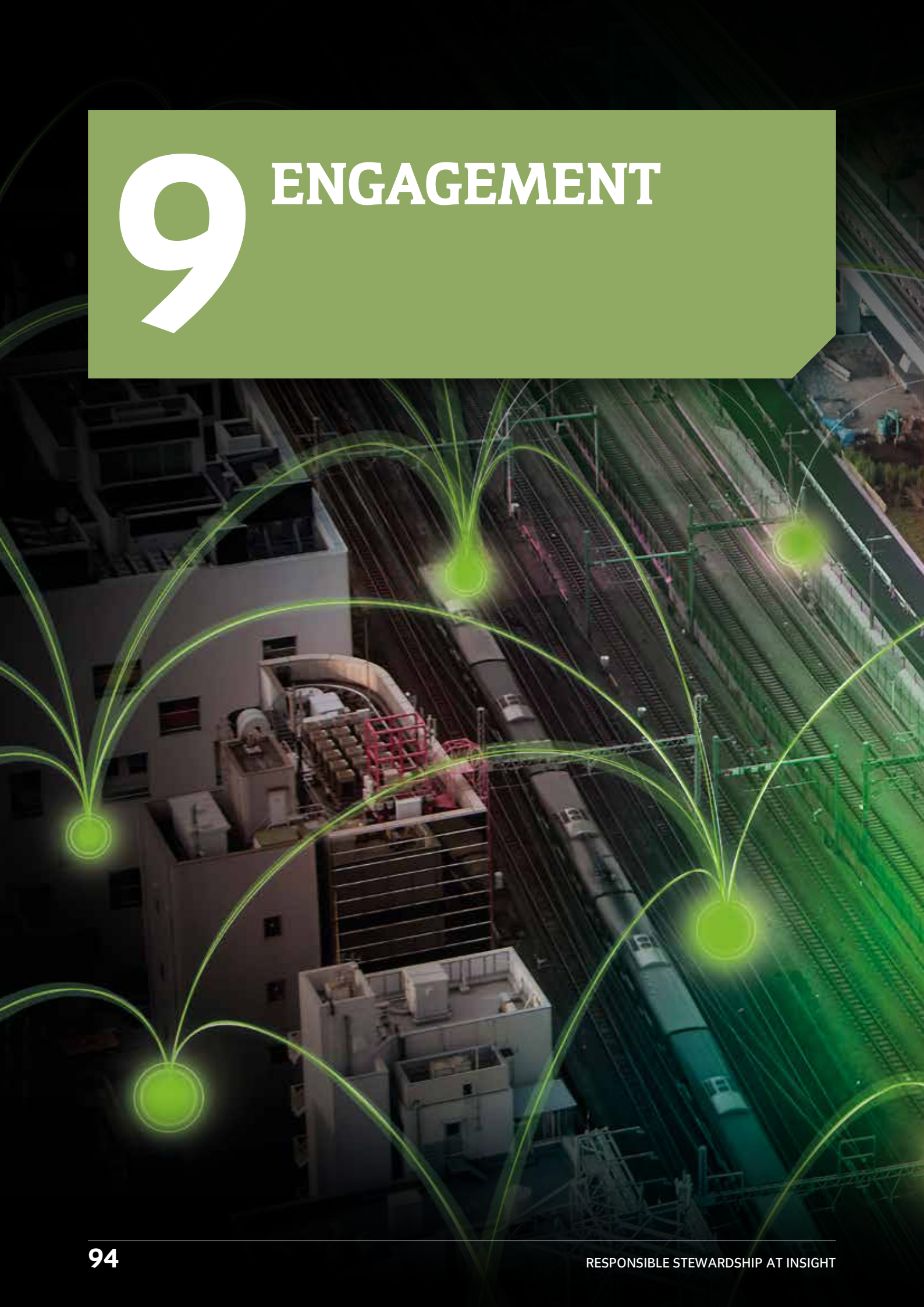
Please see **Section 7.3** for more on how we ensure the effectiveness of our third-party ESG data providers.

FOCUS ON PROXY VOTING

Where Insight executes votes, we monitor our voting agent to ensure voting has been executed according to Insight's Proxy Voting Policy. An annual review of Insight's voting data and performance is conducted by the PVG. See **Section 12** for more information. We would note that equity assets account for less than 1% of our AUM (see **Section 6**). Some of these assets are accounted for by equity exposure via derivatives, limiting our ability to engage through voting.

9

ENGAGEMENT



Insight engages with issuers to maintain or enhance the value of assets, or in some cases, to influence and measure change.

Overview

Key statements

Context

- Our engagement activity is a key element of our investment research process in fixed income, as our research analysts and portfolio managers seek to accurately establish a potential investment's fair value. Our activity reflects our clients' financial and non-financial objectives (such as sustainability targets, should these apply).
- Engagement activity and how we report on it reflects the breakdown of our AUM. The majority of Insight's assets focus on risk management (LDI) strategies, which typically consist of high-quality bonds, backing assets and derivatives. The fixed income strategies we manage are typically focused on single asset classes, while our multi-asset strategy invests in equity, fixed income and other markets, with some of this exposure via derivatives; a breakdown of these assets are provided in **Section 6**.
- We often select and prioritise topics for engagement by our fixed income teams using our Prime ESG and climate risk ratings, with our Responsible Investment Team and wider investment teams also monitoring and identifying issues as they arise.
- We developed a new engagement programme for 2022 which included ESG thematic priorities (climate change, water and diversity and inclusion) and a focus on counterparties.
- This will be further enhanced in 2023, with a new engagement prioritisation process.

Activity and outcomes

- In 2022, we conducted 1,178 engagements with debt issuers, of which the majority included some form of ESG dialogue. These included over 140 engagements focused solely on ESG issues. These included engagements with companies in 78 countries, of which 38 were emerging markets.
- We outline the types of companies we engage with, the method of engagement, and ESG themes on which we engaged.
- We explain how we tailor our approach across the investment types and markets we focus on, with examples from 2022 of our engagements in each:
 - Fixed income
 - Multi-asset
 - Equities

9.1 CONTEXT

ENGAGEMENT IS A CENTRAL PILLAR OF DELIVERING ON OUR STEWARDSHIP RESPONSIBILITIES.

It is our most direct way of understanding and influencing the institutions we invest in on behalf of our clients. Through our engagement, we aim to protect and enhance investment returns and seek to help secure the delivery of client outcomes. Engagements involve an active dialogue between issuer and investor and can take place in direct meetings, within group settings such as conferences, collaborative group meetings and roadshows and via direct contact with companies (e.g. by letter or email).

We use engagement to achieve better risk-adjusted returns in the long term by pursuing engagement with the following goals:

- **Idiosyncratic risk management:** We use our Prime ESG ratings to highlight potential ESG and investment risks at an instrument level. Our analysts use this detailed information to identify which topics to engage with issuers on to improve their behaviour and performance over the long term. More information on our Prime ratings is provided in **Section 7**.
- **Broader environmental and societal stewardship:** Market-wide and systemic risks are important drivers of long-term returns and we are cognisant of the linkages between issuers' impacts and these systemic issues.

We increasingly engage on issues which relate to these broader themes and encourage long-term sustainability to be considered where possible. This also aligns with our clients' investment stewardship priorities and strategies, as well as certain specific impact-related goals.

As a fixed-income focused business, our approach to engagement differs materially from engagement via equity investments due to the difference in opportunity set. Bondholders (or investors in derivatives) do not have shareholder rights by which they might influence management or other officials, but they can exercise influence by virtue of their financial relationship, and/or in collaboration with other investors. Bondholders also have unique touchpoints for influencing behaviour – not least through issuers coming to market for financing/refinancing, and through use-of-proceeds bonds and other sustainable finance instruments.

Below we outline how we seek to engage with issuers on relevant and material issues across our funds and geographies, though the specific approach will vary across different markets and asset classes.

9.2 ENGAGEMENT SELECTION AND PRIORITISATION

PHILOSOPHICALLY, FINANCIAL MATERIALITY HAS ALWAYS BEEN AT THE CORE OF WHY WE HAVE ENGAGED WITH INSTITUTIONS.

A financially material factor is one that is deemed relevant and likely to have a positive or negative impact on the financial value of that investment. It is a core part of our process to engage with issuers on such factors which include, but are not limited to, strategy, capital allocation and competitive positioning. ESG factors can also drive engagement where our analysts believe them to have financial relevance. In this sense they are part of the mosaic of factors that should be considered for effective financial analysis.

We recognise however that how an entity behaves in terms of its societal impacts increasingly plays a greater role in financial materiality. We believe that in most circumstances, issuers that effectively manage their sustainability risks and impacts should provide to better long-term risk/return profiles. We therefore also engage on sustainability issues where we think we can influence improved behaviour, providing it is not detrimental to the return potential of the investment we make. These two rationales drive why we engage and lead, broadly, to conducting two types of engagement:

- 1 **Fundamental engagements** – focus on financial materiality and business fundamentals. Typically, these engagements may include ESG issues where they are deemed to be relevant to the investment case, but they do not necessarily involve a longer-term, structured programme. Fundamental engagements are recorded using our credit engagement template.
- 2 **ESG engagements** – focus on addressing an issuer's performance or impact relating to one or more ESG issues. Typically, such engagements will be longer term, structured around measurable objectives, and may be influenced by our thematic priorities as a firm. ESG engagements conducted with corporate credit issuers are recorded using our ESG engagement template.

Classical financial analysis organically leads to fundamental engagements as analysts seek to gain full understanding of all the risk factors that may impact an investment. To identify and prioritise ESG engagements, analysts may use a combination of the following criteria:

- 1 Potential ESG risks identified through our Prime ESG and climate ratings, and controversy flags.
- 2 Potential ESG impacts which are aligned with client desired outcomes.
- 3 Size of holding.

Roles and responsibilities

Both our Responsible Investment Team and investment professionals identify and implement engagements. Their responsibilities are outlined below:

- **Responsible Investment Team:** The Responsible Investment Team monitors and reviews wider ESG initiatives and considers appropriate collaborative initiatives. Where specific sustainability concerns arise, the Responsible Investment Team organise calls or meetings with an issuer, where they will set objectives in advance which will be discussed with the issuer. The Responsible Investment Team share their perspective directly with investment teams and complete an engagement log (see below). The Responsible Investment team is responsible for running our thematic engagement programme, which is discussed in more detail below.
- **Investment professionals:** Based on qualitative analysis and research, including proprietary questionnaires developed for specific markets, relevant investment teams identify the engagement issues relevant for specific issuers within their coverage universe. Engagement themes are identified, and relevant targets are set in order to encourage change with each issuer. The ESG-specific performance objectives account for 10-20% of their annual performance evaluation and are referred to in **Section 2**. They require our team of credit analysts to:
 - Evidence ESG risks faced by issuers have been reviewed critically.
 - Ensure ESG ratings are noted and commented on as follows:
 - All '5' ratings (the worst possible in the Prime corporate ESG ratings framework) are commented on and explained.
 - All new issuers/new positions commented on regardless of ESG scores being strong/weak.
 - Undertake company-specific deep dive engagements as agreed with the Head of Credit Analysis.

NEW FOR 2022

We undertook a number of activities to enhance Insight’s approach to stewardship and engagement in 2022. These activities have been used to identify the highest priority issuers from an ESG perspective, and we are engaging with these companies in order to improve practices and behaviours.

Thematic engagements

We have prioritised the most important ESG engagement themes for 2022 to ensure we are consistently addressing key issues through our engagement activity. These were discussed and approved by the RIG, and will remain topics of focus for 2023.

Our prioritised themes are outlined below:

- **Climate change:** Climate change is one of the greatest challenges of our time. Governments and businesses are grappling with its implications and the increasing urgency by which emissions need to be reduced.

As a response to this, Insight became a signatory of the Net Zero Asset Managers initiative, where we committed to set an interim target for the proportion of assets to be managed in line with the attainment of net-zero emissions by 2050 or sooner. To support our journey towards net zero, we will either actively engage with our highest emitters, or ensure they are on a net-zero pathway. As part of our net-zero commitment, we have set engagement targets which ensure that at least 50% of financed emissions for assets within scope are either net zero, aligned to a net-zero pathway, or aligned to a net-zero

pathway or subject of engagement with a view to moving into alignment with net zero, by 2023. This target increases to cover 70% of financed emissions by 2025.

In 2022, we engaged with over 35% of our financed emissions on climate change-related issues.

More details on our net-zero commitment are provided in **Section 1**. As part of our commitment we established a position on thermal coal: see **Section 5** for more information.

- **Water management:** The UN estimated that there will be a 40% shortfall of the available global water supply by 2030.

Recent research has also highlighted the significance of the financial impacts of water risks, which are much greater than the costs of addressing them. Many businesses and their supply chains rely on withdrawing fresh water in water scarce areas, and water scarcity can significantly increase the risk of business interruption. Water risks are also exacerbated by climate change.

In 2022, we expanded our research on water risk, by applying a three-part risk analysis framework to identify companies within Insight portfolios which have high water dependencies, operate in water scarce areas, and have not disclosed water risk assessments for their operations and supply chains. Our analysis evaluates water stewardship disclosures and performance, and aims to support engagement with issuers that we view are misaligned with our expectations for prudent water risk management.



To support our research and develop a larger influence when engaging with companies, we have joined the Valuing Water Finance Initiative (see **Section 10** for further details).

- **Diversity and inclusion:** This is a topic of increasing importance across both social and governance themes.

There is an increasing body of research to support improving diversity and inclusion at companies, which has shown that a companies' practices can have a financially material impact through performance and productivity, employee recruitment and retention, and litigation.

During 2022, we focused our research and engagement for this theme primarily with our banking counterparties due to the materiality of diversity and inclusion for this industry. We are planning to expand this research and engagement to other sectors during 2023.

We will use diversity and inclusion performance data to identify companies with poor performance, with an initial focus on the UK, where there is more regulation. We will look to expand this to other markets over time.



9.3 ENGAGEMENT PROCESS

MEETINGS WITH COMPANY MANAGEMENT (OR, IN THE CASE OF SOVEREIGN ISSUERS, THE RELEVANT OFFICIALS) TYPICALLY PROVIDE THE MOST EFFECTIVE AND TIMELY OPPORTUNITIES TO RAISE SPECIFIC ISSUES. INSIGHT’S ANALYSTS AND PORTFOLIO MANAGERS MAY USE OUR PROPRIETARY ESG AND CLIMATE RISK RATINGS TO ENGAGE ‘LAGGARD’ ENTITIES.

It is at the discretion of each analyst when organising a meeting to determine the relevant engagement themes for conversation with an issuer; we do not prescribe engagement, but it is a key part of our analysts’ role and typically forms part of their annual assessments. The Responsible Investment Team support the analysts with ESG engagements, where required.

If a direct meeting is not possible, we may seek to follow other routes – for example, for a company we may consider raising the issues with the company’s broker or, if appropriate, the chairman. If we do not receive a response from the issuer regarding engagement we may seek to lead on a wider collaborative initiative, via the PRI or by engaging with other investors, to achieve influence.

Impact bond issuance frequently provides bond investors with an opportunity to engage with issuers around funding programmes for environmentally and socially impactful ventures. We view this as one of our main routes for influencing issuers both in terms of the type of issuance they come to market with but also the terms of that issuance.

Stewardship activity is tracked on internal systems and every engagement with a corporate issuer is captured within a template. Activities are categorised by theme and recorded in the relevant research note, with engagements allocated a conclusion as follows:

	Description
Satisfied	Issuer provided a reasonable response to questions and no further concerns identified.
Monitor	Issuer provided reasonable responses but ongoing monitoring will be required.
Follow-up	Issuer provided some reasonable responses to questions, but outstanding questions remain and additional engagement with the issuer is required.
Escalate	Non-satisfactory responses and immediate evaluation of issues required internally or with the company.

These engagements help form our investment professionals’ views of issuers and provide a platform for ongoing influence to change company behaviour where appropriate.

Furthermore, as a major player in corporate bond markets, we engage with issuers in our investment portfolios on material ESG risks including pure climate-related risks on an ongoing basis. Often our focus is on transparency and reporting and actively encouraging companies to report to the CDP or sign up to the TCFD initiative. Where relevant, we will seek to collaborate with other issuers and via several initiatives such as Climate Action 100+ and will utilise these networks to engage with issuers for a greater impact. More information on collaborative initiatives is available in **Section 10**.

NEW FOR 2022: ESG ENGAGEMENT PROCESS UPDATES

We enhanced how ESG engagements are approached and recorded in 2022:

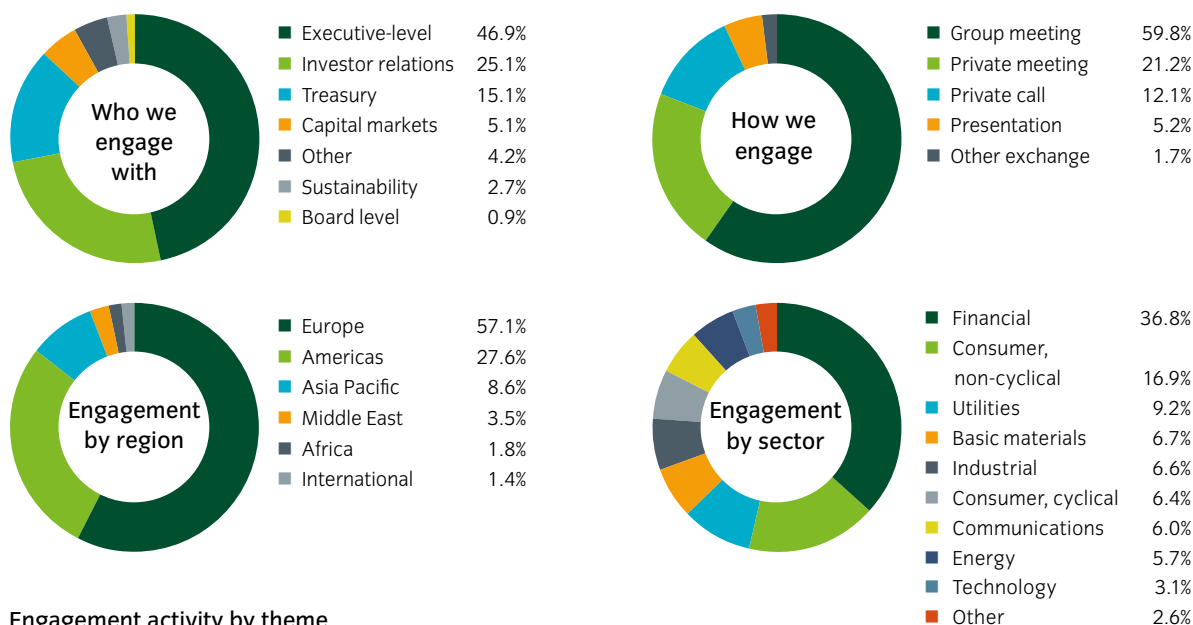
- **ESG engagement template:** We updated the way that ESG-focused engagements are recorded in Bloomberg. A new engagement template has been created which provides more detailed and comprehensive reporting on ESG-focused engagements. The template includes sections such as:
 - Internal ESG targets
 - Improvement areas identified
 - Engagement objectives
 - Investment recommendations
- **Training and guidance:** Training was provided for credit analysts in 2022 to provide an overview of their responsibilities and to discuss what a ‘good’ engagement looks like. The Responsible Investment Team has also set up a monthly training session starting in 2023 for the credit analyst team to provide an opportunity to discuss changes to ESG processes.

New for 2023: Stewardship Policy

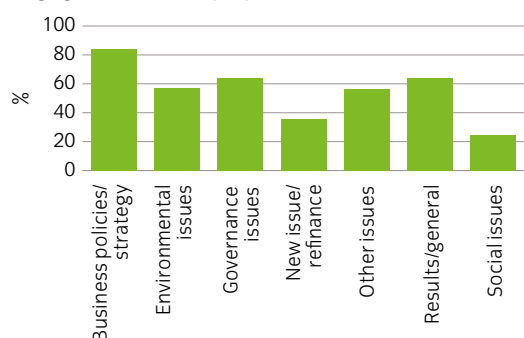
We are introducing a new Stewardship Policy in 2023 which outlines how we approach stewardship at Insight. This policy better articulates our view of stewardship, why we engage, how we prioritise and escalate engagements and how engagement differs by asset class. More detail is provided in **Section 5**.

9.4 ACTIVITY AND OUTCOMES

2022 fixed income engagement activity³⁹



Engagement activity by theme



- Of 1,178 engagements, the majority included some form of ESG dialogue
- Companies from 78 countries, including 38 from emerging markets
- 33% of our meetings were Insight-only
- 48% of our meetings include the board or senior management

Information on the integration of ESG factors within our investment processes, across different asset classes and strategies, is provided in **Section 7**. As explained in that section, the majority of Insight's assets are focused on risk management (LDI) strategies. These typically consist of high-quality bonds, backing assets and derivatives. The fixed income strategies we manage are typically focused on single asset classes, while our multi-asset strategy invests in equity, fixed income and other markets, with some of this exposure via derivatives. The structure of this section broadly reflects these asset classes.

³⁹ As at 31 December 2022.

ENGAGEMENT IN FIXED INCOME

Sovereign debt

UK government bonds (gilts)

As one of the largest buyers of UK gilts, on behalf of our clients, regular dialogue and engagement with the UK DMO is a key activity that Insight undertakes. We attend quarterly meetings alongside other investment managers to share our

views, alongside ad-hoc meetings to discuss specific topics of interest to our clients.

In 2022, we continued to engage with the UK DMO on its proposals for green gilt issuance, specifically on green gilt post-issuance impact reporting and the potential for SLB issuance from the UK government.

CASE STUDY: Engaging with the UK DMO on green gilt issuance and other sustainability topics

- **Background:** Due to our leadership position in LDI, we conducted several engagements with the UK government's DMO during 2022.
- **Activity:** Topics discussed include issues related to green gilt issuance and other sustainability topics, including the following:
 - Insight encouraged the DMO to increase the frequency of impact reporting on green gilts from every two years to once a year.
 - We explained that uncertainty over institutional investors' fiduciary duty presented challenges for allocations to green gilts. The DMO stated that it was aware of this before the issuance of green gilts but the issuance had still been very successful. We reiterated that it remained a problem, with different views on fiduciary duties being expressed in the market. We explained that it would be helpful if the government could clarify how trustees' fiduciary duties apply to increase comfort in allocating to green and other impact bonds.
 - We asked about the DMO's intentions regarding sustainability-linked bonds. They set out what they see as the obstacles, and given the focus on liquidity, we expect green gilts to remain the focus for the time being.
- **Outcome:** We were not satisfied with the outcome of the engagement in relation to the frequency of impact reporting, which was an element in the downgrade of the UK government's green gilt from dark green to light green (see **Section 7** for more details). Insight will continue its ongoing engagement with the DMO on a wide range of issues, including ESG topics.

Global sovereign bonds

The relevance of ESG factors for sovereign bond performance continues to lag behind corporate markets. This is particularly the case for more developed market sovereigns, where there are less clear linkages between ESG factors and sovereign credit risk. In emerging markets, there is clearer scope for

differentiation and the Russian invasion of Ukraine provided a timely reminder of some of the risks which do exist.

In 2022, we continued to use bond roadshows, periodic meetings, panel forums and small group meetings to engage with sovereigns – usually through the relevant Ministry of Finance or DMO.

CASE STUDY: Understanding the impact of the Russia/Ukraine conflict on Lithuania

- **Background:** We engaged with Lithuania in 2022 as we wanted to understand the impact that Russia's invasion of Ukraine has had on the country. We used the engagement to assess Lithuania's management of heightened geopolitical risk caused by the war.
- **Activity:** Lithuania has made faster progress than the rest of the EU in transferring to alternative energy sources and will likely continue to do so. This helps to reduce dependence on Russian imports of energy; however, we did identify that some reliance on Russian electricity infrastructure will still exist for a few years.

Although Lithuania has been impacted economically, financially and politically by the Russian invasion of Ukraine through re-exports, energy production, logistics and the presence of Russian nationals, our engagement gave us confidence that geopolitical risk is being managed effectively in the country.

- **Outcome:** As a result of our engagement, we increased our holding by participating in Lithuania's subsequent issuance. We plan to continue to engage with the government in 2023 to understand how it is progressing in reducing links with the Russian economy.

Corporate bonds

Engagement with issuers is a key part of our fixed income investment analysis and monitoring and is an important part of our approach to responsible investment. Our credit analysts regularly meet with issuers to discuss ESG related and non-ESG related issues. Given the size and depth of our credit analyst resource, one of the key inputs into our ESG analysis is the direct information which we receive from companies via engagements that take place.

Our analysts aim to look at all material risk factors, including ESG issues where relevant. We make sure our credit analysts have clear incentives to maintain their focus on ESG; they understand that integration of ESG factors into their research gives them a better understanding of the long-term risks which could materially impact the default risk of a company, while also helping them select the securities that may perform better in the medium to long term. This is reflected in the performance appraisal process.

As part of our process, for companies where information provided by external providers is lacking, we send out questionnaires that include questions on ESG risks. Our ESG Analysts responsible for rating impact bonds attend the daily morning credit discussions around new issues to support the analysts to understand if any new impact bond issuances have any impact benefits, while also maintaining a financial focus on risk and reward.

Our credit analysts also have a requirement to carry out ESG-focused engagements. In order to fully meet expectations, we implemented a requirement in 2022 for our analysts to carry out a minimum of two ESG-focused ESG engagements. To be classified as an ESG engagement, the conversation with an issuer must focus on ESG issues and should be carried out using the ESG engagement template, which is separate to the credit engagement template used for fundamental engagements.

ENGAGEMENT HIGHLIGHTS FROM 2022

CASE STUDY: Multi-stage engagement on a European auto's decarbonisation strategy and recent controversy over labour allegations

- **Background:** The issuer is a European multinational automotive company. We engaged three times during Q4, initially on the implemented initiatives following a recent scandal, to understand its decarbonisation strategy, and then on the company's response to a controversy over allegations of forced labour within its operations.
- **Insight's engagement:** Initial engagement on changes implemented following a recent scandal, decarbonisation targets and receive updates on its electric vehicle strategy.
 - The company provided an update on various issues related to a recent scandal. Overall, the legal process is ongoing, with a subsidiary's lawsuit and a class action lawsuit ongoing. In the US, the legal consequences are largely complete, but several states continue to push for sanctions. The issuer provided an update on its plan to change its culture following the scandal, with a 10-point strategic plan, and it is attempting to improve its relationship with customers and has set in place several different surveys to gauge opinions on culture in the group. However, senior executives tainted by the scandal remain in post.
 - We asked about its internal carbon footprint and the issuer stated it has a 100% renewables target (excluding China) by 2025. Its domestic emissions reduction effort is complicated by the fact that coal remains in use in its domestic market, but overall, coal represents a very small part of the mix. In addition, suppliers are contractually obliged to use green energy production and it had an audit process in its domestic market to measure the energy consumption of its battery technology. The issuer also indicated it has contractually obliged suppliers in China to use green energy.
 - Finally, the issuer has committed to electrifying key models across its brands during 2022-2024 and will cease production in Europe of internal combustion engine vehicles for mass-market brands by 2033.

A follow-up engagement focused on forced labour allegations in a Chinese plant.

- We attended a investor call with the company's Human Rights Officer following allegations of forced labour, and we conducted a call with the company's investor relations team. The company stated that the third-party assessor has confirmed there was no forced labour in any of its operations in China, but the third party reported the allegations made by NGOs that some employees in the contentious plant might have been transferred from vulnerable positions elsewhere in the region.
- The company stated that it is unlikely to cease participation in the plant. They first want to send executives to visit the plant and to elaborate a full update on the situation. The third-party assessor will review its assessment if an independent third-party investigation or compliance monitoring agency has concluded (through onsite inspection or an independent audit) that its concerns have been alleviated.
- **Outcome:** We believe that several areas of improvement are necessary, and we recommend that audits of ethical standards should occur annually, the issuer should appoint a new chairman and introduce a renewable energy target in China.

We sold bonds from the issuer held in our Responsible Horizons strategies. We are continuing to monitor the situation closely and will re-engage on those different topics.

CASE STUDY: Engagement to improve ESG transparency and disclosures

- **Background:** We engaged with an IT infrastructure services provider to improve its disclosures, focusing on greenhouse gas emissions reduction targets and human capital metrics such as attrition rates and diversity. We identified the company for engagement due to its poor performance with third-party ratings agencies, which was driven by weak reporting and a lack of transparency.
- **Activity:** During our engagement with the company, we explained our concerns and recommendations for improvement. We were pleased that the company understood its shortcomings and was receptive to our feedback. This included providing recommendations to establish short-term greenhouse gas reduction targets.
- **Outcome:** Following the engagement, we monitored the company's progress and we were pleased to see that it set a number of carbon reduction targets, including a target to achieve net-zero carbon emissions by 2040. We look to continue the conversation in 2023 to understand if the company has implemented any additional recommendations, and to see if the developments have fed through to the company's scoring with third-party rating agencies.

CASE STUDY: Long-term engagement with a Singaporean investment company on climate-related disclosures

- **Background:** The company is a private holding company headquartered in Singapore. As the company is privately owned, disclosure on ESG issues, including climate change, has historically been poor. However, as it owns a large portfolio of companies, it has the potential to have significant influence on its investee companies' ESG practices. The lack of transparent disclosures meant that we were unsure of climate change was being managed at the company.
- **Activity:** We have engaged with the company several times since 2018 to provide feedback and recommendations on the company's disclosures and approach to climate change. The company has been receptive to our engagement and has made significant improvements over the course of our engagements. Our most recent engagement occurred in 2022 and focused on the issuer's management of climate risks at portfolio companies. We identified that although the company's disclosures had improved in recent years, limited detail was still provided on its engagement and monitoring of climate risk with portfolio companies.
- **Outcome:** We have monitored the company's climate-related reporting and performance closely over the past few years and we have identified several areas of progress, including the appointment of a Chief Sustainability Officer in 2021. The company has also set a net zero by 2050 target with associated decarbonisation pathways, it has begun reporting against the TCFD recommendations and has used the output of scenario analysis to set an internal carbon price. We continue to provide feedback to the issuer. Our recommendations to the issuer were provided during the last engagement meeting and in writing following the discussion. We will monitor the implementation of these recommendations over time.

CASE STUDY: Investigating a French multinational telecoms company's low social score

- **Background:** We engaged with a high yield telecoms company on its worst-in-class Prime corporate ESG social rating of 5, which was driven by underlying MSCI scores. We believed the company's disclosures could be improved to meet the requirements of external ratings agencies.
- **Activity:** Through our engagement we established that MSCI flags some disclosures as non-existent, not disclosed or that they lack sufficient detail. Labour management is an example of this, whereby MSCI stated that non-compensation benefits only cover selected employees, and that there was no evidence of variable incentive pay for non-officer staff. However, the company's policies cover all staff in both instances. As a result, we believe MSCI's assessment of the company is inexhaustive and the low social score is not truly representative of reality. We believe the issuer can improve its ESG score most meaningfully by strengthening its disclosures in several areas, including labour management. Likewise, prioritising the provision of better access to communications for elderly customers and low-income groups, and instituting employee training on ethical standards may help its social scores further.
- **Outcome:** We provided feedback directly to the company on how it can improve its Prime social rating and the company indicated that it is committed to addressing most issues by next year's reporting cycle. The REG reviewed the engagement and agreed that the Labour Management score in the Prime corporate ESG risk framework should be notched. This development caused the issuer's social and overall Prime ESG ratings to improve to a 4 from a 5 (the worst possible). We will continue to monitor the company for further ESG developments.

CASE STUDY: Challenging an emerging market resources company on culture and climate change

- **Background:** We engaged with a mining company after it released a workplace culture report conducted by a third party which highlighted serious issues. We also wanted to discuss the company's involvement in several industry associations with lobbying practices misaligned with the Paris Agreement.
- **Activity:** Insight initiated an engagement in Q2 2022 to understand how the company is responding to findings from the workplace culture report, and to discuss its actions on climate change:
 - With regards to culture, the company is training management; has a new independent mechanism for staff to report grievances, leading to a 60% increase in complaints, with 30-40% of complaints leading to actions; and is working to make its washroom facilities more secure. However, it has not set clear targets or metrics regarding issues highlighted in the report. We encouraged the company to do so.
 - On climate change, the company does not have targets for Scope 3 emissions, which account for c.95% of its emissions. The company stated concerns around estimates required for calculating Scope 3 emissions, and that it does not want to force targets on its customers; we explained the expectation for companies to work with customers to reduce emissions.
 - We also addressed the industry associations that the company is a member of, as we identified 6 associations that had lobbying practices which were misaligned with the goals of the Paris Agreement. We encouraged the company to use its influence within various lobbying groups to encourage change or consider its position in these groups.
- **Outcome:** Since our engagement, we were pleased to see that the company announced it was leaving one lobbying group controversial for its advocacy of coal which was discussed during the engagement. We are monitoring the company's position on the other associations and its position on Scope 3 emissions. We are also monitoring the company's actions put in place as a result of the workplace culture report.

CASE STUDY: Supporting a South African utility to reduce coal exposure

- **Background:** During Q2 2022 we initiated an engagement with a South African utility on the company's high coal exposure and lack of clear targets regarding coal phase out, meaning that the issuer breached our policy requirements. Electricity supply in South Africa derives largely from coal deposits and phasing out of coal is challenging for the country due to the increasing energy demands from the population.
- **Activity:** We focused our engagement on the issuer's divestment plans for coal and whether the company was intending to make any public commitments related to phasing out. We encouraged the issuer to set interim carbon reduction targets, as it was not clear how it was working towards achieving its net zero by 2050 target. We also placed significant focus on the company's approach to the 'Just Transition' (a framework focused on ensuring the economic benefits of the low-carbon transition are shared widely), as the company's shutdown of coal assets will have profound social impacts on the country's population.
- **Outcome:** We agreed that due to South Africa's reliance on coal and the country's developmental requirements, we would monitor and continue to engage with the company on its coal exposure and targets despite the issuer not currently implementing phase out dates that are consistent with Insight's position on thermal coal. We may continue to hold the company's bonds if the company stays actively engaged on the topic and shows signs of improvement over time, in line with our recommendations. Due to the challenges that the country faces in terms of energy mix and energy access, we are allowing additional flexibility in order to support the company on its low carbon journey.

Focus: Emerging market corporate debt

Much of emerging market corporate debt is at an earlier stage in its ESG journey relative to developed market investment grade debt. There is huge potential for positive change both in terms of a company's ESG risk profile and its support of the UN SDGs, so we take a forward-looking approach when analysing issuers and their ESG risks, rather than focussing purely on historical performance.

We analyse ESG risks across issuers, looking at how these risks are managed in practice, and the direction of travel. We avoid issuers where the ESG risks are material, there is no plan to adequately address them, and/or those risks are not reflected in trading levels. Conversely, we do lend to issuers that currently, or are taking steps to, mitigate material ESG risks. That includes those issuers who may not manage their ESG risks very well today but have a credible and measurable plan to materially improve over the coming years. Such companies may have been subject to an ESG controversy, or suffered governance weaknesses, or face environmental concerns, and thus trade at a premium (meaning it is more expensive for the company to issue debt relative to peers). Where those issuers exhibit a commitment to change, we will discuss with them how they might address their ESG problems. By partnering with the issuers, we are able to capture some of the structural credit and sustainability improvements that we believe are on offer in emerging markets.

CASE STUDY: Improving board-level diversity at a Mexican telecoms company

- **Background:** As long-term investors in a telecoms company, we wanted to engage to improve governance practices as we identified some areas of weakness. We first started engaging on this topic in 2021 and we continued the conversation in 2022, when we began to see outcomes aligned with our recommendations. The engagement was first identified as there was a lack of independent directors on the board. We also found that board-level diversity was poor and transparency on executive remuneration was weak.
- **Activity:** When we re-engaged with the company in 2022, we were told that the company conducted its first overview of board practices in late 2021 to evaluate board effectiveness. In the company's latest sustainability report, we were pleased to see they had increased gender diversity through the appointment of a new director. The company also refreshed its board diversity policy, which includes the ambition to "set measurable objectives to achieve gender diversity with the ultimate goal of having a composition of the Board where each gender represents at least thirty percent (30%)". Board diversity is now integrated into the company's strategy as it was added as a target within its sustainability-linked loan structure.
- **Outcome:** We were pleased to see these improvements as they aligned with our recommendations. The company has been very receptive to our feedback and we look forward to continuing the conversation in the future.

CASE STUDY: Highlighting the governance issues driving a beverage company's poor ESG score

- **Background:** We engaged with a Mexican beverage company to highlight the governance issues affecting its Prime corporate ESG rating.
- **Activity:** Our engagement primarily focused on highlighting areas for improvement related to the firm's governance policies. We sought to explain to the issuer which areas score poorly within our Prime framework and provide detail on specific policies and initiatives which could be implemented to improve performance. Moreover, we wanted to better understand the firm's views on these underperforming areas, current mitigants and future plans. Accordingly, the primary focus for improvement we wished to outline related to board independence, board entrenchment, non-executive directors sitting on too many boards, and a lack of female representation on the board. In addition, we suggested we would like to see an improvement in pay disclosure for executives, as well as explicit links to sustainability performance in its current pay policies.
- **Outcome:** The firm was very receptive to comments and our proposed areas for improvements. It highlighted some disconnect between details highlighted by the ESG agencies and actual policy. The company therefore stated that it aims to improve engagement with the ESG agencies to resolve the issues.
- The company also stated that it is currently working on board factors as part of its ESG policy update and its subsequent inaugural ESG report, due as soon as the first quarter of 2023, alongside a new responsible investment report. We will re-engage in 2023 to review progress after their new ESG and responsible investment reports. Board improvements are the main focus here and we will be looking to see tangible progress.

Secured finance

Awareness of ESG issues across secured finance assets continues to grow, and we believe Insight is leading efforts to encourage issuers to consider and disclose ESG risks.

We consider ESG factors as part of the fundamental analysis undertaken on originators, which is vitally important to the decision-making process. This includes detailed due diligence on the originators both prior to making an investment, as well as on an ongoing basis.

We also seek to understand the ESG risks to which secured finance assets themselves may be exposed. Determining ESG ratings for secured finance securities can be complex, as explained in [Section 7](#).

However, we have identified a range of ESG characteristics relevant across secured finance assets. To support our research, we have developed questionnaires for a range of sectors. We may invest without a completed questionnaire, depending on our overall analysis of a relevant issue. Given the different challenges across secured finance collateral types, how we respond to them varies depending on the type of asset as the material ESG risks will differ. This has driven targeted engagement across different asset types.

- **Consumer loans/mortgages:** For securities based on underlying pools of consumer loans (such as credit card debt or auto finance) and residential mortgages, originators vary in their ability and willingness to provide ESG data on the underlying assets.

We issue questionnaires focusing on ESG risks to all originators of securities based on consumer loans or mortgages.

- **Commercial real estate (CRE) loans/mortgages:** CRE loans are typically issued on a single commercial property. This means it is relatively straightforward to ascertain relevant ESG risks. For example, environmental audits on large buildings are typically available for review. ESG disclosures on the underlying assets for CRE loans are typically extensive and we take these into account as part of our investment analysis.

Commercial mortgage-backed securities (CMBS) derive returns from an underlying pool of commercial mortgages, and so face similar challenges to RMBS, with limited ESG data available on the underlying pools. There are exceptions, with 'green' CMBS coming to market and offering environmental data on the underlying assets. We have developed new questionnaires for CMBS originators and are sending these out as new issues come to market.

- **Collateralised loan obligations (CLOs):** CLOs purchase a pool of senior secured bank loans, made to sub-investment grade businesses. They issue debt in tranches, with differing risk/return profiles derived from the seniority of the claim on the cashflows generated by the underlying loans.

The structure of CLOs means investors usually depend on the originator to provide data on underlying loans, and ESG data is typically limited.

Given the structure of CLOs our focus is typically on governance for the CLO manager. We intend to encourage greater ESG disclosures across CLO issuance, following the progress we have made on consumer and commercial loans previously. When we review CLO managers, we ask specifically about ESG factors, and whether they have a relevant policy integrated within their credit process. We also aim to discuss examples of loans they have rejected due to ESG concerns. For credit-sensitive tranches we conduct a loan-by-loan review, and analysis by our loans team incorporates ESG considerations where possible.

- **Direct lending:** Many companies seek to borrow money from non-bank lenders. Such loans are typically illiquid and

therefore offer higher yields than more liquid assets, all else being equal.

For any direct lending, we ask borrowers to provide information on ESG risks to which they are exposed, and how they manage them. If a borrower does not provide this information, we decline the loan. Credit analysts and portfolio managers therefore have clear incentives to ensure that borrowers provide the necessary information on ESG factors.

Insight is a member of the European Leveraged Finance Association (ELFA) and its ESG Committee. In 2022, Insight deepened our participation by becoming co-chair of the organisation's Loan Investor Committee and a member of the ESG Committee.

CASE STUDY: Encouraging greater energy efficiency at a Swedish real estate lending platform

- **Background:** We engaged with a Swedish real-estate lending platform which acts as an intermediary between borrowers and lenders to facilitate financing for real estate projects.
- **Activity:** Sweden has high benchmarks for new residential projects, with every project needing a climate impact declaration along with an energy efficiency declaration. Insight engaged with the company to create requirements for Insight lending through the platform, seeking to incentivise the origination of more energy-efficient projects. While the minimum standard in Sweden for new residential projects is high, we sought to incentivise projects that materially exceed the minimum requirements.
- **Outcome:** We agreed that Insight's funding will finance projects with an energy efficiency at least 20% above the minimum standard. Any project which achieves energy consumption of less than or equal to 50kwh/m² will get a discount of 10bp on the margin applicable for that project on the Insight financing. Through these requirements, we are directly, measurably and financially investing the origination of more energy efficient projects. We will monitor the platform's progress and will follow up when we receive lending data from the platform.

US MUNICIPAL BONDS

Historically, engagement has been challenging within municipal bond strategies, with less access to management typically than for corporate issuers.

Much of our engagement undertaken to date has focused predominantly on non-ESG topics, but we are looking in 2023 to understand if it is possible to adopt a more systematic and controlled engagement programme in this asset class.

DERIVATIVES

Investing responsibly includes taking all relevant and material risks into account. With this in mind, ESG considerations are important factors in respect of the investment securities and instruments held, and the derivative counterparties used in our LDI strategies. We have a large derivative book of business which is highly dependent on relationships with counterparty institutions. We speak daily to many of our counterparties on a variety of issues which holistically informs our trading relationships. Engagement is therefore a core part of business-as-usual operations, and ESG risk assessment and engagement with counterparties is a long-standing part of our credit research process, particularly focused on the entities from the perspective of them issuing debt.

The ESG risks borne by derivative counterparties are considered within our CRG meetings, as indicated by our Prime corporate ESG ratings. Our aim is to ensure that the ESG ratings of counterparties are fully incorporated into our discussions with those counterparties, focusing on those with the worst ratings.

Analysis and engagement with counterparties are important in helping mitigate investment risk for clients.

Another area we consider key is supporting sustainable markets; Insight works with regulators and policymakers seeking to help manage regulatory and legislative risks effectively for our clients. See **Section 4** for more information on our work in these areas.

The Solutions Responsible Investment Working Group has a specific remit to focus on responsible investment issues for the LDI strategies and mandates we manage, which includes their use of derivatives. More information on this group and its activities are provided in **Section 2**.

New for 2022: Counterparty engagement programme

Our counterparty engagement programme represents a significant development in our engagement approach, adding additional structure and focus to our efforts to reduce counterparty ESG risk and ensure sustainability outcomes with our core trading counterparties.

To ensure that the ESG performance of our significant financial counterparties is subject to appropriate oversight, we made enhancements to our counterparty engagement process with the objective of achieving a greater level of

impact in our engagements with entities in their capacity as counterparties. This programme went live in 2022 and is overseen by the CRG, which is chaired by Insight's CEO.

This programme's approach is to assess our core trading partner counterparties' sustainability performance through a bespoke Sustainability Assessment Questionnaire, which is issued every 12-24 months. The first iteration of the Sustainability Assessment Questionnaire focused on four areas: environmental factors, remuneration, diversity and cyber/data breaches.

We sent the questionnaire to 25 of our core trading counterparties, representing around 95% of our trading activity. We were pleased to receive responses back from all counterparties. We developed a bespoke scoring approach which was applied to the questionnaire to benchmark each of the counterparties' performance across the key themes. This scoring was then used to identify companies for engagement.

So far, this has led to 15 engagements across 10 counterparties, and we look to extend the programme further in 2023.

Engagements have provided an opportunity to discuss the findings from the benchmarking exercise in more detail and to provide recommendations to improve. We will monitor the progress of the counterparties throughout 2023 and continue to follow up where necessary.

No actions are to be taken (or sanctions imposed) that contradict the requirement to maintain appropriate market access and market liquidity. The removal of a trading partner is considered to be the last resort.

CASE STUDY: In-depth engagement from the counterparty engagement programme

- **Background:** We engaged with a Canadian bank on a number of occasions as part of our counterparty engagement programme. We identified several areas of underperformance from the counterparty peer benchmarking exercise, including fossil-fuel financing and the bank's impact lending framework. We organised follow up calls to provide a summary of performance and to provide our expectations for improvement.
- **Activity:** We explained to the counterparty that its fossil-fuel financing policy contains many loopholes and is not in line with the International Energy Agency's Net Zero Emissions by 2050 scenario. For example, the policy states that it will not provide financing for new greenfield coal power plants or thermal coal mines, and there is a 60% coal power and mining revenue generation threshold for new clients only. The bank stated that although they get called out for high volumes of fossil fuel financing, their exposure to oil and gas is less than 1% of total loans outstanding, and they are committed to continue to work with existing clients to phase out coal.

Furthermore, the counterparty's impact bond framework was given a red rating by our impact bond assessment, due to weak use-of-proceeds categories and less transparent disclosures. This was fed back to the bank along with some recommendations to strengthen the framework.

We engaged with the bank on its executive remuneration, as we found that these disclosures were vague and the objectives used were qualitative in nature.

We also discussed the areas of the questionnaire on which the bank scored well, including diversity and inclusion. The counterparty had strong gender diversity targets and performance and is also making significant progress in other areas of diversity, including ethnicity and disability. We found that many of the banks' peers included in the assessment focused entirely on gender diversity.

- **Outcome:** The bank was receptive to our feedback. Following the engagements, we sent a written feedback report to the counterparty, which stated it is reviewing the recommendations. We were pleased to see in early 2023 that the bank has linked executive compensation to the strategic priorities listed in its climate strategy. This provides a clearer direction of travel and includes more quantitative measures in the assessment. We will follow up in 2023 to understand progress against recommendations.

MULTI-ASSET

Information on our approach to stewardship within our flagship multi-asset strategy is provided within **Section 7**.

We highlight below our two primary areas of activity, and more specifically the activity during 2022:

- 1 We extensively use index-based instruments in the strategy and work with market participants to encourage the development of derivatives for ESG-screened indices. This is achieved via engaging with market participants to launch new instruments, encouraging the adoption of ESG criteria to existing instruments, by being early-stage investors where appropriate and on an ongoing basis engaging with index providers to enhance ESG criteria.
- 2 A significant amount of our research effort is focused on seeking ESG-screened exposures that can help deliver our return objectives in the long term. For example, the shift

away from coal has continued to create exciting growth opportunities within renewable energy generation and related industries. We have been early-stage investors in a broad range of such companies within the infrastructure component of our multi-asset strategy.

H1 2022

Engagements: We participated in a consultation on the suitability of further limiting exposure to companies involved in controversial weapons, small arms and military contracting, and exposure to oil-sands extraction and tobacco-related industries, in the S&P 500 ESG Index.⁴⁰ The consultation was organised by S&P Dow Jones Indices and proposed the exclusion of 13 companies representing c.2% of the Index. Our analysis suggested that the proposed exclusions could improve ESG outcomes without materially altering the expected risk/return profile, and we provided feedback in favour of the proposed changes, which came

⁴⁰ [S&P ESG Index Series, S&P ESG Tilted Index Series, S&P Equal Weight ESG Leaders Select Indices, and S&P Gender Equality & Inclusion Equal Weight Indices Consultation on Eligibility Requirements \(PDF\)](#), 28 February 2022, S&P Dow Jones Indices.

into effect in May 2022. We aim to maintain an ongoing dialogue with relevant index providers with a view to further improve ESG outcomes.

We engaged with select European and US exchanges to seek appropriate assessments of ESG-screened exposures under new regulation expected in 2023. We also contributed to Insight’s response to an industry-wide consultation on the role of derivatives in meeting net-zero carbon objectives.⁴¹

Governance: Our activities included meetings with the new and incumbent chairpersons of one of our social infrastructure holdings, with a particular focus on succession planning and capability transitions. We also reviewed new climate change-related disclosures in case of two renewable infrastructure holdings.

We met with the investment manager of an economic infrastructure holding to review the impact of upcoming leadership changes, ensuring transition of capabilities.

For one of our renewable infrastructure holdings, we engaged with the chairperson on proposed changes to the investment management agreement, which could lower costs to investors. In another engagement we reviewed the adoption of ESG-related KPIs and new investments deriving energy from biowaste and battery storage.

H2 2022

Engagements: We engaged with a derivatives exchange regarding a prospective ESG derivative on UK equities. We believe it important to provide input on desired attributes for such instruments, which should, we hope, aid in the development of this market.

Governance: We challenged the boards and managers of infrastructure holdings on their resilience to the energy-market interventions announced by the UK and other European governments. This included an assessment of asset-management initiatives and contractual linkages for inflationary factors. We also sought clarification on appropriate succession planning as several personnel changes were announced in some holdings.

Engaging on environmental factors, our focus has been on increasing investment opportunities from improving energy efficiency for industry and plans for underlying asset companies to reduce their greenhouse emissions and implement other sustainability related strategies.

We also engaged with the chair of one holding relating to the challenges in progressing social objectives in the context of subdelegated activities. This will remain a topic for future contact with the company.

Specifically, in relation to direct holdings in infrastructure companies, we set out below our voting and engagement summary.

2022 voting and engagement summary

Strategy Holdings	Total engagements	Engagement with IM	Board engagement	ESG discussion	Proactively Raised Topics	Proposals for Vote	Voted For	Voted Against
Social Infrastructure								
HICL Infrastructure	3	2	2	3	1	15	100%	
International Public Partnerships	3	2	1	2	1	18	100%	
Renewable Energy								
Greencoat UK Wind	3	2	1	2		15	100%	
Renewable Infrastructure Group	2	2		1		16	100%	
John Laing Environmental Assets	3	2	1	3		16	100%	
Aquila Euro Renewables Income	2	2		2		14	100%	
Ecofin US Renewables Infrastructure	3	3	1	2		16	100%	
SDCL Energy Efficiency Income	3	2	1	2	1	16	100%	
Economic Infrastructure								
3i Infrastructure	3	3		2	1	15	100%	
Digital 9 Infrastructure	6	4	2	2	1	12	100%	
Infrastructure Debt								
GCP Infrastructure Investments	2	1		2	1	16	100%	
Totals	33	25	9	23	6	169		

⁴¹ IIGCC discussion paper: incorporating derivatives and hedge funds into the Net Zero Investment Framework (PDF), May 2022, IIGCC.

EQUITIES

Insight's equity portfolio managers may engage companies or issuers with a Prime corporate equity ESG rating of 5 (the worst possible). It is at the discretion of each portfolio manager when organising a meeting to determine the relevant engagement themes for conversation with a company; engagements are not limited to discussion of ESG factors or their ESG rating. The Responsible Investment Team supports the analysts and portfolio managers with ESG-focused engagements where required.

Stewardship and engagement activity is captured in a template, with activities organised by theme and recorded. When an engagement is deemed to have an ESG focus, the portfolio manager or analyst will produce an ESG-specific engagement template which is shared with the wider organisation.

CASE STUDY: Engagement to share concerns over fee structure/remuneration

In Q1 2022, we engaged with an asset management company concerning how the fund managers of a particular investment trust were incentivised and the level of remuneration on offer. We believed that the terms of the incentive scheme were excessive, and that the fee structure had the potential to incentivise short term performance over long term performance. Ultimately, we believed that it had the potential to cause significant reputational damage. Whilst the company acknowledged some of our concerns, there was no sense that change was imminent. As such, we exited our position in the company. We will continue to monitor whether a more appropriate structure is put in place to determine if reinvestment is appropriate.

CASE STUDY: Questioning a company's involvement in Russia

We engaged with a solar energy equipment producer in Q2 2022 which was experiencing supply chain issues associated with an increase in production. We also wanted to understand the influence of its largest shareholder, who is a Russian oligarch. The company stated that the shareholder in question is not sanctioned, and his stake is unlikely to increase. Following the engagement, we took the decision to exit a short position in the company. Although we believe it is unlikely that the Russian connection will post much near-term risk or cause any forced selling, we believe there are a number of fundamental issues with the company.

CASE STUDY: Engagement to share concerns over payments to staff

In Q4 2022, we engaged with a retail company as there had been some negative press with regards to a new payroll system that had meant staff had not been paid on time. We were concerned that this could be as a result of underinvestment in payroll systems and that staff had been disadvantaged. We had a long discussion with the company, which explained the mitigating factors and evidenced how this had been rectified. We took confidence from this and we continue to maintain our holding in the company and will look to continue our engagement with the company in the future.

See **Section 12** for details of our shareholder voting in 2022.

10 COLLABORATION



Insight, where necessary, participates in collaborative engagement to influence issuers.

Overview

Key statements

- Context**
- Given our focus on risk management (LDI) and fixed income, our collaborative efforts focus on select themes where opportunities arise within these areas. Much of our engagement is focused on broader market-wide issues, which necessitates extensive engagements with policymakers, regulators, and other officials.
 - In many cases, such engagements will mean collaboration with asset owners, as well as, or rather than alongside other investment managers.
-
- Activity**
- In this section we have outlined the collaborative engagements in which Insight has participated, and the rationale for each.
 - **Collaboration on market-wide and systemic risks:** Much of our focus for collaborative efforts is on wider regulatory and market issues that could have implications for our risk management efforts. These are detailed in **Section 4**.
 - **Collaboration on issues for fixed income portfolios:** We believe it is important to engage where possible via collaborative initiatives to seek the best outcomes for our clients. Examples include:
 - PRI Advisory Committee on ESG in Credit Risk and Ratings
 - ESG disclosures in ABS markets
 - ESG disclosures in loan markets
 - **Collaboration on sustainability issues:** Our Responsible Investment Team will work with other investors and industry groups focusing on specific themes or issuers. Examples include:
 - Climate Action 100+
 - Institutional Investors Group on Climate Change
 - Valuing Water Finance Initiative
 - CDP engagements to encourage greater transparency
-
- Outcomes**
- We describe the outcomes of each of our collaborative engagements alongside each initiative, and we believe we demonstrate clear and measurable outcomes for much of our activity.

10.1 CONTEXT

MANY OF THE MOST PRESSING ISSUES WE FACE REQUIRE A COLLECTIVE RESPONSE FROM THE INVESTMENT COMMUNITY AND FROM WIDER SOCIETY. WE THEREFORE WORK WITH OUR CLIENTS, OTHER INVESTORS, GOVERNMENTS, COMPANIES AND CIVIL SOCIETY ORGANISATIONS TO BUILD KNOWLEDGE AND AWARENESS, TO SHARE EXPERTISE AND TO CREATE A COMMON VOICE ON THESE ISSUES WHEN ENGAGING WITH STAKEHOLDERS IN RELATION TO OUR CLIENTS' INVESTMENTS.

We note that given our business concentration in risk management (LDI) and fixed income, our focus with regard to collaborative engagement often differs to that of equity investors. Much of our collaborative work pertains to broader market-wide issues, which necessitates extensive engagements with policymakers, regulators, and other officials, as explained in **Section 4**. In many cases, such engagements will mean collaboration with asset owners, as well as alongside other investment managers.

In fixed income markets, we note that engagement with some debt issuers can be difficult, and so we believe it is important

to engage where possible via collaborative initiatives to seek the best outcomes for our clients. For example, dialogue with major developed-market sovereign issuers is unlikely to have a meaningful impact without collaboration across a pool of investors, given the amount of issuance. This underscores the importance of collaborative initiatives, such as the IIGCC, which Insight has supported for over 16 years.

Collaborative initiatives are selected based on their importance to Insight's clients, the contributions we can make to the goals of the initiative and the philosophical alignment with our general purpose as a responsible investor.

10.2 ACTIVITY

COLLABORATIVE INITIATIVES IN WHICH INSIGHT PARTICIPATES AND/OR TO WHICH INSIGHT IS A SIGNATORY ARE REVIEWED AND APPROVED BY IROC. WE OUTLINE MAJOR INITIATIVES BELOW.

Organisation/initiative	Insight's role
CDP (formerly known as Carbon Disclosure Project)	Investor signatory Supporter of Non-Disclosure Campaign Supporter of Science-Based Targets Campaign Supporter of Municipal Disclosure Campaign
Ceres	Investor Network member Participant in Policy Working Group Participant in Paris Aligned Investment Working Group
Climate Action 100+ (CA100+)	Investor signatory Member of Engagement Working Groups for three specific issuers
European Fund and Asset Management Association (EFAMA)	Corporate member Member of Stewardship, Market Integrity & ESG Committee
European Leveraged Finance Association (ELFA)	Member Co-lead of Loan Investor committee Member of ESG committee
IASB Investors in Financial Reporting Programme	Member
Institutional Investors Group on Climate Change (IIGCC)	Investor member Member of Bondholder Stewardship Working Group

Organisation/initiative	Insight's role
International Capital Market Association (ICMA)	Member Member of AMIC Executive Committee Member of Green and Social Bond Sections Advisory Group Member of Impact Reporting Working Group Member of Transition Finance Working Group
Investment Association (IA)	Member Member of Sustainable Investment Committee Member of Climate Change Working Group
Net Zero Asset Managers (NZAM) initiative	Signatory
Partnership for Carbon Accounting Financials (PCAF)	Committed Member of Upstream Scope 3 Working Group
Principles for Responsible Investment (PRI)	Founding signatory Member of PRI Advisory Committee on ESG in Credit Risk and Ratings
Taskforce on Nature-related Financial Disclosures (TNFD)	Member of the TNFD Forum
Task Force on Climate-related Financial Disclosures (TCFD)	Supporter
Transition Pathway Initiative (TPI)	Supporter
UN Global Compact (UNGC)	Active participant
UK Sustainable Investment and Finance Association (UKSIF)	Member
Valuing Water Finance Initiative	Investor signatory Co-lead of Engagement Working Group for a specific issuer

COLLABORATION ON MARKET-WIDE AND SYSTEMIC RISKS

Insight supports our clients extensively in managing a wide range of risks, including liability risks for pension schemes (interest rate, inflation and longevity risks), equity and currency risks, among others. Much of this work focuses on over-the-counter (OTC) derivatives where agreements are tailored between Insight and counterparties. Engagement with these counterparties is typically bilateral with little scope for collaborative engagement.

Much of our focus for collaborative efforts is therefore on wider regulatory and market issues that could have implications for our risk management efforts. Examples include the following, which are explained in more detail in **Section 4**, including progress and outcomes:

- Climate change and sustainable finance
- LDI strategies and gilts markets
- EMIR and general central clearing issues
- Money market issues
- Other regulatory issues

COLLABORATION ON ISSUES FOR FIXED INCOME PORTFOLIOS

Details on Insight's collaborative engagements in 2022 with relevance to fixed income markets are offered below. The collaborative initiatives described were selected because they each align with the principal asset classes in which we invest and are areas in which Insight can make a positive contribution

through sharing expertise and knowledge. We also believe the work of these groups will lead to positive outcomes for our clients through mitigating or adapting to system-wide risks (or reducing their inherent sustainability challenges). The Responsible Investment Team and/or the investment teams are directly involved in each of these initiatives.

• PRI Advisory Committee on ESG in Credit Risk and Ratings

Insight has supported the initiative since inception in 2016 and remained a member of the Committee through 2022. The group has been instrumental in driving progress among rating agencies to proactively integrate ESG factors into credit valuations. We are a signatory to the Statement on ESG in Credit Risk and Ratings, which supports the systematic and transparent incorporation of ESG into credit ratings and analysis. The statement is supported by more than 180 investors representing over \$40 trillion in collective assets under management, and 28 credit rating agencies.

Outcome: In 2021, Insight participated in two small working groups. One group focused on how companies identify, manage, and integrate climate-related risks amongst asset owners, investment managers and credit ratings agencies. Conversations were organised to discuss how they integrate climate risk into their fixed income investment processes and risk analysis. In 2022, the survey results were published and ESG in Credit Risk workshops were held that utilized the survey information to guide further discussion and outline areas for development.

New for 2023: The PRI is setting up cross-cutting, thematic groups for fixed income including net-zero, biodiversity and use-of-proceeds groups. We will be looking to participate in a number of these groups to help drive progress forwards on some of these key issues in fixed income as an asset class.

- **ESG disclosures in ABS markets**

Following previous engagement with issuers and ICMA in 2021 to explore the potential for improved ESG disclosures for different ABS asset classes, in 2022, we participated in a working group to define ESG-related KPIs for the auto industry and RMBS.

Outcome: In 2022, the proposed KPIs for auto ABS were agreed with the ICMA and the working group is advocating for increased use by issuers. The working group is making progress toward agreeing on KPIs for RMBS, including a carbon emissions assessment methodology and reporting structure. The group intends to define KPIs for CLO assets in 2023. More information on this initiative and the rationale can be found in **Sections 4, 7 and 9**.

- **ESG disclosures in the loan market**

Insight is a member of the ELFA, an investor-only trade association comprised of European leveraged finance investors from over 60 institutional fixed income managers, including investment advisers, insurance companies, and pension funds. In 2022, Insight deepened our participation by becoming co-chair of the organisation's Loan Investor Committee and a member of the ESG Committee.

Outcome: We supported several initiatives through our work within committees to increase transparency and standardization in the leveraged finance market. One of the most impactful initiatives was focused on improving ESG disclosure and increasing engagement with stakeholders on ESG. In 2021-2022, ELFA's ESG fact sheets were enhanced for 14 sub-industries. The fact sheets aim to provide issuers, investors, and third-party service providers a framework for assessing ESG-related issues and disclosures for each sub-industry. Several ESG fact sheets were enhanced with quantitative ESG data tables identifying relevant data for each industry. ELFA's ESG fact sheets were nominated for Best Sustainable Investment Education Initiative at the Sustainable Investment Awards 2022.

COLLABORATION ON SUSTAINABILITY ISSUES

The collaborative initiatives described below were selected because they focus on issuers, or themes, where Insight can make a positive contribution through sharing expertise and knowledge. We also believe the work of these groups will lead to positive outcomes for our clients where – through the

investment portfolios Insight manages on behalf of its clients – they have significant exposure to underlying entities likely to be impacted by the engagement. The Insight Responsible Investment Team and/or investment teams are directly involved in each of these initiatives.

- **Climate action 100+ (CA100+):** Climate change is one of the world's most pressing issues. It is of critical importance to Insight as we look to mitigate our investment exposure to climate risk in pursuit of our portfolio decarbonisation targets. CA100+ is aligned with our stewardship approach as we prefer to engage rather than divest to support the transition to a low-carbon economy.

In 2022, we engaged several companies that are included in the CA100+ focus list, both independently and as part of collaborative engagement working groups. Examples of collaborative engagements are described below:

- **Climate Action 100+ engagement with a Latin American oil and gas company:** Insight has participated in the CA100+ collaborative engagement working group focusing on this company since 2021. It continues to become more receptive to ESG engagement as they have realised the impact of poor ESG performance and ratings and the resulting influence on the company's reputation and cost of capital.

In November 2022, the CA100+ group held a teleconference with the company's investor relations and sustainability team members. During the call, the co-lead investors of the group re-introduced the over 30 investors participating in the group and outlined our expectations for the engagement. The company gave a clear signal of increased receptiveness to engagement by agreeing to establish a quarterly progress meeting with the CA100+ group.

To support the CA100+ collaboration, Insight also conducted two engagements directly in 2022. Insight has established a constructive dialogue and the company has acknowledged that our engagement objectives are important for improving the company's ESG performance. In November 2022, we engaged with the company as part of a small group meeting held at the Emerging Markets Investors Alliance conference in New York. In December 2022, Insight engaged with the company directly to follow up on several items that we have identified as highly material ESG issues. Insight's direct engagement focuses on shorter-term actions which support the CA100+ group's long-term goals.

During our direct engagement, the company confirmed that there are no committees that deal specifically with

ESG issues that report to the board of directors. We view governance as a key tool to influence positive change on environmental and social issues, so we encouraged the company to strengthen governance of the company's climate action strategy and formalise oversight at the board level. Other ESG issues that we discussed included climate action, worker health and safety, and the ongoing UNGC controversy related to a 2019 pipeline explosion that resulted in over 130 fatalities.

The company's team thanked us for our input, saying they "highly appreciate" our feedback and aim to "improve our ESG commitment".

Outcome: In 2022, we were pleased to see improvements in the company's climate action governance and plans, which we believe was influenced by delivering a consistent message on the long-term goals that the CA100+ group has championed combined with the shorter-term improvements that Insight has encouraged directly with the company.

In November 2022, the company announced plans to work with the US EPA to develop a greenhouse gas emissions mitigation plan to be published in the first half of 2023. The company's collaboration with the EPA follows the local government's commitment reached during COP27 to reduce emissions 35% by 2030, and signing of the Global Methane Pledge, which aims to reduce methane emissions by at least 30% by 2030. Methane emissions are a major component of the company's overall GHG emissions. In 2021, 35% of the company's total scope 1 and 2 emissions were a result of gas flaring at upstream operations. We encouraged the company to establish a time-bound methane emission reduction target and provide additional details on plans to identify, quantify and reduce fugitive emissions, routine flaring, and venting. We also suggested the company consider joining industry initiatives to increase the transparency of methane reporting such as the Oil & Gas Methane Partnership 2.0 or Zero Routine Flaring by 2030, which is endorsed by the local government and 54 companies including major peers.

In December 2022, the company announced plans to establish a 2023-2050 Sustainability Plan, which will include the strategies, actions and metrics used to meet ESG goals. The company made an important improvement to its governance by confirming the

board's approval of the creation of a sustainability committee to coordinate and oversee the company's ESG strategies and guidelines.

Additionally, the company pledged \$12bn to reduce emissions in a five-year business plan which was approved by the board. We were pleased that the company increased disclosures on methane emissions progress and reduction plans. Aligning capital expenditures with climate action strategy is one of the CA100+ group's objectives. Although details on the methane reductions and decarbonisation investments have not been fully disclosed, we view this outcome as a positive step toward increased transparency.

In 2023, we intend to continue our dialogue through both the investor group and directly with the company, on topics including disclosures and methane emissions.

- **Climate Action 100+ engagement with Middle Eastern oil company:** We joined the first CA100+ engagement with this company in 2022, who had previously been unresponsive to our requests to engage. This engagement provided a good introduction to the firm's sustainability strategy and we will be looking to push the company to improve its reporting further over the next year.

In 2023, we intend to further expand our involvement in Climate Action 100+, by targeting a number of additional collaboration engagement working groups to join, based on criteria such as the size and scope of our investment exposure and an issuer's carbon emissions.

- **The Institutional Investors Group on Climate Change (IIGCC):** Insight has actively participated in several IIGCC collaborative initiatives focused on developing guidance on net-zero stewardship and bondholder stewardship. In December 2022, the IIGCC launched a Bondholder Stewardship Working Group.⁴² The working group aims to support investors to use their influence as bondholders to meet their clients' and their own climate objectives by working with companies to address the risks and opportunities associated with climate change and facilitate the transition to net zero. Fundamentally, the working group seeks to address the absence of bondholder-specific guidance, governance structures, accountability mechanisms and escalation measures by producing guidance on best practices for climate-related disclosure, stewardship and engagement and new financing structures for corporate bonds.

⁴² [IIGCC launches Bondholder Stewardship Working Group to promote bondholder influence to support climate action and steer the transition to net zero](#), 7 December 2022, IIGCC; [IIGCC Launches Bondholder Stewardship Working Group – Position Statement: Redefining Climate and Net Zero Stewardship for Bondholders \(PDF\)](#), IIGCC.

Insight joined the working group on its launch and is providing written and verbal input into engagement guidance that the group is producing in 2023. We intend to engage with the membership in early 2023 on our approach to net-zero alignment of sovereign bond holdings.

Outcome: The IIGCC launched its Net Zero Stewardship Toolkit in 2022 which provides guidance for all types of investors to enhance their stewardship practices to enable the rapid decarbonization needed to achieve a net-zero world by 2050.

- **Valuing Water Finance Initiative:** Water stewardship has been identified as a systemic sustainability risk with meaningful impacts across industries and which is exacerbated by climate change: the UN estimates that by 2030, demand for water will exceed global supply by up to 40%. Sectors that rely on water for their direct operations or within their supply chains increasingly face water-related risks from climate change, growing competition for water, pollution, regulation, and aging infrastructure.

Recent research has also highlighted the significance of the financial impacts of water risks that may lead to business or supply chain disruptions, increased costs, or stranded assets. Many of these water-related risks have not been adequately assessed, or disclosed, by water users and pose a risk to investors and the long-term sustainability of water-intensive industries.

In 2021, we conducted a research project to develop a framework for considering natural capital risk in corporate bonds. The research was based on a three-stage assessment, including an industry-level materiality assessment, geospatial mapping to assess asset-related risks, and mitigation analysis. The research project evaluated three companies in industries at high risk for water-related impacts to validate the model.

Outcome: In 2022, we expanded our research on water risk by applying a three-stage risk analysis framework to identify companies within Insight portfolios which have high water dependencies, operate in water scarce areas, and have not disclosed water risk assessments for their operations and supply chains. Our analysis aims to evaluate water

stewardship disclosures and performance and to support engagement with issuers that we view are misaligned with our expectations for prudent water risk management.

To support our research and develop a larger influence when engaging with companies, we joined the Valuing Water Finance Initiative, a collaborative investor group with 64 signatories overseeing over \$9.8 trillion in assets⁴³. The investor group has a focus list of 72 companies and plans to confirm investor teams for priority engagements in early 2023.

Insight intends to participate in Valuing Water Finance Initiative collaborative engagements and has been selected to co-lead an engagement working group focused on a luxury retail company. As a co-lead investor for the engagement, we will act as the primary contact for coordination with the investor group, define the strategy for engagement and execute the dialogue with the focus company to develop a long-term relationship and drive positive improvements on water stewardship.

- **CDP engagements to encourage greater transparency:** CDP data is a key input into Insight's Prime climate risk ratings. Inadequate disclosure undermines efforts to support a low-carbon economy by making it more challenging to evaluate climate action performance. Insight continued to support CDP by participating as a co-signing investor in three of CDP's campaigns in 2022 including the CDP Non-Disclosure Campaign, CDP Science-Based Targets Campaign, and CDP Municipal Disclosure Campaign.

Outcome: The 2022 CDP Non-Disclosure Campaign engaged 11% more companies than in 2021. In total, 1,466 companies were engaged across three topics: climate change, forests, and water security. We were pleased that the companies engaged on water security increased 35% compared to 2021 which supports Insight's thematic priority to engage companies on water stewardship.⁴⁴

The 2021-2022 CDP Science-Based Targets Campaign engaged 1,610 companies. Following the engagement 213 companies joined the SBTi, 38 companies have had

⁴³ [Valuing Water Finance Initiative](#).

⁴⁴ [2022 CDP Non-Disclosure Campaign: Results Report \(PDF\)](#), January 2023, CDP.



their near-term targets approved by the SBTi, and 96 companies committed to net-zero.⁴⁵

In 2022, the CDP Municipal Disclosure Campaign⁴⁶ added \$1.9 trillion in assets and nine signatories to the investor group. The increase in campaign supporters illustrates the increasing interest in higher quality and more standardized disclosures from municipal debt issuers. The 2022 Municipal Disclosure Campaign reached 463 issuers, increasing from 53 in 2021. The campaign requested disclosure across three types of municipal questionnaires covering municipalities; public authorities; and states, provinces, or territories. Most importantly, 20 issuers responded to CDP's investor request to disclosure for the first time. These 20 newly disclosing issuers represented 43% of all first-time disclosing issuers in North America. The progress on increased disclosures for municipal issuers is a positive improvement to more accurately assess risks such as climate change.

Our effort to improve transparency on CDP disclosures continued in 2022 and we intend to engage directly with issuers in 2023 who are not reporting to CDP to improve disclosure.

- **UK Sustainability Reporting Standard for Social Housing:** Insight previously participated in a working group seeking to encourage investment in social housing by establishing standards for the sector's reporting on ESG criteria. Insight has invested in the housing association sector on behalf of its clients, and we believe it often underplays its best-in-class approach to ESG issues. In 2021, a website was launched introducing the group's work and the Sustainability Reporting Standard for Social Housing which includes recommended ESG KPIs and disclosures. In 2022, Insight continued to support the standard in several ways. We monitored housing associations reporting disclosures to evaluate alignment with the standard. We also provided feedback on the quality of the reports, how Insight utilised the information, and suggestions for improvements. We intend to continue to support the Sustainability Reporting Standard Board by providing additional feedback on how we use and integrate the standard into our processes.

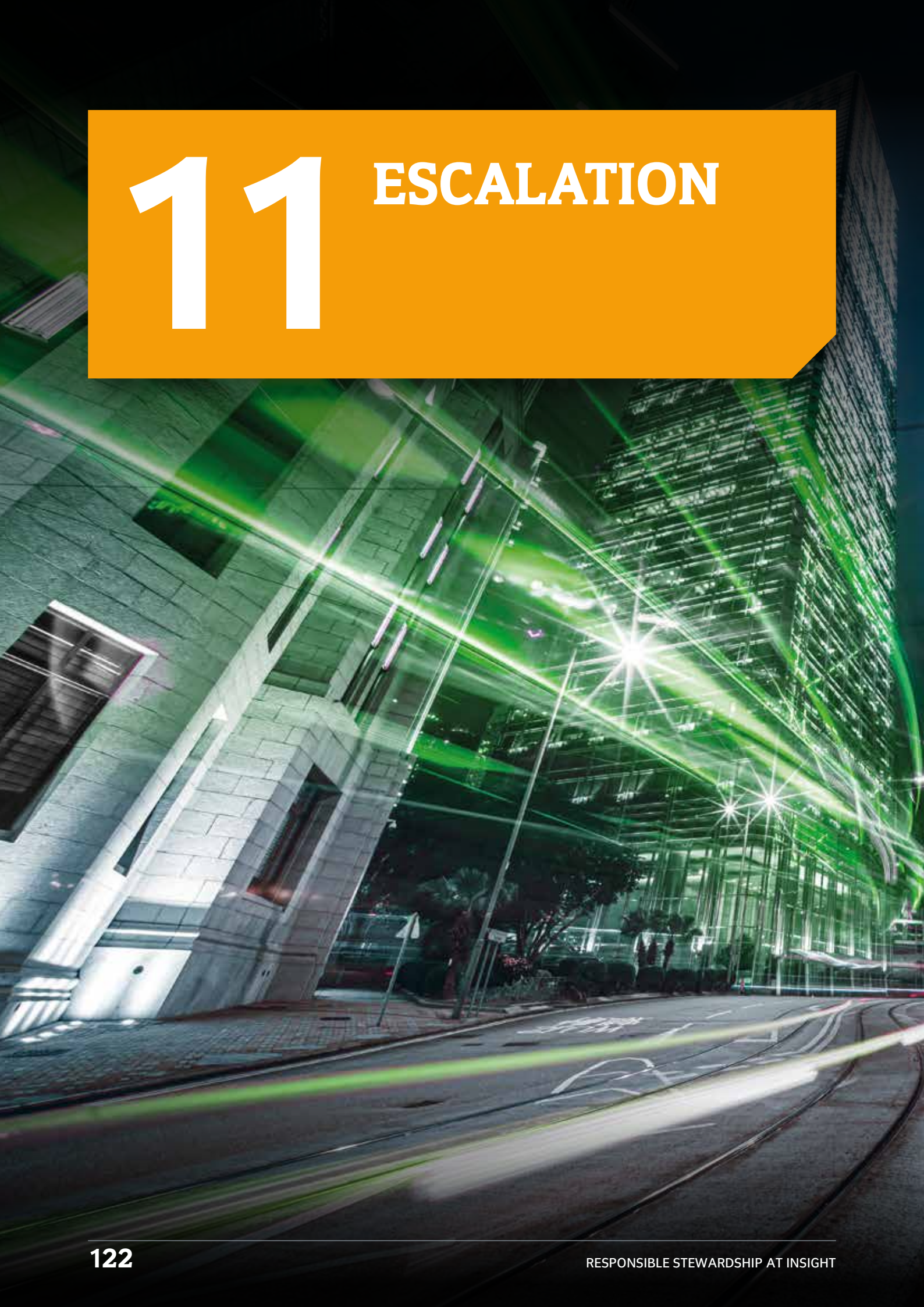
- **Ceres:** In 2022, Insight joined the Ceres Investor Network which includes over 220 institutional investors managing more than \$60 trillion in assets. Insight participates in several collaborative groups including the Paris Aligned Investment Working Group and the Policy Working Group. We intend to continue to deepen our engagement with the Ceres Investor Network in 2023.
- **International Capital Market Association (ICMA):** Insight is a member of ICMA and an active participant in several working groups that focus on one of the organizations cross-cutting themes: sustainable finance. Insight is a member of the Green and Social Bond Sections Advisory Group, the Impact Reporting working group, the sub-working group focused on updates to the ICMA Transition Finance Handbook, and the Sustainability-Linked Bond working group.
- **Investment Association:** Insight is an active participant in the Investment Association's quarterly climate change working group, which discusses climate policy, regulatory and market developments, and implications for our clients. We also participate in the TCFD technical working group, which seeks to establish best practice in reporting against the DWP occupational pension scheme disclosure requirements. In addition, we have contributed to the IA's joint responses to major ESG consultations (e.g. UK SDR).
- **Partnership for Carbon Accounting Financials (PCAF):** As a signatory to PCAF, Insight has engaged with the membership on topics such as treatment of green bonds within portfolio decarbonisation. Insight is a member of the European and North American working groups as well as specialist groups such as the Scope 3 Upstream group, which is seeking to establish best practice in data collection and disclosure.
- **UK Sustainable Investment and Finance Association (UKSIF):** Insight has contributed to the UK Green Technical Advisory Group on development of the UK science-based taxonomy and FCA Disclosure and Labelling Advisory Group via UKSIF. In addition, we have participated in member workshops to provide feedback on emerging policy and disclosure frameworks such as SDR. Insight has monthly meetings with UKSIF's Policy Programme coordinators to ensure our strategic priorities on ESG are aligned with UKSIF's policy engagement, advocacy, and lobbying activities, where relevant.

⁴⁵ CDP Science-Based Targets Campaign: Final progress report: 2021-22 campaign – October 2021-September 2022 (PDF), 2022, CDP.

⁴⁶ CDP Municipal Disclosure Campaign: Introduction & FAQ (PDF), 28 April 2022, CDP.



11 ESCALATION



Insight, where necessary, escalates stewardship activities to influence issuers.

Overview

Key statements

- Context**
- Our stewardship prioritisation takes an expert-led and informed approach involving multiple internal stakeholders specific to the needs of each asset class or strategy. Different investment teams have their own escalation processes and priorities.
-
- Activity and outcomes**
- We outline how we approach escalation across different areas of our business, covering:
 - Escalation of issues affecting fixed income investments
 - Escalation within Insight's Responsible Horizons strategies
 - Escalation of issues affecting derivatives

11.1 CONTEXT

We believe effective stewardship can support investment portfolios by reducing investment risk and mitigating financial uncertainty. We therefore engage as bondholders, counterparties, shareholders and financial participants.

Our approach to engagement is explained in detail in **Section 9**, with details on our collaborative engagements in **Section 10**.

Our stewardship prioritisation takes an expert-led and informed approach involving multiple internal stakeholders specific to the needs of each asset class or strategy. Different investment teams may have their own escalation processes and priorities. The approaches and examples offered below aim to reflect our approach across selected investment

strategies and funds, and the geographies in which they invest and operate. See **Section 6** for more information on the institutional and segregated nature of the assets we manage for our clients.

A lack of engagement, meaning we do not receive the disclosures or transparency we require, may lead us to avoid investing in an entity, or to divest a holding if we already hold an issue if we deem the engagement topic to be sufficiently material. As explained in **Section 9**, if it is not possible to meet with relevant management or officials, we may seek to engage via other routes, including by contacting the company's broker or board, or by engaging collaboratively with other investors.

11.2 ACTIVITY AND OUTCOMES

ESCALATION OF ISSUES AFFECTING FIXED INCOME INVESTMENTS

Our engagement process varies across different aspects of fixed income. In **Section 9** we outline our efforts across sovereign debt, corporate bonds, secured finance and US municipal bonds.

For each asset class, regular daily, weekly and/or monthly meetings for the relevant investment teams present opportunities for significant issues to be raised for escalation. This applies to sustainability and non-sustainability issues. Our proprietary Prime ESG and climate risk ratings will provide data analysis for comparison to highlight issues to escalate for engagement, with ratings flagging issues that may need escalation. Specific concerns are highlighted and escalated to the relevant investment team to be addressed with the relevant entity. This may take place at the monthly buy-and-maintain or RIG meetings. Issues are also discussed at daily and weekly corporate

credit meetings to ensure they are highlighted and escalated appropriately.

In the investment grade market, new issues are typically announced by banks as the market opens. This can often be the announcement that an issuer is commencing a deal-specific roadshow and will be available for calls with investors over the following one to two days. This provides our analysts with an opportunity to prepare questions for the issuer, which in the vast majority of instances will include ESG-related issues. However, for well-known issuers, new issues are announced, along with the deal structure including maturity and price, with no opportunity for investors to engage. In these instances, analysts and portfolio managers discuss the strengths and weaknesses of the issuer, including relevant ESG issues highlighted by our proprietary Prime ESG and climate risk ratings. In some cases where we have declined to buy the new issue because of shortcomings in either its ESG ratings or the strength of its impact bond framework, we provide feedback to the banks which arranged the

transaction, which reiterate our views to the issuer. This process of immediate escalation best suits active investment grade strategies where portfolio turnover is relatively high and the time to undertake escalated engagements is short.

For buy-and-maintain strategies, where bonds are typically held to maturity, the escalation process takes place through the monthly buy-and-maintain meeting. At this meeting, chaired by the Head of Strategic Credit, proprietary ratings and data for each issuer are scrutinised by analysts and the relevant portfolio managers. Where an issuer's rating has deteriorated to worst-in-class, engagement with the issuer will be sought to understand why the change has occurred and if we can encourage improvement, and will typically result in severely restricted purchases. Where there is either a lack of willingness to engage or improvement is unlikely, we will potentially sell holdings.

The Ratings and Exclusions Group (REG) is the key internal group for proposing firm-wide exclusion policies and confirming changes to Insight exclusion lists and Prime ESG ratings for Insight and its affiliates. Among other activities,

the REG uses internally developed screens to provide oversight of positions held across the business, and where appropriate it will escalate to the RIG or IROC those issues and risks that it deems sufficiently material to be brought to their attention, together with any items on which there is material disagreement. The REG is also responsible for setting exclusionary policies for pooled funds classified as Article 8 or Article 9 funds under the EU SFDR, and for Responsible Horizons strategies. For full details on the REG please see **Section 2**.

New for 2023: Oversight of worst-in-class Prime corporate and sovereign ESG ratings

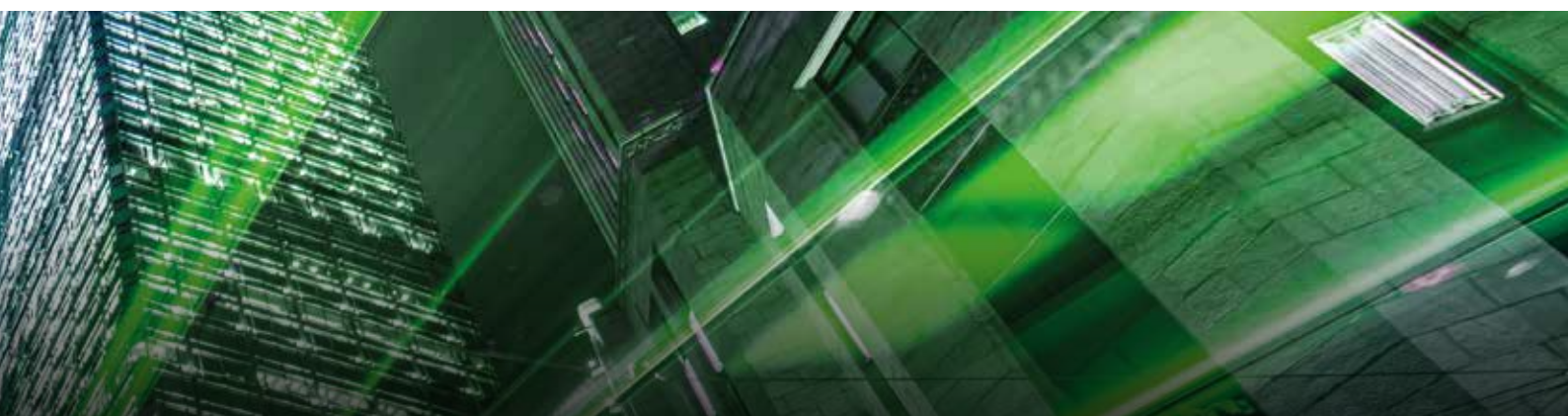
We have added oversight of issuers with worst-in-class Prime ESG ratings (a 5 rating), and issuers without a rating, to the remit of the REG. The REG will review on a quarterly basis where issuers with a Prime ESG rating of 5, or issuers without a rating, are held across the business. This can be used to determine whether any additional engagement or escalation is required.

New for 2023: Escalation stage ratings

As part of our new Stewardship Policy, to be implemented in 2023 (discussed further in **Section 5**), we have created escalation stage ratings to determine whether an engagement should be escalated and to identify the most appropriate course of action. This rating applies to our ESG-focused engagements, and it is a mandatory field which is required to upload an ESG engagement template.

Escalation Stage	1. Constructive Dialogue	2. Monitoring	3. Structured Communication	4. Watch List	5. Exclusion or Divestment
Description	The company is actively engaged.	The company has not shown progress or concerns are identified related to the engagement.	More formal communication is warranted due to the materiality of our engagement objective, or concerns such as controversial activity, or unresponsiveness on sufficiently material issues.	The company is placed on an exclusion Watch List if there are concerns, or unresponsiveness, on highly material issues.	After additional review of relevant issues, exclusion or divestment ⁴⁷ recommendation is made to IROC by the REG.

⁴⁷ Completed except where client-specific or mandate-specific requirements do not allow exclusion or divestment, such as index-related strategies.



CASE STUDY: Investigating a Swiss multinational commodity and mining company's ESG record

- **Background:** The issuer is a Swiss multinational commodity trading and mining company. The company violated the UN Global Compact because of a bribery violation controversy and has fallen afoul of regulators in several jurisdictions.
- **Insight's engagement:** Our engagement objectives focused on three areas: understanding the company's time-bound commitment to stop global investment in new thermal coal capacity; providing additional detail on thermal coal asset run-down plans such as timelines, capacity reductions, and 'Just Transition' considerations; and due to its inclusion in a third party's UN Global Compact violators list and bribery settlements with various regulators, we wanted the issuer to improve disclosures on corrective actions, proactive measures or quantitative data related to ethics, compliance, and internal controls.

The company's previous disclosures indicated its run-down plans are inconsistent with Insight's position on thermal coal. Management remains committed to maintaining thermal coal assets in the portfolio. The issuer stated it would not make an explicit commitment not to sustain or expand coal capacity. Likewise, it argued that while investors in the UK are calling for a radically accelerated decarbonisation pathway, other investor groups want them to buy more coal assets because the company is viewed as the best stewards of the assets.

Regarding the UN Global Compact violation, as part of its settlement agreements, two major government agencies will monitor the company for the next three years. Given the level of scrutiny, it believes investor fears should ease, and does not plan to provide specific metrics/guidance on improvements outside its previously disclosed public statements. The issuer stated it is very different today and the additional monitoring will give public markets the confidence that the new systems will support the business.

- **Outcome:** Our two direct engagements with the company in 2022 did not provide much evidence that the company is improving on material ESG issues, but the company acknowledged the strategic priority to improve and execute its coal run-down strategy. As a result, we escalated it to our monitoring list due to the UN Global Compact bribery violation controversy and non-compliance with our position on thermal coal. We have communicated our expectations verbally and in written form to management. The company will publish a climate progress report in March 2023, and we intend to follow up to assess progress toward our engagement objectives.

During the company's recent investor day in Q4 2022, we were pleased that the company announced a commitment to close 12 coal mines by 2035. This was the first time the issuer has disclosed a quantified number of coal-asset closures with specific target dates, which was one of our engagement objectives for the company. While we are still monitoring the company's coal run down strategy closely, we view this as a positive incremental improvement on the transparency of its coal exit strategy.

CASE STUDY: Taking action after accusations of accounting errors

- **Background:** The company is focused on long-term ownership, management and development of social infrastructure and residential properties in the Nordics. Since early 2022, a research company has released reports on the company which included significant governance-related claims against the organisation relating to incorrect accounting practices.
- **Activity:** To understand the validity of the claims and how the organisation is responding, Insight has engaged with the company multiple times. Engagements have included meetings with the CEO and CFO.

One focus has been the company's audit and accounting standards. We queried the CEO and the organisation multiple times about the details; the company stated its approach is consistent with international accounting standards, and we asked for written confirmation from its auditor or another external auditor. The company subsequently issued a public statement saying that its statements were independently examined by an external auditor, and in addition, it republished its most recent accounts with additional clarification and pledged to follow this approach going forward.

We believe several of the claims made in the research report require further validation and consideration. However, in our view, other parts of the company's accounting need to be restated or clarified. We also have other questions that remain unanswered.

- **Outcome:** At the time of our engagements, the issues surrounding governance had not fed through to MSCI. As we felt that the governance issues were not reflected in the company's scores with external ratings agencies, we escalated the issuer to the REG. The REG agreed that the underlying accounting score should be notched to a worst-in-class score in our Prime framework, which caused the overall governance score to deteriorate to a 5.

We reduced our exposure to the issuer significantly throughout 2022 and continue to monitor further developments and responses from the CEO and the company. However, we were pleased to see that since the initial reports, the company has taken some steps to improve leverage and it is now on an improving trajectory.

CASE STUDY: Holding a company accountable for its treatment of its employees

- **Background:** The company in question operates as a port operator and operates marine terminals and handles cargo containers. It is the 100% shareholder of a company that was at the centre of a major social controversy in 2022 when it made a large proportion of its workforce redundant without union consultation. This was widely criticised in the media and parliament.
- **Activity:** We engaged with this company to understand the reasons that it did not follow the recommended process with regards to the redundancy consultation period. It was clear from our discussions that the company would not change the approach they took, and they did not regret any decisions that were made. This did not fill us with confidence that they would not attempt to bypass law or recognised processes with other companies that it owns.
- **Outcome:** As a result, we escalated this issue to the REG, and it was agreed to place restrictions on funds with relevant sustainability criteria, and it was labelled unsuitable for our strategic credit portfolios. We will continue to track developments to the situation as they arise in the news (e.g., the outcome of criminal and civil investigations) and will re-engage if any significant developments occur.

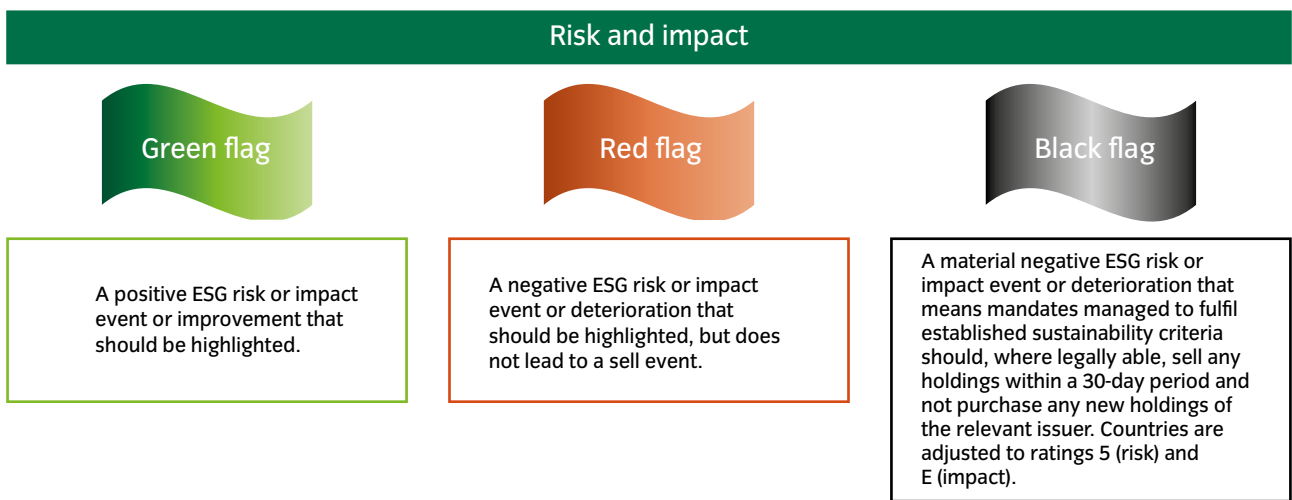
ESCALATION WITHIN INSIGHT’S RESPONSIBLE HORIZONS STRATEGIES

Many investors are looking to achieve a positive environmental or social impact, and to invest in sustainable businesses that will stand the test of time. For this reason, in 2020 we created a clear set of qualification criteria for Insight strategies which have been specifically designed for investors seeking responsible investment outcomes. These strategies are collectively known as Responsible Horizons strategies.

Responsible Horizons strategies incorporate a clear escalation policy for engagement: when a holding’s Prime ESG rating deteriorates to the worst possible rating, meaning it could be excluded from investment, Insight will consider whether to continue to hold the position and, if so, will seek to engage with the issuer with a view to influencing their future behaviour. If the issuer does not take reasonable steps to address the issue, a strategy’s portfolio managers will make reasonable endeavours to remove the position within 12 months. More information on the Responsible Horizons strategies is provided in Section 7.


ESCALATION OF ISSUES AFFECTING SOVEREIGN BONDS


Insight’s sovereign ESG flag system



CASE STUDY: How we applied the flags when war broke out in Ukraine

The Sovereign Fixed Income Responsible Investment Implementation Group had been monitoring the situation in Russia and Ukraine for some time, and placed a red flag on the Russian sovereign on 2 February. The Russian invasion in late February led to a black flag being applied to the Russian sovereign, leading to an immediate downgrade of its Prime sovereign ESG risk rating to 5 and its impact rating to E, and specified mandates with ESG-related criteria were required to sell their holdings, where possible, within 30 days.

2 February 2022 
A **'Red Flag'** was placed on the Russian sovereign to reflect the heightened tensions posed by the status of its military apparatus.

25 February 2022 
A **'Black Flag'** was placed on the Russian sovereign reflecting the land and air military action taking place within Ukraine.

ESCALATION OF ISSUES AFFECTING DERIVATIVES

Our risk management (LDI) clients are frequently exposed to wider issues affecting how markets function, and as a result Insight has an extensive programme of engagement. For priority issues with a significant potential impact for our clients, Insight may escalate our engagement. In 2022 there were no new material escalated issues. More information on the range of issues and our efforts to highlight material issues facing our clients is detailed in **Section 4**.

Insight embeds ESG analysis in our LDI portfolio management process and we engage actively with bond issuers and counterparties, as outlined in **Section 9**. We have regular meetings at a variety of levels with our counterparties, with many opportunities to share concerns and to discuss highlighted issues.

The Counterparty Credit Committee is the governance body that reviews all issues of concern regarding our counterparties, and if agreed, set appropriate actions or escalations for our engagement. If there are concerns, they will be escalated to the Committee for review and to set out appropriate follow-ups. No material issues were sent for escalation in 2022.

We typically provide our clients and their advisers with a summary of engagement statistics with relevant counterparties, with details of progress and outcomes where material and relevant. A new sustainability-focused engagement programme was introduced in 2022 that includes counterparty engagement targets and an escalation process. This includes potential enforcement actions with activities overseen and approved by the CRG. The CRG has the authority to direct pressure to a given counterparty (in the form of both advocacy and/or sanctions) to address any specific counterparty ESG underperformance. More details on this are provided in **Section 9**.

12 EXERCISING RIGHTS AND RESPONSIBILITIES



Insight actively exercises its rights and responsibilities.

Overview

Key statements

- Context**
- Equity holdings are limited at Insight, with equity assets accounting for less than 1% of our AUM.
 - We disclose our Voting Policy. We also outline our use of proxy advisers.
 - In fixed income, Insight will encourage changes to bond prospectuses or indentures where relevant. Our decision will be influenced by the risks we identify, how long we expect to hold the bonds and instrument type. Areas where we have direct influence over bond documentation include private credit and debt restructurings.
-
- Activity and outcomes**
- We provide information of our equity voting activity in 2022. Our voting record is available [here](#).
 - Insight voted against management recommendations 66 times in 2022.



12.1 CONTEXT

INSIGHT EXERCISES ITS RIGHTS AND RESPONSIBILITIES, WHERE IT IS RESPONSIBLE AND APPROPRIATE TO DO SO, TO ENHANCE THE VALUE OR MANAGE THE RISKS OF CLIENT PORTFOLIOS. INSIGHT DISCLOSES THESE ACTIVITIES TO AND ITS VOTING RECORD PUBLICLY ON OUR WEBSITE. INSIGHT TAKES A GLOBAL APPROACH TO EXERCISING ITS RIGHTS AND RESPONSIBILITIES.

Our policies and approach to equity voting apply across our equity strategies and funds, wherever they operate. Equity holdings are limited at Insight, with equity assets accounting for less than 1% of our AUM (see **Section 6**). Some of these assets are accounted for by equity exposure via derivatives, limiting our ability to engage through voting.

VOTING POLICY

Insight's proxy voting activity adheres to best-practice standards and is a component of Insight's Stewardship and Responsible Investment Policies. In implementing its Proxy Voting Policy, Insight will take into account a number of factors used to provide a framework for voting each proxy. These include:

LEADERSHIP: Every company should be led by an effective board whose approach is consistent with creating sustainable long-term growth.

- **Strategy:** Company leadership should define a clear purpose and set long term objectives for delivering value to shareholders.
- **Culture:** The board should promote a diverse and inclusive culture which strongly aligns to the values of the company. It should seek to monitor culture and ensure that it is regularly engaging with its workforce.
- **Engagement with Shareholders:** The board and senior management should be transparent and engaged with existing shareholders. The board should have a clear understanding of the views of shareholders. The board should seek to minimize unnecessary dilution of equity

and preserve the rights of existing shareholders.

- **Sustainability:** The board should take account of environmental, social and governance risks and opportunities when setting strategy and in their company monitoring role.

STRUCTURE: The board should have clear division of responsibilities.

- **The Chair:** The Independent Chair, or Lead Independent Director, of the board should demonstrate objective judgment and promote transparency and facilitate constructive debate to promote overall effectiveness.
- **The Board:** There should be an appropriate balance of executive and non-executive directors. Non-executive directors should be evaluated for independence. No one individual should have unfettered decision-making powers. There should be a clear division of responsibilities, between the independent board members and the executive leadership of the company.
- **Resources:** The board should ensure it has sufficient governance policies, influence and resources to function effectively. Non-executive directors should have sufficient time to fulfil their obligations to the company as directors.

EFFECTIVENESS: The board should seek to build strong institutional knowledge to ensure long term efficient and sustainable operations.

- **Appointment:** There should be a formal appointment process, which ensures that the most qualified individuals are selected for the board. This process should be irrespective of bias to ensure appropriate diversity of the board.

- **Knowledge:** The board should be comprised of those with the knowledge, skills and experience to effectively discharge their duties. The board should have sufficient independence to serve as an effective check on company management and ensure the best outcomes for shareholders.
- **Evaluation:** The board should be evaluated for effectiveness on a regular basis. Board member's contributions should be considered individually.

INDEPENDENCE: The board should present a fair and balanced view of the company's position and prospects.

- **Integrity:** The board should ensure that all reports produced accurately reflect the financial position, prospects and risks relevant to the company. The board should ensure the independence and effectiveness of internal and external audit functions.
- **Audit:** The board should ensure that clear, uncontentious accounts are produced. These should conform to the relevant best accountancy practices and accurately represent the financial position of the company. Deviations from standard accounting practices should be clearly documented with a corresponding rationale.
- **Risk:** The board should ensure the company has sound risk management and internal control systems. There should be a regular assessment and communication of the company's emerging and principal risks.

REMUNERATION: Levels of remuneration should be sufficient to attract, retain and motivate talent of the quality required to run the company successfully.

- **Goal Based:** The board should base remuneration on goal-based, qualitative, discretionary cash incentives. Remuneration should consider underlying industry and macroeconomic conditions and not be structured in a tax-oriented manner.
- **Transparent:** Remuneration arrangements should be transparent and should avoid complexity.
- **Sustainable:** Remuneration should not be excessively share based and should be accurately represented and controlled as an operational cost. The remuneration of executives should promote long term focus and respect the interests of existing shareholders.

PROXY ADVISERS

To assist Insight professionals with implementing its proxy voting strategy, Insight retains the services of an independent proxy voting service, namely Minerva (the "Voting Agent"). The Voting Agent's responsibilities include, but are not limited to, monitoring company meeting agendas and items to be voted on, reviewing each vote against Insight's Voting Guidelines and providing a voting analysis

based upon the Voting Guidelines. The Voting Agent also identifies resolutions that require specific shareholder judgement – often relating to corporate transactions or shareholder resolutions. This enables Insight to review situations where the Voting Guidelines require additional consideration or assist in the identification of potential conflicts of interest impacting the proxy vote decision. Voting decisions are communicated by Insight to the Voting Agent and submitted to shareholder meetings through a specific proxy.

On a monthly basis, the Voting Agent provides reports on voting activity to Insight. Voting data is available to clients upon request and is posted on Insight's website.

ENHANCEMENTS AND UPDATES IN 2022

- The PVG, which oversees all voting activities, established an enhanced escalation process for contentious and conflicted resolutions.
- The PVG established an API feed direct from our voting agent allowing clients to see how we cast their votes.
- A distinction is made in our public disclosures between Insight discretionary votes and client-directed votes.
- The PVG instigated and carried out formal annual reviews of Insight's voting guidelines.

PROXY VOTING GOVERNANCE

The PVG is responsible for overseeing the implementation of voting decisions where Insight has voting authority on behalf of clients. The Group meets at least quarterly, or more frequently as required. In ensuring that votes casted are in the best interest of clients, the PVG will oversee the following proxy voting activities:

- 1 Casting votes on behalf of clients;
- 2 Voting Policy: Oversee and set the Proxy Voting Policy;
- 3 Voting Guidelines: Oversee and set the Voting Guidelines which are reviewed and approved on an annual basis;
- 4 Stewardship report and Stewardship Policy: Review for consistency with Proxy Voting Policy and Voting Guidelines;
- 5 Conflicts of interest: Manage conflicts when making voting instructions in line with Insight's Conflicts of Interest Policy;
- 6 Resolution Assessment: Review upcoming votes that cannot be made using Voting Guidelines and make voting decisions;
- 7 Voting Agent: Appoint and monitor third-party proxy agencies, including the services they perform for Insight in implementing its voting strategy; and
- 8 Reporting: Ensure voting activity aligns with local regulations and standards.

The PVG is chaired by a Senior Portfolio Manager (who has no direct day-to-day investment discretion) and attended by portfolio management personnel, a Senior Stewardship Analyst (Vice Chair), Corporate Risk, Compliance and Operations personnel. The PVG is accountable to and provides quarterly updates to the Investment Management Group.

VOTING EXECUTION

Voting rights are monitored internally and reviewed quarterly by the PVG. This includes monitoring of voting activity and whether all ballots are processed correctly.

Insight's voting decisions are communicated to Minerva and submitted to shareholder meetings through a specific proxy. Insight's operations team ensures that every time a voting submission is required, this is communicated to front office teams. The operations team will apply voting recommendations directly into Minerva's online portal. Insight cast its votes for 78 companies over 2022 for over 1,000 resolutions.

There were two equity voting events that required escalation. There were no fixed income voting events that required escalation.

Policy on clients directing voting

Unless a client retains voting powers, as set out in their client agreement, clients are unable to vote directly or override a house policy.

STOCK LENDING

Insight seeks to mitigate 'empty voting' and does not engage in share lending. However, some BNY Mellon funds, for which Insight acts as investment manager, do engage in share lending. The share lending team at BNY Mellon does not lend the entire position to allow voting on a portion of the position to occur.

FIXED INCOME

Where relevant, Insight will use its influence as a bondholder to encourage changes to bond prospectuses or indentures. This will depend on specific asset classes. Our decision will be influenced by the risks we identify, how long we expect to hold the bonds and instrument type.

Insight's influence over bond documentation

Areas we would highlight where we have direct influence over bond documentation include:

Private credit (including secured finance): We utilise the expertise of our highly specialised legal team and employ specialist external counsel to act on our behalf. Our early involvement in a transaction allows us to shape its structure and legal documentation. Even when new deals are presented in near-final format, we appoint our own counsel to review the documentation to undertake comprehensive legal due diligence.

Debt restructurings: In situations where our holdings give us sufficient influence, we will join the ad-hoc committee of bondholders formed to manage the restructuring. We then work with other parties to deliver the best outcome for our clients. As above, we will appoint restructuring advisers and external legal counsel.

In the event where an issuer is seeking to make a significant change (for example, if a covenant waiver is sought) we will be asked to vote on the proposals. In most instances, a credit analyst would have first met with the issuer to understand the nature of the proposal. The benefits and risks of the proposal are considered and debated by a group of senior analysts and portfolio managers at a weekly watchlist meeting. This can result in further dialogue with the issuer, as a means of trying to re-shape the proposal, to vote in favour or sometimes, to vote against. (Any issuer that has negotiated a covenant waiver is added to an internal watchlist, which provides for increased scrutiny and oversight.)

With regard to liquid bond markets, we have less opportunity to influence the existing language in bond documents than in the examples above. However, as a major investor in bond markets on behalf of our clients, banks will often approach us for our thoughts on language. This mostly takes place outside an issuer-specific context. However, there are examples where our influence can be significant.

12.2 ACTIVITY AND OUTCOMES

INSIGHT IMPLEMENTS VOTING FOR ALL SHAREHOLDINGS WHERE IT HAS RESPONSIBILITIES TO VOTE FOR ITS CLIENTS.

Insight's equity voting record is available [here](#). Voting activity across Insight is outlined below.

INSIGHT INVESTMENT VOTING ON MANAGEMENT RESOLUTIONS IN 2022

	Abstain	Against	For	Grand Total
Auditor – Election	2		45	47
Auditor – Remuneration	1		45	46
Bonds & Debt			1	1
Capital Structure			3	3
Directors – Elect	7		410	417
Dividends			43	43
Environmental Practices		2	8	10
General Meeting Procedures			33	33
Human Rights & Workforce	1			1
Investment Trusts & Funds			1	1
Issue of Shares & Pre-emption Rights			115	115
Meeting Formalities			5	5
Other A&R related			1	1
Other Articles of Association	1		9	10
Other Corporate Action			2	2
Political Activity			23	23
Remuneration – Non-executive			3	3
Remuneration – Policy (All-employee Share Plans)			9	9
Remuneration – Policy (Long-term Incentives)	8			8
Remuneration – Policy (Overall)	9		6	15
Remuneration – Report	33		11	44
Report & Accounts	1		45	46
Share Buybacks & Return of Capital			51	51
Transactions – Related Party			4	4
Transactions – Significant	3		87	90
Treasury Shares			2	2
Remuneration – Policy (overall)	15		3	18
Remuneration – Report	60		12	72
Report and Accounts	1		73	74
Share buybacks and return of capital			78	79
Transactions – related party			1	1
Transactions – Significant			33	34
Treasury Shares			2	2
Grand Total	66	2	962	1,030

Insight voted on 100% of resolutions brought to its attention on relevant funds and voted in line with management recommendations in c.94% of resolutions.

VOTING DECISION

In instances where Insight votes against management recommendations we will disclose our voting decision. In any instances where there is a contentious vote that is conflicted, votes are handled under the PVG's escalation process. More details of the PVG are provided in **Section 2**.

In 2022, we voted against recommendations by management in the resolutions shown below.

Insight's votes which opposed management recommendations in 2022

	Count of Actual Vote
Auditor – Election	2
Auditor – Remuneration	1
Directors – Elect	7
Human Rights & Workforce	1
Other Articles of Association	1
Remuneration – Policy (Long-term Incentives)	8
Remuneration – Policy (Overall)	9
Remuneration – Report	33
Report & Accounts	1
Transactions – Significant	3
Grand Total	66

Sample of voting decisions

Company	Event	Resolution	Resolution category	Management recommend	Insight's vote	Insight's rationale	Vote result
Oil and gas company	AGM	To request that the Board approve the Company prepare and publish a report on the strategy and underlying policies for reaching targets that are consistent with the goal of the Paris Climate Agreement.*	Shareholder Resolution	Against	Against	We had concerns over the duplicative, unspecific, and unconstructive nature of the request given the company's performance on climate action. The company had previously established a comprehensive strategy with short-, medium-, and long-term targets, including net zero by 2050 across scope 1, 2 and 3 emissions. The company had already set precedent for publishing annual climate action reports.	Resolution defeated
Bank	AGM	To approve the continued operation of the bank's Share Incentive Plan	Remuneration – All employee Share Plan	For	For	Whilst we abstain on most remuneration resolutions, we make an exception with All employee share schemes that seek to encourage share ownership amongst the wider workforce	Resolution approved
Market wide	AGM	To approve the report on the implementation of the remuneration policy	Remuneration – Report	For	Abstain	Our standard approach is to abstain on remuneration resolutions on grounds of excessive awards and the failure to articulate how executive remuneration is controlled as an operational cost. Exceptions are made for companies where directors are restricted to base salaries or fees only.	Resolutions approved

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APPENDIX I INSIGHT'S CORPORATE GOVERNANCE STRUCTURE

As outlined, governance of the firm is carried out through Insight's Board of Directors. The Board has legal and regulatory responsibility for all aspects of the business and ancillary activities of the various legal entities within Insight. Insight's governance structure ensures oversight of our entire investment, operational and business activities. The EMC is the key business management committee for the company and its subsidiaries responsible for strategy and execution, operational management and finance.

A number of committees support the Board. The mandate, meeting frequency and membership of the key governance committees are outlined below, as at end 2022:

Committee/Group	Mandate	Meeting frequency	Voting members
Board	The Board of IIML and has legal and regulatory responsibility for all aspects of the business and ancillary activities of the various legal entities within Insight.	At least quarterly	Non-Executive Director (Chair) Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director CEO COO CFO CRO Global CIO Executive Vice Chairman Global Head of Distribution
EMC	The EMC is a committee formed to assist the CEO in the execution of his responsibilities and operates as a committee of the Insight Board. It is the key business management committee for IIML and its subsidiaries.	At least ten times per year	CEO (Chair) CFO COO CRO Global CIO Executive Vice Chairman CEO, North America Global Head of Distribution Head of Human Resources Head of Client Solutions Group
Risk Committee to the Board	The Risk Committee oversees the management of risks within Insight and oversees the production of statutory and regulatory financial information.	At least four times a year	Non-Executive Director (Chair) Non-Executive Director Non-Executive Director Non-Executive Director
Remuneration	The RemCo considers recommendations and, where appropriate, recommends to the relevant employing entity in relation to terms, conditions, compensation and incentives for staff employed within Insight.	At least annually	Non-Executive Director (Chair) Non-Executive Director (Deputy Chair) Non-Executive Director
Strategic Technology Committee (STC)	The STC provides oversight responsibilities with respect to the Athena technology transformation program.	At least quarterly	Non-Executive Director (Chair) COO (Deputy Chair) CFO Non-Executive Director Head of Athena Programme Head of Technology

Committee/Group	Mandate	Meeting frequency	Voting members
Risk Management Group (RMG)	The RMG is the key business risk committee for oversight and maintenance of the risk management framework of IIML and its affiliates.	At least ten times a year	CRO (Chair) Chief Compliance Officer (Deputy Chair) Head of Legal Head of Client Solutions Group Head of Corporate Risk
Project Management Group	The PMG is an executive committee of Insight and its subsidiaries. Some of the Group's responsibilities include, but are not limited to, overseeing technology change, approving & allocating technology resources to product teams/ business change and monitoring projects and product teams.	At least ten times a year	CFO (Chair) Head of Solutions Management (Deputy Chair) COO CRO CEO, North America COO, North America Business Manager Head of Business Change Deputy Head of Solution Design Head of Technology Risk Manager Head of Operations
Investment Management Group (IMG)	The IMG is the key business operating committee for the investment management activities of Insight.	At least ten times a year	Global CIO (Chair) CIO, North America (Deputy Chair) CEO CEO, North America Head of Specialist Equity Head of Multi-Asset Strategy Group Head of Client Solutions Group Head of Currency Solutions Head of Solutions Management Head of Trading Co-Head of Fixed Income Co-Head of Fixed Income
Operations Management Group (OMG)	The Insight OMG is the key business operating committee for the operations activities of Insight.	At least ten times a year	COO (Chair) Head of Operations (Deputy Chair) COO, North America Head of Technology Head of Corporate Services Head of Business Change Head of Cyber Security
Distribution Management Group (DMG)	This group is the operating committee for sales, marketing, client service and communication matters within Insight.	At least ten times a year	Global Head of Distribution (Chair) Commercial Director, Distribution (Deputy Chair) Head of Marketing Head of Distribution, EMEA Head of Business Development, Insight Australia and New Zealand Portfolio Specialist, BNY Mellon APAC Head of Client Solutions Group Head of Consultant Relations Head of Product Development and Management Head of Distribution, North America

The Insight Conduct Panel

The Insight Conduct Panel (ICP) oversees the management of conduct risk within Insight together with key requirements from the FCA's Senior Manager and Certification Regime (SMCR) which came into force in December 2019. The ICP's membership includes senior managers from Human Resources (HR), Legal, Risk and Compliance and its primary purpose is to review a suite of conduct risk management information, identify any conduct-related trends for individuals of broader groups with Insight and determine any

actions that should be taken if any adverse trends are identified. Additionally, the ICP oversees Insight's annual staff fitness and propriety certification process under SMCR and the reporting of any conduct breaches to the FCA.

The ICP reports quarterly to Insight's EMC on conduct and other SMCR related matters, highlighting any specific issues for attention. The ICP also reports annually to Insight's Remuneration Committee on any matters it considers could have an adverse impact on an individual's variable remuneration.

APPENDIX II CONFLICTS OF INTEREST POLICY SUMMARY

1. INTRODUCTION

This Policy details the potential conflicts of interest arising for the following Insight firms:

- Insight Investment Management (Global) Limited (IIM(G)): Investment Manager;
- Insight Investment Funds Management Limited (IIFM): Authorised Corporate Director (ACD);
- Insight Investment International Limited (IIIL): Investment Manager; and
- Insight Investment Management (Europe) Limited (IIMEL): Management Company.

Insight must not place its own interests unfairly above those of its customers. During the course of IIM(G) and IIIL's investment management activities, IIFM's role as the ACD to a range of pooled funds and IIMEL's role as Management Company, from time to time the Insight firms will encounter potential situations where a conflict of interest may occur.

This policy discusses the processes in place to reduce the possibility of such conflicts arising, and if they do, the guiding principles which should be used in their management and resolution. **This policy should be read in conjunction with the BNYM Employee Code of Conduct which can be found [here](#).**

In relation to IIFM and IIMEL, in the course of performing its duties, conflicts of interest may arise between the ACD/ IIMEL, the Company, the Shareholders and the Depositary.

Where such conflicts of interests cannot be avoided, the ACD/ IIMEL and the relevant Depositary will manage and monitor them in order to prevent adverse effects on the interest of

the Company and the Shareholders. Further details of conflict are explained in the Scheme Prospectus document.

Regulatory requirements stipulate that firms cannot over rely on disclosure to clients as a way of managing conflicts of interest. Although it is unlikely that conflicts of interest will be allowed to compromise the duty Insight owes to its customers, where a situation does arise, disclosure to clients will be made if a conflict cannot be prevented and managed. For US business, disclosure is mandatory via the relevant annual ADV submission to the SEC.

2. REGULATORY REQUIREMENTS

Under FCA SYSC (Systems and Controls) Rules and EU MIFID requirements, a firm must maintain and operate effective arrangements with a view to taking all appropriate steps to prevent conflicts from giving rise to a material risk of damage to the interest of clients.

Various regulators (including FCA's Principles for Business and Central Bank of Ireland Rules) require that a firm manages conflicts of interest fairly. Where a firm has, or may have, a conflict of interest between it and its customer, or between one customer and another customer, the firm must pay due regard to the interests of each customer and manage the conflict of interest fairly.

A firm should take appropriate steps to prevent or manage a conflict and only disclose a conflict when the firm's administrative and organisational arrangements have failed in this regard.

This failure in organisational arrangements must be disclosed to the client, together with other specific information on the

conflict itself. Insight's policy is to prevent or manage a conflict and disclosure would be a last resort.

The SEC requires that as a fiduciary, an investment adviser owes its clients undivided loyalty, and may not engage in activity that conflicts with a client's interest without the client's consent under the Anti-Fraud Provision in Section 206 of the Investment Advisers Act of 1940. Furthermore, Rule 204-3 requires that each adviser deliver a Part 2B ADV that includes a description of the adviser's conflicts of interest.

Additionally, the National Futures Association (NFA) also requires registrant firms to maintain and implement controls and procedures for preventing and managing conflicts of interests and to respond to any conflicts issues in a timely manner.

As a result of the ESG regulatory framework implemented across various jurisdictions, regulators require firms to consider any conflicts of interest that may arise as a result of the integration of sustainability risks in the management of their portfolios. These specific conflicts will be recorded in Insight's conflicts of interest log as per regulatory requirements.

3. INSIGHT BUSINESS ACTIVITIES

When considering conflicts of interest in the context of Insight's activities, the following overriding principles should be recognised:

- Insight's investment management business is predominantly discretionary on behalf of a range of professional clients. **IIM(G) and IIL do not act as principal** to any trade and as such, deal related conflicts between itself and its customers do not arise. Insight does not have a proprietary trading account and does not engage in speculative trading for its own account but may trade instruments for hedging FX and other exposures relating to its own revenue and expenses. When Insight executes these hedging trades for its account, compliance controls are in place intended to manage any potential conflict of interest that could arise;

- Potential conflict situations may arise between the interests of the clients for which Insight operates. Insight's investment management process has been designed to give full consideration to the interests of its customers, e.g. the deal aggregation and allocation procedures ensure the fair treatment of all clients. All clients should be treated fairly; and
- Insight Investment is a separate asset manager within the BNY Mellon Asset Management boutique structure and is located in its own secure premises. The organisational structure, and hence the operational independence of each of the boutiques, is such that conflicts are unlikely to arise between the separate businesses. **Effective Chinese Walls are in place between BNYM, the other investment management boutiques and Insight to manage potential conflicts should they arise.**
- Insight does not provide investment research and recommendations for external dissemination or investment advice.

As a consequence of these points, in the vast majority of instances, potential conflicts associated with Insight's activities are unlikely to arise.

4. POTENTIAL CONFLICTS SCENARIOS AND MITIGATION PROCEDURES TO PREVENT MATERIAL RISK TO CLIENTS

A summary of the material and relevant potential conflicts of interest identified by Insight are described in the following section together with the preventative measures to manage these.

A list of all conflicts recorded is contained within the Insight Conflicts of Interest Register. Please note that for IIFM/IIMEL the Scheme Prospectus document makes reference to specific conflicts in relation to the pooled fund business. For IIL the US related conflicts are disclosed via the SEC ADV filing.

POTENTIAL CONFLICT SCENARIO

One client/portfolio versus another client/portfolio

Insight manages portfolios across a number of clients and ranges of pooled funds for affiliate entities) and therefore there is the possibility of a conflict arising between clients' interests including those of external clients and internal affiliated entities. Also, many employees are working on activities for a number of clients.

For example, in managing portfolios where aggregated dealing activities consistently favour certain clients over others.

Group and Affiliates

There is a potential conflict that arises from Insight being part of the BNY Mellon Group which has a number of affiliated investment management entities.

For example, trade information shared with other BNYM Asset management boutiques, and thereby potential for them to act on inside information or deal ahead of Insight client orders.

IIFM/IIMEL may appoint Insight group entities to provide services such as Investment Management.

Suppliers and third parties

Insight uses a number of external suppliers and third parties in its investment management business. There is a risk that the interests of Insight is placed before those of the clients when dealing with supplier and other third parties.

For example awarding a contract to an external firm solely because they provide benefits to senior managers, or favourable other related business to Insight, and not because they may be the best supplier for the clients' benefit.

PROCEDURES TO PREVENT MATERIAL RISK TO CLIENTS

The Insight philosophy of investment management is to emphasise collective contributions to the investment process rather than an overly individualistic approach. Consequently, dealing in a security will commonly be undertaken across a range of funds with similar characteristics and objectives. This contributes to Insight's objective to minimise the dispersion of fund performance to establish a level of consistency. Portfolios are managed in line with the investment objectives and benchmarks as agreed with the clients, with regular monitoring to ensure they are in line with the agreed strategy. A remuneration policy and performance management process is in operation.

Fair treatment of all clients is ensured through the use of standardised dealing procedures and associated policies covering areas such as order execution, aggregation and allocation and voting and using the order management systems, which process and record orders and rationales in line with the FCA's Conduct of Business Dealing, EU MIFID requirements, SEC and NFA rules.

Insight operates as a standalone asset manager within the BNY Mellon boutique structure, and hence has its own Board which include external Independent Non-Executive Directors, which delegate to an Executive Management Committee the day to day management of the Insight business. Within Insight there is an organisational structure which provides segregation of duties to ensure conflicts are avoided in relation to the operational business.

Insight operates a number of policies and procedures, such as Chinese Walls, handling of Material Non-Public Information and Information Risk and Confidentiality; and valuation and pricing where controls exist to ensure that information is not inappropriately shared outside of Insight, and organisational structures ensure segregation of duties. In addition, policies are in place to ensure that areas where BNYM and its affiliates do provide services to Insight, these are at arm's length and conducted on a commercial basis. A detailed Vendor and Supplier management process has been established.

A broker selection process exists to ensure that all brokers (including affiliated entities) are assessed in a consistent manner and dealing flows monitored.

All dealing in parent company shares is restricted and only conducted in line with agreed thresholds. IIFM/ IIMEL undertakes oversight and monitoring of other group entities it delegates investment management and distribution to. It is clearly disclosed in all fund documentation that investment management is delegated to other Insight entities and the fees charged are also disclosed.

Insight has in place a vendor management policy which looks to ensure that the selection of suppliers and third parties is conducted in a consistent and independent manner.

Insight has in place anti-bribery and corruption policies and a gifts and entertainment policy to ensure that there are no inappropriate or unethical, payments to suppliers, such as fees or commission. Payment of services is monitored within the business by way of specific committees such as Fees Committee and the Vendor Management Committee. The Compliance Monitoring Plan includes a review of the Vendor Management Process.

POTENTIAL CONFLICT SCENARIO

Insight interests

Insight is a profit making firm, therefore there is a risk that it places its interest above those of the client.

For example there is a potential conflict that Insight (including its employees) may give or receive payments/commissions/gifts or entertainment to / from third parties which may influence their behaviours or induce them to act in a way that is inappropriate or unethical manner to the detriment of the clients.

Personal interests

Insight employees may potentially put their personal interest above those of our clients when conducting their own personal affairs. This may cause a conflict between Insight employees and its clients.

Examples of personal interest include employees holding external offices such as directorships, trusteeships, advisory board memberships for public or private companies which are in conflict with our activities for our clients. Also, employees conducting personal trading in investments for their own personal accounts could be seen to benefit them at the expense of clients.

Employees could potentially favour clients based on personal interest such as increased remuneration and reward.

PROCEDURES TO PREVENT MATERIAL RISK TO CLIENTS

Insight employees are bound by adherence to the BNYM Code of Conduct which specifies a number of compliance policies that all employees are bound by and to which they provide confirmation of Compliance on an annual basis. Organisational structures are devised so that there is clear segregation of duties, to avoid conflicts of interests arising.

Organisational structures are devised so that there is clear segregation of duties, to avoid conflicts of interests arising in the day to day operation of Insight business and investment management activities.

Insight has various policies including anti-bribery and corruption, gifts and entertainment. Under these policies Insight seeks to ensure that employees do not offer/give or accept gifts/entertainment which is likely to conflict with the duties owed to clients. Gifts and Entertainment are pre-approved and recorded for regular independent monitoring by the Compliance Team.

Insight will act in accordance with the best interests of its Clients and has processes in place to pay for all costs associated with any externally sourced investment research and does not charge Clients through the use of Client Research Payment Accounts.

Insight employees are bound by adherence to the BNYM Code of Conduct which specifies a number of compliance policies that all employees are bound by and to which they provide confirmation of Compliance on an annual basis. Organisational structures are devised so that there is clear segregation of duties, to avoid conflicts of interests arising.

All staff have to disclose and seek pre-approval for relevant external interests such as directorships/partnerships in external companies.

Insight has comprehensive Personal Account Dealing procedures, derived from the BNYM Personal Securities Trading Policy, that require individuals to obtain pre-approval prior to undertaking a trade on their own account.

The Personal Trading Policy also extends to the employees' household.

Insight operates a Staff Remuneration and Performance Management Policy in line with regulatory requirements and the policy and process ensures that reward is fair and does not encourage inappropriate behaviour. All remuneration is subject to approval by a Remuneration Committee.

5. CONCLUSION

All customers must be treated fairly, and the interests of customers should at all times take precedence over the interests of Insight, its employees or BNY Mellon Group. Any queries relating to conflicts of interest should be discussed with the Compliance Team.

APPENDIX III INSIGHT'S RESPONSIBLE INVESTMENT POLICIES

RESPONSIBLE INVESTMENT POLICY

IN SEEKING TO ACHIEVE OUR CLIENTS' TARGETED OUTCOMES, WE ASPIRE TO SUPPORT STABLE AND RESILIENT SOCIAL, ENVIRONMENTAL AND ECONOMIC SYSTEMS AND EFFICIENT, WELL-MANAGED FINANCIAL MARKETS.

We believe reflecting material and relevant environmental, social and governance (ESG) issues within investment processes, and in our dialogue with issuers and other stakeholders, can help to support better investment decisions and has the potential to help our clients achieve their desired outcomes.

This belief leads us to pursuing the following activities:

1 Putting responsibility at the heart of how we do business

Aligning our business objectives and personal incentives to the broad goals of clients is imperative for our business. We do this by aiming to provide investment solutions that deliver quality and excellence; by managing financial (and where mandated to, non-financial) risks and opportunities; and through operating to high ethical and professional standards.

Responsible investment is a key pillar of our investment activities, our culture, and our relationship with clients.

2 Integrating ESG issues into our investment processes

ESG issues, such as a changing climate, demographic change and corporate governance, are important drivers of investment value, over the short and long term.

We believe that taking account of these issues in our investment research and decision-making can help us to effectively identify and manage the risks that could harm clients' investments and the opportunities that may arise from these issues, though the extent to which ESG integration is possible, and the relevance and materiality of ESG risks, can vary significantly according to asset class and strategy.

3 Acting as stewards of companies and other entities

The integration of ESG factors can include holding companies and other entities to account to understand how they manage their wider impact and their stakeholder interests. In turn, good stewardship can create investment opportunities and reduce investment risk.

We therefore seek to engage as bondholders, counterparties and shareholders with management and other entities, where practical and in line with our judgement as to relevance and materiality for our investment strategies, to discuss issues such as strategy, deployment of capital, performance, remuneration, risk management and ESG factors. We also recognise the responsibilities we have to our clients as shareholders; when we vote, we aspire to take into account how we might support long-term sustainable value in the companies in which we invest on their behalf.

4 Supporting efforts that seek to improve the operation, resilience and stability of financial markets

We recognise that public policy and regulation are key influences on corporate practice, the financial system and the wider economy. We support efforts to develop and implement policy measures that look to manage and mitigate the systemic risks to society and to the environment.

5 Collaborating with others on ESG issues

Many of the most pressing ESG issues we face require a collective response from the investment community and from wider society. We select topics on which to work alongside our clients, other investors, governments, companies and civil society organisations; our activity may focus on building knowledge and awareness, sharing expertise and/or creating a common voice on these issues. By doing so we believe we can provoke change, such as through supporting a sustainable environment.

6 Exercising transparency and disclosing our activities

We believe we should be held accountable for the actions that we take and for the outcomes that we achieve. Each year we report on our approach to responsible investment. The report includes discussions on our actions and their impact to reflect on our successes and failures, to highlight the lessons we have learned and to set out our priorities for action.

Our progress in implementing the aspirations set out above will differ across our investment strategies and teams for various reasons, including the mixed availability of relevant data and differing integration opportunity sets.

Key terms in this document are defined in our ESG and responsible investment glossary, available [here](#).

ESG factors may be identified, analysed and/or integrated using approaches that are quantitative, qualitative or subjective. The application of Insight's ESG research ratings, due diligence and engagement activity will vary by asset/sub-asset class as will the applicability and prioritisation of ESG factors to investment portfolios, because of the nature of the specific securities and industry ESG practices that may apply in the context of a specific investable universe. As a result, experience will vary depending on the investment strategy selected and client defined ESG criteria applied.

STEWARDSHIP POLICY: INTRODUCTION

Our mission is to offer investors a different approach to achieving their investment goals; one that prioritises the certainty of meeting their chosen objectives in contrast to the traditional focus on maximising return and minimising volatility.

It is clear that the shape of those objectives has evolved over recent years. Whilst financial outcomes maintain their primacy in investors' thinking, increasingly many of our clients and their stakeholders expect a more holistic approach to the stewardship of their capital. This encompasses the responsible allocation, management, and oversight of capital to create long-term value whilst providing sustainable benefits for the economy, the environment and society⁴¹, as determined by clients' preferences.

We fully endorse a broader view of what we believe constitutes good stewardship as outlined, and subject to certain conditions set forth in, this policy statement. We believe that our investment beliefs, strategy, and culture place us in a strong position to deliver on this expectation, as further described below:

- **Our investment beliefs** consider that integrating environmental, social and governance (ESG) factors into our investment and stewardship processes can support better investment decisions, help reduce risks, capture opportunities and ultimately contribute to our clients progressing towards their desired outcomes.
- **Our business strategy** places a high level of focus on close relationships with clients, investee institutions and counterparties. Collaboration between stakeholders is core to how we do business and is vital to good stewardship.
- **Our culture** places the principle of 'doing the right thing' at the heart of all our decisions meaning interactions have a strong philosophical underpinning, in each case consistent with our fiduciary responsibilities.

This Stewardship Policy generally applies to the international business of Insight Investment Management ("Insight"), which includes Insight Investment Management (Global) Limited, Insight Investment Management (Europe) Limited, Insight Investment International Limited, and Insight North America LLC. This Policy outlines the philosophy and approach we apply in our stewardship commitments in a manner consistent with the fiduciary obligations of the various Insight management entities.

We describe:

- The resources and governance behind our stewardship activity
- Our policy relating to why and how we engage
- How engagement differs depending on the asset class involved
- Our proxy voting process
- How we think about the broader oversight of our clients' best interests
- How we address any conflicts of interest

For a complete picture, this document should be read in conjunction with the following Insight documents:

- Responsible Investment Policy
- Stewardship report

⁴¹ This is the definition of stewardship provided by the UK Financial Reporting Council. Source: <https://www.frc.org.uk/investors/uk-stewardship-code>.

- Conflicts of Interest Policy Summary
- Responsible investment glossary
- Proxy Voting Policy

Scope: Much of the 'on-the-ground' stewardship activity is integrated within our investment processes, with our investment teams responsible for research and engagement with relevant entities. As well as standard fundamental analysis, this includes assessment of, and dialogue covering, ESG factors that could affect the entities in which we invest and the application of ESG criteria into portfolios with sustainability targets. The level of activity may differ depending on the asset class and mandate objectives. See **Sections 7 and 9** for more information.

WEAPONS POLICY

Insight does not invest in companies involved with the production, sale or maintenance of cluster munitions or landmines.

There are two major international conventions that address cluster munitions and landmines specifically:

- **The Convention on Cluster Munitions (2008):** This Convention restricts the manufacture, use, and stockpiling of cluster munitions and the components of these weapons.
- **The Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction (1997):** This Convention, often referred to as the Anti-Personnel Landmines Convention, aims to eliminate antipersonnel landmines around the world.

In line with these international conventions and following their ratification into domestic law by a number of countries, Insight has adopted a global policy which commits it to avoiding direct investments in companies that:

- Design, produce, sell or maintain cluster munitions and/or landmines.
- Undertake research and development to develop cluster munitions and/or landmines.
- Breach the requirements of the Convention on Cluster Munitions or the Anti-Personnel Landmines Convention.

This policy:

- Applies across all asset classes.
- Excludes affiliated companies: that is, companies with affiliations or commercial relationships with screened companies will not be excluded from investments.
- Does not apply to passive holdings in index-tracking instruments.

APPENDIX IV INSIGHT'S RISK MANAGEMENT PROCESS FRAMEWORK

RISK MANAGEMENT FRAMEWORK

Insight has an independent risk management function that oversees and maintains the risk management framework. The primary purpose of the framework is to safeguard the integrity and assets both of Insight and its clients, whilst allowing sufficient operating freedom to meet the needs of clients and the scope of activities and services provided to them, directly and indirectly, through appropriate delegation.

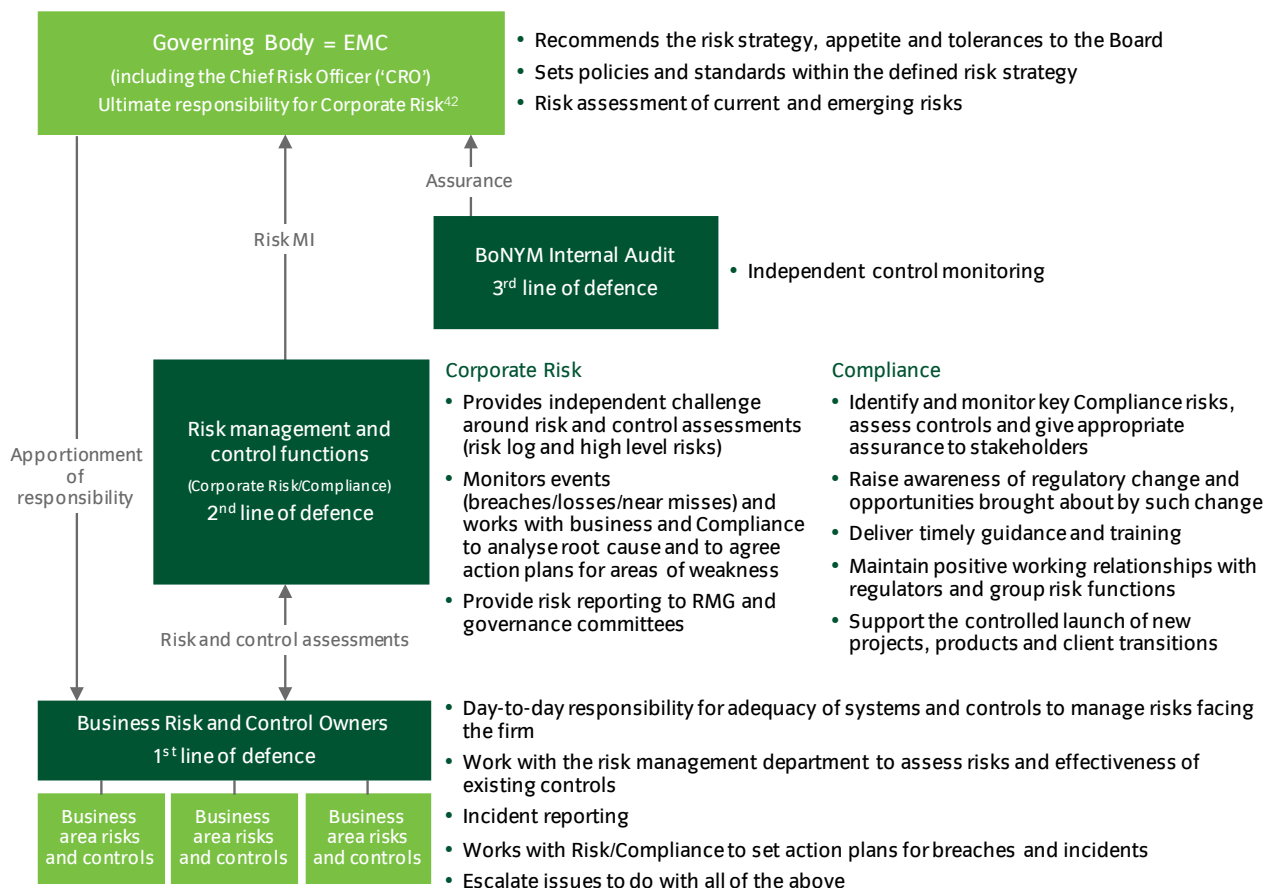
The EMC is committed to implementing good practice risk management processes. The framework is central to the ability of senior management to fulfil their fiduciary duties with respect to ensuring that Insight is subject to appropriate processes and controls which safeguard its clients, business, people and reputation.

Insight aims for:

- Forward-looking identification and assessment of potential risks considering both quantitative and qualitative impacts.
- Clear reporting and escalation processes to ensure that the residual risk profile of the firm is appropriate and in line with the Board's risk appetite and the risk appetite of BNY Mellon.
- Timely setting and regular monitoring of actions required to reduce the risk profile or improve the control environment where these are deemed appropriate.

The framework within Insight covers all levels of the firm, including business department level, team level (individual investment teams and support departments) and activity level (detailed processes and systems). It is therefore a central part of the governance structure which allows the risks arising within various entities and teams to be managed in a consistent manner.

Insight's corporate risk governance arrangements are based on the 'three lines of defence' model, as shown:



⁴² Insight Board delegates to EMC, EMC delegates to RMG.

Role and responsibility of the EMC and RMG

The Board is ultimately responsible and accountable for all elements of the risk management framework and strategy of the firm. The Board has delegated the management and implementation of the risk management framework and strategy to the EMC. The EMC's responsibilities include:

- Recommending the risk strategy, risk appetite and tolerances of the firm to the Board.
- Agreeing policies and standards, in line with the risk appetite of the firm and BNY Mellon.
- Risk assessment through review and challenge of monthly risk reporting.
- Consideration of risk-related issues escalated from the RMG and risk-related challenges from the Board and Risk Committee to the Board.
- Setting and monitoring appropriate risk mitigating actions.

The EMC has discharged responsibility for the day-to-day maintenance and oversight of the risk management framework to the RMG. The RMG has representation across the business including Risk, Investment, Compliance, Distribution, Operations and IT divisions. The RMG is responsible for:

- Risk framework
 - Ensuring the risk appetite, minimum funding requirements and Risk Control Self-Assessment are implemented and maintained.
- Risk assessment
 - Reviewing and evaluating the nature and extent of the risks to which the firm is currently exposed and may be exposed to in the future.
 - Assessing the effectiveness of Insight's control environment in reducing Insight's risk exposure.
 - Considering risk-related issues escalated from other Insight committees and addressing risk-related challenges from the EMC, Board and Risk Committee.
- Risk assurance and reporting
 - Monitoring all areas of the business and provide internal assurance to the EMC, Board and Risk Committee.
- Setting and monitoring appropriate risk mitigation actions
 - Implementing any actions from the EMC, Board or Risk Committee.

As part of the process whereby the EMC ensures that appropriate risk mitigation action is taken, other key governance committees of the EMC, including the DMG, OMG, IMG, RMG and Finance Management Group (FMG)

receive regular risk reporting and updates on key risk issues and outstanding actions. The scope of responsibility of each of these committees with respect to risk management is part of their formal Terms of Reference. Primary responsibility for ensuring that the risk profile of the firm is acceptable remains with the EMC.

Role and responsibility of business line management (first line of defence)

The first line of defence encompasses the risk identification and control activities embedded within business processes. The day-to-day responsibility for risk management rests with the identified business area (in particular, team leaders) including:

- Identifying the risks to which systems, operations and procedures are exposed.
- Developing and maintaining effective controls.
- Ensuring that controls are being complied with.
- Escalating losses and operational risk incidents to the risk management functions.
- Implementing agreed actions on control improvements.

In addition, all staff members have a duty to follow relevant regulatory requirements, laws and codes of conduct/practice.

Role and responsibility of the risk management and control functions (second line of defence)

A second line of defence is provided by the independent challenge, monitoring and reporting activities carried out by Insight's Risk Management and Control Functions, in this case, primarily the Corporate Risk and Compliance teams, which have independent reporting lines to BNY Mellon and within Insight report to the Chief Risk Officer. The EMC has delegated day to day operation of the Framework to the Corporate Risk team.

Key activities of the risk management and control functions include:

- Monitoring the risk profile of the firm against the stated risk appetite.
- Ensuring that detailed risk and control assessments are undertaken regularly, challenged adequately, and assessed consistently across the firm; this includes the identification and assessment of current and future changes in regulation.
- Working with business risk and control owners to implement appropriate actions in instances where controls are felt to be ineffective or where an incident has occurred.

- Escalating key current and emerging risk issues to the RMG, EMC and other relevant governance committees, and through BNY Mellon reporting/escalation lines; in particular, those which have a reasonable likelihood of breaching Insight's risk appetite in the foreseeable future and facilitating/monitoring the implementation of key control improvements or other risk mitigation actions decided by the EMC.
- Collection and maintenance of internal loss, incident and breach data.
- Training and communication to the wider firm on risk-related roles and responsibilities as defined by the governing body, including interpreting and dissemination of new regulation and industry good practice.
- Timely setting and regular monitoring of actions required to reduce the risk profile or improve the control environment where these are deemed necessary.
- Undertaking monitoring and assurance on day-to-day business issues, monitoring and assurance of robustness of controls, compliance with regulation and monitoring compliance with investment mandates.
- Formulation of compliance and risk management policy as appropriate.

Compliance Team

The Compliance Team undertakes ongoing monitoring of Insight group's activities to ensure they are being carried out in accordance with the core regulatory principles and rules. An annual risk assessment is performed over the core regulatory areas, which leads to the creation of a Compliance Plan ("the Plan") which is ultimately approved by the Insight Board. A key part of the Plan is the Compliance Monitoring Programme, which is also approved by BNY Mellon as the parent company. This programme assesses the effectiveness of controls over compliance with laws, regulations, and policies in alignment with the compliance plan. These reviews can give early warning of actual or emerging compliance problems, help identify areas where training or internal controls can be strengthened, and most importantly, mitigate legal, regulatory, and reputational risks.

In addition to reviews, the Compliance Team carries out surveillance targeted at specific areas of focus identified by the reviews and the compliance plan.

Formal reports are written and provided to the CEO and relevant senior managers. Agreed actions resulting from the monitoring reviews are entered into a database and tracked to completion by the Compliance Team. The results of monitoring reviews and the status of action completion are reported through to various governance committees within Insight.

Insight's regulatory risk universe has been organised into a suite of risk themes under the headings of Systems and Controls, Conduct of Business, Product Governance and Financial Crime. These are the foundations on which the Plan is constructed and enables Insight's Compliance resource

to be allocated according to the level of regulatory risk associated with each risk theme. The Compliance Team reviews all Compliance policies and procedures on an annual basis.

Internal audit

BNY Mellon's Internal Audit Department supports the achievement of Insight's goals by ensuring that there are sound systems for the identification and appropriate management of risk, and that these are consistently adhered to by the business units. This is achieved by collaborating on the evolution of Insight's risk management policies, monitoring risk indicators, independently reviewing and assessing the risk management systems for the various lines of business and supporting these lines of business with education and tools that increase their risk management effectiveness.

BNY Mellon's Board of Directors, specifically the Audit Committee of the Board, is the governing body of the internal audit function. The Chief Auditor and the Internal Audit Department have a direct reporting line to the Chairman of the Audit Committee. The Chief Auditor presents to the Audit Committee as appropriate on the state of controls in the firm and also speaks regularly with the Chairman of the Audit Committee.

The Group internal audit function is independent from Insight and operates on a continual audit plan to conduct engagements in every area of the firm throughout the year. They employ a risk-based approach covering the key risks applicable to Insight including compliance, credit, fiduciary, fraud, funding/liquidity, market, processing/operational, regulatory, reporting, reputation and technology. Each of the businesses and key processes is risk assessed each year to construct the annual audit plan. Key risk categories are evaluated in each review through use of audit tests, procedures and tools consistent with the guiding principles of the Institute of Internal Auditors. In addition, the division's ongoing monitoring programme enables the modification of the annual audit plan to address current issues and the evolving risk profile of the firm.

On a cyclical basis, the internal audit function reviews and validates the effectiveness and application of internal controls and reliability of data that is developed within the firm, evaluates the sufficiency of and adherence to plans, policies

and procedures, and compliance to laws, regulations and sound fiduciary principles, determines that transactions are executed in accordance with management's authorisation and reviews the adequacy of controls for safeguarding assets and, when appropriate, verifies the existence of assets. Typically, each area is audited every two years.

Role of BNY Mellon internal audit (third line of defence) with respect to the Insight risk framework

Insight's risk management activities are subject to internal audit inspection by a specialist team which reports centrally to the Audit Committee within BNY Mellon. The internal audit function independently reviews, monitors and tests Insight's compliance with risk policies and procedures and assesses the overall effectiveness of the risk and capital management frameworks. It also provides assurance to the Insight Board on the effectiveness of the control framework in place, including the way the first and second lines of defence operate. The scope of work of Internal Audit is set independently of Insight and results of audits are also reported to the appropriate committees within the Group.

External audit

Our external auditor KPMG conducts an annual assurance review (SOC1) of Insight's internal processes and controls, including the governance structure that underlines our approach to responsible investment, under the following standards:

- SSAE 18 'Reporting on Controls at a Service Organisation', issued by the American Institute of Certified Public Accountants.
- ISAE 3402 'Assurance Reports on Controls at a Service Organisation' set out by the International Auditing and Assurance Standards Board.

Whilst the review does not explicitly cover Insight's stewardship activities it does provide assurance on key investment management controls, including, but not limited to:

- Guideline management
- Proxy voting
- Conflicts of interest

APPENDIX V KEY BIOGRAPHIES

KEY EMC MEMBERS



Abdallah Nauphal
Chief Executive Officer

As Chief Executive Officer (CEO), Abdallah leads the development of Insight's strategic business plan. Abdallah was appointed Chief Investment Officer (CIO) in September 2003 with overall responsibility for the investment management team, and in June 2006 was appointed Deputy Chief Executive.

In July 2007, Abdallah became Insight's CEO, while retaining his position as CIO. Abdallah has over 30 years' industry experience. He has overseen the transformation of Insight from a traditional investment manager to a specialist solutions provider across LDI, fixed income and absolute return. During this time, the scope and complexity of Insight's business and governance structures has evolved significantly. As a result, in 2016, Abdallah relinquished his CIO responsibilities, to focus on the role of CEO. Abdallah's previous roles include CIO (fixed income) at Rothschild Asset Management and Head of Fixed Income for Schroder Investment Management Limited in London.

Abdallah holds a Bachelor degree in Business Administration from New England College, an MS in Information Systems and an MBA in Finance and Investments from George Washington University.

Adrian Grey
Global Chief Investment Officer, Member of the Executive Management Committee



Adrian joined Insight in April 2003 as Head of European Fixed Income following the acquisition of Rothschild Asset Management Limited (RAM).

In September 2003, he was appointed Deputy Head of Fixed Income and in 2005 became Head of Fixed Income. Adrian joined the Executive Management Committee in October 2012 and in 2016, he became Chief Investment Officer – Active Management. In September 2018, Adrian took on his current role as Global Chief Investment Officer responsible for the oversight of the firm's investment management teams. Before joining Insight, he was a Director in the Fixed Income Team at RAM focusing on European research and global portfolios. Prior to joining RAM in 1994, he spent four years working in bond sales for UBS Phillips & Drew and three years managing international bond portfolios at ARCA, Milan.

He has a BA honours degree in Economics and Politics from Warwick University and an MA in International Economics and International Relations from Johns Hopkins University in the US.

RESPONSIBLE INVESTMENT TEAM MEMBERS



Robert Sawbridge, CFA
Head of Responsible Investment

Robert is responsible for overseeing the responsible investment programme at Insight across all asset classes and investment teams. He joined Insight in 2008 and has held numerous roles across Insight's investment teams including solutions design, credit analysis and portfolio management. Most recently, he was the manager of our flagship Euro sustainable strategy before being appointed Head of Responsible Investment Solutions in 2020 and Head of Responsible Investment in 2022. Robert graduated with a BA (Hons) in Modern History from Oxford University and a Post-Graduate Diploma in Accounting and Finance from the London School of Economics. He also holds the Investment Management Certificate from the CFA Society of the UK and is a CFA charterholder.



Rhona Cormack
Senior Stewardship Analyst

Rhona joined the Responsible Investment Team within the Fixed Income Group in November 2021 and is responsible for leading Insight's ESG engagement activities. She focuses on researching and delivering Insight's engagement themes, with her areas of expertise including climate change and diversity and inclusion. Prior to joining Insight, Rhona had over six years' experience in sustainability and climate change consulting, focusing on strategy and reporting advisory services. Rhona holds an MSc in Sustainability and a BA in Geography from the University of Leeds.



Christopher Huynh
Senior Stewardship Analyst

Christopher is the Senior Stewardship Analyst responsible for leading Insight's US stewardship strategy. Christopher joined Insight from Rockefeller Capital Management where he was Vice President, Shareholder Engagement Lead and ESG Analyst. Prior to Rockefeller, Christopher held a number of roles at SUEZ Environment focusing on the development of their sustainable brands and offerings. He holds an MBA from New York University's Stern School of Business and a Bachelor of Engineering from Stevens Institute of Technology.



Annabel Jennings
ESG Analyst

Annabel is an ESG Analyst within the Responsible Investment Team, focussing on the development of ESG investment solutions. She joined Insight in September 2020 on the graduate programme, initially spending six months with the Emerging Market Debt Team before being assigned to the Responsible Investment Team as a graduate analyst, in April 2021. Annabel is also involved with the firm's diversity, equity and inclusion programme and co-leads the Women's Affinity Group. Annabel graduated from the University of York with a BSc in Environmental Geography. She also holds the Investment Management Certificate from the CFA Society of the UK and has passed level I of the CFA programme.



David McNeil
Head of Responsible Investment Research and Innovation

David joined the Responsible Investment Team within the Fixed Income Group in August 2022, responsible for leading Insight's responsible investment research activities. David joined from Fitch, where he was Head of Climate Risk. Before this, he held various sustainability consulting/investment analysis roles with S&P Trucost and ICF International. David holds an MA (Hons) in Central and East European Studies from University of Glasgow and an MSc in Ecological Economics from University of Edinburgh.



Carly Thomas
ESG Investment Specialist

Carly is an ESG Investment Specialist within Insight's Client Solutions Group, focussed on client engagement and reporting, as well as strategic responsible investment projects. She joined Insight in December 2021 from Nationwide Building Society, where she was the Senior Manager for Investor Relations and Treasury Sustainable Finance in the Treasury Team, responsible for the development and delivery of the Treasury Sustainability and Investor Relations strategies. She led the delivery of the Society's inaugural Sustainability Report in 2019, whilst influencing the Board to sign up to various ESG charters. Carly was responsible for all credit and ESG investor engagement, as well as the relationships with ESG rating agencies, achieving multiple upgrades over the years. Carly graduated from the University of Birmingham with a BSc in Chemistry in 2015.

QUANTITATIVE RESEARCH TEAM



Tudor Thomas
ESG Quantitative Researcher

Tudor joined Insight in April 2019 and is responsible for leading the development of the firm's in-house ESG ratings methodology, alongside the other fixed income quantitative research priorities. Prior to Insight, Tudor was a Data Scientist at Tails.com. He has also worked with the London Fire Brigade as a Data Scientist Fellow, modelling fire risk and creating a measure of fire station preparedness. Tudor graduated from the University of Melbourne with a BSc in Mathematics and Physics. He also holds a MAST in Physics and obtained a PhD in Physics, both from the University of Cambridge.



Alexander Verissimo
Quantitative Researcher

Alexander joined the Fixed Income Quantitative Research Team in September 2020, where he creates research and tooling, collaborating closely with the Responsible Investment Team, credit analysts, and portfolio managers. He initially joined Insight in September 2018 on the graduate programme, having completed placements within the Global Consultant Relationship Team, the Performance Team and the European Credit Investment Team. Alexander graduated from the University of Nottingham with a BSc (Hons) in Economics. He also holds the Investment Management Certificate from the CFA Society of the UK.



Tom Badger
Quantitative Researcher

Tom joined the Fixed Income Quantitative Research Team in January 2022, where he creates research and tooling, collaborating closely with the Responsible Investment Team, credit analysts, and portfolio managers. Prior to this, he was a Software Engineer with the Civil Service, responsible for infrastructure engineering. He had initially joined Insight in September 2019 on the graduate programme and completed various placements within the Technology Team. Tom holds a MSc in Robotics and an MEng in Mechanical Engineering from the University of Bristol. He also holds the Investment Management Certificate from the CFA Society of the UK.

KEY INVESTMENT TEAM MEMBERS



Alex Veroude, CFA
Chief Investment Officer, Fixed Income

As Insight's CIO, Fixed Income, Alex has investment oversight and responsibility for Insight's fixed income activities, globally. Alex joined Insight's London office in 2007 and has held various leadership and portfolio management positions within the Fixed Income Group. In 2015, Alex relocated from London to New York to oversee the expansion of Insight's US investment business. Alex commenced his career in 1997 running proprietary investment and credit activities for Gulf International Bank (formerly Saudi International Bank). He holds a first-class equivalent MSc in Quantitative Economics from Tilburg University in the Netherlands and is a CFA charterholder. Alex is fluent in English, Dutch, German and Swedish.



Lucy Speake
Co-Head of Fixed Income and Head of Euro and UK Credit

Lucy joined Insight as Head of Credit Management in April 2003 following the acquisition of Rothschild Asset Management Limited (RAM). In 2005, Lucy took on the role of Head of European Fixed Income Team and in October 2021 she was promoted to Co-Head of Fixed Income. She began her financial services career at RAM in 1991 after graduating from Oxford University, ultimately holding responsibility for corporate bond investment in UK and European portfolios as a Director. Lucy holds a BA honours degree in Mathematics from St Anne's College, Oxford and a Post-Graduate Certificate in Economics from Birkbeck College, London University. Lucy is an Associate of the CFA Society of the UK.



Adam Whiteley, CFA
Head of Global Credit

Adam joined Insight in September 2007 as a Credit Analyst in the Fixed Income Group before becoming a Credit Portfolio Manager at the end of 2008 and in 2022 was promoted to Head of Global Credit. He is lead manager for global and multi-sector credit strategies as well as being a core part of the team, managing global aggregate strategies. Adam graduated with a BSc (Hons) degree in Economics from Nottingham University. He holds the Investment Management Certificate from the CFA Society of the UK and is also a CFA charterholder.



Fabien Collado, CFA
ESG Portfolio Manager

Fabien joined Insight's Fixed Income Group in August 2021, as an ESG Portfolio Manager. Prior to joining Insight, he spent almost 12 years at AXA Investment Managers, initially as a portfolio engineer. He was then an active fixed income fund manager focussing on euro credit strategies. Latterly, he was a global buy and maintain fund manager, with an ESG focus. Fabien graduated with a Masters degree in Finance from IÉSEG School of Management. He is also a CFA charterholder.



Lutz Engberding, CFA
Portfolio Manager

Lutz joined Insight in 2011. He worked as a Fixed Income Product Specialist before joining the European Fixed Income Team in February 2017. Lutz began his career in 2008 as an analyst at Merrill Lynch working in the fixed income department. He holds an MA in Economics from Homerton College, Cambridge and is a CFA charterholder.



Damien Hill, CFA
Senior Portfolio Manager

Damien joined Insight in October 2006. Within the Fixed Income Group, he initially joined the Currency Desk before moving to the Credit Analysis Team in January 2008. Damien joined the European Fixed Income Team in March 2011 as a dedicated credit portfolio manager. Damien graduated with a BSc honours degree in Economics and Finance from Bristol University and holds the Investment Management Certificate from the CFA Society of the UK and is a CFA charterholder.



Ruth Hannigan

Portfolio ESG Analyst

Ruth joined Insight's Fixed Income Group in May 2022 as a Portfolio ESG Analyst for strategic credit portfolios. Prior to Insight, Ruth was an ESG Policy Analyst with Minerva Analytics, responsible for ESG screening, analysis, evaluation and scoring. Ruth graduated from Trinity College Dublin University with a BA in Sociology and Social Policy and an MSc in International Politics. Ruth holds the CFA Institute Certificate in ESG Investing.



Simon Cooke, CFA

Portfolio Manager, Emerging Market Fixed Income

Simon is an emerging market corporate debt Portfolio Manager in the Emerging Market Debt Team, with a particular focus on responsible investment and high yield. He is lead portfolio manager for Insight's environmental, social and governance (ESG) strategies in emerging markets and global high yield, and a portfolio manager on other emerging market corporate strategies. Simon joined Insight Investment in 2011 as a Credit Analyst, spending six years covering high yield and emerging markets before moving to the Emerging Market Debt Team in 2017. He began his career in audit and corporate finance at Grant Thornton. Simon holds a BA in history from Durham University, is a Chartered Accountant and CFA charterholder.



Rowena Geraghty

Sovereign Analyst, Emerging Market Fixed Income

Rowena joined Insight in September 2021 following the transition of Mellon Investments' fixed income strategies to Insight. She has been in the investment industry since 2010 and joined Mellon Investments in 2013. Rowena is a Sovereign Analyst within Insight's Emerging Market Debt Team. She contributes to the investment strategy for the emerging market portfolios through her fundamental sovereign analysis. Previously, she worked at Fitch ratings agency and the UK financial regulator, the Financial Services Authority (a predecessor organisation to the current regulator, the Financial Conduct Authority). Rowena has a BSc and MSc in Economics from the University of London.



Adam Mossakowski, CFA

Head of Strategic Credit

Adam joined Insight in December 2009 as a UK credit Portfolio Manager. Prior to joining Insight, Adam spent six years at F&C Asset Management managing credit portfolios. Adam began his career at AXA Investment Managers managing credit and government bond portfolios. Adam graduated with a BSc honours degree in Mathematics and Philosophy from the University of Southampton. He holds the Investment Management Certificate from the CFA Society of the UK and is also a CFA charterholder.



Claire Bews, CFA

Integrated Solutions Credit Portfolio Manager

Claire joined Insight in July 2021 as a senior Portfolio Manager in the Strategic Credit Team. Prior to joining Insight, Claire spent 20 years at M&G Limited as a Credit Portfolio Manager. Having joined M&G as a graduate, Claire managed active and buy and maintain credit strategies. Claire was a Trustee Director of the M&G Group Pension Scheme from September 2015 to May 2021. Claire holds a Master of Natural Sciences from the University of Cambridge. She holds the Investment Management Certificate from the CFA Society of the UK and is also a CFA charterholder.



Tristan Teoh

Senior Portfolio Manager – Secured Finance

Tristan is a senior portfolio manager within the Fixed Income Group. Tristan joined the Fixed Income Group at Insight in May 2012 as an analyst responsible for analysing structured finance investments. He became a portfolio manager in March 2015. Prior to joining Insight, Tristan worked at Morgan Stanley in the Securitised Products Group where he was responsible for pricing and structuring of

both commercial and residential mortgage loans in Europe. Tristan began his career in 2001 at Pitcher Partners working on audit and accounting engagements. He holds a Bachelor of Commerce in Accounting and Finance and a Bachelor of Business Systems from Monash University, Australia. Tristan also holds the CA from the Institute of Chartered Accountants, Australia.



Shantanu Tandon, CFA

Portfolio Manager

Shantanu joined Insight in October 2010 and is a portfolio manager within our Multi-Asset Strategy Group. Before joining Insight, Shantanu spent over four years at Architas Multi-Manager where he held fund management and research responsibilities across Axa Life entities, including Winterthur Life. He has also held positions at Mercer Investment Consulting, PwC and Investec Australia Ltd. Shantanu started his career in Australia at Retireinvest (formerly part of ING Group) in November 1998. Shantanu holds a BA (Hon) degree in Economics from the University of Delhi and an MBA from the University of Newcastle, Australia. He is also a CFA charterholder.



Andy Cawker

Head of Specialist Equities

Andy joined the Equity Team at Insight in April 2003. He is Head of Specialist Equities and has portfolio management responsibility for equity long/short portfolios. Prior to Insight, Andy was an Associate Partner at Invesco Global Asset Management (Amvescap plc) where he was involved in developing specialist UK equity business alongside the management of a range of UK and global equity portfolios. He was also responsible for pan-European analysis for the retail, food, beverages and tobacco sectors. Andy began his investment career at Prudential Portfolio Managers in 1988, ultimately becoming a Director, with responsibility for UK equities.



Tim Rees

Senior Portfolio Manager

Tim joined Insight (formerly Clerical Medical Investment Management) in May 1984 and works within our Specialist Equity Team as a UK equity income portfolio manager. Tim worked in various roles at Clerical Medical, transferring to the investment team in 1987 and then the UK Equity Team in 1990. Tim holds a BA (Hon) degree in Philosophy and Economics from the University of East Anglia.



David Averde

Head of Credit Analysis

David joined Insight in May 2005 as a senior credit analyst within the Fixed Income Group and since July 2007 has been responsible for Insight's credit research capability. He was previously with WestLB for eight years as a senior corporate analyst within their Fixed Income Group supporting trading, sales and origination. His main focus was within the telecom industry sector. Prior to this, he was an analyst and assistant marketing officer at Bank of Tokyo–Mitsubishi where he was responsible for developing the bank's portfolio of telecom structured finance investment. David holds a BSc (Hons) in Engineering with Business Studies from Warwick University.



Gautam Khanna, CFA, CPA

Head of US Multi Sector Credit

Gautam is Head of Insight's US Multi Sector Credit Team and leads the management of Insight's flagship US core, core plus, select income and high yield strategies, and chairs the weekly US Portfolio Strategy Meeting. He is a voting member on Insight's Liquid Credit Committee (LCC), a group that is responsible for oversight of all publicly traded credit asset classes at Insight. He joined Insight's Fixed Income Group in 2003 (via predecessor company, Cutwater Asset Management) where he held similar roles. Prior to Cutwater, Gautam was a member of the high yield team at Times Square Capital Management, where he focused on credit management for CBOs as well as high yield total return accounts. Gautam is a member of the New York Society of Security Analysts. He holds a BS (Hons) from the Rochester Institute of Technology and an MBA degree (with distinction) from Cornell University. He is also a CFA charterholder and is a Certified Public Accountant (CPA).



Erin Spalsbury, CFA

Deputy Head of US Investment Grade

Erin joined Insight's Fixed Income Group in August 2019 as a Senior Portfolio Manager responsible for managing credit portfolios, including long duration and customized bond solutions. She previously worked at Conning, Inc. as a fixed income portfolio manager, where she managed credit liability-driven portfolios for pension and insurance clients. Prior to Conning, Erin worked at JP Morgan Asset Management as a fixed income portfolio manager, where she managed credit/customized portfolios for a full range of clients with a focus on pensions, and also handled credit trading. Erin holds a BA in Economics/Mathematics from Boston University, and is also a CFA charterholder.



David Hamilton, CFA

Head of Credit Analysis, North America

David joined the Fixed Income Group at Insight in July 2014 and is the Head of Credit Analysis, North America. He has oversight of the corporate credit team based in the US and predominantly focuses on the coverage of consumer cyclical and consumer non-cyclical sectors in the US. Prior to Insight, David spent 15 years at Delaware Investments, where he held various roles, latterly as a fixed income senior credit analyst. David graduated from Millersville University of Pennsylvania with a BS degree in Business Administration in 1999. David maintains the Series 7 license with the Financial Industry Regulatory Authority (FINRA) and is a CFA charterholder.

KEY MEMBERS OF RISK MANAGEMENT (LDI) TEAM



Paul Richmond

Deputy Head of Solution Design, Client Solutions Group

Paul is Deputy Head of Solution Design in the Client Solutions Group. Paul helps lead the team in the design and delivery of investment solutions tailored to address the specific risk and return objectives of Insight's clients. Prior to joining Insight in September 2010, Paul spent five years at Hewitt Associates as an investment consultant and also four years at PwC. Paul graduated with an MA in Mathematical Sciences from Lady Margaret Hall, Oxford University in 2001. He holds the Investment Management Certificate from the CFA Society of the UK.



Joanna Howley, CFA

Head of Pooled Solutions, Client Solutions Group

Joanna joined Insight in June 2014 and is Head of Pooled Solutions in the Client Solutions Group. Joanna joined from Ignis Asset Management where she was a product specialist responsible for LDI and absolute return products. Prior to this, she was a Managing Director at BlackRock where she had spent fifteen years as an LDI solutions and fixed income investment specialist. Joanna holds a BA in Natural Sciences from Cambridge University and has completed the Investment Management Certificate from the CFA Society of the UK. She is also a CFA charterholder.



Robert Gall

Head of Market Strategy

Robert joined Insight in October 2003 as Co-Head of UK Fixed Income. In 2007, he moved to Insight's Financial Solutions Group as Head of Market Strategy, responsible for the discretionary hedge management process. He began his career at Schroders managing UK and European fixed income and in 2001 he was appointed Head of UK Fixed Income. He was appointed Head of European Fixed Income at Schroders in 2003, prior to joining Insight. Robert graduated from Queens' College Cambridge in 1992 where he read Economics and has been an Associate of the CFA Society of the UK since 1996. He is a member of the Bank of England Working Group on Sterling Risk-Free Reference Rates and the Bank of England SONIA Stakeholder Advisory Group.



Diane Stanning
Head of LDI Fund Management

Diane joined Insight in October 2006 and was appointed Head of LDI Fund Management in November 2015. She is responsible for the design and implementation of liability driven investment strategies for pension fund clients, with a focus on managing Insight's LDI pooled funds. She previously spent 14 years at Schroders, latterly as Head of the UK Multi-Asset Solutions Team. She has over 25 years' investment experience spanning both UK and overseas institutional markets, with involvement in formulating asset allocation decisions, managing multi-asset portfolios and the use of derivatives and risk management techniques. Diane holds a BA honours degree in Mathematics from Oxford University and is an Associate of the CFA Society of the UK.



Nick Ivey, CFA
Senior Solution Designer, Client Solutions Group

Nick joined Insight in September 2014 and is a Solution Designer in the Client Solutions Group. Nick works on the design and delivery of investment solutions tailored to address the specific risk and return objectives of Insight's clients. Prior to joining Insight, Nick spent four years at Aon Hewitt as a consultant providing investment advice across a range of areas including asset-liability modelling, asset allocation, liability risk management and manager selection to pension funds. Nick holds a BA first class honours degree in Economics and Management from the University of Oxford. He also holds the Investment Management Certificate from the CFA Society of the UK and is a CFA charterholder.



Emily Tann
Solution Designer, Client Solutions Group

Emily joined Insight in July 2019 and is a Solution Designer in the Client Solutions Group. Emily works on the design and delivery of investment solutions tailored to address the specific risk and return objectives of Insight's clients. Prior to joining Insight, Emily spent five years at Hymans Robertson as an investment consultant. Here, she advised DB and DC pension scheme clients on funding and investment strategy, manager selection and LDI. Emily graduated from Oxford University with a Masters in Mathematics (First Class). She also has an MSc (Distinction) in Actuarial Science from Cass Business School and is a Fellow of the Institute and Faculty of Actuaries.



Lauren Brady
Solution Designer, Client Solutions Group

Lauren joined Insight in November 2019 as a Solution Designer in the Client Solutions Group. Lauren works on the design and delivery of investment solutions tailored to address the specific risk and return objectives of Insight's clients. Prior to joining Insight, Lauren spent eight years at PwC, latterly as an investment consultant. Here, she advised clients on pensions and investment strategy, with a particular focus on cashflow driven investing and streamlining pension fund governance. Lauren graduated from Bristol University with a BA in Philosophy. She is also a Fellow of the Institute and Faculty of Actuaries.



Chloe Cunningham
Solution Designer, Client Solutions Group

Chloe is a Solution Designer in the Client Solutions Group, working on the design and delivery of investment solutions tailored to address the specific risk and return objectives of Insight's clients. Specifically, she has focussed on researching climate reporting for gilts and green gilts. She joined Insight in September 2020 on the graduate programme. Chloe holds a BA (Hons) in History and Management from Gonville and Caius College, University of Cambridge.

PUBLIC POLICY FUNCTION



Vanaja Indra
Head of Public Policy

Vanaja joined Insight in September 2011 and is responsible for helping Insight's investment business to understand the impact of regulatory and market structure reforms and to respond to them effectively. Prior to joining Insight, Vanaja held a position at the Financial Services Authority working on industry reform for OTC derivatives and, in particular, on central clearing initiatives. Vanaja started her career in 2000 at Goldman Sachs where she was responsible for structuring transactions. Following this she worked at Cairn Capital where she was responsible for structuring and marketing credit investment vehicles. Vanaja holds a first class degree in Mathematics from Imperial College London and an MSc in Operational Research from the London School of Economics.

CLIENT DIRECTORS – ESG SPECIALISTS



Steve Aukett
Client Lead, Client Solutions Group

Steve joined Insight in August 2005 and is a member of the Client Solutions Group. Steve works on the design and delivery of investment solutions tailored to address the specific risk and return objectives of Insight's clients. Prior to Insight, Steve held various roles at Schroders where he was Executive Director, Strategic Solutions and a client director for major UK pension funds. He began his career at Schroders in 1985 as a UK equity portfolio manager and client director. In 2000, he assumed the role of Head of Multi-Asset Portfolios for UK institutional clients and in 2001 he established Schroders Strategic Advice Unit which he then led. Steve holds a BSc first class honours degree in Managerial and Administrative Studies from Aston University and is an Associate of the CFA Society of the UK. Steve also holds his Series 3 license and is an Associated Person with the National Futures Association.



Blanca König, CFA
Client Director, Client Solutions Group

Blanca joined Insight in December 2018 as a Client Director. Prior to Insight, Blanca spent three years at DWS, latterly as the Head of Index Investment Specialists, where she also oversaw the structuring of the fixed income ETF range. She started her career in financial services at BlackRock (formerly BGI) in 2003 in business development. She went on to hold various roles including Fixed Income Investment Specialist and Senior Sales Strategist. Blanca graduated from Berufsakademie Berlin, Germany, with a Diplom Betriebswirt (BA equivalent) in Business Administration and Finance. She is also a CFA charterholder.



Victoria May, CFA
US Responsible Investment Lead and Co-Head of Relationship Management

Victoria joined Insight in 2014 as one of the earliest members of our US office. With over 25 years of industry experience in institutional fixed income investing, Victoria leads Insight's responsible investment/ESG initiatives in North America and is responsible for managing many of the firm's most sophisticated client relationships. Victoria is a member of a variety of global working groups including Insight's Responsible Investment Oversight Committee and she leads the US ESG Management group. She is a member of the Defined Contribution Institutional Investment Association (DCIIA) ESG Subcommittee. Previously, Victoria spent over 15 years as a senior client portfolio manager and institutional client team leader at JP Morgan Asset Management. Victoria was the lead client portfolio manager for a broad range of institutional accounts in the JP Morgan Global Fixed Income Group and subsequently the Asset Management Solutions – Global Multi-Asset Group. Prior to JP Morgan, she was employed as a specialty product manager at PIMCO. Victoria holds a BA from Cornell University, an MBA in Finance and International Business from Columbia University's Graduate School of Business and she is a CFA charterholder. She is a Founder of the Columbia Business School Women's Circle and a member of the President's Council of Cornell Women (PCCW).

APPENDIX VI LIST OF ABBREVIATIONS

Here we offer a list of the abbreviations used throughout this report.

AIFMD	Alternative Investment Fund Managers Directive	IMA	Investment Management Agreement
ATE	Additional termination event	IMG	Investment Management Group
AUM	Assets under management	IPCC	Intergovernmental Panel on Climate Change
CA100+	Climate Action 100+	IROC	Insight Responsibility Oversight Committee
CAIA	Chartered Alternative Investment Analyst	KPI	Key performance indicator
CCC	Counterparty Credit Committee	LDI	Liability-driven investment
CCRC	Climate Change Resilience Committee	LTIP	Long-term incentive plan
CFA	Chartered Financial Analyst	LVNAV	Low Volatility Net Asset Value
CLO	Collateralised loan obligation	NFA	National Futures Association
CMBS	Commercial mortgage-backed securities	NZDM	New Zealand Debt Management
CNAV	Constant Net Asset Value	OMG	Operations Management Group
CPA	Certified Public Accountant	OTC	Over the counter
CRE	Commercial real estate	PAII	Paris Aligned Investment Initiative
CRG	Counterparty Relationship Group	PCAF	Partnership for Carbon Accounting Financials
CSSF	Commission de Surveillance du Secteur Financier	PLSA	Pensions and Lifetime Savings Association
DB	Defined benefit	PRI	Principles for Responsible Investment
DCIIA	Defined Contribution Institutional Investment Association	PVG	Proxy Voting Group
DEI	Diversity, equity and inclusion	REG	Ratings and Exclusions Group
DMG	Distribution Management Group	RIG	Responsible Investment Group
DMO	Debt Management Office	RMBS	Residential mortgage-backed security
DNSH	Do no significant harm	RMG	Risk Management Group
DWP	Department of Work and Pensions	SBTi	Science-Based Targets initiative
EBSA	Employee Benefits Security Administration	SDR	Sustainability disclosure requirements
ELFA	European Leveraged Finance Association	SDG	(UN) Sustainable Development Goal
EMC	Executive Management Committee	SEC	Securities and Exchange Commission
EMIR	European Market Infrastructure Regulation	SFDR	Sustainable Finance Disclosure Regulation
EPA	Environmental Protection Agency	SLB	Sustainability-linked bond
ESG	Environmental, social and governance	SMCR	Senior Manager and Certification Regime
FCA	Financial Conduct Authority	SPV	Special purpose vehicle
GFANZ	Glasgow Financial Alliance for Net Zero	STC	Strategic Technology Committee
IA	Investment Association	TCFD	Task Force on Climate-related Financial Disclosures
IIA	Institute of Internal Auditors	TNFD	Taskforce on Nature-related Financial Disclosures
ICE	Intercontinental Exchange	TPR	The Pensions Regulator
ICMA	International Capital Market Association	UKSIF	UK Sustainable Investment and Finance Association
ICP	Insight Conduct Panel	UNGC	UN Global Compact
IIGCC	Institutional Investors Group on Climate Change	UoP	Use of proceeds
ICMA	International Capital Market Association	VNAV	Variable Net Asset Value

IMPORTANT INFORMATION

RISK DISCLOSURES

Past performance is not indicative of future results. Investment in any strategy involves a risk of loss which may partly be due to exchange rate fluctuations.

The performance results shown, whether net or gross of investment management fees, reflect the reinvestment of dividends and/or income and other earnings. Any gross of fees performance does not include fees, taxes and charges and these can have a material detrimental effect on the performance of an investment. Taxes and certain charges, such as currency conversion charges may depend on the individual situation of each investor and are subject to change in future.

Any target performance aims are not a guarantee, may not be achieved and a capital loss may occur. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies over time, and/or prevailing market conditions and are not an exact indicator. They are speculative in nature and are only an estimate. What you will get will vary depending on how the market performs and how long you keep the investment/product. Strategies which have a higher performance aim generally take more risk to achieve this and so have a greater potential for the returns to be significantly different than expected.

Any projections or forecasts contained herein are based upon certain assumptions considered reasonable. Projections are speculative in nature and some or all of the assumptions underlying the projections may not materialize or vary significantly from the actual results. Accordingly, the projections are only an estimate.

Portfolio holdings are subject to change, for information only and are not investment recommendations. Associated investment risks.

ASSOCIATED INVESTMENT RISKS

ESG

Investment type: The application and overall influence of ESG approaches may differ, potentially materially, across asset classes, geographies, sectors, specific investments or portfolios due to the nature of the specific securities and instruments available, the wide range of ESG factors which may be applied and ESG industry practices applicable in a particular investable universe.

Integration: The integration of ESG factors refers to the inclusion of ESG risk factors alongside financial risk factors in investment analysis and research to judge the fair value of a particular investment and may also include the monitoring and reporting of such risks within a portfolio. Integrating ESG factors in this way will not typically restrict the potential investable universe, but rather aims to ensure that relevant and material ESG risks are taken into account by analysts and/or portfolio managers in their decision-making, alongside other relevant and material financial risks.

Ratings: The use and influence of our ESG ratings in specific investment strategies will vary, potentially significantly, depending on a number of factors including the nature of the asset class and the structure of the investment mandate involved. For an investment portfolio with a financial objective, and without specific ESG or sustainability objectives, a high or low ESG rating may not automatically lead to a buy or sell decision: the rating will be one factor among others that may help a portfolio manager in evaluating potential investments consistently.

Engagement activity: The applicability of Insight firm level ESG engagement activity and the outcomes of this activity relating to buy, hold and sell decisions made within specific investment strategies will vary, potentially significantly, depending on the nature of the asset class and the structure of the investment mandate involved.

Reporting: The ESG approach shown is indicative and there is no guarantee that the specific approach will be applied across the whole portfolio.

Performance/quality: The influence of ESG criteria on the overall risk and return characteristics of a portfolio is likely to vary over time depending on the investment universe, investment strategy and objective and the influence of ESG factors directly applicable on valuations which will vary over time.

Costs: The costs described will have an impact on the amount of the investment and expected returns.

Forward looking commitments and related targets: Where we are required to provide details of forward-looking targets in line with commitments to external organisations, e.g. Net Zero Asset Managers Initiative, these goals are aspirational and defined to the extent that we are able and in accordance with the third party guidance provided. As such we do not guarantee that we will meet them in whole or in part or that the guidance will not evolve over time. Assumptions will vary, but include whether the investable universe evolves to make suitable investments available to us over time and the approval of our clients to allow us to align their assets with goals in the context of the implications for their investments and issues such as their fiduciary duty to beneficiaries.

Insight applies a wide range of customised ESG criteria to mandates which are tailored to reflect individual client requirements. Individual investor experience will vary depending on the investment strategy, investment objectives and the specific ESG criteria applicable to a Fund or portfolio. Please refer to the investment management agreement or offering documents such as the prospectus, Key Investor Information Document (KIID) or the latest Report and Accounts which can be found at www.insightinvestment.com and where applicable information in the following link for mandates in scope of certain EU sustainability regulations <https://www.insightinvestment.com/regulatory-home/sustainability-regulations/>; alternatively, speak to your main point of contact in order to obtain details of specific ESG parameters applicable to your investment.

ASSOCIATED INVESTMENT RISKS

Fixed income, liability-driven investment and multi-asset

Where the portfolio holds over 35% of its net asset value in securities of one governmental issuer, the value of the portfolio may be profoundly affected if one or more of these issuers fails to meet its obligations or suffers a ratings downgrade.

A credit default swap (CDS) provides a measure of protection against defaults of debt issuers but there is no assurance their use will be effective or will have the desired result.

The issuer of a debt security may not pay income or repay capital to the bondholder when due.

Derivatives may be used to generate returns as well as to reduce costs and/or the overall risk of the portfolio. Using derivatives can involve a higher level of risk. A small movement in the price of an underlying investment may result in a disproportionately large movement in the price of the derivative investment.

Investments in emerging markets can be less liquid and riskier than more developed markets and difficulties in accounting, dealing, settlement and custody may arise.

Investments in bonds are affected by interest rates and inflation trends which may affect the value of the portfolio.

Where high yield instruments are held, their low credit rating indicates a greater risk of default, which would affect the value of the portfolio.

The investment manager may invest in instruments which can be difficult to sell when markets are stressed.

Exposure to international markets means exposure to changes in currency rates which could affect the value of the portfolio.

Where leverage is used as part of the management of the portfolio through the use of swaps and other derivative instruments, this can increase the overall volatility. While leverage presents opportunities for increasing total returns, it has the effect of potentially increasing losses as well. Any event that adversely affects the value of an investment would be magnified to the extent that leverage is employed by the portfolio. Any losses would therefore be greater than if leverage were not employed.

Property assets are inherently less liquid and more difficult to sell than other assets. The valuation of physical property is a matter of the valuer's judgement rather than fact.

While efforts will be made to eliminate potential inequalities between shareholders in a pooled fund through the performance fee calculation methodology, there may be occasions where a shareholder may pay a performance fee for which they have not received a commensurate benefit.

Cash

Where the portfolio holds over 35% of its net asset value in securities of one governmental issuer, the value of the portfolio may be profoundly affected if one or more of these issuers fails to meet its obligations or suffers a ratings downgrade.

This is not a banking product and whilst preservation of capital is a major component of the objective it is not guaranteed. The value of capital invested in a money market fund may fluctuate. Neither Insight nor any other BNYM group company will provide capital support in the event of any capital loss, which will be borne by the investor.

The issuer of a debt security may not pay income or repay capital to the bondholder when due.

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For a full list of applicable risks, investor rights, KIID risk profile, financial and non-financial investment terms and before investing, where applicable, investors should refer to the Prospectus, other offering documents, and the KIID which is available in English and an official language of the jurisdictions in which the fund(s) are registered for public sale. Do not base any final investment decision on this communication alone. Please go to www.insightinvestment.com.

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